

Introduction

May, 2020

The world around us has changed, suddenly and dramatically, as a result of Covid-19. The co-operative enterprise model, especially when partnered with government, is a proven way to help people grow in the light, even in times of darkness. Canadians need this partnership to harness the co-operative potential inherent in all of us, and quickly. The Canadian Worker Co-operative Federation (the “Federation” or “CWCF”) has been researching and incubating these ideas for decades, and feels called to partner with the Government of Canada to help people and communities save jobs and small businesses.

A recent public opinion poll asking for Canadians’ perspectives on the pandemic found that: ¹

- 50 per cent of Canadians believe this is the biggest crisis Canada has faced since WWII,
- 75 per cent want to see a willingness to set aside profit for the public good,
- 72 per cent say that the pandemic is an opportunity to make some “major changes to Canadian society,” including 63 per cent favouring Canadian ownership.

The impact and contribution of co-operatives within various parts of our economy align closely with Canadians’ desire for economic recovery and resiliency, community development, and making life more affordable. Co-op enterprises offer a lower risk profile than conventional small-business ownership and are founded on principles of collective ownership, democratic governance, profit sharing, and community impact. Principles that most Canadians share.

The Federation’s proposal has three inter-related components: 1) Support the conversion of 180 SMEs to co-operatives together with owners who would like or need to transfer the business to the employees and other community stakeholders; 2) Scale up our Tenacity Works Investment Fund to support the conversion, start-up and growth of 175 worker and multi-stakeholder co-ops, and enable the fund to become financially self-sustaining; and 3) Provide emergency working capital funding to our existing 150 co-op enterprise members to help them weather the pandemic and be ready to thrive post-pandemic.

We would like to clarify that it is not our Federation itself which seeks resources. Rather, we are seeking resources in order to save small businesses at risk, by converting them to worker and multi-stakeholder co-op enterprises, and to get additional help to members across the country notably but not only in the forestry sector, to help them through the pandemic.

With an investment of \$100 million from the Government of Canada, \$5 million from SMEs that convert to co-ops, and \$5 million in-kind from the Federation and partner organizations, we intend to retain and create an estimated 6,400 jobs at an average cost of \$17,000.

¹Earnscliffe Insights, “This Changes Everything”, May 22, 2020. https://earnscliffe.ca/en/news-and-insight/earnscliffe-webinar-this-changes-everything/?fwp_news_and_insight=insights

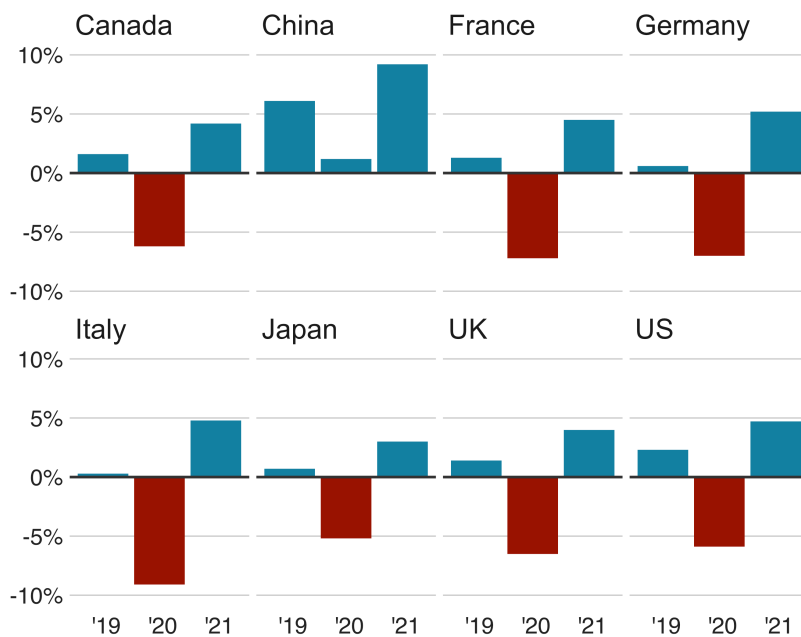
Economic and Social Impacts of the Pandemic

We are all aware of the devastating impact of the pandemic on communities and workplaces. Older and more frail people in long-term care homes, and their caregivers, have been among those who have suffered the most. Also harder hit are women, Indigenous people, newcomers, and youth. As the economy carefully re-opens, people are confronting their fears, and businesses and governments are working hard to re-open in a way that protects the health and safety of workers and the public.

The impact of most Canadians staying at home is readily apparent in our economy, and there are also hidden costs on the emotional and mental well-being of Canadians. The uncertainty and constant barrage of new information regarding the pandemic is creating growing anxiety, as is the economic downturn, with deflation, growing unemployment, and unheard-of government spending.

Many advanced economies are expected to enter recession this year

National annual GDP



Source: International Monetary Fund

BBC

The International Monetary Fund (IMF) expects the world's economy to shrink by 3% in 2020, "the worst since the Great Depression of the 1930s".² This graph shows the IMF's economic forecasts for Canada and seven other developed countries for 2020 and 2021, compared to 2019. At this point, the IMF economists expect a serious downturn in 2020, followed by a bounce-back in 2021; however, this will completely depend on how well the health impacts of the pandemic are handled by various countries and their citizens.

² <https://www.bbc.com/news/business-51706225>

Canada's economy lost nearly 2 million jobs in April because of COVID-19, bringing the total job losses since February to 3 million. Employment has fallen 15.6 per cent since February, and the unemployment rate grew by 5.2% to 13% (Statistics Canada, Table 14-10-0278-01). Only 8 per cent of businesses and organizations are fully prepared to reopen workplaces.³

Co-operative Enterprises Build a Better World⁴

As people worldwide find ways to help each other in their communities during this pandemic, the idea of co-operating to fulfill our needs is gaining traction. In a recent survey, 95 percent of Canadians agreed that the world would be a better place if people collaborated more with each other,⁵ and 83 per cent would rather buy their products at a co-op than at a private business.⁶

Around the world, co-operative enterprises have demonstrated resiliency during previous economic crises, protecting consumers, producers, and workers in the long-term, while ensuring that goods and services continue to be available. Globally, there are 2.6 million co-ops with more than a billion memberships, and they generate \$3 trillion in revenue annually from their \$20 trillion in assets.⁷

To help drive Canada's pandemic economic recovery and resiliency, we need to engage more Canadians as members of these locally focused enterprises. Co-operatives generate 3.4% of Canada's GDP (more than mining, telecoms or utilities), a volume of business of more than \$85 billion per year, representing nearly 200,000 jobs (larger than the automotive industry).⁸ The 32 million co-operative membership cardholders represent about 8.7 million Canadians.

Right across this country, Canadians benefit from agricultural co-ops, food co-ops, health care co-ops, childcare co-ops, housing co-ops, credit unions, rural utility and telecom associations, renewable energy co-ops, funeral co-ops, worker co-ops, and multi-stakeholder co-operatives (known as "solidarity" co-ops in Quebec). And, co-ops are set to grow. A majority of Canadians (57%) have a deep connection to the values of the co-operative sector. Six out of 10 Canadians:

- like to support local businesses whenever they can,
- want a say in how the place they work runs,
- agree that those who support or work in a business should benefit from its success, and

³ <https://conferenceboard.ca/insights/covid-19>

⁴ The theme of the UN-Declared International Year of Co-operatives 2012: <https://social.un.org/coopsyear/>; work continues through the current "Co-operative Decade" by the International Co-op Alliance: <https://www.ica.coop/en/one-great-story-be-shared-million-people-instantaneously>

⁵ Abacus Data Research, March 2020. <https://canada.coop/en/news/release-study-co-operatives-and-mutuals-age-uncertainty>

⁶ <http://www.cooperativedifference.coop/co-operatives-in-canada/>

⁷ <https://www.un.org/esa/socdev/documents/2014/coopsegm/grace.pdf>

⁸ Karaphillis, G., and Duguid, F., Economic Impact of the Co-operative Sector in Canada, 2019.

- agree that when people co-operate to address what they need, it produces better outcomes.

Worker and Multi-stakeholder Co-operatives

All of the Federation’s member co-ops are either fully owned by the workers, or by workers and other stakeholders. As business owners, the workers (and other stakeholder owners) elect representatives to the board of directors. For example, a multi-stakeholder food co-op may have worker, producer and consumer owners on the board. Although only a minority of Canada’s thousands of vibrant co-operative enterprises, the 280 active worker co-operatives are also among the most stable – as has been shown in a variety of studies, including in Quebec, BC, Alberta, as well as in Europe.

Worker-owners have roots in their communities, unlike outside venture capital or multinational firms. And, because worker-owners have a say in how their businesses are run, they generally have good working conditions, decent hours, and livable wages. These co-ops also have extra strength and resilience in dealing with market downturns, as the workers find creative solutions in work-sharing and using indivisible reserves to provide needed cash flow.

Over 100 studies across many countries indicate that employee ownership (in co-operatives and other legal forms like Employee Stock Ownership Plans or “ESOPs”) is linked to :

1. increases in enterprise performance and productivity, particularly where ownership includes increased participation in decision-making,
2. greater job stability and increased skills development with fewer layoffs in recessions,
3. significant potential to alleviate income inequality, and

Multicultural Health Brokers Co-op (mchb.org) began 25 years ago to support its diverse membership. Today, the 75 worker-owners serve over 2,000 families in Edmonton and area. The goal was to enhance the health and well-being of families, and foster their efforts at building community so they could thrive, and actively contribute to society. The co-op’s cultural brokers are from immigrant communities, and know first-hand the social, economic, and language difficulties that immigrants and refugees face. This places the co-op in a unique position to bridge the gap between newcomer families and Canadian society.



4. improved quality of work life due to workers having greater control and more aligned incentives.⁹

Worker co-ops offer a way into the economy for those who need jobs, and a way to sustain jobs in businesses threatened by changing circumstances. CWCF also supports co-ops of independent contractors who don't want to be sole proprietors, because they prefer working alongside colleagues. CWCF has a plan and program to help employees take ownership of businesses facing closure, and we want to multiply these efforts.

Sectoral Opportunities for Co-operative Enterprises

Given the impact of the pandemic on the health (including long term care and homecare), service and retail sectors of the economy, CWCF is interested in working together with the Federal and Provincial governments to identify potential sectoral opportunities for business conversions (or start-ups) to worker or multi-stakeholder co-ops. We also need to look closely at how some of the hardest hit workers – women, Indigenous people, newcomers, and youth – can be supported to build jobs that pay living wages and provide opportunities for democratic participation in their workplaces.

Statistics Canada's March jobs report, shows that women, young people, and others in less secure jobs were the first to be laid off in the pandemic, with more than 6 in 10 lost jobs having been held women.¹⁰ For women in the core working ages of 25 to 54, employment dropped by 298,500 or five per cent, more than twice that of men. Altogether, women held 633,100 of the more than one million lost jobs, and were more likely to see a reduction in hours worked compared to men. Among younger Canadians aged 15 to 24, 392,500 lost their jobs, the fastest decline across the three main age groups.


⁹ Does employee ownership improve performance?, by Douglas Kruse, Rutgers University, 2016, <https://wol.iza.org/uploads/articles/311/pdfs/does-employee-ownership-improve-performance.pdf>

¹⁰ By Jolson Lim, "Youth, women, precarious workers bear brunt of COVID-19 job losses, Statistics Canada finds", iPolitics, Apr 9, 2020. <https://ipolitics.ca/2020/04/09/youth-women-precarious-workers-bear-brunt-of-covid-19-job-losses-statistics-anada-finds/>

The Canadian Human Rights Commission has stated: “These disproportionate impacts could have long-term and far reaching consequences. If we are to restore momentum in our efforts to bring about gender equality in Canada, social and economic recovery efforts must take a feminist approach.”¹¹

In addition to the health, service and retail sectors, there are growing opportunities for the development of platform co-operatives, innovative tech enterprises that are owned and democratically controlled by their members. Professor Trebor Scholz of the The New School in New York City estimates that there are currently 400 projects under the platform cooperativism banner.¹² Among them are Eva, an Uber-like service in Montreal aimed at people who want to support a local business; and Stocksy United, a stock-photo platform based out of Victoria, British Columbia that’s collectively owned by nearly 1,000 photographers.¹³

Eva is a cooperative ride-sharing application based on blockchain. Eva launched in May 2019 in Montreal with financial support from Desjardins, Canada’s largest credit union. It’s like Uber, but aimed at people who want to support a local business. The platform has 500 active driver members, with 500 more in the process of joining, and a growing base of 17,000 consumer members. In line with their cooperative business model, the code for the app is being made available to other local co-ops around the world. The first “social franchise” to register is a drivers’ cooperative in Dhaka, Bangladesh. <https://eva.coop/>



Stocksy

Stocksy United is a multi-stakeholder co-operative owned by its photographer and worker members. The platform offers royalty-free stock photos and video. As an artist-owned co-op, it ensures that its member artists receive fair pay, 50 to 75 percent of all licenses go directly into contributors’ pockets. The sense of community and ownership felt by our members drives a greater level of passion into their work, resulting in inspired imagery of the highest quality. <https://www.stocksy.com/>

¹¹The Facts: Women and Pandemics (2020), <https://canadianwomen.org/the-facts/women-and-pandemics/>

¹² Ryan Hayes, Worker-Owned Apps Are Trying to Fix the Gig Economy's Exploitation, Vice, Nov 19, 2019. https://www.vice.com/en_us/article/pa75a8/worker-owned-apps-are-trying-to-fix-the-gig-economys-exploitation

¹³ Worker-owned co-ops are coming for the digital gig economy, Fast Company, May 31, 2018. <https://www.fastcompany.com/40575728/worker-owned-co-ops-are-coming-for-the-digital-gig-economy>

The *Platform Co-op Development Kit* is a multi-year project that advances the co-operative digital economy. It was initiated with a \$1 million (USD) grant from Google.org. It is a collaborative project of the Platform Cooperativism Consortium, with The New School in New York City, the Inclusive Design Research Centre (IDRC) at OCAD University in Toronto, and platform co-op communities worldwide. The Kit project is seeking to raise a total of \$10 million (USD).

The Kit includes online tutorials, worker co-op case studies, and a channel where workers can communicate with each other. There are also technical support resources, like a legal clinic at Harvard Law School to equip workers with guidance as they build out their co-operative platforms.¹⁴

CWCF Proposal

Canadian Worker Co-operative Federation has a thirty-year history of providing support to worker and multi-stakeholder co-operatives in many sectors of the Canadian economy. This triple-bottom line enterprise model is ideally suited to help Canadians rebuild their economies and communities during and after the pandemic.

As the country moves forward, the CWCF wants to contribute to rebuilding our economy. The co-operative sector, which already underpins the local economies of many smaller communities, demonstrates an alternative that is stable and resilient, supporting workers and families.

By investing in the co-operative enterprise sector, the Federal Government will help build locally owned, sustainable enterprises that will augment the overall resilience of our economy going forward.

We propose strengthening Canada's worker and multi-stakeholder co-operative movement as part of the response to the pandemic. Instead of using emergency funding to reinforce the existing top-heavy economy, we suggest that facilitating local co-operatives and enhancing co-operative networks improves stability everywhere, and can also offer constructive solutions to climate change, economic inequality, and precarious employment.

Table 1 shows the proposed in-kind investment from the CWCF and its partners (\$5 million), the Government of Canada (\$100 million), and SMEs converting to co-operatives (\$5 million).

¹⁴ Platform Cooperative Development Kit, <https://wiki.fluidproject.org/m/view-rendered-page.action?abstractPagelid=144474264>

The immediate investment of \$9 million is in the emergency relief-survival planning fund to support CWCF's member enterprises to continue business during and after the pandemic. This will represent an average of \$60,000 invested per co-operative enterprise for working capital, or an average of \$6,000 per job. Some CWCF members have applied for the federal government's COVID-19 Economic Response Plan, and for some (for example, Quebec's large and long-standing forestry co-ops), more working capital will be required.

We seek to dramatically increase the size of CWCF's Tenacity Works Co-op Investment Fund (started in 2000 with \$1.5 million, and currently at just under \$500,000) with a \$70 million investment from the Government of Canada. In addition, it should be noted that CWCF also has \$70 million under administration in our RRSP-TFSA program, in co-ops of various types from many small investors. We are proposing three tranches of investment from the Government of Canada over the next five years to expand our Tenacity Works Fund.

Table 1: CWCF Proposal - Building Community Resilience	\$000s	Percent of Total
Description of Investment		
CWCF Emergency Relief-Survival Planning Fund	\$9,000	8.2%
Tenacity Works Co-op Investment Fund - Stage 1 (2020)	20,000	18.2%
Tenacity Works Co-op Investment Fund - Stage 2 (2022)	25,000	22.7%
Tenacity Works Co-op Investment Fund - Stage 3 (2024)	25,000	22.7%
Total Investment in Tenacity Works Fund	\$70,000	63.6%
Business Succession to Co-operatives	21,000	19.1%
Contribution by SMEs Converting to Co-operatives	5,000	4.5%
In-kind Investment by CWCF and Partners (5%)	5,000	4.5%
Total Investment in SME Succession	\$31,000	28.2%
Total Government of Canada Investment	\$100,000	90.9%
Total Investment	\$110,000	100.0%

This scaling up will allow the CWCF to: 1) enable the conversion of 95 SMEs to co-operatives, 2) support 50 existing worker co-ops and start-ups, and 3) help fund the expansion of 30 growing worker co-ops. The average loan size per co-op is estimated at \$312,000, with \$55 million of the \$70 million being placed within the first five years. Our financial forecasts show that the fund will break even in year 5 and become self-sustaining, with no additional funding required by government for these supports to be provided. As a revolving investment Fund, benefits will continue to accrue to future SME's in future, as well.

The third part of the investment is for business succession to co-operatives, supporting SME business owners who would like to exit either because of the pandemic or to retire. We are estimating that 900 SMEs would have an **initial evaluation** (at an average cost of \$3,000) to determine whether or not the business meets the necessary requirements for a co-op conversion. We expect that half of these evaluations will be positive and will move the businesses to the next stage, a **pre-feasibility study and transition plan** (at an average cost of \$7,500). We estimate that 60 per cent of these businesses will move to the next stage, **business valuation** (with an average cost of \$20,000 per business). Three quarters of these businesses will move to the next stage of **developing a complete business case** for the transition, and nine out of ten will **complete the transfer**.

Follow-up consulting will be used by 80 per cent of the conversions to help with the transition to worker ownership, including governance and management training. By the end of the five-year period, **we estimate 183 businesses completing a conversion**, or 20 per cent of the original businesses that had the initial evaluation.

CWCF's Succession Planning program can help workers organize themselves as a for-profit or non-profit co-operative enterprise, and help make arrangements to compensate the business owner, who may or may not choose to remain involved. There are numerous examples of conversions to successful co-operatives, including housing and others as diverse as the *Épicerie Coop Grocery* (Moonbeam, ON), the *Aron Theatre* (Campbellford, ON) and the *Battle River Railway NGC Inc.* (Forestburg, AB).

Chart 1 shows the estimated number of jobs saved or created in the first five years. The CWCF Emergency Fund will help save or create 1,500 jobs, 2,750 jobs will be supported or created through Tenacity Works loans, and 2,196 jobs will be retained through SME conversion to a worker or multi-stakeholder co-op. That is a total of 6,446 good, co-operative jobs.



The Conversion to Cooperatives Project (CoopConvert), based at the University of Toronto and *l'Université de Sherbrooke*, aims to better understand Business Conversion to Cooperatives (BCCs) as outlets for preserving jobs, addressing business succession needs, and starting new cooperatives across Canada. Creating knowledge, building capacity, and enhancing sustainable cross-sectoral networks, the CoopConvert Project is of interest to the cooperative movement, policy makers, retiring business owners, unions, local communities, and working people, in Canada and beyond.
<https://www.coopconvert.ca/copy-of-about>

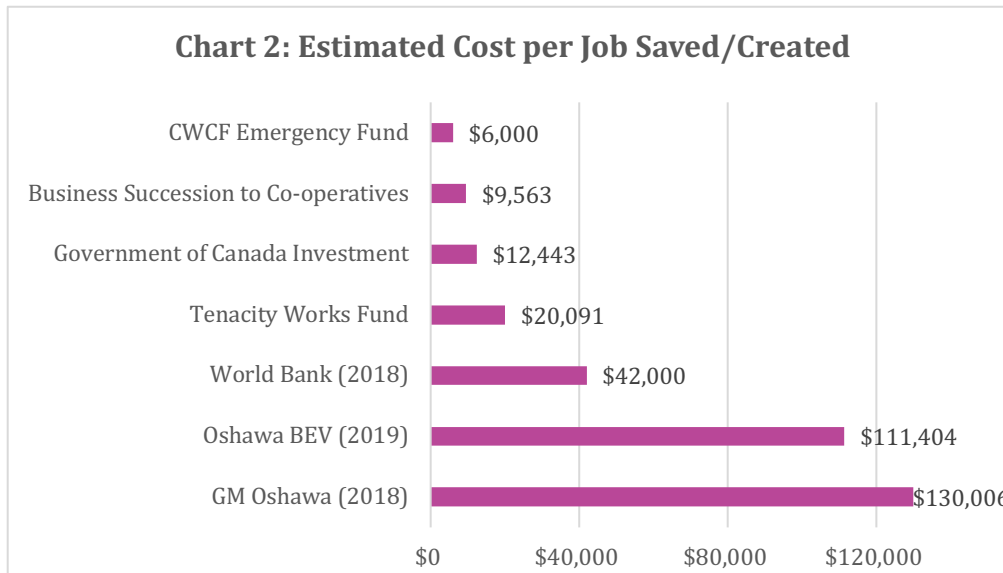
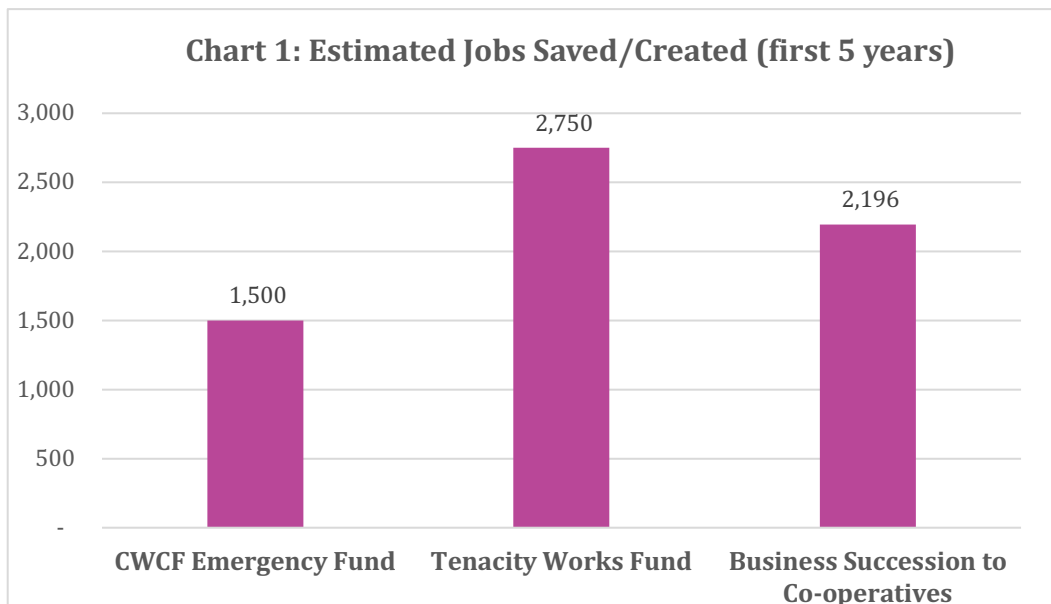


Chart 2 shows the estimated cost per job saved or created through the three main aspects of CWCF’s proposal to the Government of Canada: The CWCF Emergency Fund (\$9 million), scaling up the Tenacity Works Fund (\$70 million), and conversion of SMEs to co-operative enterprises (\$21 million). CWCF has a strategy to work together with its partners and allies (please refer to Appendix 1 for a list of these organizations) to implement these strategies, and **it will not require building new infrastructure**. In other words, these investments are “shovel ready” as well as “shovel worthy”. Please refer to Appendix 2 for a detailed breakdown of these estimates.



Appendix 1: Potential Delivery and Promotion Partners

National Associations (Bilingual)

		Contact
Co-operatives and Mutual Canada	CMC	Daniel P. Brunette
Canadian CED Network CCEDNet, Michael Toy		Tim Ross, ED
Co-operative Housing Fed of Canada	CHF Canada	Hugh Nelson, President
Health Care Co-operative Federation of Canada	Hugh Nelson, President	

Provincial Co-op Associations (Anglophone)

British Columbia	BCCA	Andrea Harris
Alberta	ACCA	Paul Cabaj, Seth Leon
Saskatchewan	SCA	Victoria Morris
Manitoba	MCA	Vera Goussaert
Quebec	CQCM	Eric Martel
Quebec	CDRQ	Jean Gosselin
New Brunswick	CEC- NB	Wendy Keats
Nova Scotia	NSCC	Dianne Kelderman
Prince Edward Island	PEI CC	David Daughton
Newfoundland	NLFC	Alexis Foster

Conseils de la Coopération (Francophone)

Alberta	CDEA	Etienne Alary
Saskatchewan	CCS	Kouamé N'Goandi
Manitoba	CDEM	Erwan Bouchaud
Ontario	CCO	Julien Gérémie
Quebec	CQCM	Gaston Bédard
New Brunswick	CDR-Acadie	Marc Henrie

Quebec WC Federations

Réseau de la coopération du travail	Réseau COOP	Isabel Faubert-Mailloux
Fédération des coopératives forestières	FQCF	Jocelyn Lessard
Fédération des coopératives de paramédics	FCPQ	Benoît Caron

Financial Co-operatives (partial list)

Alterna Credit Union	Ontario
Assiniboine Credit Union	Winnipeg
Affinity	Saskatchewan
Caisse solidaire	Quebec

Canadian Credit Union Association	National
Credit Union Atlantic	Nova Scotia
Servus Credit Union	Alberta
Vancity Credit Union	Vancouver
Vancity Community Investment Bank	National
The Co-operators	National

Appendix 2: Estimated Number of Jobs Saved/Created and Cost per Job

CWCF Proposal - Building Community Resilience Description of Investment	\$000s	Percent of Total	Number of Jobs Saved/Created			Cost per Job Saved/Created			Number of Firms	Ave. Jobs per Firm
			5 years	10 years	20 years	5 years	10 years	20 years		
CWCF Emergency Relief-Survival Planning Fund	\$9,000	8.2%	1,500			\$6,000			150	10
Tenacity Works Co-op Investment Fund - Stage 1 (2020)	20,000	18.2%								
Tenacity Works Co-op Investment Fund - Stage 2 (2022)	25,000	22.7%								
Tenacity Works Co-op Investment Fund - Stage 3 (2024)	25,000	22.7%								
Total Investment in Tenacity Works Fund	\$70,000	63.6%	2,750	7,000	16,200	\$20,091	\$19,857	\$19,537	175	16
Business Succession to Co-operatives	21,000	19.1%	2,196			\$9,563			183	12
Contribution by SMEs Converting to Co-operatives	5,000	4.5%								
In-kind Investment by CWCF and Partners (5%)	5,000	4.5%								
Total Investment in SME Succession	\$31,000	28.2%	2,196			\$14,117				
Total Government of Canada Investment	\$100,000	90.9%	6,446	7,000	16,200	\$12,443	\$19,857	\$19,537	508	13
Total Investment	\$110,000	100.0%				\$17,065				
Government of Canada Investment										
Total Investment (including Canada, CWCF & SMEs)										

References:

<https://blogs.worldbank.org/jobs/how-much-does-it-cost-create-job>

<http://www.greenjobsoshawa.ca/feasibility.html>

<http://www.greenjobsoshawa.ca/feasibility.html>