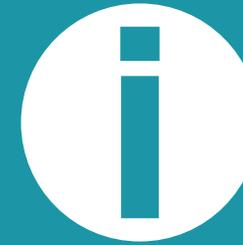


What is a Co-operative?



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, child care, funeral services, retail goods, housing, renewable energy, transportation,

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. Each contributed a small amount of money. Once the fund was big enough, the co-op started operations as the Rochdale Pioneers and began selling basic supplies and foodstuffs.

Their 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. Today, there are tens of thousands of co-operatives operating all over the world.

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 works. 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

- There are over 9,000 co-operatives operating in Canada. The Canadian co-operative movement has over \$330 billion in assets and more than 18 million members.
- A federal study has shown that health care co-ops have lower per-capita health care costs than private practice models.
- Canadian co-operatives employ more than 150,000 employees.
- Canada has the world’s largest per-capita credit union membership: about one-third of all Canadians are members of a credit union or caisse populaire.

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what to sell, provide, where products come from or other key issues. *Karma Food Co-op in Toronto is a consumer co-op, as is Mountain Equipment Co-op (though MEC is federally-incorporated). Most child 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 apartments, townhomes 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. There are more than 580 housing co-ops in Ontario, making it the largest co-op sector in the province. Most mid- to large-sized cities in Ontario have housing co-ops. *Some examples include Toronto's Bleecker Street Co-op, and Castlegreen Housing Co-op in Thunder Bay.*
- 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. They operate their business together and make decisions about 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 owned by a worker co-op. TeamWorks Co-op, operating the Simply Fine Wines store in Waterloo, and the Agri-Cultural Renewal Co-op in Elmwood also operate as worker co-ops.*
- 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 market co-op may bring together farmers, customers and workers as members in the same co-op.
- A **financial co-op**, often called a **credit union** or **caisse populaire**, is a provincially-regulated, deposit-taking financial institution which operates on co-op principles, is member owned, and is only permitted to conduct business with its members. *A caisse populaire is a credit union which conducts its business*

principally in French. Other co-operatives 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 FirstOntario Credit Union 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

The seven co-operative 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, and in turn by the Canadian Co-operative Association and the Conseil canadien de la coopération et de la mutualité at the national level. In Ontario, both the Ontario Co-operative Association and the Conseil de la coopération de l'Ontario have adopted these principles and use them in their work representing the co-operative and credit union sectors throughout the province.

- A 2008 study in Quebec found that 62 percent of co-operative enterprises were still operating after 5 years, compared with 35 percent for other business corporations.
- Studies show that co-operative housing costs 71 percent less than public housing projects.
- The global co-operative sector has more than one billion members in more than 90 countries.
- It is estimated that co-operatives account for more than 100 million jobs around the world.

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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

Members and the Community Benefit from Co-operative Business Enterprises

In addition to meeting economic objectives, co-ops often also seek to meet social and environmental goals. This is often referred to as the “triple bottom line.” While the financial viability and stability of a co-operative is very important, one of the primary objectives of membership 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-ops are, by definition, autonomous and independent organizations. Co-op members are responsible neither to outside owners, nor to government owners. However, in following co-op principle number six, 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, co-op members also appreciate that there is value in their resources and 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 with 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. Studies have shown that 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 follow the seven co-operative principles, even if they do not formally call themselves a co-operative.

In Ontario, in order to legally call your business enterprise a co-operative and use the word “co-operative” in its name, the organization **must** be incorporated as a co-operative under federal or provincial legislation. “Incorporation” is a formal process, overseen by government, sanctioning the operation of an organization as a co-operative and providing status and legal rights that allow an organization to accumulate assets, take on debts or raise capital. There are unique incorporation processes in place for each of for-profit enterprises, not-for-profit organizations and co-operatives — at the national level, and usually within each individual province.

There is specific legislation, both federally and in Ontario, 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”.

- Financial co-operatives are the largest providers of microfinance services to the poor, reaching 78 million clients living below the poverty line of \$2 per day, and an estimated total of 857 million people worldwide — 13% of the global population.
- The world’s 300 largest co-operatives have revenues in excess of \$1.1 trillion, slightly smaller than the size of Canada’s economy.

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The Ontario *Co-operative Corporations Act* is available online: ontario.coop/CoopAct

Ontario's *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. From time to time, the *Act* is amended, as happened in 2009.

Credit unions and *caisses populaires* are the only type of co-op governed by different legislation. They are incorporated and regulated under Ontario's *Credit Unions and Caisses Populaires Act 1994* rather than the *Co-operative Corporations Act*.

OCA has produced a plain-language guide to the *Act*, as part of its series of co-op Fact Sheets and resources.

Role of Articles and Bylaws

The co-op's Articles of Incorporation set out the general parameters of how a co-op operates and is organized. A co-op also requires bylaws, which contain additional 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. The co-op usually creates a series of policies and procedures as well.

How Are Co-ops Structured?

Co-ops are simply 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.

Co-ops utilize 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 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 oversees the day-to-day operations of the co-op. Some smaller or less mature co-ops may not put a management or business structure in place immediately upon beginning operations, and some co-ops do not hire managers at all.

FOR MORE INFORMATION, CONTACT

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More resources are available at:
CoopZone Network
coopzone.coop

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