

## FALL 2020 BUDGET SUBMISSION

MINISTRY OF FINANCE

October 2020

### Ontario Co-operative Association

The Ontario Co-operative Association develops, supports, educates and advocates for Ontario's over 1,500 co-operative businesses. Our goal is a sustainable province built on growing and thriving communities that are providing social, environmental and economic well-being to all Ontarians.

Co-operative enterprises in the province of Ontario employ 57,000 people and generate \$6 billion for the economy every year. One in four Ontarians is a member of a co-operative.

**In this document you will find innovative solutions to rebuilding the economy after the COVID crisis (pages 2-5) and a necessary change for co-operative capitalization (pages 1-2).**

### Modernization of Regulations Necessary for COVID Recovery

In order for Ontario's co-operatives to play an active part in economic recovery from COVID-19, changes to the current Offering Statement limits are essential. These limits have not been reviewed since 1995 and are inadequate for co-operatives to raise the money they need in order to capitalize their businesses. The members of the Ontario Co-operative Association are asking for a fivefold increase to the limits to account for inflation and the countless changes to business capitalization over the past twenty five years.

### Recommendation

OCA's membership recommends government increase the exemption limits related to members purchasing securities and the total amount of issued securities to the following:

1. A member purchases securities for a total price of not more than **\$5,000** per year and **\$50,000** in total.
2. All securities issued to members are not more than **\$1,000,000** of issued securities.
3. Increase the prescribed number of security holders from 35 to 50.

In the 25 years since the Offering Statement regulations were last amended, the entire world of business has changed from offline to online. Regulatory environments have been updated to reflect the modern world, including a world where peer to peer lending through crowdfunding platforms is commonplace.

In a new world where the internet provides many new opportunities for public scrutiny of business practices, co-operatives have maintained their extremely low investment risk profile. The latest consumer

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research statistics reveal that only 10% of people have a lot of trust and confidence that businesses behave ethically and only 5% of people believe corporations “do right by the consumers they serve”. In stark contrast, more than two out of three Canadians agree that co-operatives are a trusted place to do business.

However, with the growth of the social economy and the opportunities for new business development that the internet has created, the growth of the co-operative movement has been stagnant. A raise of less than \$1 million for a small or new co-operative business requires the same high accounting and legal costs and the need for expensive outside consultants that a raise of much larger amounts for an established co-operative requires. Combine these costs with the uncertainty of using a lesser known corporate model and the time it takes to learn it and the barriers to incorporating a co-operative for new businesses and producing an offering statement are high. Now, in a pandemic, our co-operative businesses need access to capital for economic recovery. The time is now for modernization of Offering Statements.

## Building Sustainable Communities – A Plan for Economic Recovery

The co-operative model is resilient and highly innovative when communities are in crisis. It is times like now when society is faced with a global pandemic and broad economic fallout that we must work together to address our biggest challenges.

For over 150 years groups of community members or workers or both have co-operated to democratically develop businesses that meet the needs of their communities including housing, child care, elder care, employment, sharing resources, insurance and financial support. Now, as we face rebuilding our province in the wake of a pandemic, we must be inclusive of *all* communities, ideas and resources. To be successful it must be done with sustainability and equity at the core. The co-operative model embraces these principles and can be a roadmap to innovatively rebuild Ontario.

Ontario Co-operative Association has three recommendations for economic recovery:

1. Housing (page 3)
2. Precarious work (page 4)
3. Business succession planning (page 5)

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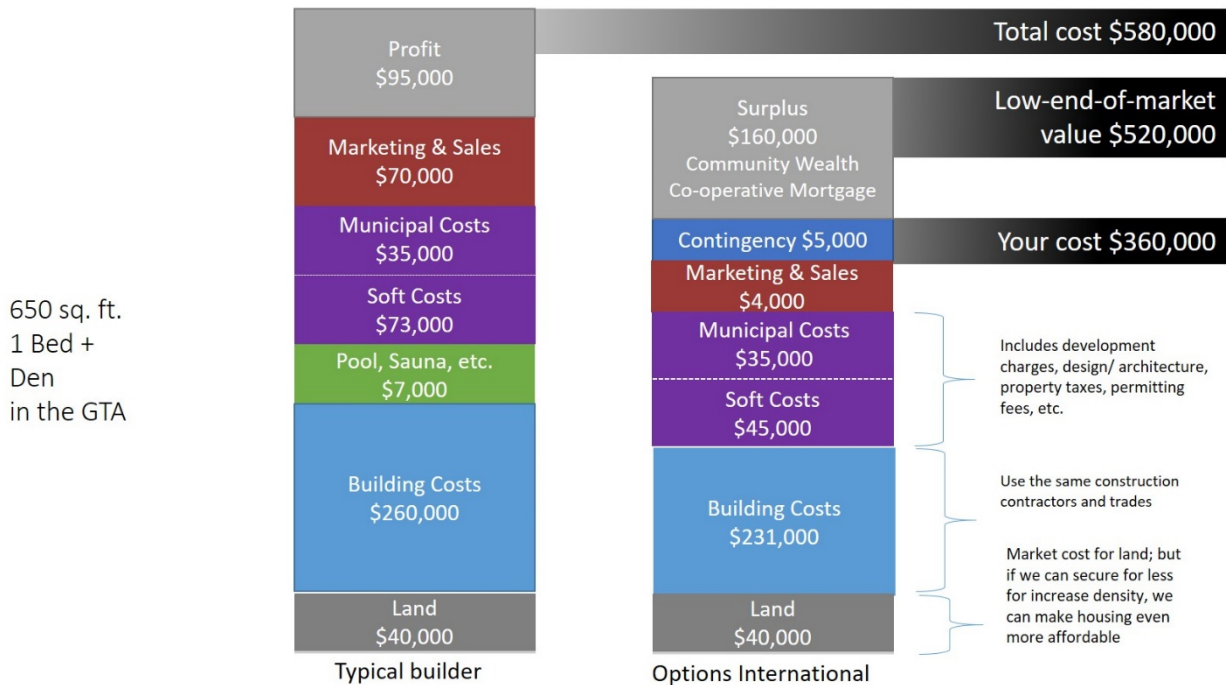
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## Housing

Across Ontario in large cities and in small rural hamlets, there is an affordable housing shortage. In the towns of Teeswater and Wingham, for example, there is currently a shortage of 150-200 workers and that cannot be addressed until there is affordable housing in place for the same number of employees and their families. In Mississauga, Community Wealth Co-operative has a proposal before city council to build 1,200 affordable housing units at no cost to government. The site plan also includes the delivery of over 500 quality long-term care beds.

With financial innovation from Community Wealth Co-operative and very competitive rates from Meridian Credit Union, home owners will have access to affordable housing at approximately 65-70% of the market rate. The plan utilizes a new and unique, shared-equity financing model and access to favourable term loans from CMHC and Infrastructure Ontario to allow for households with gross incomes between \$20,000 and \$60,000 to gain access to the dream of home ownership. Community Wealth Co-operative, a not for profit construction co-operative, uses the profits from the development of the housing to invest in continued housing and social enterprise development in every community in Ontario.

### The Community Wealth Co-operative Model:



Affordable housing is one of Ontario's highest priorities. Our partners in the co-operative sector have pioneered a housing solution that makes home ownership possible for the majority of working Ontarians while concurrently building an economic investment fund that will stimulate the rural economy. This does not require any monetary commitment from government. **Let's identify government-owned development land and work together to deliver this affordable housing solution in all Ontario communities.**

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## Precarious Work

In Ontario, approximately 22% of jobs can be characterized as precarious work, defined as having low wages and at least two of three other features: no pension, no union and/or small firm size. Women, racialized persons, immigrants, Indigenous persons, persons with disabilities, older adults and youth are disproportionately represented in this statistic.

As a result of the 2008 financial collapse, a significant number of standard jobs were replaced by precarious employment. Between 2009 and 2011, Canada saw the greatest increase in temporary jobs since 1997 (StatsCan 2019). The share of Canadian workers participating in the gig economy also saw a historic spike between 2008 and 2009.

The Ontario Co-operative Association has identified a successful worker-owned co-operative model that we are in the process of piloting in Ontario. A co-operative, called SMart, was created by artists very successfully in Europe to provide a safety net of support for self-employed workers. When the model is applied to Ontario, and eventually Canada, it will provide a social backbone for many precarious workers.

This new worker co-operative will enable self-employed workers to access a secure invoicing system that will guarantee payment for invoiced work and retirement savings, without any cost to government. In addition it will provide additional health, dental and insurance benefits.

This co-operative has the potential to help over 600,000 precariously employed Ontarians. The benefits of a more stable workforce will be far reaching by ensuring the most vulnerable have access to the same benefits as the fully employed.

The Ontario Co-operative Association, in partnership with Work In Culture and the Ontario College of Art and Design (OCAD), will build a platform (online) co-operative open to all self-employed Ontarians to join as members, beginning with the arts community in 2020. As members, workers will provide direction for the business services needed by Ontario's precarious workforce that will stabilize their working environment and allow them to focus on productivity.

Resolving some of the main issues of precarious work (access to benefits, income security, retirement savings, etc.) will successfully stimulate the economy by stabilizing the most vulnerable in the Ontario workforce. **Let's partner to make this co-operative solution available to all vulnerable self-employed Ontarians.**

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## Business Succession Planning

Ontario's businesses have been deeply affected by COVID-19, including Ontario's 426,500 SMEs, the lifeblood of the province's economy. Only 34% of Ontario's businesses were fully functioning by the end of May 2020, and 14% claimed they will definitively not survive the pandemic. Ontario's SMEs and the jobs they provide are in deep trouble and urgently need innovative rescue and sustainability tools. One tried-and-true solution for business rescue and job preservation is converting businesses into co-operatives (business conversion to co-operatives; BCCs). Co-operatives are member-led businesses guided by values of inclusivity, economic democracy, and concern for community. Co-owned by interested members rather than disconnected shareholders, co-operatives root capital locally and uphold local economies. BCC research indicates that BCCs save jobs and preserve the productive capacities of communities by maximizing on the co-operative advantage.

However, despite the enduring presence of co-operatives in Ontario, and the success of BCCs in other parts of Canada, especially Quebec, BCCs have been overlooked as an option for saving and sustaining SMEs in the province. This is a lost opportunity for addressing SMEs' COVID-19 challenge.

The Ontario Co-operative Association has successful examples of BCCs and a network of conversion experts able to support BCCs. This will preserve jobs and vital services and help grow sustainable businesses.

By developing co-operative solutions to the COVID crisis, we are providing opportunities for people, and particularly younger people, to become entrepreneurs. Starting a business from scratch is very difficult, but preserving and transitioning an existing successful business increases the chances of success and is more sustainable and resilient.

Co-operatives are a principle-based business model that have a proven method for creating and retaining jobs. They have a survival rate almost double that of other business models, because they actively engage citizens in the democratic control of their future.

As thousands of businesses face closure due to the pandemic and communities stand to lose vital jobs and services, conversions to worker and community owned co-operatives will provide the existing owners with an exit strategy and the new owners with customers and employees. Vital services and jobs will be preserved and new jobs will be created. **Let's partner on a province wide business conversion to co-operative strategy to ensure vital, successful Ontario businesses and jobs are not lost.**

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