

**Building Good Jobs, Cooperatively**

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How can we build good jobs? This is an important question. When we, as British Columbians, decision makers, workers, and citizens, engage with this question, we develop a long list of potential ideas because we approach the issue in different ways: some policy makers count any job—no matter its precariousness, insecurity, or income—as a success.<sup>1</sup> Others posit that jobs need to pay a living wage to be considered a good job.<sup>2</sup> Others indicate that workers define good jobs as those that are empowering, are fulfilling, connect people socially, and many other characteristic connected to inclusion and empowerment.<sup>3</sup>

The truth is that a good job is a combination of all of these factors. I argue that one path towards building fulfilling, empowering, rewarding, and community-oriented jobs – good jobs – is through co-operatives. Co-operative enterprises can offer jobs that are rewarding to workers, which provide stable employment, that allow workers to participate in their jobs, and that contribute to their communities through the local circulation of business proceeds, wages, and consumer activities. This becomes a mutually positive economic flow, as increased economic activity supports workers. These positives of employment through co-operatives are gaining relevance as the idea of social enterprise becomes more prevalent, where the numbers of and interest in “impact businesses”<sup>4</sup> that operate around double, triple, or more bottom lines are growing.<sup>5</sup>

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<sup>1</sup> Andrew Jackson, “Harper Job Record in 2013,” *Progressive Economics Forum* online blog post, retrieved from <<http://www.progressive-economics.ca/2013/12/08/harper-job-record/>> on October 12, 2014.

<sup>2</sup> Living Wage for Families Campaign, “Living Wages in BC and Canada,” retrieved from <<http://www.livingwageforfamilies.ca/about/living-wages-in-bc-canada/>>

<sup>3</sup> Andrew E. Clark, “Measures of Job Satisfaction: What Makes a Good Job? Evidence from OECD Countries,” *OECD Labour Market and Social Policy Papers* 34 (August 1998); Lawrence G. Lindahl, “What makes a good job?”, *Personnel* 25 (1949), 263-266; Christopher Jencks, Lauri Permna, Lee Rainwater, “What is a Good Job? A New Measure of Labour-Market Success,” *American Journal of Sociology* 93.6 (May 1988), 1322-57.

<sup>4</sup> See, for example, Vancity, “Impact Business Development,” retrieved from <<https://www.vancity.com/BusinessBanking/Financing/ImpactBusinessDevelopment/>>

Importantly, worker-owned co-operatives do this in context of empowering workers in their own workplaces, building more resilient and responsive employment. Co-operative enterprises are building good jobs around the world, and it is worth exploring how they can build good jobs in British Columbia.

### **The co-operative as a different kind of enterprise form**

While co-operatives have been popular and relevant to social policy discussions in the past, they have fallen out of popularity lately. This is unfortunate, given their history. Perhaps the first enterprise to be organized as a cooperative and one that continues to provide the outline of the co-operative form today is a consumer cooperative in Rochdale, Manchester, United Kingdom. It formed during the industrial revolution, where initial members built a consumer cooperative to develop some independence from the predominant ‘company town’ economics.<sup>6</sup> It was, in effect, the first social enterprise.

As the Rochdale Society of Equitable Pioneers based their business model on ferrying collectively purchased goods from Manchester to their co-op’s storefront in wheelbarrows,<sup>7</sup> they demonstrated the basic co-operative idea that a community of interest (the members of the Rochdale Society, as an example) can unite around a common need (affordable food staples) and meet that need co-operatively (pooled capital to achieve economies of scale). This is the form of the essential relationship at the heart of the co-operative form: it is a business formed on meeting members’ needs.

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<sup>5</sup> For example: Wayne Norman and Chris MacDonald, “Getting to the Bottom of the ‘Triple Bottom Line’”, *Business Ethics Quarterly* 14.2 (April 2004), 243-262; Andrew W. Savitz, *The Triple Bottom Line: How today’s best-run companies are achieving economic, social, and environmental success—and how you can too* (San Francisco, CA: Jossey-Bass, 2014).

<sup>6</sup> Brent Fairbairn, “The Meaning of Rochdale: The Rochdale Society of Equitable Pioneers and the Co-operative Principles,” *Centre for the Study of Co-operatives Sessional Papers* 2014.

<sup>7</sup> Andrew Bounds, “Historical Overview: Pioneers aimed to improve the world for poor workers,” *Financial Times* (2 July 2012)

How those needs are defined determines the different ways that co-operatives operate, and how co-operative enterprises build jobs – and most co-ops create jobs as they carry out their businesses. There are a number of different kinds of co-operatives, ranging from housing co-ops to dairy co-ops to worker co-ops and more. These varieties can be categorised in three essential forms: consumer co-ops, where members consume the goods or services the co-op provides,<sup>8</sup> producer co-ops, where the co-op markets, distributes, or otherwise aids in selling goods or services members produce,<sup>9</sup> and worker co-ops, where the aim of the co-operative is to provide employment to its members, while it transacts business with its clientele who are not always co-op members.<sup>10</sup>

The co-operative business form is one that is flexible, that is viable, and that operates in a different economic space than traditional business. Because co-ops are focused on meeting members' needs, their organizational impetus relates directly to the link between the co-op and the member. Most business companies and corporations, however, are designed around a principle of return on investment: shareholders expect the company to maximize return, not simply provide services. This obligation has become a legal requirement for the directors of corporations.<sup>11</sup> Co-operatives are different: their businesses revolve around the relationship of providing service to members who are also shareholders. Through this, their obligation is to ensure that the services that the members wish to see are provided, rather than merely extracting as much profit as possible. This makes co-operatives operate differently.

### **Different approaches to employment in co-operatives**

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<sup>8</sup> Such as Mountain Equipment Co-op.

<sup>9</sup> Such as Circle Craft Artisan Co-operative, or Agropur Dairy Co-operative.

<sup>10</sup> Such as SHIFT Urban Delivery Co-operative or Sustainability Solutions Group Co-operative.

<sup>11</sup> Torys LLP, *Responsibilities of Directors in Canada* (Toronto: Torys LLP, nd)

The different orientations between traditional corporations and co-operatives hint at the different outcomes for jobs between the two. As corporations are focused on maximizing return on investment, economic pressures may lead a corporation to reducing working conditions, or operating on a lean workforce model, to maximize profit. This is a narrative that is not new to anyone.

A co-operative's orientation towards providing services can lead in different directions. While worker co-ops directly create jobs for their members as the heart of their business model, all other forms of co-operatives generally create employment as a necessary function of their economic activity: consumer co-ops generally require staff to operate a storefront or purchasing and vending activities, and producer co-ops hire employees to manage the aggregation and distribution business functions of the co-operative.

I do not intend to suggest that pressures for reducing costs do not apply to co-operatives. They are factors into the decisions that co-operatives must take, but they are often dealt differently. For example, while the economic crisis that began in 2008 has impacted nearly all of the world's economy, and has had considerable impact in Europe, not a single co-operative in Italy closed. This is significant in that Italy is a highly co-operative economy, especially in the Emilia Romagna region, where co-operatives account for 30% of the region's GDP and involves 57% of the region's population in some way.<sup>12</sup> Importantly, Italian co-operatives found ways to enact strategies that both

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<sup>12</sup> John Restakis, "The Emilian Model – Profile of a Co-operative Economy," (Vancouver, British Columbia: British Columbia Co-operative Association), retrieved from <<http://www.bcca.coop/sites/bcca.coop/files/u2/ER-ProfileofCoop.pdf>>, and Jay Walljasper and Kevin Karner, "The Good Life, Italian Style," *On the Commons Magazine* (July 2011), retrieved from <<http://www.onthecommons.org/good-life-italian-style>>

preserved their businesses and preserved most of their jobs – preserving good jobs in local economies.<sup>13</sup>

Increasingly, co-operatives are even saving, restoring, and creating good jobs in parts of North America's industrial heartland that has been so devastated. Building on the extremely successful worker co-operative model promoted by the Mondragòn Cooperative of Basque Country, Spain, the United Steelworkers Union has been sponsoring and supporting "union co-ops," which are worker co-operatives operating in restored factories and manufacturing plants.<sup>14</sup> These co-operatives are innovative in a number of ways: they are unionized, but under worker management, they are sponsored by labour unions, they are co-operative, and they are creating jobs in situations where traditional companies have uprooted, deeming the circumstances unworkable. This example follows in the footsteps of the successful reclaimed factories movement of Argentina, where co-ops rescued factories, hotels, and businesses left to crumble by fleeing capital after the 2001 economic collapse.<sup>15</sup> Here, and in Spain, and Italy, and the United States, co-operatives work.

### **Co-operative employment around the world**

Co-operatives work at creating jobs all around the world. While the co-operative sector in Canada (and in particular, British Columbia) has not been particularly effective at tracking statistics, for a number of reasons,<sup>16</sup> there have been concerted efforts to

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<sup>13</sup> Bruno Roelants, Diana Dovgan, Hyungsik Eum, and Elisa Terrasi, *The Resilience of the Cooperative Model*, (Brussels, Belgium: CECOP-CICOPA, June 2012)

<sup>14</sup> "Can Unions and Cooperatives Join Forces? An Interview With United Steelworkers President Leo Gerard," *Truthout* (24 May 2013), retrieved from <[http://www.cecop.coop/IMG/pdf/report\\_cecop\\_2012\\_en\\_web.pdf](http://www.cecop.coop/IMG/pdf/report_cecop_2012_en_web.pdf)>, last accessed 2 October 2014.

<sup>15</sup> See Naomi Klein and Avi Lewis, *The Take*, film (Toronto: First Take Features/Icarus, 2003); Estaban Magnani, *The Silent Change: Recovered Businesses in Argentina* (Buenos Aires, Editorial Teseo: 2009); and lavaca collective, *Sin Patròn: Stories from Argentina's Recovered Factories* (Chicago: Haymarket Books, 2007)

<sup>16</sup> Some of these reasons are particularly frustrating. While the Government of British Columbia maintains information on incorporated co-ops through the Corporate Registry, it does not share this information. Rather, it sees accessing that

conduct studies and censuses of the impacts that co-operatives have on employment as of late to be able to understand how they so.

The international association of worker and service co-operatives, CICOPA, has recently conducted an analysis of co-operatives and employment across the world.<sup>17</sup> The results are impressive. According to this report, co-operatives employ or provide employment to more than two hundred and fifty million workers across the world.<sup>18</sup> This includes direct employees of co-operatives (approximately 16 million), worker owners of co-operatives (approximately 11 million<sup>19</sup>), and producer members of co-operatives (approximately 224 million employees).<sup>20</sup> Of that total employment, the vast majority is created in the G20 group of nations – approximately 234 million employees.<sup>21</sup>

The numbers in their own right do not completely tell the tale. Co-operatives in many countries provide a significant portion of the employment of the total employed population. In China, co-operatives employ 21.22% of the total employed population, or a total of 162.74 million jobs.<sup>22</sup> In India, the portion is 10.51%, or 39.3 million jobs; 10.90% or 2.5 million jobs in Italy; 8.64% or 5.4 million jobs in Japan, and so forth.<sup>23</sup> Canada's totals are comparatively weak but still significant: 0.92% of the total employed population worked directly *in* co-operatives in Canada, and co-operatives created jobs for 3.89% of the population. According to CICOPA's data, this means that 681,000 jobs in

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information to be a revenue opportunity, and as such, charges for access. This severely harms the potential to analyse the co-op sector in BC.

<sup>17</sup> Bruno Roelants, Eum Hyungsik, and Elisa Terrasi, *Cooperatives and Employment: a Global Report* (Brussels and Québec: CICOPA and Le Mouvement Desjardins, 2014)

<sup>18</sup> Roelants et. al., *Cooperatives and Employment*, 29.

<sup>19</sup> The Oceania region of the world does not track worker-members, so this figure is likely to be underestimated.

<sup>20</sup> Roelants et. al., *Cooperatives and Employment*, 29.

<sup>21</sup> Ibid.

<sup>22</sup> Ibid, 31.

<sup>23</sup> Ibid.

Canada flow from co-operatives. But it is important to stress that these jobs are *better* jobs.

### **Qualitatively understanding co-operative jobs**

As such, simply understanding the numbers of employees and workers in co-operatives does not tell the full tale of why they are better jobs; indeed, it tends to fall into the trap of defining jobs by their numbers, a trap I criticise above. It is important to understand how co-ops provide *good* jobs as a consequence of how they are organized and operated.

The orientation of co-ops towards providing services for members, rather than simply pursuing maximized profits, has the potential to change how they relate to their employees. In the case of worker co-operatives, where the workers are the owners of the enterprise, this link is explicit and often foremost in the mind of the worker members: the voting members of the co-operative are the employees, so worker co-ops frequently engage in discussion around working conditions, and frequently have created significantly better working conditions than comparable businesses. Producer co-ops are designed to market and distribute their members' goods and services, so they too are focused on providing good return to their members, who can then use that increased return to improve the conditions of their employees. Consumer co-ops are an intriguing situation; where normally the interests of the consumers and workers may be at odds (as labour costs decrease economies of scale), there appears to be a tendency towards better employment conditions.

In producing their study on co-operatives and employment, Roelants et. al. engaged in interviews with employees of co-operatives in ten regions around the world. They used these discussions to provide the basis for a qualitative analysis of employment

conditions in co-operatives, and their findings are quite encouraging. Per Roelants et. al., employees in co-operatives are as well, and often slightly higher, than comparable traditional businesses.<sup>24</sup> The wage gaps between those at the top of pay scales and those at the bottom are smaller in co-ops, though there are pressures with which consumer co-ops are dealing.<sup>25</sup> Additionally, legal obligations are almost universally met, and co-operatives generally comply with International Labour Organization standards.<sup>26</sup> In BC, this is particularly interesting, given that the ILO has cited the Government of British Columbia repeatedly in the past for failing to meet internationally agreed standards.<sup>27</sup>

Co-operatives have also succeeded in building social safety nets for their members. In many cases, co-operatives have created insurance programs for their employees where state insurance programs do not exist, or they maintain parallel systems that provide supplementary benefits where they do exist.<sup>28</sup> In some countries, co-ops created these social programs before national ones existed.

Why do co-ops do this? The answer is perhaps an indication that jobs in co-ops are “good” based on the other dimensions of analysis: Roelants et. al. found that there were higher degrees of solidarity between members, workers, and consumers in co-operatives.<sup>29</sup> Employees reported feeling strong bounds of solidarity between workers, and even between workers and members in the cases of consumer co-ops.<sup>30</sup> Roelants et. al. suggest that the value alignment and other positive social factors that were reported in their interviews contribute to situations where employees are happier working in co-

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<sup>24</sup> Roelants et. al., *Cooperatives and Employment*, 90-111.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

<sup>27</sup> See for example, Canadian Centre for Policy Alternatives, “ILO cites ongoing labour rights violations by Canadian governments,” accessed from <<https://www.policyalternatives.ca/newsroom/updates/ilo-cites-ongoing-labour-rights-violations-canadian-governments>>

<sup>28</sup> Roelants et. al., *Cooperatives and Employment*.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

operatives even when comparable wages at non-co-operative competitors are higher. Employees cite participation as a strongly held value of their co-operatives, and praise the value of participation.<sup>31</sup> Co-operatives have also developed tremendous redevelopment and redeployment schemes, where worker members of co-ops can take opportunities to move to other departments of a co-operative or to other networked co-operatives. This allows flexibility in deployment of human resources, but also enables co-operatives to reduce the human impact of discontinuing a line of business.<sup>32</sup> This in, and of itself, is impressive, but it also leads me to wonder if co-operative employment creates higher levels of “social capital,” as has been relentlessly discussed as of late.<sup>33</sup>

This is evidence that co-operatives do build and create good jobs, in many different measurable dimensions. In particular, while they may take a measured approach towards building employment in terms of numbers, co-operatives appear to succeed at building qualitatively better jobs. Perhaps one particular task we can take up in BC is combining the quantitative and qualitative improvements.

### **The Québec experience**

Québec is unique in Canada in that there has been considerable investment into policies that support co-operative development, and commensurate investment into a framework of supportive infrastructure and funds that directly aid in growing co-operatives in Québec. This has resulted in a co-operative sector in Québec that is without parallel in the rest of Canada. Bluntly, anglophone Canada would be well served to translate both written materials and experiences from our francophone compatriots.

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<sup>31</sup> Roelants et. al., *Cooperatives and Employment*, 65-69.

<sup>32</sup> *Ibid.*, 57-9.

<sup>33</sup> See for example, Robert Putnam, *Bowling Alone: The Collapse and Revival of American Community* (New York: Simon and Schuster, 2001).

Québec (and particularly Lévis, across the St-Laurent from Québec City) is the home of le Mouvement Desjardins, a *caisse populaire* (credit union) federation that has millions of members. Alphonse Desjardins and his wife founded the first *caisse populaire* in Lévis, and the model proved so successful that it has replicated across the province and into Ontario pervasively.<sup>34</sup> The majority of Québécois are members of at least one co-op, and it is estimated that more than half of Québec residents are members of a Desjardins *caisse populaire*. This is an incredibly powerful institution: with billions of dollars in managed assets, Desjardins can (and does) mobilize significant amounts of capital into local investment.

Perhaps this pervasiveness of co-operatives in Québec's history has led to its policy and financial support of co-operatives of all sorts. The success of Desjardins seems certainly to have impacted how jobs are created in the sector, with only 15 large co-operatives,<sup>35</sup> accounting for 0.64% of the number of co-ops in Québec, employ more than 74% of all employees directly employed by a co-operative.<sup>36</sup> Conversely, nearly 74% of co-operatives in Québec number between 0 and 4 direct employees, but there are 1,735 of them.<sup>37</sup> This too is a significant finding. These small co-ops are often employment-oriented, anchored in their local communities, and circulate revenues back into local economies.

The qualitative findings that Roelants et. al. provide regarding employment in and from co-operatives hold true across Québec as well. What is particularly interesting about the Québec experience is that co-operatives hold a special relevance in Québec society, as

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<sup>34</sup> Le Mouvement Desjardins, "Our History," accessed from <<http://www.desjardins.com/ca/about-us/desjardins/who-we-are/our-history-museum/>>

<sup>35</sup> Defined as more than 300 employees.

<sup>36</sup> Roelants et. al., *Cooperatives and Employment*, 55.

<sup>37</sup> Ibid.

their contribution towards providing community-based employment and reinvesting economic activity into their communities seems to be solidly understood and appreciated. For example, in Québec City alone, there are a number of worker-owned co-operative bars, a brewery,<sup>38</sup> financial institutions, construction co-operatives, funeral co-operatives, artist co-operatives,<sup>39</sup> retail co-operatives, student co-operatives, and more. This societal appreciation for the co-operative form may speak to value alignment and identity: Roelants et. al. suggest that there is a strong regional correlation between these feelings identified by employees and where their co-operatives are based. Québec is also widely known to be a comparatively progressive polity within Canada.

This strong identity and value orientation match may lead to a political advantages in creating policies and programs in supporting co-operatives. Québec has regional development bodies that support co-ops (CDRs, or *coopérative de développement régional*) and specific loan funds to support their development. This again may be an experience for anglophone Canada to translate.

### **How can we bring this to British Columbia?**

If readers agree with my suggestions (and exhortations) that co-operatives can provide jobs that are quantitatively impressive, and qualitatively inspirational, then perhaps it is worth exploring how these experiences can be brought to British Columbia. There are a number of experiences that we can translate into action in our province.

It is worth a brief discussion, as well, as to how British Columbia compares in terms of co-operatives. While BC is home to the largest, and second-largest, anglophone credit unions in Canada in Vancouver City Savings Credit Union (Vancity) and Coast

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<sup>38</sup> See, for example, La Barberie.

<sup>39</sup> Such as la Coopérative Médusse.

Capital Savings, and Canada's largest retail co-operative in Mountain Equipment Co-op, our co-operative sector pales in comparison to other parts of Canada. As of November, 2014, there are 696 co-operatives across BC.<sup>40</sup> Approximately 250 of those are housing co-operatives,<sup>41</sup> and approximately 45 of the remainder are credit unions. This leaves about 400 non-credit union and non-housing co-operatives. We are without data on the sectoral distribution of their business activities. Again, contrast that against the Québec experience, where there are 2,351 co-operatives.<sup>42</sup> Again, in contrast, small-population Saskatchewan has approximately 1,700 co-operatives.<sup>43</sup> Co-operatives in Québec account for approximately 3.26% of the province's overall employment.<sup>44</sup>

Some work will be required to translate the international and Québec experiences with co-operatives. British Columbia has neither the supportive government policy that Québec has nor the supportive financial framework, although Vancity has taken a significant activist role in promoting co-operative economies as of late.<sup>45</sup> British Columbia also seems to sorely lack in the societal relevance of co-operatives that co-ops in Québec (and Basque Country, Spain, and Emilia Romagna, Italy) enjoy, though there are regions of the province where co-ops are well-regarded, such as the Cowichan Valley on Vancouver Island, or the Kootenay-Boundary Valley, centred on Nelson.

In particular, to grow co-operative employment in British Columbia, we need to solve financial challenges that co-operatives face, we need to create supportive policy

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<sup>40</sup> British Columbia Co-operative Association data.

<sup>41</sup> These co-ops have "housing" in their incorporated name.

<sup>42</sup> Roelants et. al., *Cooperatives and Employment*, 55.

<sup>43</sup> Saskatchewan Co-operative Association data.

<sup>44</sup> Roelants, *Cooperatives and Employment*, 42.

<sup>45</sup> Vancouver City Savings Credit Union, "How We Support the Co-operative Economy," retrieved from <<https://www.vancity.com/AboutVancity/VisionAndValues/CooperativeModel/CoopSupport/>>

environments, and we need to raise public appreciation of the co-op enterprise model. Perhaps then we can enjoy the good jobs that co-ops create.

### **Financing co-operative employment in BC: challenges and opportunities**

Perhaps the largest challenge that co-operatives face in development is capitalization. This challenge can prove fatal to creating and supporting good jobs: if there is insufficient capital to create the business, then there is no way that good jobs can flow from its operations.

Co-operatives are generally capitalized in three ways: first, as part of the international principles of co-operation, and part of business development, members are expected to financially participate in the enterprise. Members must purchase shares in a co-operative, through which they become both the owners of the enterprise but also receive the ability to vote in its direction, enabling the democratic aspects of the co-operative form. They also invest capital to realise the business. Member capitalization, however, faces many challenges. First, the capital required for businesses to start is often considerably higher than members may easily mobilize from their own resources. Secondly, there is a complicated framework of securities regulations that co-operatives must successfully navigate to capitalize through their members. Typically, unless considerable pre-planning is applied and expense is incurred, the most capital that a co-op can easily mobilize from its members is capped at \$5,000 per member in BC. This provides a challenge.

Secondly, co-operatives will frequently capitalize through debt such as loans and lines of credit. The credit union sector, whose members are themselves financial co-operatives, often take an interest in developing co-operative enterprises, because of value alignment and common objectives. As such, debt financing is often available. Credit

unions like Vancity make financial services for co-operatives a cornerstone of their community investment operations.<sup>46</sup> However, debt financing is often limited as developing co-operatives may not have sufficient operating history, may not have assets to be secured against, or may not be able to access supportive institutions as not all financial institutions understand the co-operative model or its potentials. This is also a challenge.

The third way that co-operatives can capitalize is through equity offerings. In BC, co-operatives can issue “investment shares”<sup>47</sup> that are analogous to preferred stock in corporations. These investment shares are intended to enable financial participation of investors in co-operatives without attaching voting rights, transmitting financial return while preserving the democratic aspect of the co-operative as one pertaining to the members.<sup>48</sup> However, the same securities regulations that apply to member share capitalization apply to investment shares, meaning that an extensive capitalization campaign will necessitate significant cost through the development of securities offering documents and audits.<sup>49</sup> Co-operative equity offerings are particularly challenged in that the investment community claims to not understand the co-operative model and how its ownership and direction works, which tends to mean that investors shy away from investing in co-operatives.<sup>50</sup> This is a significant challenge.

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<sup>46</sup> Ibid.

<sup>47</sup> British Columbia Co-operative Association, *Cultivating Co-ops* (Vancouver, BC: British Columbia Co-operative Association, 2013); Government of British Columbia, *Cooperative Associations Act*, S.B.C. 1999, c.28.

<sup>48</sup> Ibid.

<sup>49</sup> Co-ops can opt for a simplified offering document in BC called an “offering memorandum” to reduce the legal costs of registration and reporting. However, an audit is still required as part of this document, and an audit can range from \$5,000 to \$30,000 or more, depending on the complexity of the organization. Raising funds against this initial cost is a considerable challenge for start-up co-ops.

<sup>50</sup> Through the author’s professional experiences. Even organizations like the Canadian Young Business Foundation, created specifically to help capitalize businesses started by youth in Canada, will often allow a proposed business to continue most of the way through its application process, only to be rejected at the end because of the co-op form.

These challenges, however, can be overcome, and there is already Canadian precedent on how to do so. Interestingly, this Canadian precedent of capital mobilization is one that is founded on the ideals of community economic development – capital is raised from communities, and invested back into those communities. Starting on Cape Breton Island in Nova Scotia, “community economic development investment funds” or CEDIFs<sup>51</sup> are community investment vehicles, often operated on a co-operative basis, with stated goals of redirecting RRSP and other investment funds that would normally flow out of province to capital centres like Toronto. Instead, CEDIFs target these investment funds and redirect them into local investment, providing loans and capital to local businesses in communities. The loans and capital investments made into local co-operatives are repaid to the fund with interest, which becomes the return to the CEDIFs also purchase community assets, preserving them for community use.<sup>52</sup> Since the CEDIF program creation in 2000, CEDIFs have mobilized nearly \$65 million in funds to Nova Scotia businesses.<sup>53</sup> This is a significant amount of capital that would otherwise be invested in funds that may have no relation to the communities in which the capital originated. The funds are also often (though not exclusively) formed on a co-operative basis: co-op CEDIFs bring members into the governance of the fund, as they can participate in its decision making and are often consulted on the strategies employed by the CEDIF. This is in stark contrast to other investment funds where a subscriber’s only interaction with the fund is an initial choice as to the investment mix. Co-operative

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<sup>51</sup> Government of Nova Scotia, “Community Economic Development Investment Funds,” retrieved from <<http://www.novascotia.ca/econ/cedif/>>

<sup>52</sup> See the list of CEDIFs in Nova Scotia to appreciate the scope of their investment work: <<http://www.novascotia.ca/econ/cedif/funds/>>; additionally, see New Dawn Enterprises as one example of an entity that has mobilized CEDIF funds: <<http://newdawn.ca>>

<sup>53</sup> Ibid.

investment funds intend to engage their investors, and CEDIFs seem to have been able to do so.

The CEDIF model of investment fund could be put to considerable use in supporting co-operatives in BC as it has in Nova Scotia. In implementing the CEDIF program in Nova Scotia, the government had dedicated itself to mobilizing 5% of the province's annual RRSP investments.<sup>54</sup> Nova Scotia's annual RRSP contribution is \$600 million dollars; BC's annual RRSP contribution is \$2.5 billion.<sup>55</sup> Were we to even mobilize 1% of the RRSP funds in BC CEDIFs to support co-operatives, we could conceivably mobilize \$25 million dollars that could be invested in co-operative enterprises that create good jobs, and that would be invested into our communities, circulating capital in a way as to support community economic development.

There are other ways to mobilize capital as well under the CEDIF model. Labour unions steward significantly sized pensions funds for their members, and these funds are at present often invested through Canadian banks in traditional money market. Even a portion of these funds dedicated towards a CEDIF intended to support the development of co-ops would provide access to a tremendous amount of capital. One could even imagine a scenario where a labour union could sponsor a CEDIF fund that would be put to use supporting the development of worker co-operatives that are to be owned and operated by unionized members, in the style of the United Steelworkers' union co-op model. Here, labour unions could create financing tools that would have tremendous social and financial impacts: they could mobilize their pension funds that are currently invested in traditional money markets (often directly supporting the companies that they

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<sup>54</sup> Government of Nova Scotia, "CEDIF Funds," <<http://novascotia.ca/econ/cedif/funds/>>, last accessed 1 October 2014.

<sup>55</sup> Statistics Canada, "Table 1 - Registered retirement savings plan contributors – Canada, provinces and territories," <<http://www.stat-can.gc.ca/daily-quotidien/140325/t140325b001-eng.htm>>, last accessed 1 October 2014.

may bargain with, and companies that mark their success by reducing workforces and lowering labour costs) to instead invest in supporting worker co-operatives that would create jobs. These investments could save jobs in areas where companies are shutting down operations, again following the Steelworkers example. Such jobs could be unionized, bringing more members into the labour fold, and the unionised positions could potentially have pension plans that would contribute capital back to the fund. If the labour sponsored CEDIFs secured their investments against property, by purchasing land, buildings, and other business assets, the investments would be comparatively secure, and successful businesses would repay loans and would as such grow the pension funds that provided the start-up capital required to begin their path to success. In cases where the businesses failed, the labour-sponsored CEDIF could recoup its costs by selling the secured asset, or could try to sponsor a new co-operative. In any event, the potential impacts of labour-sponsored CEDIFs are significant – and they are of the type rarely found, that of a win-win scenario.

### **Fundamental policy steps forward**

As discussed above, if we wish to create an environment where co-operative employment is fostered in British Columbia, there are some specific policy steps that must be taken. Some of these policy steps revolve around financial matters, and others are more regulatory and legislative.

One immediate policy matter that could be taken up is the creation of a more supportive regulatory environment around capital investment in co-ops. While community– and labour-sponsored CEDIFs may be able to mobilize considerable amounts of funding towards co-ops, co-ops would still be required to undertake

expensive audits and file complex regulatory documents to be eligible for investment.<sup>56</sup> Changes to these regulations, to mirror those of some United States jurisdictions where capital investment in co-ops is more broadly supported, would allow co-ops to more quickly take up community investment funds.

Roelants et. al. provide a number of policy recommendations in their study. A number of them relate to education about the co-operative form, and will be taken up immediately below. However, others speak to specific policy challenges that co-ops face. Many revolve around the awkward position members of worker co-ops hold in the formal economy: they are often quasi-employees, quasi-employers, and do not always cleanly fall into a category that receives the benefits of social insurance programs that are otherwise open to employees.<sup>57</sup> These should be changed: while workers at a worker co-op may own a share in the co-operative, they still work for the co-op. This is in most cases no different from traditional employees who participate in employee stock-ownership plans.

Employee stock-ownership plans (or ESOPs) themselves offer challenges to co-operatives: they parrot the benefits of co-operatives with collective ownership and financial participation without any of the benefits. Employees often hold no voting stock, and cannot often direct the board of directors to take any specific action. Stock is often held by financial managers who still demand increased return, which leads companies with ESOPs to continue to seek labour efficiencies. This can lead to the perverse outcome

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<sup>56</sup> Victoria Community Investment Co-op, “Enabling Community Investment,” 2014, accessed from <[http://www.communitycouncil.ca/sites/default/files/Enabling\\_Community\\_Investment\\_Policy\\_Paper\\_Final\\_web\\_0.pdf](http://www.communitycouncil.ca/sites/default/files/Enabling_Community_Investment_Policy_Paper_Final_web_0.pdf)>; British Columbia Co-operative Association, “Enabling Community Investment Co-operatives: BC Budget 2015 Submission”, on file with author.

<sup>57</sup> Roelants et. al., *Cooperatives and Employment*, 109-111.

that companies with ESOPs can lay off the shareholders. As such, Roelants et. al. encourage action against “pseudo co-operatives.”<sup>58</sup>

We could engage in other policy discussions. Some jurisdictions create significant tax advantages for worker-owned entities, which could benefit co-operatives and could be applicable in British Columbia.

### **Creating public awareness**

These policy changes will not accomplish much, however, without campaigns to create public awareness around the co-operative enterprise form. At present, it is only rarely that co-operatives are taught in university business schools in British Columbia,<sup>59</sup> which means that entrepreneurs rarely know about the form before they start planning their businesses. Finding a way to work co-operatives into business school curriculum could have a tremendous impact.

We need to build stronger relations between co-ops and labour unions in British Columbia. Internationally, the labour and co-operative movements have mutually beneficial linkages and relationships. The International Labour Organization has a co-op office, and frequently sees co-ops as ways to save jobs and increase employment.<sup>60</sup> However, as Roelants et. al. note,<sup>61</sup> and from personal experience I can agree, labour unions frequently see co-ops as threats. This may be because co-ops are privately held organizations that may not be unionized; however, international examples, and even local examples with the United Steelworkers, show that union co-ops can be built that empower workers with ownership of their enterprises but also represent them as union

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<sup>58</sup> Ibid, 110-11.

<sup>59</sup> And only at one: the University of Victoria, which houses a Centre for Co-operatives and Community-Based Enterprise.

<sup>60</sup> International Labour Organization, *Job Preservation Through Worker Co-operatives: An Overview of International Experiences and Strategies* (Geneva, Switzerland: 2014)

<sup>61</sup> Roelants et. al., *Cooperatives and Employment*.

members. The support of labour unions would be critical, both in terms of moral, political, and strategic support, but also in terms of financial support through capitalization. It is incumbent on the co-operative sector to engage in this way.

Increasingly, individuals in our society wish to make a positive social impact with their purchasing and consumption decisions. This is being borne out in the marketplace by businesses that market their products' environmental aspects, or who create socially-engaged brands.<sup>62</sup> Co-operatives have staked their existence on their social relationship with their members since the Rochdale Society of Equitable Pioneers. This is not ground that they should ever have relinquished. Co-operatives need to re-stake their branding and public messaging on the positive impacts that they make as a consequence of being a different form of business: their organizational goal is not exploitation, but the provision of services. The stories of how co-ops can do this needs to be told.

### **Potential outcomes**

What might happen if we are able to implement policy decisions that will improve the lot of co-ops, find effective financing solutions to solve capitalization challenges, and educate the public on the impact of co-operatives? We can imagine that the good jobs created by the co-op sector could grow substantially, and that we may create a path for further growth by reinforcing the sector.

Perhaps our changes and education campaigns could bring British Columbia along the path already set by Québec. If we examine the *direct employment* figures of Québec co-operatives,<sup>63</sup> we can see that the 2,351 co-operatives in Québec as of 2009 had

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<sup>62</sup> An excellent example of this is LUSH Cosmetics, which produces hand-made and eco-friendly soaps and supplies. An older example is the Body Shop.

<sup>63</sup> That is, persons employed by a co-operative or who are worker-members of co-operatives. This figure does not include producer members or their employees in producer co-operatives.

created more than 90,000 jobs – an average of 38 jobs per co-operative.<sup>64</sup> Comparatively, British Columbia's 607 co-operatives had created a strong 12,200 jobs, with an average of 20 jobs per co-operative.<sup>65</sup>

Again, these jobs are generally regarded as being very *good* jobs – they reflect very positive indicators of social engagement, participation, values orientation and community amongst their members. They pay comparatively well, meet international obligations for labour standards, and provide benefits beyond just comparable wages. In most peoples' definitions, they are good jobs. Co-operatives have the added benefit of being locally controlled organizations that can create community assets, rescue or restore challenged businesses, and reinvest in communities.

If we were grow British Columbia's 607 co-operatives at their current employment level towards overall numbers of co-ops comparable to Québec's co-op density per capita, we would create 716 new co-operatives. Were those 716 new co-operatives to employ the average 20 people that co-ops in BC currently create an additional 14,320 good jobs in the province. These jobs could build communities in so many different ways.

### **Building good jobs, co-operatively**

Working with communities and labour unions, and achieving reasonable targets of community investment, we could easily mobilize millions of dollars of community-directed funds into creating thousands of jobs across the province, preserving community assets, and invigorating local economies. We could build good jobs, co-operatively, and

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<sup>64</sup> Roelants et. al., *Cooperatives and Employment*, 55.

<sup>65</sup> Industry Canada, *Cooperatives in Canada 2009* (Ottawa: Ontario, 2009), retrieved from <[https://www.ic.gc.ca/eic/site/693.nsf/vwapj/Co-operatives\\_in\\_Canada\\_in\\_2009-eng.pdf/\\$file/Co-operatives\\_in\\_Canada\\_in\\_2009-eng.pdf](https://www.ic.gc.ca/eic/site/693.nsf/vwapj/Co-operatives_in_Canada_in_2009-eng.pdf/$file/Co-operatives_in_Canada_in_2009-eng.pdf)>

we could benefit from nearly every stage of the investment in and growth of the co-operative sector.

Jobs in co-ops are good jobs. They create participative members and owners of community-based enterprises. They create social safety nets. They build local economies. We must build good jobs, co-operatively.