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# FAST FACTS

**June 12, 2012**

## Community Economies and Jobs to Suffer with Federal Cuts to Co-operative Development

**O**n April 13, 2012 the Canadian Co-operative Association was informed by the Government of Canada about the termination of the Co-op Development Initiatives along with significant cuts to the Rural and Co-operatives Secretariat. This came as a surprise to the Canadian Community Economic Development Network and our member organizations including the Canadian Cooperative Association, the Canadian Worker Co-operative Federation, the Co-operative Housing Federation of Canada, the Manitoba Co-operative Association, and co-operatives throughout the country. Cuts will have a significant impact on the development of new co-operative businesses, jobs, and services for communities throughout Canada.

In a year that the United Nations has declared the “International Year of Co-operatives” -- which the federal government endorsed at the United Nations and has been a partner in supporting -- the elimination of the only federal government program dedicated to co-op development is not only hard to understand, it is misguided and will result in a negative economic impact much greater than the short-term spending that is “saved.”

With over \$330 billion in assets, about 9,000 co-operatives in Canada provide services to 18 million members. They are a significant part of our

economy and our communities. At a time when job creation is needed for economic recovery and growth, why cut support to a sector that employs over 150,000 Canadians and continues to grow? In an era when economic decisions are increasingly made outside of the communities most impacted by them, and wealth accumulates in ever fewer pockets, what we precisely need is stronger leadership and investment in a business model that roots ownership locally and distributes wealth equitably. In 2007, co-operatives in Manitoba distributed \$138 million to members in patronage dividends, providing a direct economic impact for many Manitobans and for the economies in the communities that they live in.

Co-operatives usually start with a group of people looking to collectively address a need in their community, or capture an opportunity, in a way that puts their needs and their local economy first. Co-operatives build democracy through seven core principles:

- Voluntary and open membership: Co-ops are open to all persons able to use their services and willing to accept the responsibilities of membership.
- Democratic member control: Co-ops are controlled by their members.



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## *FAST FACTS continued ...*

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- **Members' economic participation:** Members contribute equitably to the capital of their co-operative.

- **Autonomy and independence:** Co-ops are autonomous, self-help organizations controlled by their members.

- **Education, training, and information:** Co-ops provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives.

- **Cooperation among co-operatives:** Collaboration between co-ops benefits individual members and the co-operative movement overall by combining and sharing resources across the sector.

- **Concern for community:** While focusing on member needs, co-operatives work for the sustainable development of their communities.

Members participate in the election of their boards of directors, providing the opportunity for more than 100,000 Canadians to participate as volunteer directors and committee members in the governance of co-operative businesses in their communities.

Unlike traditional business models, co-operatives are businesses oriented to member service rather than the maximization of profit. This means that they will operate in circumstances that meet members' and communities' needs as long as economically viable. Because they are highly invested in their communities, co-ops are more likely to consider profit in terms of the local job retention, and service to community. For example, banks have closed their doors in communities across Canada because they were not earning the profits they desired. Fortunately more than 1,000 of these communities have financial co-operatives committed to serving their communities. In Manitoba, this is the case in 61 communities.

The co-operative movement's commitment to more than the 'bottom line' has not compromised the viability of their business model. A 2008 study in Quebec found that 62 per cent of new co-ops are still operating after five years, compared with 35 per cent for other new businesses. After 10 years, the figures are 44 per cent and 20 per cent respectively. Similar research in BC and Alberta recently found parallel results in their provinces.

Investment in the development, start-up, and growth phases of co-operatives is beneficial because of the significant impact and returns that they generate over time. The Co-op Development Initiative (CDI) provided precisely this type of strategic investment. Since the program's inception in 2003, more than 300 new co-ops were created with support from the CDI program, and more than 1,600 groups received advice and assistance, which might yet lead to the creation of even more co-ops. In Manitoba, since 2009, a few hundred thousand dollars invested in over 25 cooperative businesses, through technical support and small grants, has allowed businesses to start up and provide much needed services. For example, Peg City Car Co-op's return on investment from the Co-op Development Initiative has already been significant.

The government estimates it will save some \$4 million by eliminating CDI and other government supports for co-operatives. This is a drop in the bucket when compared with the significant negative impact it will have on the Canadian economy and small communities in particular.

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