

Funerals Project Report

24 October 2011

Introduction

This is the final report to the Co-operative Enterprise Hub of a small project to investigate the scope for co-operative provision of funeral services in South Africa. Anecdotal evidence had demonstrated that the cost of funeral services was excessive, and the business was entirely in the hands of private players, who had no interest in keeping charges to consumers at a reasonable level.

A number of organisations came together to develop the project:

1. The UK Co-operative College
2. Co-operative Funeralcare
3. Co-operative Funeral Services Managers Association (CFSMA), a constituent of NACO
4. The Small Medium and Micro-enterprises Department (SMME) Department City of Johannesburg Council
5. Co-operative Policy and Alternative Centre (COPAC), a small cooperative support organisation in Johannesburg.

An important context for the project is the death rate in South Africa. The death rate is 17 deaths/1,000 population (July 2011 estimate), which is the 14th highest in the world. This compares with the UK death rate which is 9.9 deaths/1,000 population, the 66th in the world (source: UN population division).

There are a number of contributory factors to this higher death rate, but one of the most important remains HIV/AIDS. Although anti retroviral (ARV) treatment is now much more widely available, coverage is still not complete and the immune system of many people has been compromised by the previous government's refusal to provide treatment.

The project was originally scheduled to have lasted only six months, in the first half of 2010. For a number of reasons, it was necessary to prolong the life of this project. The 2010 football World Cup in South Africa brought many activities to a standstill. Delays in finalising the Memorandum of Understanding on the part of Johannesburg Metro Council were an additional cause of delay. More generally, co-operative development is a process that cannot be hurried, and this project exemplified this fact. Although not all matters have been completely resolved, it was agreed that September 2011 would be a suitable time to draw a line under the project.

However, as this report makes clear, many activities and ideas arising out of the project will hopefully come to fruition in 2012.

The project has successfully generated a large amount of information about funerals in South Africa and co-operative options. It seems that a consumer co-operative or producer co-operative is unlikely to succeed. A workers' co-operative is the best approach. One workers' co-operative has been established with support of the project. It is not trading, but that is the result of slowness by government structures in putting in place the support package, not the members themselves.

A very important consequence is the building of networks that has laid the basis for two national co-operatives in the funeral and insurance sectors.

A final outcome is a model for parts of the Co-operative Group business to be involved in international projects.

1 Key aims of the project

Complete a feasibility study and set up 2 pilot co-operatives providing replicable models for funeral co-operatives in South Africa providing low cost services to poor communities.

2 Achievements to date

- § MoU agreed between UK College and the Department of Economic Development (DED), of Johannesburg City Council, which goes beyond the lifetime of the project.
- § Desk research on burial societies undertaken and written up.
- § Extensive mapping of the funeral value chain in Johannesburg conducted and written up.
- § Study visit by South African group to UK
- § Visit by Funeralcare representative (UK Director of Operations) to South Africa
- § Presentation made on project to three CFSMA conferences
- § One workers' co-operative established, and awaiting support from South African government sources
- § Preliminary steps to establish a national funeral service run as a workers' co-operative by veterans of Umkhonto we Sizwe (MK), the armed wing of the African National Congress.

§ Preliminary steps to establish a national co-operative & mutual insurance provider for funerals - in conjunction with the South African trade union movement.

3 Outputs of the project and the progress to date

Outputs of the project can be divided into a number of categories:

Research reports
Exchange visits
New co-operative
Project proposals
Publications

Research reports

Output 1

A desk-based research and analysis on burial societies was prepared by the UK College. *This is attached.*

Burial societies have been established for many years in South Africa and are essentially a form of insurance against funeral costs. Burial societies themselves do not carry out funerals. They pay cash towards the cost of funerals. They are often linked to kinship groups and operate informally. In recent years there have been many instances of burial societies having tie-ups with funeral operators. Some funeral operators now offer an insurance product, although in many cases this is unlawful and they are not registered as financial services providers.

As discussed later, there are likely to be further attempts to regulate the sector by the South African government, and this provides an opportunity for a properly administered co-operative and mutual funeral insurance business.

Output 2

An extensive mapping exercise of the funeral value chain in Johannesburg was conducted. *This is attached.*

The key finding of the research was that funeral costs for residents of South Africa's townships can be expensive, if not exorbitant. The average cost of a low income funeral in Soweto, for example, is about 6,700 rand (£600) in a community where more than half the households have annual income of less than 9,600 rand.

The feasibility study commented on the 'opaque nature of funeral pricing' which can lead to low income funerals costing double the cost incurred by the municipality for the burials it provides to families earning less than 1,400 rand (these are typically households headed by a child). Breaking down the costs involved is difficult because funeral services businesses talk in terms of the total funeral package, but it is clear that there can be 200%-300% mark ups on coffins, for example, which have a huge

impact on total costs.

It was estimated that a co-operative could reduce the overall cost of a low income funeral by almost a third, to around 4,000 rand (compared with 5,695 rand at present).

Exchange visits

Output 3

A study visit by a South African group to the UK took place in November 2010. The main activity was to visit the operations of Co-operative Funeralcare.

The delegation was:

- § Atish Satgoor, a researcher from Co-operative Policy and Alternative Centre (COPAC);
- § Boboyi Thabethe, of the People's Cultural Organisation from Zola township in Soweto (PCO)
- § Donald Maji, one of group of small scale private operators in Ivory Park;
- § Malusi Mbusi, an official of Johannesburg City Council (JCD) Co-operatives Unit.
- § Peace Vilakasi, of the Targeted Beneficiaries Unit (TBU) of the SMME Department, Johannesburg City Council (his visit was funded by the City of Johannesburg)

The team from South Africa visited a number of funeral hubs, funeral homes and the Shield Hall Centre in Glasgow where they were able to observe the coffin factory and the masonry department. Co-operative Funeralcare provided substantial logistical support for the visit, including the use of vehicles, lunches etc.

Output 4

Visit by UK team to South Africa.

In February 2011, a UK team visited Johannesburg. This consisted of David Collingwood, UK Director of Operations, Co-operative Funeralcare; and Stirling Smith, International Programmes Manager at the Co-operative College. The aims were:

- § To follow-up the visit by South African group to UK in November 2011
- § To gain a better understanding of the funeral business in South Africa

§ To work with People's Cultural Organisation (PCO) and other stakeholders in developing a robust business model for a successful co-operative funeral enterprise, including developing a business plan

§ To identify future support needs

The costs of his visit, including flights and accommodation in South Africa were all met by Co-operative Funeralcare.

More useful information was collected on this visit, especially regarding the quality of the funeral offer. The workshop confirmed the analysis of the value chain.

New co-operative

Output 5

It was originally hoped that two pilot co-operatives would be established as a result of the project. Two candidates for establishing a co-operative were initially identified: People's Cultural Organisation, based in Soweto, but with a branch in North West Province; that would have been a consumer cooperative. And a producers' co-operative based upon independent operators in Ivory Park, another smaller township of Johannesburg.

Following the visit to the UK in November 2010, the group in Ivory Park decided not to proceed with the idea of establishing a co-operative. Clearly, these independent operators are competing with each other and were unable to make the necessary mind shift to see the advantages of co-operating in certain common services, such as a mortuary. It must also be pointed out that co-operatives have a very low reputation in the black community. Historically, co-operatives were associated with white farmers. Elsewhere, the UK College has come across continuing successful co-operatives from this past tradition. It's been very difficult to get members of the black community to see these as an example to be emulated.

People's Cultural Organisation (PCO)

PCO is a long established organisation in Soweto with a high reputation. It has been successful in attracting young people for its cultural and sports activities. When it was established, it set up a burial benefit scheme for members and actually conducted funerals. At the time of the feasibility study, its membership had declined and the scheme was financially unsound. The scheme would have been unable to cope with an increase in funerals. PCO had some premises and facilities for funerals, but these did not meet the hygiene standards of the City of Johannesburg.

PCO saw the co-operative as a way of solving these problems, and getting external support, both from the city of Johannesburg, the National co-operative incentive scheme run by the DTI as well as the UK. They were hoping to have a completely new funeral operation set up and to charge non-members for using this to subsidise their members. Profits from the funeral operation would have been used to fund PCO

activities. Their preferred constitutional arrangement for the cooperative subordinated it to PCO.

Considerable efforts were made with PCO to try to get them to accept a genuine consumer co-operative. Building on the PCO history and presence in the community, this would be an attractive option to many people.

Unfortunately, at the end of the day, PCO were not prepared to take the necessary steps to establish a genuine independent consumer co-operative. They saw any co-operative as subordinate to it, rather than as a genuinely independent consumer co-operative. Proposals for the structure of the co-operative left them with a good deal of influence and with an income stream to subsidize their burial benefit. The South African partners, the College and Funeralcare all agreed that PCO could not proceed further.

MK Veterans

One group joined the process a few months into the project and has now registered as a co-operative and is in the process of having its business plan developed and approved to get start-up funding. This is a group of 25 Umkhonto we Sizwe (MK) veterans who have received training in coffin manufacturing, provided by the City of Johannesburg. The quality of coffins produced by the MK veterans is still not as good as that available in some of the private coffin manufacturing units. Further help and experience will enable the veterans to produce quality products and to plan production with maximum efficiency.

When the co-operative reaches the production phase, they will be producing around 80 coffins per week, if they match the productivity rate in the private sector. A key issue is the market for their product. Currently, there are approximately 250 funerals per week in Johannesburg.

The danger is that existing funeral service providers will still pay a low price to the co-operative for the coffins and benefits from the mark-up. This has given rise to the concept of a national workers' co-operative to provide funeral services - the next output.

Project proposals

Output 6

A concept note for a national workers co-operative of MK veterans to provide funeral services. This concept note has been discussed with the Department of Trade and Industry co-operatives unit in Pretoria and with a number of key MK veterans. It is generally agreed that the proposal is interesting and the next step is to finalise political support and agree a way forward. The concept note is attached.

Output 7

A full proposal has not yet been drafted, but a one page concept note has been prepared. The South African Funeral Services Board is scheduled to announce a

new framework for the micro-insurance burial society sector. The high level of regulation will mean that many societies will choose to go into partnership with a large insurance provider. In fact this is already happening; a company called Hollards has already entered into a partnership with the South African Federation of Burial Societies.

The alternative is to create a new mutual and co-operative insurer for funerals (and other products) based upon the trade union movement. This would receive technical support organised through the International Co-operative and Mutual Insurance Federation (ICMIF). A discussion is planned to take place during the ICMIF biennial conference to be held in Manchester at the end of October 2011. From soundings already taken with the Congress of South African Trade Unions (COSATU), there should be considerable interest in this proposal.

Publications

Output 8

Case study write up. This has been completed by our colleagues in COPAC.

Output 9

A publication summarising the whole project, in an accessible format has now been drafted, and is being reviewed. This will be published as a College paper.

4 Outcomes of the project and progress to date

In development terms, the major outcomes have been:-

- § substantial knowledge base and understanding of the funeral business in South Africa;
- § clarity on co-operative funeral models that will not work, and those that may work;
- § A network that may deliver large scale co-operative interventions - indeed a whole new co-operative sector in the country;
- § A final outcome is a model for parts of the Co-operative Group business to be involved in international projects. This is being discussed for roll out in 2012.

Future support

Funding schemes by different government agencies exist to support co-operatives in South Africa. This includes a grant of up to 300,000 Rand from the Department of Trade and Industry; support from the provincial level; and support from the city council.

Once a co-operative is registered, and has developed a business plan, it can apply for the DTI funding. The MK veterans' co-operative is now waiting to be allocated a

space in a managed workshop in the Soweto Empowerment Zone, which it was offered earlier by the city council. In addition, it seems likely that they will be offered the machinery and equipment from the Furniture Industry Training Board, a government vocational training organisation at a nominal cost. MK veterans do receive a monthly stipend from the central government, so the group will be able to survive without immediate orders. It does need to develop a marketing plan and possibly develop outlets in other parts of Johannesburg.

Co-operative Funeralcare is prepared to consider a short-term secondment of an expert who would travel to South Africa for a week to work closely with the MK veterans on quality and production planning in the Soweto Empowerment Zone workshop.

5 Lessons learned

Some very useful lessons have been learned from this project.

- I. Producer co-operative, as a model for South Africa, with members drawn from the small-scale existing players, is not a viable form; there is too much doubt and suspicion around the model and incapacity to co-operate.
- II. The consumer co-operative option is also unlikely to succeed. It may be that the UK co-operative movement's success in the funeral business is a unique historical phenomenon, growing out of a consumer movement.
- III. The South African state is extremely slow and the bureaucracy is quite difficult to deal with. This has also been the experience of the College in another project in KwaZulu Natal.

6 Statement of expenditure

The college requested a total of £46,000 towards the costs of this project. Total spent to date is £38,925. There was a small overspend on flight costs. An amount of £8500 was allocated to capital costs of new co-operatives, which has not yet been spent. As the workers' co-operative has not yet started operations, we would propose that this amount is held in reserve to support them. It may be that this amount could be used to fund the costs of shipping equipment from the UK. Co-operative Funeralcare may be able to ask its suppliers to provide free equipment and this could be shipped out, thus providing very high quality equipment. This may be a more cost-effective option than sourcing in country, where most equipment seems to be imported.

7 Monitoring process

This project had a low budget and a few outputs. Extensive monitoring was not necessary. Internal monitoring by the College took place, through discussions with

the Principal. Regular meetings were held between the Project Manager and the College Finance & Monitoring team.

Meetings were held with the South African project partners during visits to Johannesburg. As the College has other projects in South Africa, these meetings could be held while passing through Johannesburg.

8 Publicity for the Enterprise Hub

Support was acknowledged in PowerPoint presentations at the CFSMA conferences, in articles submitted to Co-operative News and in the forthcoming College paper.

9 Concluding remarks

The aim of the project was to research the funeral supply chain in Johannesburg and establish whether a funeral services co-operative model or models could be established as a viable business, offering a lower cost alternative to the current private sector players.

As a result of the project, one co-operative should be in a position to start trading within a few months. It should receive substantial support from national, provincial and local government, totalling up to about £60,000.

At the same time, much has been learned about the funerals industry, and applying this learning to other provinces in South Africa, through other projects could mean massive scale up.

Finally, it should be mentioned that Co-operative Funeralcare has provided considerable support to the project. This has included technical expertise and support in kind (paying for parts of the visits in November 2010 and the visit to South Africa in 2011). They have taken ownership of the programme, which is the ideal situation.

This has provided a model for other parts of the Group to develop international projects, directly linked to their business.

Although the project is now officially over, support will be provided in the future. The College will make two visits to South Africa in November 2011 during which the government support for the MK Veterans' coffin-making co-operative will be discussed and the two project proposals followed up.

A very important consequence is the building of networks that has laid the basis for two national co-operatives in the funeral and insurance sectors.

Finally the issue of funerals in Africa as a whole is the subject of considerable academic research. The Open University has approached the College to discuss collaboration in researching funerals in South Africa.

Attachments

Desk study of burial societies
Funeral supply chain mapping
Presentation to CFSMA
Case study write-up by COPAC
Project proposal for MK veterans

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