

COO-00

The cooperative option



The cooperative: A solid and proven form of business ownership

For more than a century, cooperatives have played an important role in the Québec economy. They are significant contributors to development throughout Québec in many economic sectors. Some are major players, and all play a vital role in their communities.

The Québec cooperative movement is comprised of more than¹:

- 3,000 cooperatives and 39 mutual societies
- 7 million members
- 78,000 jobs
- \$18 billion in sales
- \$100 billion in assets

More than 2,400 of the 3,000 cooperatives are active in sectors other than financial. These enterprises, which are owned by some 1 million members, provide employment for more than 37,000 people, generating revenues in excess of \$8 billion and total assets of more than \$4 billion.

Cooperatives reflect Québec itself, for they adapt and adjust to their member and community needs. These enterprises are recognized for their efficiency and sustainability. The survival rate for cooperatives is twice that of all private sector businesses put together.²

But what is a cooperative?

A cooperative is...

- An association of individuals who collectively bear the responsibility of entrepreneurship
- An enterprise controlled by its users
- An enterprise whose goal is to maximize the various advantages for its members as entrepreneurs, users, and members of a community
- An enterprise that uses its capital without making it a measure of member control
- An enterprise whose rules guarantee equality among members in terms of control and an equitable sharing of contributions and profits
- An enterprise that seeks to work with other cooperatives to increase business and contribute to community development
- An enterprise that puts education front and center, notably by sharing knowledge and information



¹ MDEIE inhouse data

² Government of Québec. Taux de survie des entreprises coopératives. Québec, MIC, Cooperatives Branch, 1999, page 15.

An original concept and distinct legal status

A cooperative is a legal person in which persons or partnerships having economic, social, or cultural needs in common unite for the prosecution of an enterprise according to the rules of cooperative action to meet those needs.⁴

The cooperative is an enterprise established under a specific act, the Cooperatives Act. This act is periodically updated to account for the changing needs of cooperatives and their members, and clearly states the rules of operation for cooperatives.

Three-dimensional participation

Together, cooperative members bear the responsibilities associated with ownership and control of the enterprise. As users, they receive goods and services, and may even find employment in the cooperatives.

Economic participation

Members make equitable contributions to the cooperative capital. The amount required to become a member may vary considerably from one cooperative to the next based on needs, the financial capabilities of members, and the cooperative category.

Shared control

Regardless of the number of shares each member holds or total sales by the cooperative, the “one member, one vote” rule applies.

The general meeting of members is the key forum for exercising democracy. This is where major priorities are defined and enterprise bylaws are adopted. Members thus ensure that the enterprise listens to their needs and acts to address them.

Having members serve on the board of directors puts them in the heat of enterprise management action. Election to the board is open to all cooperative members and gives each individual the opportunity to play a more central role in the development of the enterprise.

Shared surpluses

When a cooperative generates operating surpluses, these are earmarked for the cooperative’s reserve—either to strengthen its financial situation or for development initiatives.

Members can also decide to equitably allocate a percentage of the operating surpluses to themselves as dividends. The surplus earnings are distributed pro rata based on each member’s transactions with their cooperative and not on their equity ownership. Cooperative members can elect not to distribute patronage dividends.

⁴ Definition adopted under the Act to Amend the Cooperatives Act (R.Q. 2003, c. 18), Section 2, December 12, 2003



The cooperative movement: a well-structured network

Cooperatives have long had significant ties among themselves and with their partners. This cooperation among cooperatives, or networking, is particularly apparent when cooperatives team up with sectoral and regional organizations.

Grouped by sector

Cooperatives that perform the same type of function are usually grouped together under a federation. That way, they can share information, advice, and technical support, and offer joint services. This arrangement helps improve the cooperative's own performance as well as that of the entire sector.

Grouped by region

Cooperatives in a given region can also join together under regional development cooperatives, which provide technical assistance to get new cooperative enterprises up and running and sustain cooperative life on a regional level.

Conseil de la coopération du Québec

Mutual associations and cooperatives from all sectors and regions of Québec are united under Conseil de la coopération du Québec to help the Québec cooperative movement attain its full potential. The Council promotes dialog and cooperation between cooperative sectors and with their partners, represents and defends the interests of the entire Québec cooperative movement, and encourages cooperative development to multiply the benefits of cooperation for members and the population at large.

A well-supported movement

The mission of the Cooperatives Branch of Ministère du Développement économique, de l'Innovation et de l'Exportation is to encourage the creation and growth of cooperatives. This branch contributes to the development of various cooperative sectors through appropriate monitoring and support.

As administrator of the Cooperatives Act, the Cooperatives Branch oversees the establishment, operation, and liquidation of cooperative enterprises.

As stated in the Cooperative Development Policy, the Branch is responsible for management of...

- The new Cooperative Investment Plan
- The yearly delivery of certifications of eligibility for the Deferred Tax Rebate
- The Partnership Agreement on Cooperative Development
- The Management Training Program for managers of social economy enterprises and the distribution of related management guides

Using inhouse data and analyses as well as strategic watch activities, the Branch offers oversight and support to various cooperative sectors. It also publishes guides, studies, and yearly statistical data on Québec cooperatives.



A versatile option in tune with needs

It is no coincidence that the cooperative movement is found in all walks of economic life. The cooperative formula is a versatile one that adapts to the community and promotes the creation of enterprises able to meet a variety of needs. There are thus a number of cooperative categories, each with specific objectives.

Consumer cooperatives

These cooperatives provide goods and services to their members for personal use. They are found in sectors such as food, housing, goods and services for schools, cable TV, and mortuary services.

Producer cooperatives

This type of cooperative encompasses natural and legal persons who receive economic benefits through the goods and services they acquire from their cooperatives to perform their jobs or run their businesses.

By uniting under producer cooperatives, members leverage their combined power. Through the efficiency of networking, the cooperatives become extensions of the individuals or enterprises they bring together.

Producer cooperatives are active in areas as varied as agrifood, taxis, the use of farm equipment, professional services, and business-to-business services.

Worker cooperatives

Worker cooperatives offer an attractive solution for people who feel ready for the challenge of being in control of their jobs and starting their own enterprise. Employees of these cooperatives are members who control all aspects of operations.

These cooperatives operate in sectors such as forest management, wood processing, business services, information technology, and ambulance services.

Worker-shareholder cooperatives

Worker-shareholder cooperatives offer enterprise ownership that provides employment for its members. This investment allows employees to participate in the development of the business.

The relationship between the cooperative and the company is governed by a shareholder agreement, which sets guidelines for all partners. It ensures that at least one employee representative will be on the company's board of directors.

This type of cooperative is also a good way to prepare future generations to take over ownership. These cooperatives are found notably in manufacturing, computers, and multimedia.

Solidarity cooperatives

In the types of cooperatives mentioned above, members must belong to the same group—consumers, producers, or workers. In a solidarity cooperative, several member categories can join together. Workers, users, and other individuals or organizations with a common interest can thus unite to meet their needs and goals.

Solidarity cooperatives are a way for local communities to come together to meet their collective needs, for regions that are struggling due to the departure of young people to spur local job creation, and for all stakeholders to participate in developing solutions, thereby providing the enterprise with deeper roots in the community.

Solidarity cooperatives are notably active in homecare, professional, and business services; the environment and sustainable development; and neighborhood services (grocery stores, gas stations, restaurants, etc.).



A cooperative development policy

The main goal of the Cooperative Development Policy adopted by the Government of Québec in 2003 was to step up the growth of cooperatives by encouraging their expansion and the creation of new cooperatives in new fields of activity.

Cooperatives play a vital role in the economy. They are a way to address various issues facing Québec society, like training the next generation of workers, dealing with the aging population and its consequences, and stemming the exodus from certain rural and urban regions. Cooperatives are also heavily influenced by the globalization of the economy, which requires them to be even more competitive, adopt best business practices, diversify their operations, and invest in growth sectors.

The Cooperative Development Policy takes resolute aim at ensuring the growth and development of cooperatives and marks an important reaffirmation of Québec's leading role in cooperation. The policy is the responsibility of the Cooperatives Branch of Ministère du Développement économique, de l'Innovation et de l'Exportation (MDEIE).

Areas of action

Adopt an effective and innovative legal framework

In December 2003, the National Assembly of Québec unanimously adopted the Act to Amend the Cooperatives Act. The amendments aimed to modernize the Cooperatives Act and provide impetus to cooperative development. More specifically, the changes it introduced reinforced the distinctive legal character of cooperatives, improved capitalization, provided for the survival of collective heritage, encouraged stronger sectoral networks, and enhanced cooperative efficiency.

Develop or improve capitalization and financing tools suitable for the cooperative environment

A major reform of the Cooperative Investment Plan (CIP) was undertaken to heighten its impact on capitalization. The particulars of this new plan were presented in the 2004–2005 Budget Speech. Grouped under a separate act, these provisions comprise the new Cooperative Investment Plan. The new CIP encourages the capitalization and growth of eligible cooperatives and cooperative federations by offering tax benefits to members and workers who acquire eligible preferred shares.

In addition, the Deferred Tax Rebate enables cooperative members to defer tax on eligible dividends received from eligible cooperatives or cooperative federations in the form of preferred shares, until such time as the shares are disposed of.

Investissement Québec also offers assistance to cooperatives through its Financing Incentive Program for Collective Entrepreneurship and Capitalization Incentive Program for Social Economy Enterprises.

MDEIE also worked with certain partners—notably Capital régional et coopératif Desjardins (CRCD), Réseau d'investissement social du Québec (RISQ), and Fonds pour l'investissement local et l'approvisionnement des fonds communautaires du Québec (Filaction)—to identify how best to adapt financial services to the needs of cooperatives.

Improve consultation services available to cooperatives

In January 2005, MDEIE and Conseil de la coopération du Québec signed a partnership agreement for a period of three years. This agreement updates and specifies the roles played by the major players in the development of cooperatives. It consolidates the assistance available to cooperative startups, helps improve coaching and sectoral oversight for these enterprises, contributes to stronger networks, and supports initiatives that strengthen the cooperative movement as a whole. The agreement encourages greater consistency and standardization in cooperative development efforts in Québec.

Acknowledge the role of cooperatives by integrating and harmonizing government action in the area of cooperative development

Acknowledging cooperatives requires a series of actions to ensure that the specific nature of these enterprises is taken into account, notably when legislation, programs, and measures are drawn up. The existence of cooperatives must also be acknowledged in major policy areas. Moreover, the cooperative formula must be promoted to increase awareness of the value of this entrepreneurial approach.

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Have a project with an economic and social impact to it?

The cooperative formula is an ideal solution because it combines democracy, efficiency, equity, and competitiveness.

A formula for today's world . . .

The values and principles on which cooperatives are founded are more modern than ever—the pooling of resources, a democratic mode of operation, personal empowerment, economic participation, and autonomy. Cooperatives are enterprises that let members meet their needs in the way they see fit.

. . . that goes beyond trends, . . .

Since cooperatives are controlled by members and responsive to their needs, they are particularly good at innovating and adapting to changing times. This enables members to maintain and expand on their collective heritage over the generations.

. . . that serves its members and is committed to the community, . . .

Cooperatives put their members first, but also actively participate in local and regional development. Three-quarters of all cooperative jobs in Québec are located in rural areas. The strong local roots of cooperatives help them make significant contributions to the vitality of municipalities throughout Québec.

Cooperatives are a good formula for individuals who provide homecare services or communities that want to create or keep neighborhood services, like grocery stores, or train the next generation of business owners. The cooperative formula is concrete proof that collective entrepreneurship really works.

. . . and that has internationally recognized values and principles.

Imbued with values like self-help, personal and mutual empowerment, democracy, and equality, a group of men and women developed the cooperative formula in the mid-19th century. This type of enterprise is founded on seven major principles recognized by International Co-operative Alliance (ICA) members:³

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training, and information
- Cooperation among cooperatives
- Concern for community

Members, vision, strength!

³ International Statement on the Cooperative Identity adopted at the Congress of the International Co-operative Alliance in 1995

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