Co-operatives and Social Enterprise
In
Newfoundland and Labrador

Newfoundland-Labrador Federation of Co-operatives

September, 2005
1.0 Summary

The Newfoundland-Labrador Federation of Co-operatives (NLFC), is the central organization representing the co-op sector in the province. The NLFC is currently exploring ways in which the co-operative enterprise model can be used to develop the social economy, particularly in rural communities. This paper is intended as a “first step” in informing those engaged in the social economy about co-operatives and to initiate discussion regarding potential opportunities for development.

Co-operatives are limited liability, taxable enterprises, legally incorporated under the province’s Co-operatives Act. Co-ops can hold assets, enter into contracts and employ staff like any other enterprise. There are over sixty co-operatives currently registered in Newfoundland and Labrador, many of them based in rural communities.

Co-op enterprises are run by people associating together to achieve common socio-economic goals. But co-ops are also self-sufficient enterprises, providing goods and services in the market economy. Co-operatives are founded on a number of basic operational principles that generally set them apart from other forms of business enterprise. Fundamentally, co-ops focus on service to the membership, rather than return on investment based on shares held.

Co-ops provide an enterprise model through which social values and community needs take priority over profit maximization, while recognizing that financial viability is essential for success. Co-ops provide an alternative to private enterprise, non-profit, charitable and government service delivery models. As “social” businesses, co-ops respond to local interests and priorities and use their profits to achieve the socio-economic goals of the people and communities they serve.

The NLFC is interested in identifying new partnership opportunities to enhance co-operative development in the province’s social economy sector. This paper is intended to generate new opportunities for discussion with community development agencies, social service organizations, municipalities and government about how the co-op model might play a greater role in the establishment of new social enterprises in Newfoundland and Labrador.

Organizations interested in finding out more about the co-operative business model and/or exploring potential opportunities for development can contact the NLFC or the Department of Innovation, Trade and Rural Development for further information.

2.0 Introduction

In the 2004 Throne speech it was announced that the “social economy” would be a new federal government priority. The 2004 Budget included support for “social economy enterprises”. The Prime Minister described the social economy as “the efforts of a million Canadians working in the voluntary sector . . . and the efforts of the people who
are applying entrepreneurial creativity – not for profit, but rather to pursue social and environmental goals.”

Programs to support social enterprises are now being developed. Industry Canada has national responsibility for the initiative and the Atlantic Canada Opportunities Agency is the delivery agency for the Atlantic region. Consultations with social economy stakeholders are ongoing, at the national and regional levels, to assist with implementation.

Canada’s co-operative business sector has been actively involved in the program planning process. The Canadian Co-operative Association and its Francophone counterpart, the Conseil Canadian de la Cooperation, are both represented on the national committee for the social economy initiative. It has been recognized that the co-op business model can play an important role in the development of social enterprises. Co-op organizations across the country are now considering options to support potential projects at the community level.

The Newfoundland-Labrador Federation of Co-operatives (NLFC), is the central organization representing the co-op sector in the province. The NLFC is currently exploring ways in which co-operative and micro-business program models can be used to develop the social economy, particularly in rural communities. This paper is intended to be a “first step” in informing those engaged in the social economy about co-operatives and micro-enterprise and to initiate discussion regarding potential opportunities for development.

### 3.0 The Social Economy: A Co-operative Context

Industry Canada describes the social economy as “...‘economic’ in that it involves the production of goods or services and their sale in the market economy. It is also ‘social’ in that its main objective is to meet the needs of the community, including disadvantaged or vulnerable members, and because of the values (democratic process, collective empowerment, etc.) on which its governance and operation are based.”

ACOA describes social economy enterprises as those that are “... run like businesses producing goods and services for the market economy but manage their operations and redirect their surpluses in pursuit of social and community goals.”

The co-operative business model fits well with both of these descriptions. Co-op enterprises are run by people associating together to achieve common socio-economic goals. But co-ops are also self-sufficient enterprises, providing goods and services in the market economy. A widely accepted definition is as follows:

“We autonomous association of people united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.”
As can be seen from the aforementioned definition, the co-operative model reflects many of the characteristics associated with the social economy. Co-operatives share operating attributes that set them apart from other enterprises. These include:

**Voluntary Membership:** People or organizations are free to join or not as their circumstances require. Admission is by the will of the existing members.

**Democratic Control:** Each member has one vote, regardless of size, volume of business conducted or amount of investment involved.

**No return on investment:** Membership shares always remain at par value. Profits generated are reinvested in the enterprise or returned to members based on their use of the co-op’s services.

**Service over profits:** While recognizing that financial stability is essential, the goal of a co-operative is to provide top quality services for its members, not to maximize profits.

**Collective Ownership:** Assets and accumulated reserves are owned by the co-operative and cannot be distributed to individual members. Should a co-operative be dissolved members may only receive the share capital they invested.

Co-operatives are limited liability, taxable enterprises, legally incorporated under the province’s Co-operatives Act. Co-ops can hold assets, enter into contracts and employ staff like any other enterprise. There are over seventy-five co-operatives currently registered in Newfoundland and Labrador, many of them based in rural communities.

In the past, the formation of co-operatives has often been in response to social and/or economic crisis or change. More recently however new co-operatives are being established in the emerging social economy sector. Many of these co-ops are owned by community stakeholder agencies and other groups. This “multi-stakeholder” co-op model ensures that member’s social values and community needs take priority over profit maximization, recognizing that financial viability is an essential operational requirement.

### 4.0 Social Economy Co-ops in Canada

There are many examples of co-operatives operating in the social economy in Canada. Quebec has been especially active in applying the co-op model to social enterprise development. In Quebec the social economy generates over 65,000 jobs and annual sales of nearly $4.3 billion annually. Approximately 20,000 of these jobs are generated through co-operative enterprises, the rest through other non-profit structures.⁴

Social economy co-ops in Quebec deliver home care, run recycling depots and deliver health care services. Many ambulance services in the province are worker-owned co-ops. Emerging sectors such as community media, information and communications technology and social tourism are providing new opportunities for co-op development. A list of social economy sectors provided by the province contains the following examples:⁵
<table>
<thead>
<tr>
<th>Sector of the Social Economy</th>
<th>Type of Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Care Centres</td>
<td>$5-a-day day care for children 4 years of age and under</td>
</tr>
<tr>
<td>Home Help services</td>
<td>Home help services for the elderly individuals experiencing a loss of autonomy and active households</td>
</tr>
<tr>
<td>Prenatal centres</td>
<td>Prenatal and post natal services</td>
</tr>
<tr>
<td>Adapted work centres</td>
<td>Labour market integration services for the disabled</td>
</tr>
<tr>
<td>Labour market integration firms</td>
<td>Labour market integration services for underprivileged clienteles</td>
</tr>
<tr>
<td>Culture</td>
<td>Dissemination of culture at the regional and local levels</td>
</tr>
<tr>
<td>Community media</td>
<td>Newspapers, television and radio stations</td>
</tr>
<tr>
<td>Community housing</td>
<td>Access for all citizens to affordable, quality housing</td>
</tr>
<tr>
<td>Waste sorting and recovery centres</td>
<td>Recovery, repair and reuse of residual household, industrial or commercial materials</td>
</tr>
<tr>
<td>Forestry sector</td>
<td>Restoration of Quebec’s forests production of seedlings, reforestation, silviculture work, wood harvesting, lumber production</td>
</tr>
<tr>
<td>Social tourism</td>
<td>Accommodation, restaurants, and vacation camps for children, low-income families and the disabled</td>
</tr>
<tr>
<td>Information technologies</td>
<td>Technical resources that allow for the integration and use of NICT’s by groups formed through associations and the social economy</td>
</tr>
</tbody>
</table>

Successive governments in Quebec have had strong social and regional development strategies which have supported co-op development as an important component of the social economy agenda. Similarly the co-op model has demonstrated its relevance in responding to the needs of member/stakeholders across the country. The following are examples of more recent social economy co-ops that have been established. Additional examples are provided in Appendix “A”.

**Halliburton County Community Co-operative**: This is a broad community-based development co-operative that has a membership that includes both individuals and community groups. It responds to a variety of community needs including job creation, delivery of municipal services and local business development. The co-op’s mandate is “…to encourage, develop and support entrepreneurial initiatives that contribute to the social, cultural, environmental and economic well-being of Halliburton County and its residents”.

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Lennox-Addington County Ambulance Co-operative: This co-op is made up of six municipal governments and contracts delivery of ambulance services in the region. The co-op provides a business framework through which the members work together to maximize economies of scale, avoid duplication of services and ensure the needs of all communities are addressed. This “multi-stakeholder” approach provides for the democratic participation of all member municipalities and ensures that the interests of one do not carry greater weight than those of another. Each member has one vote and the co-op’s by-laws are structured to ensure a common level of service delivery for all.

Aylmer Health Co-operative: This community health care co-op is a multi-stakeholder initiative which includes doctors, other health providers and patients as part of the membership. The services include general family practice, pre-natal clinics, mammograms and ultrasounds. The mix and priority of services is determined by patient and community needs, balanced with professional input. The Aylmer example is part of a larger movement now being referred to as “social co-operatives”.

United Community Services Co-op of British Columbia: This co-operative addresses the need for services for those with developmental disabilities and mental illness. The co-op addresses both therapeutic and economic needs. A recent assessment demonstrated the value of the co-operative approach, concluding…“Strategies that increase ownership and responsibility for people with developmental disabilities and mental illness have repeatedly created increases in productivity, health, well-being, self-esteem and self-confidence”.

5.0 Social Economy Co-ops: Newfoundland and Labrador

Co-operative enterprise has been part of the social economy in this province for many years. In the early 1800’s when Sir Wilfred Grenfell encouraged establishment of the first co-op stores in northern Newfoundland and Labrador he had the social well-being of the people in mind. His work led to the formation of many co-ops and credit or savings groups by rural people in this province to gain some level of economic independence.

These efforts of self-empowerment and solidarity flourished, especially along the northeast coast and many evolved into more formal consumer co-operatives and credit societies. As the province grew, newer forms of co-operation evolved. Farmers, fishers and other primary producers formed co-ops to help reduce costs and jointly market their products. These co-ops helped maintain communities, providing services that met the needs and priorities of local citizens. They continue to do so today.

5.1 Fishery Co-operatives

The contribution fishery co-operatives have made to community sustainability in some regions of the province, clearly demonstrates how the co-op business model addresses both economic and social goals. Examples include:
- The Torngat Fish Producers Co-operative has been the mainstay of the Inuit fishery along the coast of Labrador since its inception in 1981. Its sole purpose is to provide for the economic well-being of its 500 Inuit members and help sustain the communities it represents.

- In the mid-1960’s, when threatened by resettlement, the people on Fogo Island took their future into their own hands and formed a co-operative. The Fogo Island Fisheries Co-operative is now recognized world-wide as an example of how the co-op model can help facilitate the development of self-sustaining rural communities.

- In the 1980’s fishermen in Petty Harbour formed a producers’ co-operative to gain greater control of production and marketing of their product. Throughout the groundfish moratorium, the Petty Harbour Fish Producers’ Co-operative remained operational, responding to both the economic and social needs of its members and the community. It continues to do so today.

5.2 Micro-Business Co-operatives

Micro-business can be considered both economic and social enterprise because they are often established by individuals with limited economic opportunity. These individuals may live in rural communities where work is scarce and micro-business provides an opportunity for them to create employment for themselves and others. Such enterprises are often home based, in response to family needs. They also provide an income alternative for people with marketable skills but limited formal education.

Between 1997 and 2003 the NLFC ran the Micro-Business Development Service which provided small loans and business development advice for over 500 clients across the province. The program provided opportunities for self-employed individuals to work together through membership in co-operatives and peer lending groups. Micro-business co-ops have been established by visual artists, musicians, film makers, crafts producers and consultants. The NLFC is now partnering with INTRD to implement a new initiative which will build on the success of this program.

5.3 Community Development and Social Service Co-operatives

Fishery and micro-business co-ops are examples of social enterprises because they engender community empowerment, independence and mutual self-help. Their business activities are directed towards the well-being of their members and the communities in which they live. These co-op models are well-established. However as the social economy changes, new types of co-ops are now focusing on delivery of community development and social services. Some examples are as follows:

**North Shore Central Ambulance Co-operative:** This co-operative provides ambulance services on the North Shore of Trinity Bay. It is owned by the operator/employees and provides opportunities for community participation. The co-op has been the key to maintaining a high quality service, through collective action and community ownership.
The democratic decision making structure along with by-laws that balance the needs of the workers and the community are key to the success of this co-operative enterprise. Any profits generated are retained within the enterprise to support its ongoing operations.

**Bell Island Community Development Co-operative:** The mandate of this co-operative is to create employment, support local business initiatives and respond to the social needs of the community. In the 1980’s the co-op established a local bakery, creating the first permanent jobs on the island since the shutdown of the mining industry twenty years before. More recently, the co-op has constructed a seniors housing complex in response to community identification of the need for this service.

**Confederation Day Care Co-operative:** This co-op is a parent owned child care and pre-school enterprise that quality services for provincial government employees. As members, parents participate in decision making regarding care provided. A volunteer board of directors, elected by the members, provides direction for staff regarding day to day operations. Revenue is generated on a fee for service basis.

**Springdale Community Development Co-op:** In Springdale, what was once a consumer co-op has become a community development co-op. Having discontinued its retail activities, the Springdale Consumer Co-op leased its building and now uses the revenues to support community projects. These have included hiking trails, youth camps and various charitable initiatives. Membership in the co-op is open to everyone in the community. It is an example of how the co-op model can be used to pursue community development objectives using an entrepreneurial approach, i.e. holding assets and generating income but using its revenues for community projects.

### 6.0 A Partnership Approach to Development

Co-ops have demonstrated their relevance as social enterprises and are an existing model which can be drawn upon to facilitate future development. It is therefore important that those involved in community development and social service delivery in this province become more aware of the potential benefits of co-ops as social enterprises. Access to advisory services is also required to support newly developing co-ops. Making the co-op business option more accessible will assist in furthering the social economy agenda in Newfoundland and Labrador.

Traditional co-op models continue to be relevant in furthering social economy goals, particularly in such sectors as housing and child care where the members are individuals who use the services. However the multi-stakeholder co-operative model also provides an opportunity for organizations to become members of co-ops as well. Such stakeholder organizations can include social service agencies, community development organizations, municipal governments, etc. Employees can also be represented, as can the clients who are accessing the co-ops services.

The multi-stakeholder model provides an opportunity for community agencies to be co-op members, while maintaining their own identity, mandate and organizational structure.
In today’s context, with ever decreasing resources available for communities to address their needs, practical opportunities for co-operation to reduce costs and increase efficiencies can be very beneficial. This model provides a business structure that can facilitate collaboration between organizations on economic development initiatives, social service delivery and other community service requirements.

6.1 Co-operative Development Services

As part of its mandate, the NLFC promotes the co-op option and provides development support services for people and organizations considering the establishment of new co-op enterprises. Recently a new regional co-operative developer’s network has been established through a partnership with the Department of Innovation, Trade and Rural Development (INTRD). This new network is expanding the availability of co-op development advisory services at the community level, across the province.

People can contact the NLFC and the regional offices of INTRD to find out about co-ops, discuss potential development opportunities and obtain development assistance. The NLFC works closely with the network and also provides sector specific development services through partnerships with interested community development, social service and industry organizations, on a project specific basis. Other supporting agencies include the Atlantic Canada Opportunities Agency and the federal government’s Co-operative Development Initiative (Agriculture and Agri-Foods Canada).

Existing co-ops are also an important source of information for those seeking to establish new co-op enterprises. There are a variety of provincial and national organizations that represent co-ops in such social sectors as child care, health care and housing. The NLFC has access to information on many types of co-ops and emerging new models that are being developed across the country. Local co-operatives are also an important source of support by sharing best practises with newly developing co-ops in the province.

Because they are businesses co-ops may be eligible to access government programs to support business development. Depending on the sector in which they operate co-ops can also access industry specific programs. As legally incorporated entities, co-operatives can enter into contracts with other agencies and enterprises and can be subject to the same terms and conditions as that of any other type of enterprise, relating to business loans, equity agreements, funding grants, fee for service contracts etc.

6.2 A Partnership Approach

The NLFC wishes to partner with socio and community development organizations to enhance co-op development in the social economy sector. Developing these partnerships will require implementation of information and awareness initiatives to enhance understanding of the social economy co-op model; identification of development opportunities; and support project development. Next steps could include the following;
Research and Information Gathering: This would include putting together a comprehensive overview of social economy co-operatives; how they work; different operational models; profiles of existing co-ops; identification of basic development resource requirements; and a review of relevant legislation to ensure compatibility with the co-op business model.

Promotion and Awareness: While awareness is growing, many individuals and organizations do not associate co-ops with potentially achieving their socio-economic goals. Therefore the information acquired in the research stage would be used to develop and deliver a promotion and awareness campaign directed at social economy agencies to inform them about the co-operative option and its potential to help them achieve their objectives. This would facilitate dialogue about potential opportunities and create linkages to foster future development.

Development Initiatives and Pilot Projects: Based on interest expressed by communities and/or sector organizations the NLFC could enter into project partnerships to support development initiatives along with other partners including INTRD. The goal would be the creation of new social economy co-ops, on a pilot project basis, to test operational models and determine best practises for future development. The long term intent would also include development of entrepreneurial capacity within social organizations through co-op enterprise development.

7.0 Conclusion

This discussion paper has been produced by the NLFC as an introduction to social economy co-operatives and to facilitate discussion regarding potential strategies for future development. We are interested in hearing reaction from community development agencies, social service organizations, municipalities, government and other social economy stakeholders who may wish to further explore how the co-op model might play a greater role in the establishment of new social economy enterprises.

Organizations interested in finding out more about co-operatives can access the NLFC’s web site at www.nlfc.coop. This site will link you to others providing additional information about co-operatives and the social economy. Those interested in discussing potential opportunities for co-operative development partnerships can contact the NLFC or their local office of the Department of Innovation, Trade and Rural Development.

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Endnotes


5 *About the Social Economy*, p.7

6 *About the Social Economy*, p. 5
