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**THE HISTORICAL RELATIONS BETWEEN CONSUMER CO-OPERATIVES  
AND THE LABOUR MOVEMENT IN KENYA**

**A CONFERENCE PAPER**

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<sup>1</sup> This paper is based on research conducted in August 2015 by Prof. Esther Gicheru, Kirianki M'Imanyara and Silas Maiyo, all of the Institute of Co-operative Development at the Co-operative University College of 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. Kenya is regarded as the home of Co-operatives in Africa when evaluated in terms of number and types of Co-operatives, membership and share capital. 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 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 been taken off in Kenya include, but are not limited to, consumer Co-operatives, workers' Co-operatives and environmentally-friendly Co-operatives. There is little understanding of the reasons for the low uptake of these categories of Co-operatives in Kenya. Consumer cooperatives are enterprises owned by consumers and managed democratically which aim at fulfilling the needs and aspirations of their members.<sup>2</sup> Consumers' cooperatives often take the form of retail outlets owned and operated by their consumers, such as food co-operatives<sup>3</sup>. Many consumer Co-operatives established soon after the independence in 1964 failed. This research investigated the historical context in which the consumer cooperatives emerged in Kenya; their chronological development; their organization structure and their socio-economic impact. It will recommend policy options for the development of a vibrant and sustainable consumer Co-operative Movement in Kenya. The five key questions that guided this study were around (a) the number and membership of registered consumer Co-operatives in Kenya (b) the role of the labour movement (c) the contribution of consumer Co-operatives (d) their organization structure (e) the facilitating and limiting factors in development of a vibrant and sustainable consumer Co-operative Movement in Kenya.

Based on the findings, this study makes seven key conclusions and recommendations that include the realization that (a) many people and the labour movement institutions in Kenya do have full understanding of the nature, benefits and operations of Consumer Co-operatives and hence the Government, the labour movement and established national Co-operative organizations in Kenya need to discuss ways of sensitizing people on the nature, benefits and operations of consumer Co-operatives (b) the main factors that has contributed to the failure of established consumer Co-operative enterprises is low governance and management capacity of Co-operative leaders and members of consumer Co-operative enterprises and

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<sup>2</sup> Euro Coop. "Consumer Co-operatives: Democracy - Development - Employment". p. 4. Retrieved 2011-06-07.

<sup>3</sup> Sullivan, Arthur; Steven M. Sheffrin (2003). Economics: Principles in action. Upper Saddle River, New Jersey 07458: Pearson Prentice Hall. p. 203. ISBN 0-13-063085-3.



*therefore a skills gap analysis should be done and capacity building programs developed to train key players in the sub-sector (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 in this role today, which calls for ILO, ICA, FAO etc. to provide support to the labour movement in Kenya to play an increased role in the promotion and support of consumer Co-operatives in Kenya (d) 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 and making it imperative for development agencies to seek and win the political goodwill and support of appropriate national institutional structures to assure their concerted and sustained political goodwill and support.*



## Introduction

### ***Global Perspective***

Throughout the world, Co-operatives have been known to influence positively the socio-economic livelihood of their members, families, communities and the nation through a variety of means including formalization of informal economic activities, increased incomes at both household and national levels, job creation, improved social inclusion and social cohesion, enhanced democracy, equality and equity, improved environmental awareness and action. In addition, Co-operative enterprises contribute 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<sup>4</sup>. Co-operative enterprises provide over 100 million jobs<sup>5</sup> around the world. However, for co-operatives to leverage their contribution to socio-economic development, they must be commercially viable and sustainable enterprises.

State and non-state actors including the labour movement have played a major role in the promotion of and support to Co-operative enterprises all over the world. The role of the labour movement has mainly been on the promotion and support to workers' Co-operatives and consumer Co-operatives. However, more recently the labour movement has been supporting "worker-takeover" of state and private owned enterprise to safeguard jobs and workers' livelihoods where there is a threat of enterprise collapse.

### ***The Kenyan Co-operative Movement and Labour Movement***

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 of Savings and Credit Co-operatives (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 carved a fast-growing niche and claim a substantial Co-operative market share. Government records show that 211 Consumer Co-operative enterprises have been registered in Kenya between 1908 and 2015 but most of them are not active<sup>6</sup>. 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

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<sup>4</sup> United Nations General Assembly, 2011

<sup>5</sup> ICA: [www.ica.org](http://www.ica.org)

<sup>6</sup> Interview with Mr. Stanly Ongeti, Directorate of Co-operative Development, 2015



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, and indeed in the world. 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, 2008)<sup>7</sup> while national savings and deposits is 31%<sup>8</sup>. According to ICA (2011) Co-operatives in Kenya have commanding market share for instance in coffee (70%), dairy (76%), pyrethrum (90%) and cotton (95%). The turnover for the whole Co-operative sector in 2007 was Ksh24.3 billion (USD 323.4 million) out of which Ksh14.4billion (USD\$192 million) and Ksh8.4 billion (USD\$112 million) were respectively contributed by the SACCOs and the agricultural cooperatives<sup>9</sup>. 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”<sup>10</sup>. According to Sarma, “consumer cooperatives” are types of Co-operatives and the term “Co-operatives” comes from the term “cooperation”. “Co-operation” is defined by the Latin term “co-operari” where “co” means “with” and “operari” to “work” therefore, “co-operation” 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)<sup>11</sup> 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.<sup>12</sup> They operate within the market system, independently of the state, as a form of

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<sup>7</sup> Chambo, S.A., Mwangi, M. M. & Oloo, O. O. (2008). An Analysis of the Socio-Economic Impact of Co-operatives in Africa and their Institutional Context. ICA and the Canadian Co-operative Association.

<sup>8</sup> ICA,2011

<sup>9</sup> MoCDM,2008:20

<sup>10</sup> ICA,1995

<sup>11</sup> Sarma, N.M. Consumer Co-operatives and Rural Marketing. Namurang Rai, 2003

<sup>12</sup> Euro Coop. "Consumer Co-operatives: Democracy - Development - Employment". p. 4. Retrieved 2011-06-07.



mutual aid, oriented toward service rather than pecuniary profit<sup>13</sup>. Consumers' cooperatives often take the form of retail outlets owned and operated by their consumers, such as food co-operatives<sup>14</sup>. However, there are many types of consumers' cooperatives, operating in areas such as health care, insurance, housing, utilities and personal finance (including credit unions).

In some countries, consumers' cooperatives are known as cooperative retail societies or retail co-operatives, though they should not be confused with retailers' cooperatives, whose members are retailers rather than consumers. The aim of consumer cooperatives is provision of goods and services for the welfare of the people in a given society through; first, mobilizing consumers into participative consumer Co-operatives, secondly, strengthening the management of the consumer business operations with an aim of profitability and viability of business and lastly, 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<sup>15</sup>, 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 Co-operators Group Limited of Canada has been flourishing 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 USD55.5 millions and a turnover of USD3 billion<sup>16</sup>.

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<sup>13</sup> Warbasse, James Peter (1950). Co-operative Peace.

<sup>14</sup> Sullivan, Arthur; Steven M. Sheffrin (2003). Economics: Principles in action. Upper Saddle River, New Jersey 07458: Pearson Prentice Hall. p. 203. ISBN 0-13-063085-3.

<sup>15</sup> Strashok, C. and Dale, A. The Co-operators Group Limited: A Co-operative Business Model. 2006

<sup>16</sup> The Cooperators Financial Report, 2009



## The Emergence of Consumer Co-operatives in Kenya

Kenya is regarded as the home of Co-operatives in Africa when evaluated in terms of membership, number and types of Co-operatives. It is ranked number seven in the world and one in Africa in terms of number, size and contribution of Co-operatives to development<sup>17</sup>. By 5<sup>th</sup> July, 2010, there were 12,632 registered Co-operatives<sup>18</sup>. About 8 out of 10 Kenyans or close to 8 million individuals are members of or dependent on Co-operative business enterprises<sup>19</sup>. The population of the country stood at 38,610,097 by 2009<sup>20</sup> and about 67% of the Kenyan population directly and indirectly depends on cooperatives<sup>21</sup>. Approximately 45% of these cooperatives are SACCOs that command a total saving to the tune of 250 billion Kenya shillings<sup>22</sup>. Majority of the SACCOs are flourishing, viable and boasting of huge savings<sup>23</sup>. Marketing cooperatives play an important role in the socio-economic development of the country; however the greatest contributors are the financial cooperatives such as SACCOs, KUSCCO, Co-operative Bank and Co-operative Insurance Company. In the public transport sector, public service vehicles (PSV) owners and workers have formed successful route-based Savings and Credit Co-operatives (SACCOs), particularly for the mini buses.



Preliminary background research shows that 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.



<sup>17</sup> ICA: [www.ica.org](http://www.ica.org)

<sup>18</sup> MOCD&M, 2010

<sup>19</sup> Republic of Kenya, Ministry of Co-operative Development and Marketing. Annual Report, 2010.

<sup>20</sup> Kenya National Bureau of Statistics, 2009

<sup>21</sup> Republic of Kenya, Ministry of Co-operative Development and Marketing. Census on Co-operatives, 2009

<sup>22</sup> International Co-operative Alliance. 2008

<sup>23</sup> F. O. Wanyama, 2009



Many other consumer Co-operatives were established in Kenya after independence. These included City Chicken and Eggs Consumer Co-operative (1964), Port Workers' Consumer Co-operative Society (1964), the Nairobi Consumers' Co-operative Union (1968), Co-operative College Consumer Co-operative Society (1979), Kilimo Consumer Co-operative Society (1983), Nzoia Investment (Consumer) Co-operative Society (1994) were four-fold<sup>24</sup>. First, 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 Co-operatives 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<sup>25</sup>. The third, and as in the case of other types, 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 is 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 been 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, Easter 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 Co-operative development was skewed towards some other dominant types of Co-operatives in Kenya - financial, agricultural, insurance and housing and a few others – have continued to grow but certainly not consumer Co-operatives. This is at the backdrop of thriving consumer Co-operatives

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<sup>24</sup> Various sources including (a) Co-operative College of Kenya. Annual Report, 1979. (b) Ouma, S.J. Development in Kenya through Co-operatives, 1987. (c) MOCD. Co-operative Legislation Study in Kenya: Final Report by Prof. O.K. Mutungi. September 1995.

<sup>25</sup> Ministry of Co-operative Development. The Indigenization of the National Economy through Co-operatives in Kenya. July 1987.



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 to 159 due to new formations necessitated by increase in prices of goods and services in 2007/2008<sup>26</sup>.

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### **Focus of the Research**

To explore these issues, this paper discusses the historical relations between consumer Co-operatives and the Labour movement in Kenya during the colonial period between 1900 and 1963 and the independence period between 1964 and 2015. The latter period is further divided between the state permissive period between 1964 and 1980 when the state facilitated mushrooming of Co-operatives without due regard to their commercial viability and sustainability and the state restrictive period between 1980 and 2011 when the Union of Kenya Civil Servants was banned.

The objectives of this study were to establish the:

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

### **Significance of the Study**

The main output of this research will be a conference paper to be presented in the research conference organized by the International Co-operative Alliance Committee on Cooperative Research (ICA CCR) and the International Labour Organization (ILO) on 10-11 November 2015 in Antalya, Turkey. A journal article will be written for publication in an accredited international journal. Another output would be to influence public policy on consumer Co-operatives in Kenya with a view to enhancing support to consumer Co-operatives that have been on a declining trajectory in Kenya since 1970s while they are thriving in other countries.

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<sup>26</sup> Emanu,2009



## Research Methodology

This study adopted a descriptive survey which is defined by Gay<sup>27</sup> as an attempt to collect data from members of the sample population in order to determine the current status of that population with respect to one or more variables.

The research instruments used for data collection in this study were questionnaires, Interview Schedule and a Focus Group Discussion (FGD) Schedule. The research instruments were validated and verified on the reliability for data collected. Using competent enumerators and research assistants, data was collected from the field of study.

This study collected 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. The study covered 4 out of 12 Counties (33%) 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 (See Appendix 1: List of Institutions Interviewed). A total of 20 key informants were interviewed representing consumer Co-operative enterprises (10), National Government (1), County Government (4), trade unions (2) and a Co-operative organization with interest in Consumer Co-operatives (1). The two trade unions that were interviewed are 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.

The four Counties that were purposively selected for this research are Nairobi, Kisumu, Embu and Uasin Gishu. Historically Nairobi has the highest number of consumer Co-operatives, including the Nairobi Consumer Co-operative Union. Further, Nairobi has the highest number of active consumer Co-operatives. Kisumu County is the home of one of the 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 travelling from Kisumu and Nairobi respectively.

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<sup>27</sup> Gay, L. Educational Research Competences for Analysis and Application: 2<sup>nd</sup> Edition, Columbus: Oluo Melil, 1981



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.

### Stage 1: Selection of Counties

Four (4) out of twelve (12) Counties (33%) were selected to represent areas where consumer Co-operatives have historically operated. The selected Counties are Nairobi, Kisumu, Uasin Gishu and Embu. They represent urban and rural areas, have highest concentration of consumer Co-operatives and other historical peculiarities that are likely illuminate some of the grey areas that are the focus of this research.

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### Stage 2: Selection of Key Informants / Opinion Leaders

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 and Marketing (DOCDM) within the Ministry of Industrialization and Enterprise Development (MOIED), officers in Co-operative Departments in County Governments, Union of Kenya Civil Servants (UKCS), Central Organization of Trade Unions (COTU) and Kenya Union of Savings and Credit Co-operatives (KUSCCO). The latter was included in the study because in 1990 it operated two consumer shops (Supermarkets) in Nairobi through its wholly-owned company called KUSCCO Nairobi Wholesalers' Ltd. The objective of these provision stores was to satisfy the consumer needs of Co-operative members in Nairobi<sup>28</sup>.

### Stage 3: Consumer Co-operatives

Co-operative officers at County level were used to identify active consumer Co-operatives in their Counties and the researchers selected one or 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.

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<sup>28</sup> The "KUSCCO Supermarkets" as they were called collapsed after about two years of operation but KUSCCO continues to provide a number of consumer products to its members across the country.





*Group photo of the Research team from CUCK and the Executive committee of the Kilimo Consumer Co-operative Society during the research activity*

#### **Stage 4: Selection of Individual Respondents**

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

#### **Research Instruments**

The research instruments used in this study are a questionnaire, an Interview Schedule and a Focus Group Discussion (FGD) Schedule. The research instruments shall be validated and verified on the reliability.

#### **Data Analysis**

The quantitative data that was collected was analyzed using Statistical Package for Social Scientists (SPSS) to enable reliable results of high integrity.

The qualitative data was analyzed by a team of experienced analysts using content analysis method to extract information.

The analyzed data was presented in graphs, pie charts and tables for ease of interpretation and writing of this research paper.

#### **Research Findings**

This chapter discusses the findings from the research and 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

This research study established that there are 211 registered consumer Co-operatives spread in 35 out of 47 Counties in Kenya (See Appendix 5). The earliest consumer Co-operative was registered in 1940. A total of 12 consumer Co-operatives were registered between 1940 and 1949. 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. The following table shows the trend in the registration of consumer Co-operatives in Kenya between 1940 and 2015.

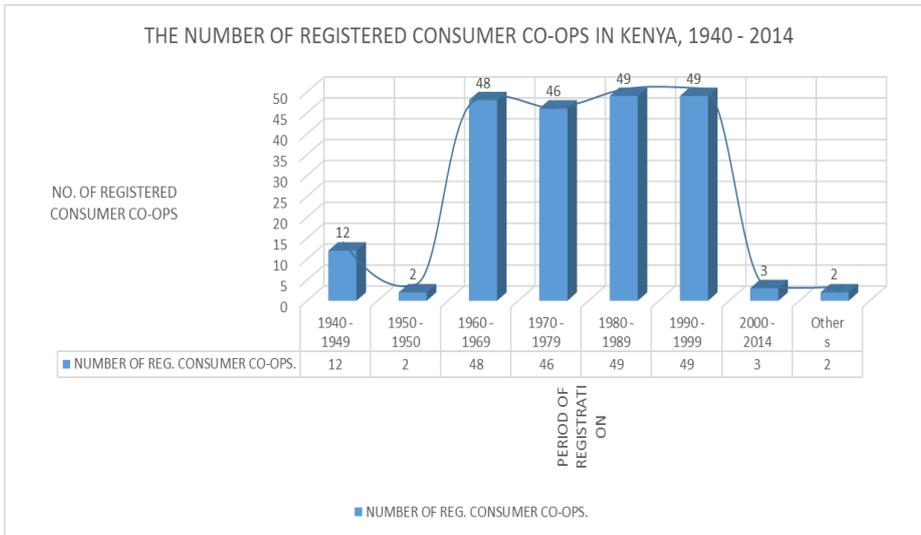
**Table 1: Number of Registered Consumer Co-operatives in Kenya, 1940-2015**

PERIOD OF REGISTRATION	NO. OF REG. CONSUMER 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
<b>TOTAL</b>	<b>211</b>

Source: Ministry of Industrialization and Enterprise Development, 2015

**Graph 1: The number of registered consumer co-operatives in Kenya in the period 1940 – 2014.**





Source: Ministry of Industrialization and Enterprise Development, 2015

From Graph 2 above, it is depicted that, in the period 1940 – 1949, 12 consumer co-operatives were registered, representing 6% of the total registered consumer co-operatives in Kenya. This was a pre-independence period in Kenya under the colonial government.

In the period 1950 – 1959, a total of 2 consumer co-operatives were registered, which is a representation of 1% of the total consumer Co-operatives in Kenya. This shows a decline of 5% over the same period in the previous decade.

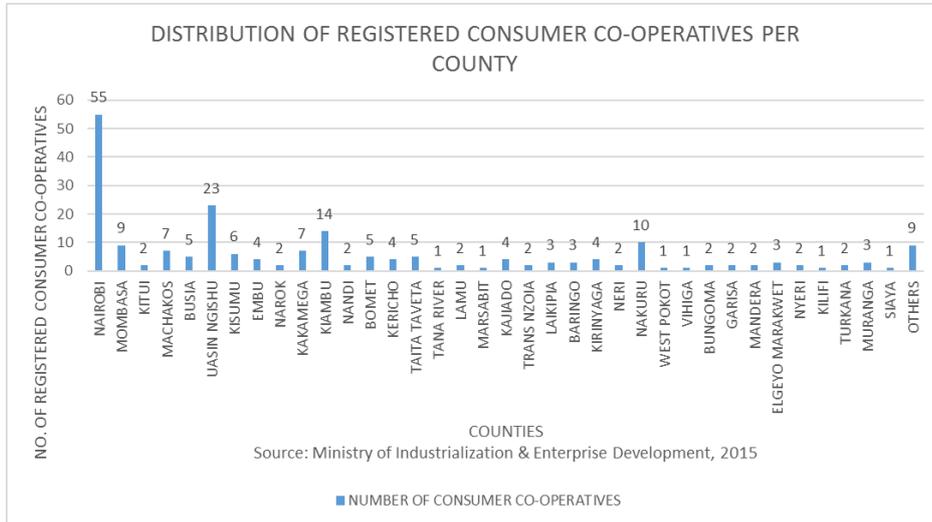
The graph also shows that in the period 1960 – 1969, the time of independence period in Kenya, a total of 48 consumer Co-operatives were registered in Kenya, representing 23% of the total consumer co-operatives in Kenya. This is a sharp increase from 1% of the previous similar period of time. In the period 1970-1979, a total of 46 consumer co-operatives were registered in Kenya, representing 22% of the entire number of registered consumer co-operatives in Kenya.

We are also shown that in the periods 1980- 1989 and 1990 – 1999 registered the highest number of consumer co-operatives each registering 49 consumer co-operatives, a representation of 23% for each of the total consumer co-operatives in Kenya. There is a stiff decline in the number of consumer co-operative registration in the period 2000 and after.

Nairobi city county has the most highest number of consumer co-operatives, 55 in number, a representation of 26% of the total consumer co-operatives in Kenya, followed by Uasin



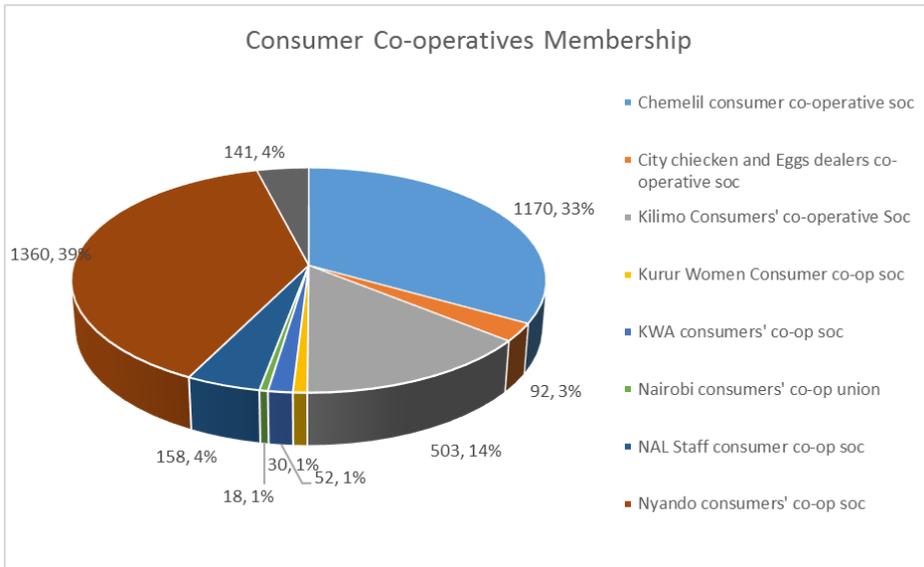
Gishu county with 23 number of consumer co-operatives, representing 11% of the total number of consumer co-operatives in the country.



This research could not 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 research could not establish the status of each of the registered consumer Co-operative. The number of members in the 10 active consumer Co-operatives in this study was 3,534.

Graph 2: Number of Members in the Studied Consumer Co-operative Enterprises





We noted that the largest consumer co-operative in membership was Nyando consumer co-operatives (with 39% (1360 members) of the total sample population under study followed by Chemelil consumers' co-operative society with 33% (1170 members) of the total sample population.

NAL staff consumer co-operative and Umani 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.

#### Status of Consumer Co-operatives in Kenya

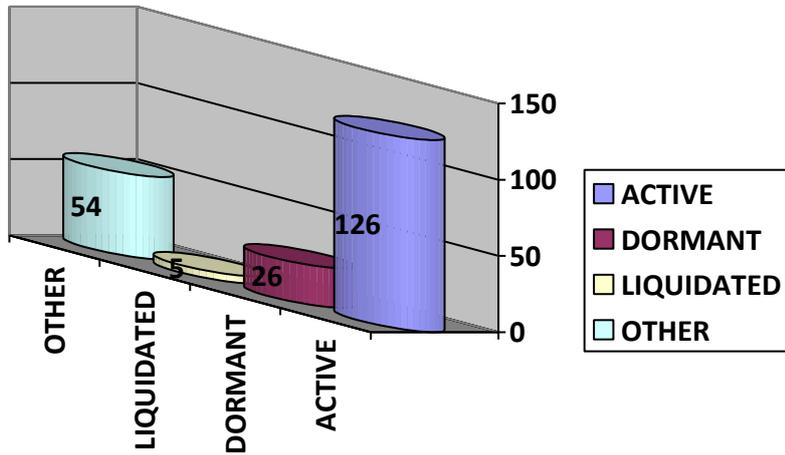
**Table 2: The status of consumer Co-operatives in Kenya, 1940 - 2015**

SN <sup>o</sup>	THE STATUS	NO. OF CONSUMER CO-OPERATIVES	PERCENTAGE (%)
1	Active	126	60
2	Dormant	26	12
3	Liquidated	5	2.4
4	Other	54	25.6



TOTAL	211	100
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Source: Ministry of Industrialization and Enterprise Development, 2015



Source: Ministry of Industrialization and Enterprise Development, 2015

The study established that since the registration of the first consumer co-operative in 1940s, with a total number of 211 consumer co-operatives, we currently have 126 (about 60% ) Active consumer co-operatives, 26 (about 12%) Dormant consumer co-operatives, 5 (2.3%) Liquidated consumer co-operatives and 54 (26%) unknown status. This representation is noted with concern since cumulatively more than 40% of the total registered consumer co-operatives are in disquieting situation of either dormant, liquidated or unknown to the government.

#### The contribution of Consumer Co-operatives to Development

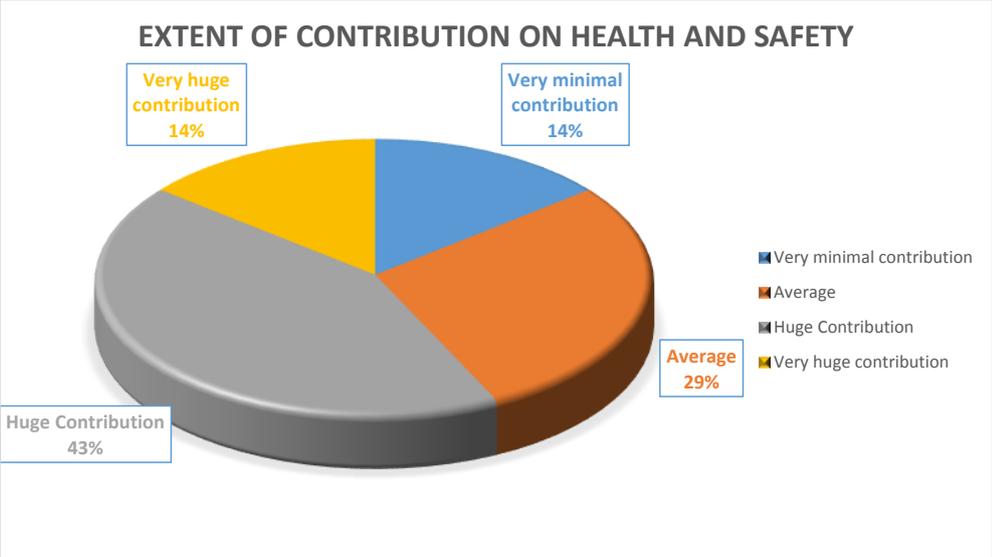
Where they have worked, consumer Co-operatives have generally had significant contribution to development in Kenya, mainly in terms of promotion of social inclusion, social integration and social cohesion amongst workers from different communities, food security and health, saving of office time due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

In particular, this research found that the 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.

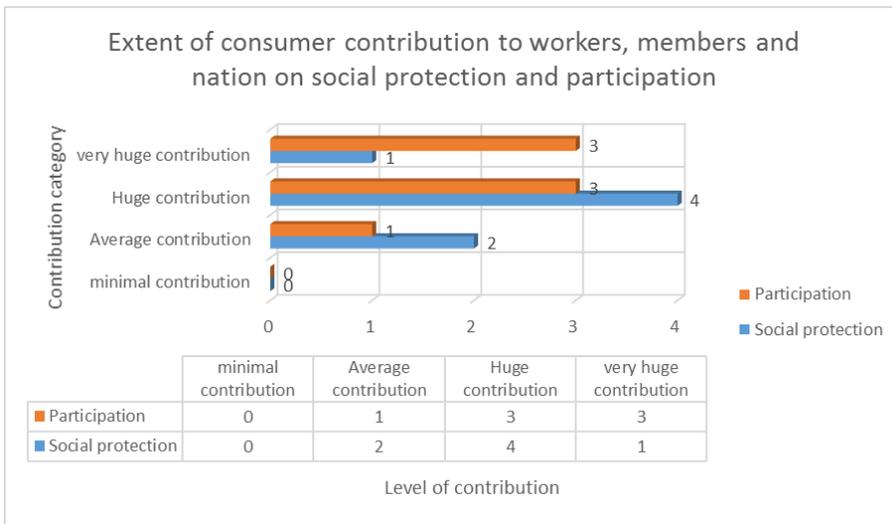
**Graph 3: Contribution of Consumer Co-operatives to Health and Safety**



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

**Graph 4: Contribution of Consumer Co-operatives 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 consumer Co-operatives on social participation and social protection. Out of 7 respondents, 3 said that there was huge contribution and also same number for 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.

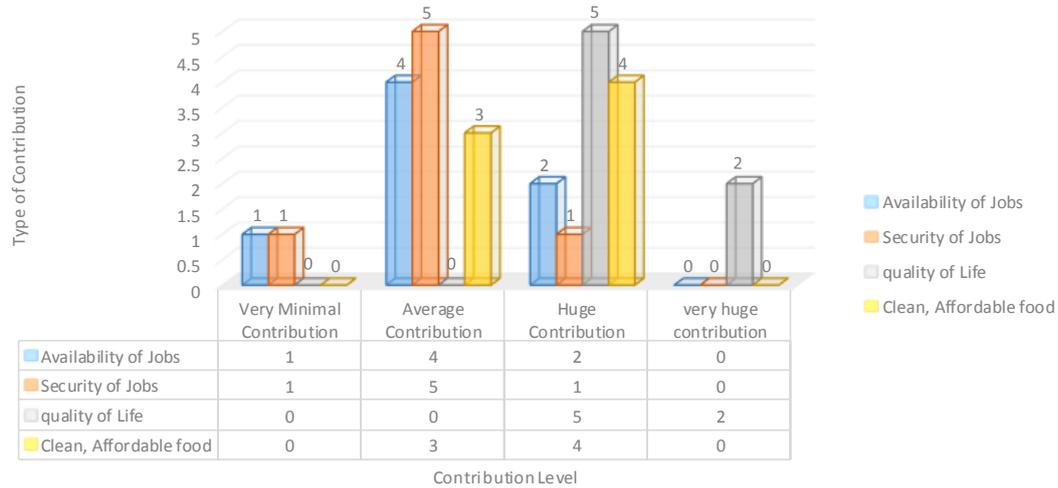
The same members believe that their consumer Co-operative enterprises make a very huge contribution to their quality of life, very huge contribution to their need for clean, affordable food, and average contribution to security of jobs.

**Commented [p4]:** Please unpack what we mean by quality of life

**Graph 6: Contribution of Consumer Co-operatives to Social Jobs, Food and Quality of Life**



Extent to which Consumer co-operatives contribute to members, workers and nation on availability of jobs, security of jobs, clean & affordabel food and quality of life



The majority of respondents from the graph 6 above, indicated that Consumer co-operatives contributes to its 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 Co-operatives in Kenya**

This research found out that the Labour Movement, in particular the Union of Kenya Civil Servants (UKCS) and the Central Organization of Trade Unions (COTU), played a very active role in the promotion and support to consumer Co-operative 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 Co-operatives in Kenya is supported by the fact that with time both COTU and UKCS discontinued their programs and staff on Co-operative development.

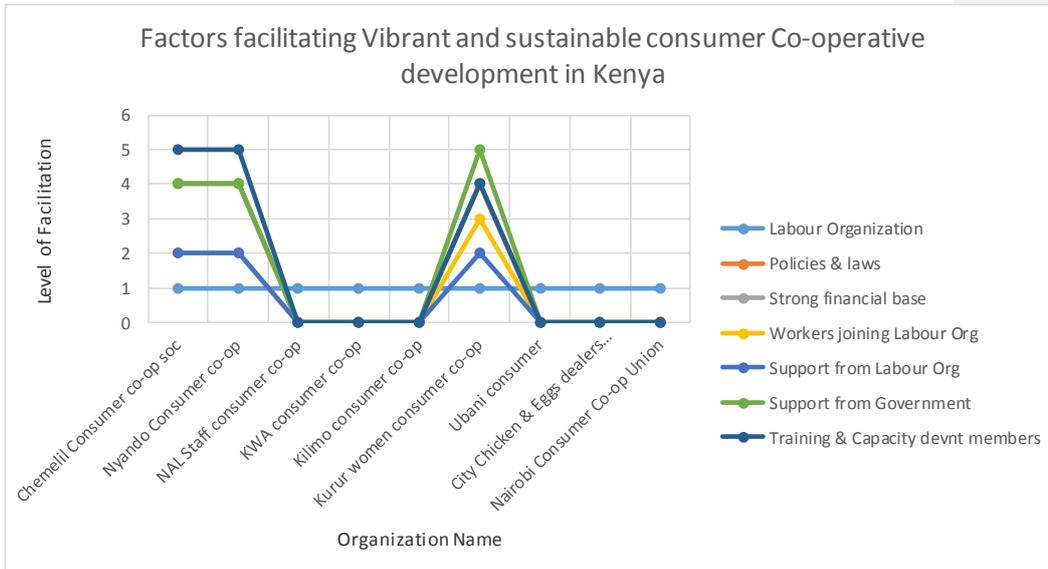
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Interviews with officials from COTU and UKCS indicated willingness of their organizations to re-focus on supporting their members to establish and grow Co-operative enterprises as was the case during the colonial period and the first three decades 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 the development of a vibrant and sustainable consumer**  
Respondents for this research 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.

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. It was observed that the donors that were supporting the labour movement to promote consumer Co-operatives in Kenya unwittingly made the Government play second fiddle in and this may have contributed to a lower level of Government's sustained support given to other types of Co-operatives at the same time and even in later years.



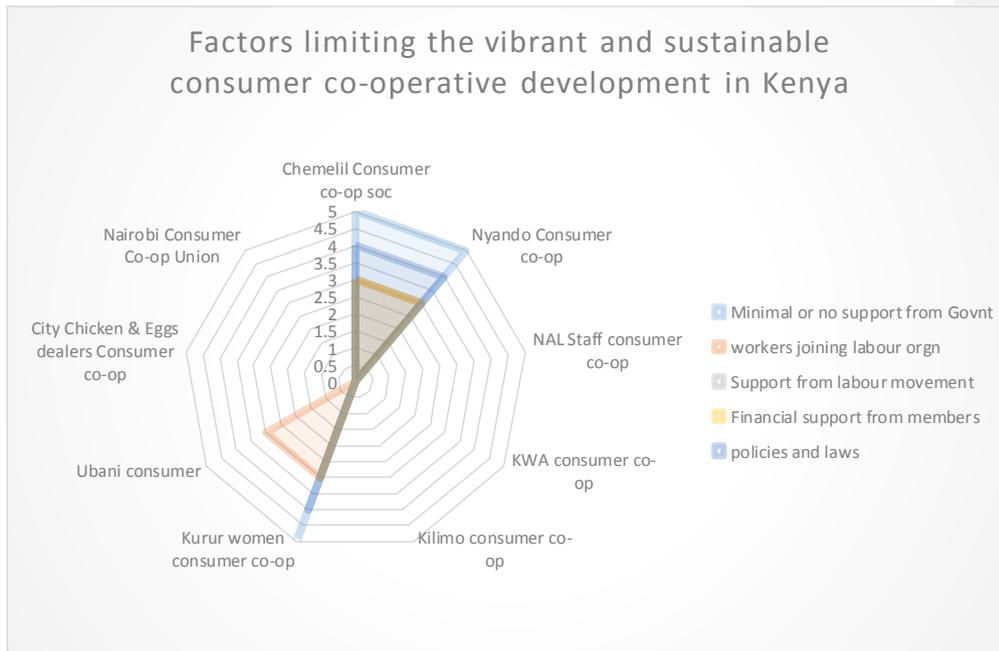


Majority of the respondents cited factors that limit the development of vibrant and sustainable consumer Co-operatives in Kenya as: low support from Government and the labour movement, low financial contribution from members, poor policies and laws, etc.

**Graph 7: Factors that Limit the Growth of Consumer Co-operatives**



## Factors limiting the vibrant and sustainable consumer co-operative development in Kenya



Four (4) out of nine (9) respondents widely mentioned that minimal or no support from government and Impractical policies and laws played major roles as limiting factors towards growing vibrant and sustainable consumer Co-operatives in Kenya.

It is also noted that, 4 out of nine (9) respondents mentioned that workers joining labour organization and support from labour movements play some average role as limiting factors towards a growing vibrant and sustainable consumer Co-operatives in Kenya. This was so since discussions carried out in the field pointed out that most of the trade unions do not address the concerns of consumer Co-operatives amicably.

Five (5) out of nine (9) respondents did not have an opinion to these concerns as limiting factors to vibrant and sustainable consumer co-operatives in Kenya.

### Conclusions and Recommendations

#### Conclusion 1: Awareness of the Nature, Benefits and Operations of Consumer Co-operatives

Many people and the labour movement institutions in Kenya do have full understanding of the nature, benefits and operations of Consumer Co-operatives.

#### Recommendation 1



It is recommended that the Government, the labour movement and established national Co-operative organizations in Kenya need to discuss ways of sensitizing people on the nature, benefits and operations of consumer Co-operatives.

### **Conclusion 2: Specific Guidelines and Regulations for Consumer Co-operatives**

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.

### **Recommendation 2**

It is recommended that stakeholders in the Co-operative sector, including the National Government, County Governments, Co-operative Alliance of Kenya, National Co-operative Organizations and the Co-operative University College of Kenya need engage in a continuous national dialogue towards establishing specific guidelines, policies and regulations for consumer Co-operatives in Kenya.

### **Conclusion 3: Capacity Building for Consumer Co-operatives**

Research findings in this paper show that one of the main factors that has contributed to the failure of established consumer Co-operative enterprises is low governance and management capacity of Co-operative leaders and members of consumer Co-operative enterprises.

### **Recommendation 3**

It is recommended that stakeholders carry out a skills gap analysis and develop capacity building programs for stakeholders including Co-operative leaders, members and staff, Government officials, labour movement officials and trainers.

### **Conclusion 4: Access to Finance**

Provision of satisfactory services to members requires that a consumer Co-operative enterprise has the financial wherewithal for timely purchase a wide range of consumer inputs requirements for prompt service delivery to consumers. Many consumer Co-operatives have low access to affordable finance and are often times not able to satisfy their consumers, who, inevitably get demoralized and reduce their patronage.

### **Conclusion 5: Government Incentives to Employers**

Most of the consumer Co-operative enterprises in Kenya today are established and patronized mainly by employees working in Government Departments or private companies. These employers often provide facilities to workers including premises for use



by consumer Co-operatives, time-off to carry out work for their Co-operative and sometimes purchase bulk services and goods from the Co-operative.

#### **Recommendation 5**

It is recommended that National and County Governments provide incentives to employers who support workers to establish and operate consumer Co-operatives on their institutional premises and access other facilities.

#### **Conclusion 6: Labour Movement Involvement in Consumer Co-operatives in Kenya**

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 an insignificant role in this role today.

#### **Recommendation 6**

It is recommended that international organizations that have an interest in the development of Co-operatives, particularly workers and consumer Co-operatives (for example ILO, ICA, FAO, etc.) provide support to the labour movement in Kenya to play an increased role in the promotion and support of consumer Co-operatives in Kenya.

#### **Conclusion 7**

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.

#### **Recommendation 7**

Development agencies that provide support to the promotion and development of Co-operatives 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.

#### **Further research reviews**

Whereas most of the research objectives and questions were answered, the researchers identified critical concerns that need further research and reviews so as to bring concerted efforts and continuity in supporting consumer Co-operatives in harmony with the trade unions in Kenya for a vibrant and sustainable socio-economic development.



The research forms the baseline for further exploration on the possible practical policies, laws and guidelines that stimulate the relations between the consumer co-operatives and the Labour movements in Kenya.

There is need to investigate the recommendations provided on factors limiting and those facilitating vibrant and sustainable consumer co-operative movement in Kenya. There are contested observations on why trade unions and workers joining labour organization have skewed impact on positive improvement of consumer Co-operatives in Kenya.

Furthermore, future reviews to find out the reasons as to why there is high number of both inactive, unknown status and liquidated consumer co-operatives with possible mechanisms be put in place to revive them to profitability.

The study found out that there is an obvious gap in the relations between the government, both county and national governments, on matters of consumer co-operative promotions, establishment, marketing and management given that it is a devolved function as per the Kenyan Constitution (2010). Therefore this study recommend further research to explore these gaps and provide amicable framework of operations between the two levels of government and the consumer Co-operatives.



**Appendix 1: List of Institutions Interviewed.**

SN <sup>o</sup>	County / Institution	SN <sup>o</sup>	Consumer co-operatives
1	Kisumu	1	Chemelil Consumer co-operatives society
		2	Nyando consumers Co-operatives society
		3	County commissioner of co-operatives
		4	Sub-county commissioner of co-operatives- Nyando
2	Nairobi	1	Chicken & Eggs Dealers consumer co-operatives society
		2	Kilimo Consumers co-operatives society
		3	Nairobi consumers co-operatives union
		4	NAL Staff consumers co-op society
		5	Ubani Consumers co-op society
		6	District county commissioner of co-operatives (2)
3	National Ministry of Industrialization and enterprise development	7	Commissioner of co-operatives
3	Uasin Gishu	1	KWA consumers co-op society
		2	Kurur Womens consumers co-op
4	Embu county	1	County commissioner of co-operatives
		2	Kevote Consumer Co-operative Society
		3	District commissioner of co-operatives
5	Labour Movement Institutions	1	Central Organization of Trade Unions (COTU)
		2	Union of Kenya Civil Servants (UKCS)
6	Institutions with Interest in Consumer Co-operatives	1	Kenya Union of Savings and Credit Co-operatives (KUSCCO)
	<b>Total</b>	<b>20</b>	



## Appendix 2: Spread of Registered Consumer Co-operatives in Kenya

Table 1: Number of registered consumer co-operatives per county

SN <sup>o</sup>	NAME OF COUNTY	NO. OF CONSUMER CO-OPERATIVES	SN <sup>o</sup>	NAME OF COUNTY	NO. OF CONSUMER CO-OPERATIVES
1	NAIROBI	55	11	KIAMBU	14
2	MOMBASA	9	12	NANDI	2
3	KITUI	2	13	BOMET	5
4	MACHAKOS	7	14	KERICHO	4
5	BUSIA	5	15	TAITA TAVETA	5
6	UASIN NGISHU	23	16	TANA RIVER	1
7	KISUMU	6	17	LAMU	2
8	EMBU	4	18	MARSABIT	1
9	NAROK	2	19	KAJIADO	4
10	KAKAMEGA	7	20	TRANS NZOIA	2
21	LAIKIPIA	3	31	ELGEYO MARAKWET	3
22	BARINGO	3	32	NYERI	2
23	KIRINYAGA	4	33	KILIFI	1
24	NERI	2	34	TURKANA	2
25	NAKURU	10	35	MURANGA	3
26	WEST POKOT	1	36	SIAYA	1
27	VIHIGA	1	37	OTHERS	9
28	BUNGOMA	2		<b>TOTAL</b>	<b>211</b>
29	GARISA	2			
30	MANDERA	2			



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