



The Worker Co-op Sector in Canada: Success Factors, and Planning for Growth

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Canadian Worker Co-operative Federation

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Abstract

The objective of this paper is to provide an analysis of the current state of the worker co-op movement in Canada with a focus on successful worker co-ops. A deepened review of a 2008 survey was conducted. Worker co-operatives which have failed were analyzed, and a full-day workshop with the CWCF Board of Directors was conducted to assess the factors that would lead to faster growth in the sector. The research project also involved surveying 13 worker co-operatives across Canada to identify common factors of success. The survey results indicated that a large majority of founding members in these successful worker co-operatives did not have business experience. Overriding this was the willingness of members to work together and to continuously learn on the job in a working environment that allows them to express their values and social concerns. Through this, successful worker co-operatives were able to carve a niche in their business sector by providing high quality goods and services. Other factors critical to success were access to capital and creative financing, including members' significant commitment to sweat equity, and available technical and industry resources to assist with the challenges of business and co-operative organizational development. By better understanding the success factors for individual worker co-operatives, the goal of CWCF is to pave the way for more growth and more success for worker co-operatives across Canada.

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Authors' biographies

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About CSERP

The Canadian Social Economy Research Partnerships (CSERP) is a collaborative effort of six regional research centres across Canada, their community partners, and the national facilitating research hub.

CSERP reaches out to practitioners, to researchers and to civil society, and undertakes research as needed in order to understand and promote the Social Economy tradition within Canada, and as a subject of academic enquiry within universities.

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1) Purpose

The purpose of the paper is to present a scan of the Canadian worker co-op movement in order to provide an analysis of the current state of the worker co-op movement. This analysis will serve, in turn, as a foundation for a further analysis focused on the best ways and opportunities for the increased development of the sector. It will examine the sector from a range of perspectives including: size, industry sector, areas of growth, factors supporting success, reasons for closure or failure as well as factors supporting growth of the movement and individual co-operatives. The study is the work of the Canadian Worker Co-op Federation (CWCF) a key player within the worker co-op sector, providing networking, training, financing and other services to the sector.

Founded in 1990, the CWCF is the national federation of worker co-operatives, representing both English- and French-speaking worker co-operatives in all regions of the country. Its vision is to be a growing, cohesive network of democratically controlled worker co-ops that provide a high quality of worklife, and support the development of healthy and sustainable local economies, based on co-operative principles. The mission of CWCF is to strengthen its worker co-op members, support the development of new worker co-ops, and strengthen the Federation and its governance.

The objectives of the CWCF are to:

- Work for the development and expansion of businesses organized according to co-op principles and the principles of worker ownership and control, and to promote the ideals of democracy in the work place;

- Create a vision and a strategy for the development of worker co-ops in Canada; representing the interests of worker co-ops to the co-op sector, governments, other organizations and the public;

- Create and maintain adequate resources for the development of existing and new worker co-ops, both alone and in co-operation with others;

- Increase support for, and understanding of, worker co-ops; provide forums for networking between worker co-ops and support for regional and industrial actions on appropriate issues; and

- Encourage the development of worker co-ops internationally.

The purpose of this paper directly supports the CWCF's vision, mission and objectives.

2) Methodology

The scan of the worker co-op sector has several components:

- An overview of the key characteristics of worker co-ops;

- A general analysis of the whole sector based upon CWCF's internal information, government data and an analysis of the survey done by CWCF in early 2008 for a Co-operative Development Initiative ("CDI") Innovations and Research project called "Strengthening Membership";

- A survey of "successful co-operatives" identifying key characteristics of success (See Appendix A for the list of participating co-ops);

- An assessment, through key informant interviews, of the primary reasons for the failure of worker co-ops: and

- A workshop with the CWCF's Board of Directors assessing the factors that would facilitate a more rapid growth of the worker co-op sector.

It should be noted that there is not a lot of research which has been done about the worker co-operative movement in Canada. The authors of this report have relied on their own experience in the

worker co-op movement and as staff of the Canadian Worker Co-operative Federation in carrying out the analysis.

3) What is a worker co-op?

a. Definition and Purpose

Worker co-operatives are businesses that are owned and democratically controlled by the worker/employee members. The main purpose of a worker co-operative is to provide employment for its members through operating an enterprise that follows the Co-operative Principles and Values. The worker co-op is, in principle, designed to provide benefits not just to the founding members but also to all future employee/members. When new employees join the business, after a successful probationary period they are encouraged to apply for membership and become member/owners.

On becoming a member, each person pays a membership fee, or purchases a membership share to become a member/owner. Through the democratic governance of the co-op (one member, one vote), all members have an opportunity to affect the way the business is run and to offer input on the decisions affecting their everyday work lives. Because the membership, through the board of directors it elects, develops the policies that determine the co-operative's daily and long-term operations, it follows that trust, communication and co-operation among members are vital to the co-op's success. The co-op's assets are collectively owned and surplus earnings are allocated to the workers according to the bylaws and policies established by the co-op (i.e. the membership), often in proportion to hours worked by members and with limited return on shares and member loans.

The worker co-op enterprise can in principle be used to operate any type of enterprise. As we will see below, within Canada there is a broad range of worker co-op enterprises.

b. Statement of Co-operative Identity as Applied to Worker Co-ops

As noted above, a key aspect of worker co-ops is that they seek to follow a set of values and principles endorsed by the International Co-operative Alliance as set out in the **Statement of Co-operative Identity (SCI)**. The following version of the SCI includes a comment on the applicability of each element to worker co-ops.

Definition: A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

Comment: The definition makes it clear that it is people voluntary coming together to meet their needs that forms the basis for a co-op. For a worker co-op, the key need is viable and fulfilling employment for the members.

Values: Co-operatives are based on the values of self-help, democracy, equality, equity, and solidarity. Co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

Comment: The values clearly indicate the ethics and solidarity that members of a worker co-op must follow and that should guide the co-op's actions both with its members and customers, and with the

broader community. Following these common values provides the foundation for building the commitment from, and relationship among, the members that is required for the co-op's long-term success.

Principles

Comment: The co-operative principles are guidelines by which co-operatives put their values into practice. Members of worker co-operatives should be aware of the ideals that set them apart from conventional capitalist businesses.

1st Principle: Voluntary and Open Membership: Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

Comment: It is important to note here that the key service used in the worker co-op is employment and therefore the membership, while open and non-discriminatory, is usually limited to the people that work for the worker co-op.

2nd Principle: Democratic Member Control: Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote), and co-operatives at other levels are also organized in a democratic manner.

Comment: In a worker co-op (a primary co-op) each member has one vote. The members elect a board of directors that has the authority and the responsibility for the management and supervision of the co-op. The directors are accountable to the members. For this democracy to be effective in the worker co-op, following the Co-operative Values is essential. It is also essential that the members take their responsibility to participate seriously.

3rd Principle: Member Economic Participation: Members contribute equitably to, and democratically control, the capital of their co-operative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

Comment: This principle expresses the fundamental economic difference between a worker co-op and a traditional business. In a worker co-op, capital is the servant of the co-operative. Returns on capital are always subordinate to the primary way of sharing the surplus (profits) between the members which is based upon amount of work they have contributed to the co-operative.

4th Principle: Autonomy and Independence: Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

Comment: This principle emphasizes that as an independent enterprise a worker co-op depends upon its members' commitment and hard work for its success. It is no one else's job. It also indicates how important it is that any agreement made to secure capital for the co-op's operations should be on terms which ensure the members remain in control of the co-op.

5th Principle: Education, Training and Information: Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

Comment: To run a worker co-op successfully the members must have many skills. Few members come to a worker co-op with all these skills, so to succeed the co-op must ensure that the members, directors and managers get the training they need to fully contribute to the success of the co-op. The three distinct areas in which the co-op members must have adequate training are: business management, democratic functioning of the worker co-op, and their own job within the co-operative.

6th Principle: Co-operation Among Co-operatives: Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.

Comment: In the same way the members of a worker co-op benefit from their mutual efforts, their co-op (and thus themselves) can benefit from co-operating with other co-operatives often by forming service federations with similar co-ops. For worker co-ops, the CWCF is such a federation and provides benefits to its members in the areas of training, financing and information sharing while also securing grants that are accessible for member projects. In addition, this principle calls upon co-ops of all types to patronize and support each other.

7th Principle: Concern for Community: While focusing on member needs and wishes, co-operatives work for the sustainable development of their communities.

Comment: Worker co-ops must always remember that they are ultimately dependent upon their larger community and the natural environment. In all activities designed to meet their own needs, they should consider how to carry them out in a sustainable fashion that strengthens their communities.

c. Market, structural, and legal characteristics

Although driven by co-operative principles, worker co-operatives still must compete in the marketplace and be financially sustainable. To achieve success in the marketplace while achieving their co-op's specific mission and goals, worker co-ops create many different types of organizational and operational strategies. These organizational strategies are decided upon by the co-op's members. Many worker co-operative structures are flat, whereby members collectively make decisions by consensus. In other worker co-operatives, there is a hierarchical decision-making structure to make day-to-day decisions. However the members directly or through the elected board of directors still set the policy and strategic direction of the co-operative. There can also be a mixture of the two structures, depending on the needs of the members and the nature of the enterprise sector. What is most important is that job descriptions, policies, and procedures are clear so that members know who can make what decisions and when¹.

Worker co-operatives are usually incorporated under a Co-operative Associations Act, although they can be incorporated under a Companies Act (which may be called a Business Corporations Act) by creating articles and bylaws which mirror the co-operative principles. There is one federal Co-op Act as well as different acts in each of the provinces and territories. Most worker co-ops are incorporated

¹ NCBA, About Worker Co-operatives; Retrieved from: <http://www.ncba.coop/ncba/about-co-ops/co-op-types/worker-cooperatives>

under provincial acts, although the federal Co-op Act can be used if the co-operative is going to have a place of business in more than one province. Under some acts worker co-ops can be incorporated as either for-profit or as non-profit entities. This choice regulates the capital structure of the co-op, taxation obligations, as well the options for the distribution of reserves (retained earnings).

Each act has some provision for ensuring that the business is being carried on, on a co-operative basis. These provisions include one member/one vote, limited return on capital, limited liability, patronage dividends, audit requirements, etc. Some acts have specific provisions which must be followed to incorporate as a worker co-operative. The acts also have specific requirements for incorporation with options and restrictions on the co-op's capital structure.

The first legal document is the Articles of Incorporation, which include the name and objectives of the co-op, the number and type of shares subscribed for by each member, and confirms the limited liability. The second legal document is the co-op's bylaws (sometimes call Rules). Bylaws tell members exactly what their rights and responsibilities are so that there won't be misunderstandings or conflict. A good set of bylaws includes specific worker co-op provisions for: membership duties; eligibility; financial contributions; what each member can expect in return for contributions (how profits are to be shared, the interest to be paid on shares, what investment will be returned upon leaving the co-op); when meetings are held and how they will be conducted; how many seats are on the board of directors; their duties and how they are elected; how the bylaws may be amended; and dissolution procedures.

4) Canadian Worker Co-op Scan

a. Number and Geographic Location

As of 2006 there were 346 worker co-operatives in Canada employing 13,209 people, with revenues of \$470 million and assets of \$326 million. Revenue from the forestry sector alone, almost exclusively in Québec, was \$278 million (59%)². An estimated two-thirds of worker co-operatives in Canada reside in Quebec, employing about 10,000 people³. The remainder of the worker co-ops are broadly dispersed across Canada. There are higher concentrations per population in Atlantic Canada while concentrations numerically are in Ontario, Nova Scotia and Winnipeg with the rest widely spread. Although the federal data is helpful, it is only a compilation of various sources using variable criteria, and diverse collection methods. Thus a definitive estimate and their geographic distribution are not possible.

A recent summary report on co-operatives in Canada indicated that in 1985 there were 98 organizations with 6,577 members and \$98.3 million of income, of which \$61.6 million was from the sale of lumber and pulpwood. With the focus on worker co-ops in Quebec through the mid-1980's a significant number of new co-op were developed in Quebec. In English Canada, significant development was also generated with the creation of Tenacity Works – The Worker Co-op Fund, which was funded by the Government of Canada in 2000.⁴ Overall, the period between 1985 and 2010 has seen a slow but

² Co-operatives in Canada (2006 Data). Co-operatives Secretariat. November 2009.

³ Labelle, L. (1999) Development of Cooperatives and Employee Ownership, Quebec Style. Retrieved from: <http://dept.kent.edu/oeoc/PublicationsResearch/Winter2000-2001/CooperativesQuebecStyle.htm>

⁴ Quarter, J., Mook, L. and Hann, J. (2010). Non-financial Co-operatives in Canada: 1955 to 2005, Social Economy Centre, University of Toronto, p. 5.

steady growth of the worker co-op sector in all regions of Canada. This growth also includes the formation of a national federation of worker co-ops, the CWCF, which has enhanced the networking and support within and for the sector and was instrumental in the creation of Tenacity Works.

For those familiar with the worker co-op sector, this predominance in numbers in Quebec is not surprising. Since the early 1980's, Quebec has had strong co-op development infrastructure that include technical assistance, sources of capital and tax credits for member investment in worker co-operatives which has supported growth of worker co-ops at about double the rate as in the rest of Canada.

b. Industry Sectors

The worker co-ops in Canada are in a broad range of activities. They are in approximately 30 different business sectors. The tables below were compiled using Quebec government statistics⁵ and direct CWCF research of the Anglophone worker co-ops. They show that about 50% of all worker co-ops are in the service sector engaged in a broad variety of services. There are a few significant differences in the types of activities between Quebec and the Rest of Canada ("ROC"). In Quebec there is a vibrant sector in the Arts and business services, whereas in the ROC there is stronger co-op and community development sector and a growing environment sector.

In the production or processing sector there is a substantial difference between Quebec and the ROC. In Quebec this sector represents about 39% of all the worker co-ops, whereas in the ROC it is only about 16%. In Quebec the greatest concentrations are in forestry and manufacturing, where in the ROC it is in food processing (fair trade coffee and chocolate).

In the retail sector, the ROC has a larger proportion of worker co-ops than in Quebec. This is the consequence of the ROC's weak production sector relative to that of Quebec. The ROC has a relatively strong food (grocery) sector, whereas Quebec's predominant retail is the restaurant sector.

	Canada	Quebec	ROC
Services	49%	48%	56%
Production/Processing	34%	39%	16%
Retail/Wholesale	16%	14%	28%
Totals	100%	100%	100%

	Canada	Quebec	ROC
Services			
Arts and Theatre	13%	16%	0%
Co-op & Community Development	11%	5%	34%
Information Tech.	10%	9%	14%
Business/Consulting Services	23%	27%	6%
Health & Social Service	10%	10%	9%
Environmental	3%	0%	17%

⁵ Direction des coopératives du MDEIE, Coopératives du Québec: Données Statistiques (2007). La Direction générale des communications et des services à la clientèle du MDEIE, pp. 24-25.

Tourism	8%	9%	3%
Transportation	2%	2%	3%
Education	5%	6%	0%
Other	15%	15%	14%
Total	100%	100%	100%

	Canada	Quebec	ROC
Production			
Artisan Crafts	4%	2%	15%
Clothing	6%	6%	10%
Food	7%	3%	30%
Forestry	39%	44%	10%
Construction	6%	4%	15%
Manufacturing	17%	20%	0%
Agriculture	16%	17%	10%
Printing Publishing	5%	4%	10%
Total	100%	100%	100%

	Canada	Quebec	ROC
Retail			
Food Retail	23%	15%	41%
Café/Restaurant/Bar	49%	53%	41%
Other	28%	33%	18%
Total	100%	100%	100%

c. Wages

A CWCF survey was conducted among worker co-ops in Canada in 2007 and 2008. Thirty-eight Anglophone co-ops (almost all of which were CWCF members), and 30 Francophone co-ops (almost all non-members of CWCF) completed it. The co-operatives surveyed, however, did not include the Quebec-based ambulance co-ops or the forestry co-ops (primarily in Quebec), so in considering the following this must be kept in mind. However with other co-ops, 40% of the co-operatives' annual payrolls are less than \$50,000 per year, 20% of the co-operatives' payrolls are between \$50,000 and \$100,000 per year, while 40% have payrolls above \$100,000 per year. These numbers show a broad range in size and income within the sector. However it is difficult to draw any definite conclusion about this without an in-depth study to determine the number of employees, industry rate, geographic location and stage of business development which would all have a significant influence in the size of the payrolls.

Another look at wage rates was generated through the 2010 survey of "successful" worker co-ops. The co-ops were evenly split between paying higher than market, market and below market rates of pay. Their average size was also significantly higher than the broader survey noted above. This is not surprising, as the industry sectors range from very moderately paid such as cafes, retail food to higher income sectors such as information technology and consulting. A more thorough data collection of wages would be required for a better analysis.

d. Member Demographics

The demographics of the co-ops showed two CWCF worker co-op members have over 60 members

and 7 have over 20 members, but the average has 12 members. If we remove from the study the largest two and smallest two co-ops the average number of members is 7.9. On the Francophone side, the average number of members is 16. Out of the Anglophone members, 60% live in cities, 23% in small towns, and 17% in rural Canada. The percentages were about the same for the Francophone co-ops regarding geographic distribution.

In the Anglophone co-ops, 40% of members have an average age between 31 and 40, 25% have an average age between 20 and 30, 25% are between the age of 41 and 50, while less than 10% are between 51 and 60. The average age of the members of a large number of the Anglophone cooperatives is in the [31-40] age group. In a large number of the Francophone co-operatives, the average age of the members is in the [41-50] age group. This is in line with an intuitive sense, since many more Quebec co-operatives have been operating for longer periods and therefore would likely have an older demographic.

In the Anglophone group, 45% of members are male and 55% are female, whereas in the Francophone group, 71% of members were male and only 29% were female. In the Anglophone co-ops, three percent are physically challenged, 6% are mentally challenged, 10% are racialized, 8% are immigrants, 6% are Aboriginal, and 5% are Gay, Lesbian, Bisexual or Transgendered (“GLBT”).

e. Challenges Identified

The co-ops also identified a number of challenges that they face. Initiating and surviving the start-up period from both a business and co-operative organizational perspective was noted. These include general lack of awareness of co-op structures, training for members, building and stabilizing sales and maintaining enthusiasm and commitment from members in the face of financial insecurity.

After the initial period, managing and financing growth was noted. This includes timely access to capital, securing new quality committed employees for new members and becoming more capable in the areas of financial management and governance as the co-op grows in complexity and size.

5) Worker Co-op Success Factors

a. Basic Characteristics of the “Successful” Co-ops Interviewed

To identify worker co-op success factors, the study has carried out structured interviews with representatives of 13 co-ops across Canada. These were selected by the researchers as co-ops commonly thought as successful within the worker co-op sector and their local business community. No other prescribed criteria were used. Rather, a series of questions was posed to identify their characteristics after the fact. Note that additional co-ops were approached, but these 13 are those which completed our survey. The co-ops are listed in Appendix A. There were 106 founding members in total of the 13 co-ops, for an average of about 8 founding members. Note that it was not possible to ascertain all types of data on all of the 106 members.

The number of co-op founding members ranged from three to twenty. The average age of founding members was approximately 35 years old, with ranges from 18 to 60. The gender breakdown of founders was 44% female, 54% male, and 2% who do not identify with any binary gender. Approximately 44% of founding members had post-secondary education while 56% did not. In two co-

ops that were in or servicing a traditional resource industry and where there was a large number of founding members, the education level of the founders was at or lower than grade 12. If we remove these two examples, then 71% of founding members had post-secondary education while 29% did not. Seventeen percent of founding members had previous business experience, while 83% did not. The choice by the founders to use the worker co-op option was primarily because it fit their values, ideology or business context (suppliers were worker co-operatives). They were also attracted from a values and practical perspective to the empowerment that the worker co-op model provides in the work context. In one case, the workers bought an existing business, and it was only in coming together to form a worker co-op that they were able to afford to do so and thereby save their jobs.

The founders chose the industry sector most often because it was a vehicle for them to express their values and social concerns. Some examples include fair trade, organic food and energy efficient housing. For others the predominant reason was opportunity (conversion of an existing business in which they were employees) or previous experience and expertise in the industry. In one case, the founders turned a hobby into a business. It should be noted that in most of these situations, founders (from a worker co-op perspective) were flying on their own, as there were not comparable worker co-ops for models.

At the development stage 85% of the co-ops had received technical assistance from knowledgeable co-op developers. This assistance ranged from organizational development, incorporation, operational processes, mission statements and board training. Sixty-two percent also received business planning support from co-op sources such as the CWCF or SEED Winnipeg or local resources at university business development centres. These resources often continue as mentoring relationships after start-up. However in two examples, the co-ops reported that the advice received with regard to business planning was unhelpful. Only 46% of the co-ops used some written guides and tools during their development. The co-ops have also integrated themselves into their local or provincial cooperative associations as well as with the CWCF and/or the Réseau and Regional Development Co-ops (“CDR’s”) in Québec. Some of the co-ops also became very active participants in their industry association as part of their ongoing learning and networking. One co-op stated that its most helpful association was in the “Other Club” (L’Autre Club”) – an association of general managers of co-ops and social enterprises in their local area.

During the development stage of the co-op, 62% received some grant funding to assist with their development costs. These were primarily government sources such as the Co-op Development Initiative, ACOA, Young Entrepreneurs program, the Quebec Local Development Centre, etc. For capitalization, 92% of the co-ops accessed outside financing. The financing came from credit unions, the CWCF, Investissement Québec, the Canadian Alternative Investment Co-op, ACOA (interest free), Community Economic Development Investment Funds (a Nova Scotia provincial program providing tax credits for investors), in one case a bank, and of course friends and family. The financing included lines of credit, term loans and preferred shares.

All the co-ops had a longevity of at least 4 years, with the oldest being 27. The average age of the co-ops was 14 years. Financially all the co-ops had either increasing or stable revenues. Ten out of 13 co-ops have been profitable in all of the last 3 years. Eleven out of 13 co-ops have positive retained earnings.

The number of workers ranged from 7 to 200. Five of 12 responding co-ops said that their members have high technical skill and 3 others have low skill levels, with the remainder not being sure or reporting a mix. Six out of 12 co-ops have wages at market, four are above market, and three are

below market. For the larger co-ops, it was noted that management wages were below market. Turnover largely depended on the industry that the worker co-op was in. Generally non-member staff turnover was high and member turnover was low or extremely low; in some cases non-member staff turnover was also low.

Ten out of the 13 co-ops surveyed said they had clear and effective governance structures. Three co-ops said that their co-op culture is like family. One co-op said, “We are a small co-op that spends a lot of time with each other. It’s like a family; some days you all get along, some days you don’t. You still care about and respect each other even on those days you don’t. Stress levels fluctuate, and are dependent on how the business is doing and how worked everyone is feeling. Our communication is generally positive, and we tend to look out for one another.” It was noted that the culture evolves as the economy changes - “During the recession we need to operate much like a business. As the economy turns around, we can focus more on co-op values.” Another co-op said that they are results oriented, have strong teams, and are a learning organization. One stated that this was an area which they needed to improve. One other stated that members’ sense of belonging was an essential element leading to success in their co-op.

Each worker co-operative was in a large industry sector in which they have been able to carve out a niche. Five of the 13 co-operatives are in growing industries. Six out of 13 are in mature industries. Two are in a young, undeveloped industry. Eight out of the 13 are in a market that has few participants. Five are in markets with many participants. Nine out of 13 co-ops are affected by business cycles or changing market structure. In particular, 5 are impacted by change in value of the Canadian dollar. Three were impacted by changes in commodity prices. One was impacted positively by the recession – because they sell beer.

The respondents indicated a number of challenges where more accessible resources would be beneficial. For many of the co-ops expansion capital has been a continuing challenge. Although start-up financing was obtained, the rate of growth was significantly restricted by capitalizations issues. Co-ops with greater access within the groups to capital such as the CEDIF program in Nova Scotia were able to grow more rapidly and also take on new opportunities. Another common theme was having other worker co-ops as models or having better ways of sharing information between and among co-operatives to contribute to the essential learning at the heart of the enterprise.

b. Commonalities

Although these co-op are in different industries and vary in size, the above indicates some clear commonalities. Most of the founders were values-driven. The worker co-op was not just a way of making a living but also a way to bring to their work life their values and social concerns. The co-ops in many cases have an explicit transformative agenda beyond individual benefit to members. Even where this was not the case as in conversions, values around democratic solidarity and employee empowerment were in play.

All required and were able to secure the necessary financing for start-up and in many cases some grant funding to assist with the initial business planning and organizational development. This funding came usually from small business sources. The importance of sweat equity founded on the solidarity and commitment to the founders’ goals in starting the co-op was also a key piece of the “financing” of the co-ops.

On the business side, the industries represented all were large enough for a new player i.e. the worker co-op, to carve out an effective business niche. Although all had not recovered from their start-up operating deficits, i.e. had positive retained earnings, all have stable or rising revenues and most were achieving at or above market rates of pay. The one exception is with the managers in the larger co-ops. This may be an indication of distortions in the market place, i.e. managers are generally receiving a disproportionate rate of pay, or it may indicate that the values of solidarity within the co-op keep wages within a tighter range than market with the disparity at the top due to the commitment to a living wage for all members.

An effective governance system with a strong co-op culture promoting solidarity and teamwork when facing adversity was also common. This was supported by a learning culture oriented towards practical business and co-operative issues and challenges. The team and learning culture present provides the creative impulse and resilience to overcome the challenges and ups and downs, both short and longer term.

c. What is worker co-op success?

Of course, the first challenge in determining success factors is to arrive at the criteria of success. What does success mean? In conventional business, it is fairly straightforward: success means financial profitability and viability. Although it is obvious that financial viability for worker co-ops is a key criteria (otherwise they would simply cease to exist), it is more complicated when you move onto other criteria, even that of profitability. For many worker co-operatives, maximizing profit is not the goal but rather a means for creating meaningful and fairly paid work, pursuing a social mission such as fair trade, local and organic food, etc. In light of this, the researchers asked the informants how they defined success and to describe the ways in which their co-op was successful.

In their answers a number of factors stood out:

- Longevity – simply having the co-op continue operations thus providing long-term employment;
- Living wages – providing a sustainable livelihood to the members;
- Meaningful work – many of the co-ops have a commitment to a democratic workplace and particular social and environmental goals that make working in the co-op more than just a job;
- Personal development – the co-op provides the ground for growth and becoming better people;
- Financial success, profitability – this provides the capacity to achieve many of the other goals of the co-op; and
- Values-driven products – producing the market place and their communities values-driven goods and services that make a difference in the lives of their customers and communities.

To achieve success in these terms, a number of factors can be identified.

d. Start-up (first three years)

The first success factor is having a business activity about which the members are passionate. The motivation and energy required is generated through the commitment of what the co-op is going to contribute to the world and hence give meaning to the members' lives. This commitment in most cases also extends to the worker co-op model itself, which is seen to embody a set of values as outlined in the ICA's Statement of Co-op Identity which resonates with the members' personal values.

During the start-up period, a number of issues were important. Getting financing help was critical for the majority of respondents. This financing came from a variety of sources, some conventional -- like banks and credit unions; others sector-specific like the CWCF Tenacity Works Fund and the Co-operative Development Initiative (grants), government agencies (e.g., ACOA) and lastly, family and friends. In addition “sweat equity,” the unpaid labour of members, family and friends, was important.

Attributes brought by the founding members played an important role. Although many of the founders had little business experience (17%) when they formed the co-op all had the determination and capacity to learn on the job -- at times painfully. It was recognized that this learning was critical regardless of the social mission for the viability of the co-op. This learning could be simple on-the-job experience or could be provided through a mentor familiar with the co-op’s industry, professional practitioners or co-op development facilitators. Often the foundation for this learning was previous work experience more than formal education. However, it should be noted that 45% of the founders did have post-secondary education, and a much higher percentage (71%) had post-secondary, when we exclude from analysis the two co-ops with large numbers of founders and no post-secondary education among them. This tends to indicate that whether or not it is helpful to have post-secondary depends on the type of industry. In industries where workers tend to have low education levels, such as in servicing the resource industries, having knowledge of the industry is more important than post-secondary education. The prevalence of post-secondary education in the other cases may indicate that although the content of the education was not necessarily relevant, the capacity and experience of research and self-directed learning which is developed by engaging in a post-secondary education was likely helpful as it was these skills which were required to learn on the job in a timely and effective manner. Overriding the importance of formal education and prior business knowledge was the willingness to work together and the sheer motivation and commitment to the co-operative’s endeavour. This is not to say that in some cases formal education was not a benefit, however in others it was seen as of little importance.

The availability of technical support for co-operative organizational issue and business assessment and planning is an important support. Not only does this provide some of the basic organizational and business foundations essential to succeed, it becomes the matrix of ongoing resources to support the learning culture required by the co-op. It is of concern that in a couple of cases, the professional support received regarding business planning was unhelpful, although fortunately the co-ops were able to overcome this.

These success factors are also supported by an analysis of co-ops that failed during the start-up phase, in the experience of the authors of this report. In many cases the capacity, commitment or recognition of the need to learn new skills was not there. In a number of cases where workers took businesses out of receivership, the scale of the business required a level of sophisticated business skills immediately, and the economic environment of the co-op was very challenging. Workers with strong technical skills in a limited business area didn’t have the necessary background to manage the whole operation, particularly in challenging circumstances with a very limited window of opportunity. Conversion to worker co-ops of successful businesses provided a better opportunity for the success factors noted above to be played-out as there were often mentors, professionals and time to support the required learning. In most cases, conversions have been successful.

e. On-going success

On-going success was attributed to developing the expertise in the industry and the business skills

required to make the business grow to the point of financial sustainability. Clear successful worker co-ops, like all businesses, must develop their market niche by providing a quality service or product, competitive pricing, good marketing, customer service and efficient production. However another factor stood out in the responses - the capacity for all the membership whatever their role in the co-op to work effectively together. The nature of the worker co-op supports and demands this approach and when genuine participation is instituted, the co-op has great resilience in meeting its challenges.

With the growth of the co-op also comes the requirement to develop a more sophisticated co-operative business and organizational structure. Having/developing the capacity with the resources to achieve this is crucial and there is a multitude of ways for an enterprise to come to grief. Some of the resources that support this include access to timely financing, strong co-operative and industry networks that provide contacts, information and mentors and personal solidarity and commitment between the members.

As with the start-up phase, an analysis of the worker co-op failures supports the above. Many failures demonstrate a simple business failure, ranging from a single poor and costly decision which puts the co-op in a financial hole without the capital resources with which to dig itself out, to the more mundane case of the inability to successfully grow the market niche into an enterprise that can sustain the members' long-term commitment. Both of these situations can be exacerbated by the challenge of getting equity or quasi-equity capital which would help the co-op have the financial resilience to meet this challenge. In some cases, it has actually been the co-op's success that has required additional capital while its regulatory environment has made it next to impossible to get the capital on co-operative terms. The other area to note is that in many failures, the building of the fully participatory team has not been achieved. In these cases, the commitment and solidarity which gives the successful worker co-ops one of their key competitive advantages in the market place isn't developed. This fragmentation provides many opportunities for failure on both the business and co-operative levels.

This analysis is supported by a study from the University of California Center for Cooperatives, 'Steps to Starting a Worker Cooperative' (1997). It noted the reasons for failure and success of worker co-operatives. The most common reasons why businesses go out of business are because of financial capital and business skill deficiencies. Worker co-operatives share these characteristics, along with conflicting objectives and ineffective decision-making structures. With this, the author of the paper reasoned that the success of worker co-operatives was from having a "clearly defined purpose and focus"; "feasible business idea and thorough business plan", "having a financial stake in a business, receiving a meaningful share of the profits, and actively participating in decision making", "adequate financing", "business advisors and consultants knowledgeable about worker co-operatives, "clearly defined roles and procedures for decision making", "sound business practices", and "ongoing education and training"⁶.

6) CWCF Workshop on Ways to Encourage Faster Growth of the Worker Co-operative Sector

The CWCF Board of Directors and their management staff engaged in a day-long cognitive mapping process responding to the question – How can we make the worker co-op sector grow more rapidly? The process focused first on practical action steps and then mapped up to the goals and outcomes of growing the sector and finally back down to more detailed steps required to carry out the actions. This

6 Steps to Starting a Worker Co-op. Gary B. Hansen, E. Kim Coontz, and Audrey Malan. Centre for Co-operatives University of California and Northwest Cooperative Federation, 1997.

facilitated process created a “mind map” of all conditions, resources, opportunities and initiatives which could speed up the development of worker co-ops within Canada. What follows is brief outline of the key elements.

1. Have a clear offering and rationale for what worker co-ops can contribute to our communities and the their members owners. The overall goal was summarized as: “Offer an Appealing Alternative to Corporate Capitalism”. This alternative would increase local economic control, increase social capital and diversify rather than concentrate power. Interestingly, this reflects the research above that demonstrated worker co-op founders are clearly values-driven, so it is in harmony with the mapping workshop seeing a value offering at the heart of the sector’s growth.

The overall goals for growing the sector was the recognition that in practical terms growing the sector means the growth of existing worker co-ops (increasing the membership and space within the market place) and developing new worker co-ops in more industries and more communities.

2. Develop a clear communication strategy that has the capacity to speak to the values proposition of worker co-ops and is diverse and creative enough to provide the communication tools to reach the potential audiences that will have a need and interest in pursuing the creation of worker co-ops.
3. Carry out a continuous promotion and opportunity identification initiative. The mapping identified many potential promotional venues and targets that would have resonance with the worker co-op values proposition. To name a few, these include the activist community, organized labour, business education institutions, First Nations, retiring owners and youth within the existing co-operative sector.
4. Ensure that adequate development resources are available. Some of the approaches identified include: partnering with other co-operative organizations to develop resources; provide training to a new generation of co-op development facilitators; partner internationally to share best practices, lobby for more government support and legislative change; and increase networking and training.
5. Expanding the access to capital was the last element. As was noted in the section on success factors, access to capital and start-up and perhaps even more so at the growth stage of the co-ops develop is crucial and often lacking. Some suggestions in this area are to: work with the Canadian Co-operative Association in support of its commitment to develop a multi-sector national co-op development fund.; to work with the co-operative financial sector to see worker co-ops as preferred investees and to look for creative ways to finance members’ investments and to seek investment incentives such as tax credits from various level of government.

7) Conclusion

This paper has outlined the current situation of the worker co-op sector in Canada with the intent of gaining an understanding of its scope, supporting conditions for its growth and the factors of success for individual worker co-ops.

It demonstrates that there has been a slow but steady growth of the sector over the last 25 years, with

several spurts of growth as targeted resources were made available. However, in most circumstances during this period, securing basic development resources was left to the members' initiative and creativity.

It shows that worker co-ops now range in diverse sectors of the economy and that over 50% are in the services sector with some significant variance between the ROC and Quebec in the number within the production sector. This reflects the increased capacity within Quebec for both technical assistance and capitalization which has allowed the sector to become involved in more capital-intensive enterprises.

The research also indicates that for many co-operatives their founders' initiative is values-based: towards a particular transformative business activity, to the worker co-op model itself, or both. The founders have also out of necessity produced learning organizations that emphasize a collaborative team organization based on common values and solidarity.

There are some clear factors that lead to a co-operative's success:

1. Highly motivated, values-based founders.
2. Business generally in large economic sectors which provide the necessary opportunity to develop a sustainable market niche based on competitive and quality goods and services.
3. A learning capacity and culture within the organization.
4. Available technical and industry resources to assist with the challenges of business and co-operative organizational development and training. These include networking within the co-op sector organizations such as federations, provincial associations and resource groups.
5. Access to capital and creative financing including members' significant commitment to sweat equity.

Appendix A

List of co-operatives which completed the 2010 survey of successful worker co-ops.

Coopérative de camionnage de St.-Félicien, St.-Félicien, QC.
Coopérative Travailleurs Forestiers McKendrick Ltée, Restigouche, NB.
EnerGreen Builders Co-op, Sackville, NB.
Just Us! Coffee Roasters' Co-op, Wolfville, NS.
Kootenay Bakery Café Co-op, Nelson, BC.
La Barberie – Coopérative de travail, Québec, QC.
La Siembra Co-op, Ottawa, ON.
Multicultural Health Brokers Co-op, Edmonton, AB.
Organic Planet Worker Co-op, Winnipeg, MB.
Planet Bean/ SUMAC Community Worker Co-operative, Guelph, ON.

In addition, three worker co-ops took the survey which chose to remain anonymous.

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