

New Synergies

The Co-operative Movement, CED, & the Social Economy

BY JOHN WALL, PATRICK DUGUAY, & SHANNON ROHAN

In mid-19th century England the worst abuses of the Industrial Revolution left many working people not only impoverished, but with the “rules of the game” consistently stacked against them. People who had previously made a reasonable living from trades or craft were forced to work longer hours for less money, trying and failing to maintain a foothold against the relative advantage of industrial mills.

Work in the mills was intentionally simplified and mechanized to make the workers as dependent and replaceable as possible. In the marketplace, people could expect to be cheated, overcharged, sold adulterated food, or exploited by unfair credit. Destitution was considered the result of character defects, which could be resolved by punishing the poor.

Against this backdrop, 28 men, mostly weavers, formed a co-operative society in Rochdale, England in 1844 to sell wholesome food at reasonable prices. This was not the first co-operative, nor even the first co-operative in Rochdale. But these “Equitable Pioneers” established a set of co-operative principles upon which much of the world’s subsequent co-operative development has been based.

Since this time, the worst abuses of unrestrained markets have been tempered by better informed and more powerful consumers, organized labour, progressive social policies, and economic development.

Yet co-operation continues to flourish, generating real member benefits and people-focussed solutions.

Today, approximately 1 billion people around the world are members of co-operatives, including 10 million Canadians. Access to adequate and affordable housing, fairly priced supplies for consumers and producers, high-quality banking services, and access to credit are all being supplied through the co-op model.

This growth and diversification over the past 160 years has been powered by the model’s responsiveness to emerging and ever-changing needs.

Diversity & Unity

It is said that “at the core of every co-op’s history is an unmet need.” Earlier co-operatives were small groups of people employing social means to meet economic ends. Today’s new co-operatives often are

using co-operative structures as economic tools to meet social ends. The outcome in either case, however, is the same: a marriage of social and economic activity in a co-operative structure.

Diversity, then, is integral to co-op identity. Unity is too, however. The foundation of this unity is a common understanding of co-operative purpose and principles, articulated as a Statement on the Co-operative Identity by the International Co-operative Alliance in 1995 but resting on the foundations established by the Rochdale pioneers.

If one imagines the social economy as a collection of social enterprises (see table, below), then it is useful to explore co-operatives in the social economy by comparing the co-op definition, values, and principles with those of social enterprises.

Table: Social Enterprises Co-operatives

	Social Enterprises	Co-operatives
Definition	Association-based economic initiatives	Autonomous associations of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through jointly-owned and democratically-controlled enterprises
Values	<ul style="list-style-type: none"> ▪ Solidarity ▪ Autonomy ▪ Citizenship 	<ul style="list-style-type: none"> ▪ Self-help ▪ Self-responsibility ▪ Democracy ▪ Equality ▪ Equity ▪ Solidarity
Principles	<ul style="list-style-type: none"> ▪ Service to members (rather than profit) ▪ Autonomous management (rather than public programming) ▪ Democracy ▪ Primacy of people and work over capital ▪ Participatory, empowering, and accountable 	<ul style="list-style-type: none"> ▪ Voluntary and open membership ▪ Democratic member control ▪ Member economic participation ▪ Autonomy and independence ▪ Education, training, and information ▪ Co-operation among co-operatives ▪ Concern for community

This table speaks directly to the role that co-operatives have played in the social economy in the past 150 years. So too does the Social Economy Quadrilateral (below), a typology of enterprise in the social economy.

The Quadrilateral reflects a common perception of the nature of co-operative enterprise: that co-ops are on the commercial/economic end of the social economy continuum. While this is certainly one area of co-operative enterprise, the continuum does not reflect the entire co-operative experience, particularly the most recent wave of co-op development.

In this most recent wave, co-ops are emerging as a structure of choice for community-owned alternatives to government programming on the one hand and purely market-based enterprises on the other. Applications of the co-operative model to meet social objectives may be the most exciting – and unrecognized – area of convergence

between co-operatives and the new social economy today.

Pioneered in northern Italy, these “social co-ops” provide health and home care, social services, education, and recreation as well as employment and training to marginalized and disadvantaged groups. With 20 years of experience, 6,000 social co-operatives, and a strong enabling environment, Italy far outpaces Canada in this area. However, a growing number of Canadian communities, particularly in Québec, are embracing the co-op model as a way to ensure local ownership and democratic control of a range of health and social services.

Integral to this development is a new form of co-operative, known as a “solidarity” co-operative in Québec and a “multi-stakeholder” co-operative in other parts of Canada. These co-operatives have more than one class of member. For example, a health care co-operative might be owned jointly by a “worker” class of medical and support professionals, a

“consumer” class of patients and families, and a “supporting” or “community” class of nonprofit organizations, government bodies, or other interested parties who do not fall into either of the first two groups.

This blending of traditional types of co-operatives in a single organization gives communities and citizens the option to involve a greater range of stakeholders than ever before. Solidarity co-operatives therefore belong in the realm of non-market activity to meet social objectives, as opposed to the traditional interpretation of co-operative activity. (See diagram.)

The Bigger Picture

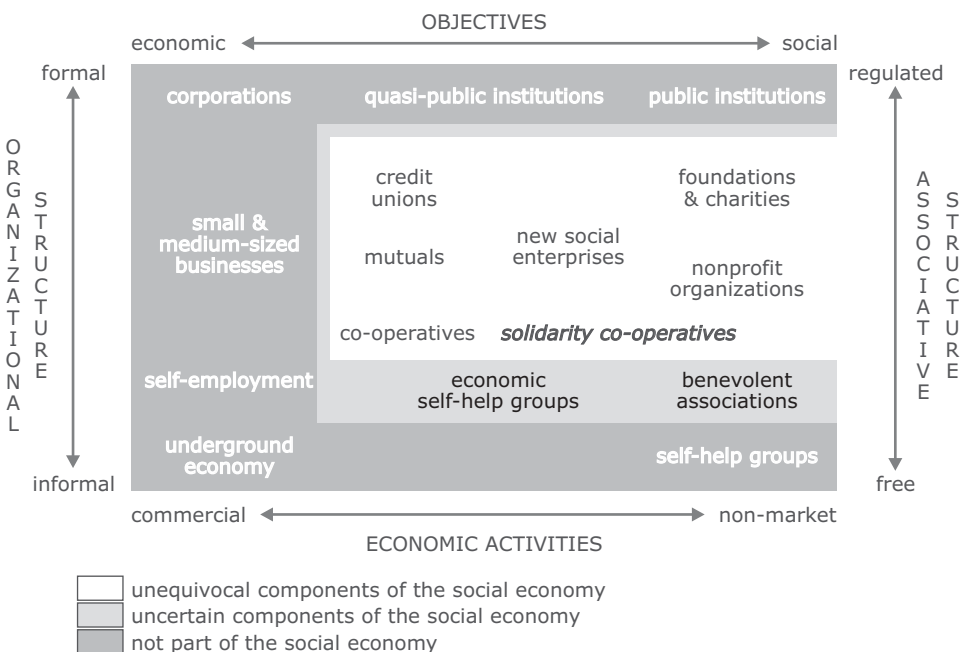
If that is how co-operatives fit into the social economy, where do they fit in the world of community economic development?

Fundamentally, co-operatives are locally-owned, democratically-controlled enterprises. They are a collective response to a community need, and work well in situations where that need is effectively served by a joint-ownership structure. Ultimately, they often fill the need they were specifically created to address while also serving other community needs and generating new opportunities. Whether serving five or 5,000 members, co-operatives allow people to work together to achieve things that would have not otherwise been possible.

A small co-operative in a village or in a particular quarter of a city has an impact on a community’s economic development by virtue of being the

Now new pressures are leading communities to the co-operative model from the other direction: they are looking to find an economic, or “entrepreneurial,” response to meet their social needs.

Diagram: The Social Economy Quadrilateral



The Social Economy Quadrilateral compares co-ops and credit unions to other businesses in terms of objectives, activities, and structure – both how formally they are organized, and to what degree the association is regulated. Co-operatives have some of the formal organizational and associative elements of both corporations and small businesses. Financial co-ops or credit unions are still more tightly regulated (and higher on those continua) because of capital adequacy and money laundering legislation. Adapted from William Ninacs with Michael Toye, *A Review of the Theory and Practice of Social Economy/Économie Sociale in Canada*. SRDC Working Paper Series 02-02. Social Research and Demonstration Corporation, 2002.

“heart” of both economic and social activity. At the same time, as a co-operative increases its strength and security, it often takes its members with it. The Rochdale Society itself, originally comprising 28 members and £28 of capital, evolved into the Co-operative Group, which is a \$16 billion phenomenon with three million members.

One challenge facing many co-operatives as they grow beyond their humble origins is determining how to send human and financial resources back to other communities with different unmet needs and help them “discover” the co-operative formula too. Some have met this challenge by investing in the movement through different community and co-operative development funds. The Co-operators, an insurance and financial service provider, is a leading example of how a large co-operative continues to play a vital role by facilitating activity in CED and the social economy.

Large and small co-operatives, urban and rural, dealing in services or commodities – all have a role to play in community economic development and in the social economy. The following four stories explore the convergence of co-operative enterprises, community economic development, and the social economy.

St-Tharcisius Solidarity Co-operative

In 1997 a mill shut down in the vicinity of St-Tharcisius, Québec, a Gaspé town of just over 500 residents. The local economy shuddered and the *dépanneur* (corner store and gas station) was forced to close, leaving the town without a grocer. Several residents had to depend on friends, family, and neighbours to drive them to the next town to shop.

Aside from the inconvenience and dependence involved, there were a number of economic side effects. Already facing cash outflows and reduced employment opportunities, the village economy became an even “leakier bucket” – a vicious cycle was emerging.

The situation was well-suited to a co-operative solution. The local need had both social and economic elements:

serving members of the community most in need, providing an essential service, growing the local economy, and generating employment opportunities. What’s more, there was a general awareness of co-operation due to a strong co-operative movement in the region and the experience of many locals as co-operators in the past (largely agricultural, financial, and forestry enterprises). A co-operative *dépanneur* seemed like a good idea!

Five St-Tharcisius residents, including a former owner of the failed “dép” and a former co-operative leader from a neighbouring town, were the founding group. By the launch there were 85 members. (Today there are 96.)

The co-op has restored grocery, fuel, and postal services to the town. It faces the same economic pressures of its failed predecessor, but unlike its predecessor, the co-operative has staying power on account of community control and network support.

Member-owned and community-controlled initiatives are more apt to continue operating in a context where the returns to investment are low. Private businesses faced with the same situation and responding to the interests of their shareholders will likely leave. As a solidarity co-op with multiple classes of member (the five employees of the business make up the worker class), local commitment to the St-Tharcisius Co-op is all the stronger.

Add to this innate advantage the web of support that the Co-op enjoys: the local *caisse populaire*, the *Centre local de développement*, the *Coopératif de développement régional*, and Human Resources Development Canada. With all these factors in its favour, it stands to reason that the co-op is more durable than its predecessor.

Vancouver City Savings Credit Union Accessibility Program

Credit unions and *caisses populaires* are financial co-operatives. They are organized in a sophisticated system of federations, *mouvements*, or “centrals” that provide liquidity and financial services to

the primary tier of local credit unions, allowing them to offer similar products and services as the big banks, but often at lower cost.

In 1946 Vancouver banks had a policy of not lending to people who lived east of Main Street. Appalled by the policy and eager to gain access to financial services, 12 people gathered around a kitchen table and decided to open Vancouver City Savings Credit Union. Today, with assets of \$8.2 billion and 297,000 members throughout B.C.’s lower mainland, VanCity remains “a democratic, ethical and innovative provider of financial services to its members,” committed to “serve as a catalyst for the self-reliance and economic well-being of our membership and community.” Moreover, VanCity will “ensure that low income and marginalized members have access to necessary financial services.”

These commitments are backed, in part, by the VanCity Accessibility Program.

The Accessibility Program is integrated into VanCity’s business and delivered both through branches and specialized business units. This means that delivering “special services for poor people” is not ghettoized and is rigorously examined in a social audit.

The Program is made up of three parts. The first is access to basic financial services, including flexibility in account opening requirements, products that facilitate credit repair (low-limit credit cards), access to loans, a payment plan for members unable to pay their \$50 membership fee at once, and financial literacy programs.

The second is microfinance. It includes a peer lending program for very small businesses; a self-reliance loan program that provides up to \$35,000 in credit using a character-based assessment instead of conventional collateral criteria; and loans of up to \$75,000 for disabled entrepreneurs who are unable to access traditional loans.

Finally, through partnerships with the Immigrant Services Society and the Mennonite Central Committee of B.C., respectively, VanCity has established two additional programs. The Resettlement Assistance Program helps refugees establish financial services and a Canadian credit history. The Individual Development Account (IDA) Program includes financial training and a savings component in which,



after two years, savings are matched 3:1 to support an investment in education, housing, or small business. A financial literacy component helps participants to take greater control over their financial lives.

The Accessibility Program is an important example of the convergence of community economic development, social economy, and co-operation. The Program supports the efforts of lower income and marginalized members and communities to achieve their financial goals, build assets, and move toward self-reliance. Partnerships with community organizations are a very tangible way for these bodies to leverage their close contact with community members and offer services that would be very difficult to manage alone.

Finally, VanCity demonstrates how a co-operative can work in the middle ground between government and purely private enterprise. Welfare regulations restrict asset accumulation. Without finding a “third way,” participants would have the amount they saved each month deducted from their social assistance benefits. (A 100% marginal tax rate!) VanCity negotiated an exception with provincial regulators so that IDA participants could build up an account without losing their welfare payments.

Multicultural Health Brokers Co-operative Ltd

In 1993, nine New Canadians took part in a training program on prenatal education that enabled them to work for the Edmonton Board of Health as support workers for minority women experiencing health and social issues. As foreign-trained professionals (doctors, nurses, social workers, and teachers), they knew how

people who can't speak the local language are liable to become isolated and vulnerable to a variety of health and social issues.

For five years they worked on their own in Edmonton's Latino, Arabic, Chinese, Vietnamese, South Asian and Somali communities. Working within the system gave support and some autonomy, but not room to challenge the system and act more fully as advocates for the members of their ethnically diverse communities. That very diversity also called for a responsive and democratic governance system. In 1998, they decided to take a co-operative approach.

As worker-owners of Multicultural Health Brokers Co-operative (MHCB), the nine (now 13), deliver services that support community development and individual health and well-being. They supply social, emotional, and informational support to families and conduct prenatal education, parenting classes, hospital tours, and support groups. They also assist in community development projects and act as advocates and translators in accessing services.

MCHB is compensated for its services through service contracts with health institutions and through pilot and project funding. This enables the worker-owners to deliver the services while maintaining autonomy and the ability to advocate policy change.

Their work demonstrates how co-operatives can move between the economic/commercial side of the Social Economy Quadrilateral and toward the social and nonprofit organization side, and challenge the line between government, private, and community ownership.

Aylmer Health Cooperative

Doctors Bernard Gélinas, Marie Jane Brennan, and Claude Archambault have sold their medical clinic to the Aylmer Health Coop. And that's not all. With the other doctors, they will make up one of the Coop's three voting constituencies, alongside its users and employees.

The Aylmer Health Cooperative, in the Outaouais region, is not the first of its kind in Québec. However, it will be the first time that Québec doctors belong to a health co-operative.

Alone, doctors have little influence in the region's public health system, according to Dr. Bernard Gélinas. He believes that the prognosis is much better when they opt for popular participation. Acting on this conviction, the doctors quickly lent support to the creation of the Aylmer Health Coop with the backing of the Outaouais-Laurentian Regional Development Cooperative. The doctors have even taken out a mortgage of \$591,000 to finance the purchase of their shares and of the Aylmer-Lucerne clinic, valued at \$970,000. The **Community Economic Development Technical Assistance Program** (CEDTAP) helped the co-op to arrange this financing and to develop its business plan.

The new administrators, Jacques Coulombe, Guy Benoit, and Pierre Beaudry, have eased the worries of the clinic's 4,000 clients. Access to the clinic's services remains universal. The co-op will encourage residents to take charge of their own health, offering new educational and prevention resources, workshops on nutrition and healthy lifestyles, etc. The co-op will recruit extra doctors and will open pregnancy and travel clinics.

Aylmer is a semi-urban community of 40,000 within the new city of Gatineau, across the Ottawa River from Ottawa. New housing construction is attracting both young families and retirees from the federal public service. Medical services are not keeping up with the demand. With 4,000 members, the co-operative could invest a quarter of a million dollars in meeting that demand. ■

(above) “Rhythms That Bind” a program created by the Multicultural Health Brokers Co-operative to encourage parents of different ethnic groups to stimulate infants with songs and activities. Photocredit: MHBC.

Arctic Co-operatives Ltd

Doing business in Canada's North is daunting. Remote locations, the high cost of shipping supplies from the south, competition with monopolistic southern firms – these are only a few of the obstacles that northern communities face.

Nevertheless, northern communities have been building a co-operative system for over 40 years and achieving immense success.

Through the 1950s, massive social and economic change swept the North. Aboriginal communities, government officials, and southern co-operative leaders came together to translate northerners' traditional, collaborative ways of life into effective co-operatives." The first northern co-operatives were formed in 1958. By 1970 there were 30.

The production and sale of Inuit art was an early focus. A second kind of business, retail stores to compete with two dominant chains, eventually fostered a string of related businesses, including hotels, outfitting, cable television, and construction and property management. A series of federations linking the co-operatives into an Inuit and First Nations-led economy began in 1966 with Canadian Arctic Producers. By 1982 it had evolved into Arctic Co-operatives Limited.

Arctic Co-operatives Limited (ACL) is a service federation, made up of 35 independently owned and locally controlled co-operatives spread all the way from Fort MacPherson, Northwest Territories to Pangnirtung, Nunavut. Affiliates or subsidiaries include the Arctic Co-operative Development Fund (providing financing and co-operative development services), Northern Sealink and Supply, Ardicom (digital communications), and Arctic Cable.

Without the benefits of federating, the individual co-operatives would have had great difficulty in stabilizing financing and management, getting supplies, and reaching markets for northern art. In communications, transportation, and tourism, the void would have likely been filled by southern companies that would have drained profit from the northern economy.

There's more. The 30 years of experience in co-operative board and staff development have made a tremendous contribution to capacity and community leadership across the North. Many territorial and federal elected officials, community leaders, and leaders in Inuit and First Nations organizations developed their skills in the ACL network.


A Fundamental Linkage

Early co-operators invented a social response to economic needs, essentially forming associations to own businesses that would put the needs of members ahead of a quest for profits. After 160 years, through numerous economic cycles, increases and decreases in popularity, the co-operative model and co-operative enterprises have grown and prospered.

Now new pressures are leading communities to the co-operative model from the other direction: they are looking to find an economic, or "entrepreneurial," response to meet their *social* needs. This lies behind the growth of solidarity or multi-stakeholder co-operatives and the extension of co-operative activity into health care and social services.

Co-operatives exist all along the broad continuum of the social economy, from health and social care providers to tools for economic development. In addition, the nature of co-ops as locally-owned, democratically-controlled, and auton-

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ous enterprises positions them squarely within the social economy tradition. The fact that they are born of community need and local response, and can grow until they fill that need and perhaps more, demonstrates the fundamental linkage between co-operation and community economic development. 

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(below) A guide-outfitter and carver with Arctic Adventures, Fédération des coopératives de Nouveau-Québec. Photocredit: Dennis Colussi.

