

WHAT IS A CO-OPERATIVE?

Introduction

A co-operative, or co-op, is an organization that is owned by its members. Co-ops are formed when a group of individuals come together to meet a common need - co-ops can provide almost any type of product or service imaginable and can operate either on a not-for-profit or for-profit basis. A co-op operates on a democratic system that specifies “one member, one vote”. This ensures that all members of the co-op have an equal say in how the co-op is run, regardless of how much money they have invested in the co-op or how much they use the services offered. Members do benefit financially from the co-op’s activities based on how much they use the service or products provided by the co-op – but this does not impact how much of a voice their vote carries within the co-op.

There are many different types of co-ops operating in many different sectors all over the world. Co-ops can and do offer services of every type in Ontario, including: food production and sale, tourism, health care, day care, funeral services, retail goods, housing, renewable energy, social services, natural resources and financial services.

History of Co-ops

The first formal co-operative, structured as most of the co-ops operating today are structured, was formed in England in 1844. In a town called Rochdale, a group of weavers came together to address the terrible conditions they were subjected to and take more control of their lives.

The weavers in Rochdale were tired of paying high prices for poor food – so they wanted to start a store of their own. Individually, none of the weavers had enough money to start the store alone, so they, along with the other residents of the community that wanted to be members, started a fund and each contributed a small amount of money to it. Once the fund was big enough, the co-op started operations as the Rochdale Pioneers and began selling basic supplies and foodstuffs. The co-op tracked how much each

member purchased, and distributed the profits in proportion to how much the member had bought. Eventually, the Rochdale Pioneers’ store became so successful that they were able to rent more of the building and use it as a library and for educational lectures.

This was the first example of a working co-op and became the basis for the growth of the co-op movement as a worldwide economic force. There are thousands of co-operatives operating all over the world, including in Ontario.

Different types of co-ops

There are many different types of co-ops that operate in Ontario – some of these categories have particular legislation that regulate how they operate, but for the most part, the categories below are distinctions that only help define how the co-op operates. These categories also indicate who the members in particular co-ops are.

- A **consumer co-op** buys products in bulk and passes on the savings to the members. The members own the co-op store or must be a member to use the services. Members make decisions about what to sell or provide, where products come from and other key issues. *Mountain Equipment Co-op is a federally-incorporated consumer co-op, as are food co-ops like Karma Food Co-op in Toronto, and most day care and preschool co-ops, like Peter Pan Co-op Preschool in Hamilton, are organized as consumer co-ops.*
- A **housing co-op** gives members access to apartment units and houses, which they co-operatively own. Housing co-ops are formed when people join with each other on a democratic basis to own or control the buildings in which they live. Most mid- to large-sized cities in Ontario have housing co-ops operating in them and providing housing to residents. *Some of the many examples include Bleecker Street Co-operative homes in Toronto, Castlegreen Hous-*

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ing Co-op in Thunder Bay and Coop Voisins, a bilingual housing co-op in Ottawa.

- In a **worker co-op** the primary reason for the co-op to exist is to create employment for its members. The members are both employees and owners of the company, and they operate their business together and make decisions about all the important issues including wages, production methods and finances. Generally, members must be individuals and employees of the co-operative, however some co-ops do allow the employment of non-members on a limited scale. *Planet Bean, a fair trade coffee roastery and wholesaler in Guelph, is a worker co-op, as is TeamWerks Co-op, operating the Simply Fine Wines store in Waterloo, and the Circle Sun Farm Co-op also operates as a worker co-op in Elmwood.*
- A **producer or marketing co-op** allows members to share processing and packaging equipment and pool their marketing to reach more customers. It sells the products of members who may be producers or service providers. *Gay Lea Foods is an example of a producer co-op operating in the dairy industry, while Quinte Organic Farmers Co-op provides marketing and distribution services to its organic farmer members in the Quinte region.*
- A **multi-stakeholder co-op** includes different types of members, with the rights of each class of membership set out in the co-op's bylaws and articles of incorporation. For example, a produce market co-op may bring together farmers, customers and workers as members in the same co-op.
- A **financial co-op** is often called a **credit union** or **caisse populaire**. Credit unions are provincially-regulated, deposit-taking financial institutions which operate on co-op principles, are member owned, and are permitted to conduct business only with their members. A *caisse populaire* is a credit union which conducts its business principally in French. Some co-ops also operate in the financial sector and offer insurance and investment services, either directly with members, or to other co-ops operating in Ontario or Canada. *Meridian Credit Union, Alterna*

Savings and Desjardins are some of the larger credit unions operating in communities throughout Ontario, while The Co-operators is a financial services and insurance co-operative operating across Canada.

The Seven Co-operative Principles

Although co-operatives can operate in many different sectors and either as a for-profit or not-for-profit enterprise, there is one thing that every co-op has in common. Co-ops around the world are organized according to the seven international principles of co-operation.

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Co-operation among co-operatives
7. Concern for community

These principles were partially defined by the Rochdale Pioneers who started the first modern co-op in 1844. Since then, the principles have been refined and adopted by the International Co-operative Alliance (ICA) and in turn by the Canadian Co-operative Association (CCA) and the Conseil Canadien de la Coopération (CCC) at the national level. In Ontario, both the Ontario Co-operative Association (On Co-op) and the Conseil de la coopération de l'Ontario (CCO) have adopted these principles and use them in their work representing the co-operative and credit union sector throughout the province.

Why Co-ops? Because the Members and Community Both Benefit.

Co-ops have multiple bottom lines that include social as well as economic (or financial) objectives. While the financial viability and stability of a co-operative is important to its members, the primary objective is to maintain access to the product or service supplied by

the co-op, not solely to increase the rate of return on their investment.

Co-op members are responsible neither to outside owners, nor to government owners. However, co-op members recognize that their co-op operates as part of the larger economic, social and environmental framework that affects people's day-to-day lives in their community. Therefore, they also recognize that there is value in their dollars staying in the community where they reinforce the local economy. As a result, co-ops tend to be stable structures that grow with the community, and contribute to community sustainability. They allow the decision-making process to remain in the hands of those that need and use the co-op services and will benefit from co-op success and positive contributions to community life.

In many communities, co-operatives have stayed to serve their members long after other businesses have fled to more profitable locales. For example, there are numerous communities in Ontario where credit unions are the only source of financial services. Co-ops also have a success rate that is twice as high as other forms of business.

Co-operative Legislation

There are many organizations that may choose to operate in a co-operative manner or by following the seven co-operative principles, even if they do not formally call themselves a co-operative. In Ontario, in order to be able to officially call your organization a co-operative and act as a co-op in a more formal way, the organization has to be incorporated as a co-operative. Incorporation is a formal process overseen by the government that sanctions the operation of an organization as a corporation and provides status and legal rights that allows an organization to accumulate assets, take on debts or raise capital. There are incorporation processes in place for for-profit companies, not-for-profit organizations and co-operatives – both at the national level, and usually within each individual province.

There is special legislation, both in Ontario and federally, which dictates how co-ops can operate and what is required in order to be considered a co-operative under the law. In Ontario, this legislation is

called the *Co-operative Corporations Act*, and it is often referred to by those working in the co-op movement as "the Act".

The *Co-operative Corporations Act* provides instructions and rules for co-operatives to follow, including how to select the proper name, how to offer and manage investment in the co-op, board representation and member rights, and how to maintain co-operative status.

Credit unions and caisses populaires are the only type of co-op that has different legislation that they are responsible to. They are incorporated and regulated under the *Credit Unions and Caisses Populaires Act 1994* rather than the *Co-operative Corporations Act*.

Role of Articles and Bylaws

The co-op's Articles of Incorporation set out the general parameters of how a co-op is organized and operates. A co-op will also need bylaws, which contain more details about membership requirements, authority and responsibilities for the board, members and staff, and in some cases, mission and mandated activities for the organization. Both of these documents are required parts of effective and official co-op operations.

How are co-ops structured?

Co-ops are another form of business enterprise, with particular differences in their governance structure. These differences put the power of a corporation in the hands of the people. This is a democratic structure that consists of a volunteer board of directors, (elected from the membership) committees and members. The board and associated committees govern the co-op, oversee staff and management and report to the members via annual general meetings or member meetings. There is generally also a management or business structure that consists of the staff of the co-op, reporting to the Board of Directors, which oversee the day-to-day operations of the co-op. Some smaller or less mature co-ops may not have a management structure or business structure in place immediately upon the beginning of operations.

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Facts and Figures

- Co-operatives have a survival rate that is almost twice as high as other businesses, when you compare them after 5 years and 10 years of operations.
- A recent federal study has shown that health care co-ops have lower per-capita health care costs than private practice models.
- There are over 10,000 co-operatives operating throughout Canada, with nearly 12 million members, and assets totalling over \$100 billion.
- In Northern Ontario, co-ops are the most significant employer, after government.
- Studies show that co-operative housing costs 71 percent less than public housing projects.
- The first ATM (Automated Teller Machine) was introduced by a credit union in Saskatchewan.

References

The Ontario *Co-operative Corporations Act* available online:

http://www.e-laws.gov.on.ca/DBLaws/Statutes/English/90c35_e.htm

FOR MORE INFORMATION, CONTACT:

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www.ontario.coop/toolkit

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More resources are available at:

CoopZone Network

Website: www.coopzone.coop

Some Facts About Co-op in Ontario:

- There are over 1300 co-operatives, credit unions and caisses populaires incorporated and operating in Ontario.
- The co-operative sector in Ontario represents \$30 billion in assets.
- Ontario co-ops employ and provide benefits to 19 000 people (greater than the total number of Ontarians employed in production of goods).
- 1.4 million Ontarians are members of a co-operative, credit union or caisse populaire (more than 10% of the population)
- Over 10,000 board members are actively involved in governing and leading co-ops, credit unions and caisses populaires in Ontario.