



CWCF's Lobby History and Priorities, 1991-2019

by Hazel Corcoran, April 2019

Federal lobbying in support of worker co-op development and expansion has been an extremely important part of the work of the CWCF, and similarly the making of applications to federal programs. This document covers our history with regard to government relations, from the founding of CWCF in 1991 to the present, as well as CWCF's current lobby priorities. This document, for the information of CWCF members and others with interest in this topic, has been updated from a version provided to the CWCF Board in 2013.

CWCF has, from its inception, been focused on the development of worker co-operatives, and increasingly in recent years on providing services to existing member worker co-ops. The worker co-operative sector in Canada may be characterized as an emerging sector, for which CWCF has designed, developed, delivered, & administered programs.

In the early 1990s, a substantial lobby effort was held with the federal government to create worker co-op development centres modeled on the Quebec CDR model, to focus on worker co-op development across Canada. We mounted a serious lobby, and we were taken seriously. Unfortunately for CWCF, the decision was made on the proposal at the time of the 1995 federal budget, when austerity was the order of the day. Therefore, the proposal was not accepted.

In 1998 on receiving a small grant to develop a new proposal, CWCF changed approach, deciding not to focus on a technical assistance program but instead on the creation of a self-sustaining worker co-op development fund (to be called the *Tenacity Works* Fund), which would provide development supports in the early stages to worker co-ops. The target amount was \$16 million. There were two reasons for this change of approach. One is that it was believed that lack of capital and relatedly development supports were among the main reasons why the worker co-op sector was not developing more quickly. Secondly, it seemed more achievable to convince the federal government to make a one-time investment of \$16 million which, if well-managed, would last indefinitely and eventually grow. If successful the surpluses generated by the fund could also provide the needed technical assistance funds. If such an investment were made, no further government decisions would be required.

So, in the year 2000, CWCF's long years of lobbying efforts finally resulted in a pilot project Fund (\$1.5 million, some of which was used for Fund operations) which commenced in September 2000. It was clear to us that the success in obtaining the pilot Fund was due in part to very hard work in doing our government relations homework and in part to sheer luck – for running into PMO Senior Advisor Chaviva Hosek and having her champion our proposal, including enabling a grant in order to draft it.

The pilot project was successfully implemented and met or exceeded all identified targets. The funds continue to revolve. It was not expected that the funds would last until now, but due to careful management of risk, there is still approximately \$500,000 in the Fund, in both investments and cash. Loans of between \$15,000 - \$50,000 per investment are still available to worker co-ops.

CWCF then wrote the proposal in 2003 for a full \$20 million self-sustaining Fund. Of all the proposals which CWCF ever wrote, CWCF's \$20 million Fund proposal is, I believe the most elegant and well thought-out. We built a solidly researched plan, which involved the capital fund, and using some of the capital to provide start-up funding (most of which would be capitalized) to new worker co-ops, in phases: first a pre-feasibility study, next feasibility, next a business plan and organizational development. Only by meeting our criteria in each phase could a worker co-op get support from the Fund to move to the next phase. Further, the consultant accompanying the project would need to be part of CWCF's Worker Co-op Developers' Network, certified by CWCF to have the skills for the relevant part of the development.

What we had was a well-researched plan, a track record – and no additional money. We were told that there was no program to which we could apply in order to seek additional funds.

When the Social Economy program was announced in 2004, CWCF planned to apply in every region other than Quebec (where the Chantier de l'économie sociale was already lined up to pursue all funding). Outside of Quebec and Ontario, the other Regional Development Agencies did not get to the stage of accepting proposals. In Ontario, CWCF led the co-op sector in submitting two proposals: one by CWCF for \$5 million for the worker co-op sector only, the other for \$28 million for the remainder of the co-op sector. CWCF's proposal was chosen by FedNor, and we got to the stage of having a contract ready to sign, when the government fell at the end of 2005. Unfortunately for CWCF, although the new government, fortunately, lived up to the commitment to the Chantier whose *Fiducie* Fund received approximately \$20 million, no funds were ever placed outside of Quebec under the federal Social Economy program.

It had long been the dream to build a self-sustaining co-op development fund under the control of the worker co-op sector. However, after this very negative experience, the CWCF board concluded that it would be preferable to work with the broader co-op sector to build a National Co-op Development Fund, instead of trying to build a worker co-op fund. It seemed like the chances would be far better if we worked with the rest of the sector. Therefore we began to strongly encourage CCA (now CMC) to create a National Co-op Development Fund (now called the Canadian Co-op Investment Fund or CCIF), with sector and also federal government funds.

In late 2012, CWCF pledged \$250,000 of our *Tenacity Works* Fund to the Co-operatives and Mutuals Canada-led CCIF, where Peter Hough, nominated by CWCF, was a member of the founding steering committee and eventually the Board. The CCIF has a significant amount in common with the original CWCF proposal, with the two important differences: that only 25% of the Fund would be available to start-ups, that it would be for all types of co-ops not only worker co-ops, and that most of the Fund would come from the co-op sector, not at all -- or not necessarily -- from government. It is because of the fact that the proposal has been changed (in light of the challenge of working with the government) to seek only co-op sector investments that a relatively low percentage is allocated to new start-ups, so that the investments by the sector could be safer. However, business successions to co-ops would not be counted as start-ups, hence could be in the 75% for "existing businesses." In January 2018, having reached the \$25 million mark as required by some of its larger investors, the CCIF finally launched; see <http://ccif.coop/>. With the minimum from the co-op sector committed, the sector is seeking additional funding from the federal government.

Co-operative Development Initiative

After several years of lobbying by the broader co-op sector, which had been strongly encouraged by CWCF and others, the federal government in 2002 announced the Co-operative Development Initiative (CDI). CWCF was chosen by the Canadian Co-operative Association and *le Conseil canadien de la co-opération et de la mutualité* as one of the delivery partners for the Advisory Services component. This program allowed CWCF to offer technical assistance to developing and pre-existing worker co-ops, primarily through members of the CoopZone Developers' Network. It was extremely disappointing when the federal Government ended the CDI in 2012. This removed a key component of support, in a minor way for CWCF but more importantly for the worker co-op sector and the co-op sector as a whole. Many worker co-ops benefited not only from CWCF's CDI Advisory Services program but also by obtaining support through the Innovative Co-op Projects component of the CDI.

RRSP Lobby and Program

CWCF and the *Fédération québécoise des co-opératives forestières* lobbied in the early 1990s to secure changes that would allow members of worker co-operatives to invest the shares of their co-op in a self-directed RRSP. The lobby was successful, and a program was developed by the CWCF and Concentra Financial to enable worker co-ops to take advantage of these changes to the RRSP regulation. Co-ops other than a worker co-op (e.g., a producer co-op) as well as Community Economic Development Investment Funds or “CEDIFs” (currently in place in Nova Scotia, and gradually spreading to other provinces) are also eligible to take part in this program; to use the program, they first become associate members of CWCF.

It should be noted that in 2011, Finance Canada changed the regulations such that, in summary, investors must not hold 10% or more of any class of shares in a co-op, or other business and also hold RRSPs in that co-op or business. This has significantly decreased the number of worker co-ops which can use this self-directed RRSP program. CWCF has attempted to lobby Finance Canada, and a much more active lobby was carried out by CCA, CCCM, CQCM, Desjardins and also the Canadian Bar Association and the Canadian Institute of Chartered Accountants, but the only result has been a certain grandfathering element. It is apparent that the current government will not reverse the changes made in 2011. CWCF continues to operate the program for co-ops which are large enough to use it and for whom it works.

Employment Insurance Brief

Many worker co-ops have difficulties with rulings from the Canada Revenue Agency regarding the nature of the employment relationship between the members and the co-op. By working with federal officials, CWCF was able to clarify various options for structuring a worker co-op to ensure that the members have the relationship they desire: either an employer-employee relationship (insurable employment) or an independent contractor relationship (self-employment). This interpretation was confirmed in writing by the CRA and is available on the CWCF web site, [here](#).

Federal Co-operatives Act

In the late 1990's, CWCF was actively engaged along with CCA & CCCM to provide input into the amended federal Co-op Act. In particular, CWCF essentially wrote the section on worker co-ops. This has been used as the basis of the legislation in several provinces.

Succession Planning Using the Worker Co-op Option

Completed in 2005, a study on this topic focused on the sale of a business by a business owner, to its employees as a worker co-op. It documents the information, knowledge, and strategies involved in reaching such a decision for both the owner and for the workers. It explains the functions of a worker co-operative, as well as the various options available to a business owner when facing retirement. After writing this study, CWCF proposed to Agriculture Canada, ACOA, etc. a program to provide support to businesses which wished to explore conversion to worker co-ops in retiring owner situations, but it was not accepted.

CWCF in conjunction with Quebec's RÉSEAU, CoopZone etc., also held a major international Conference on this topic in the fall of 2011, in Quebec City. One of the results was a very eloquent Declaration on Public Policy for Worker Co-ops, the “[Quebec Declaration](#),” signed by all federations of worker co-ops in Quebec, Canada and the USA.

CWCF also partnered with CCA in the creation of the English versions of the *Co-op Relais* guides in rural business succession to co-ops, and with the Western Labour Worker Co-op Council in the creation of guides for union-backed buy-outs of businesses.

In 2011-2012, CWCF administered a project for Industry Canada's Official Language Minority Communities (OLMC) portfolio for business succession using co-ops in OLMC communities, for an international literature review and next a proposal for a program in 4 OLMC's.

In 2014, CWCF created a Business Succession Committee which drafted a new proposal for a worker co-op business succession program which would be a pilot project over several years, supporting approximately 15 conversions. In late 2015, CWCF began to lobby for this proposal. In 2016, CMC convinced CWCF to combine our efforts with CMC, as not all co-ops created as a result of business succession would be worker co-operatives. This lobbying effort has primarily been subsumed within the multi-pronged lobbying effort by CMC, [Solving Challenges Together](#). CWCF mounted a larger lobbying effort in late 2017 and early 2018, but at that point it was difficult to get onto the agenda of the current federal government.

Current Lobby Priorities:

The CWCF Board has chosen the following lobby priorities as of highest importance to CWCF, our members and potential worker co-operatives, with several having impact on other types of co-operatives and the economy / society / environment generally.

- 1) **Worker Co-op Development Support Programming** (ISED Canada, others)
 - a. **Worker Co-op Business succession proposal**, This program would assist business owners of SMEs (small to medium-sized enterprises) in converting to worker and multi-stakeholder co-ops as a business succession strategy
- 2) **Improve environment for Worker Co-op capitalization:**
 - a. Grow the Tenacity Works Fund by up to a \$25 Million investment from the Social Finance Fund, and increase its capacity through the Investment and Readiness Program (ECSD)
 - b. **Restore the pre-2011 rules regarding self-directed RRSP's in co-ops**. The 2011 rules make it impossible for smaller co-ops to use RRSP's as a way to facilitate member financing of co-ops through RRSP's. (Finance)
- 3) **Fair tax treatment for worker co-ops which have indivisible reserves**. (Finance)
- 4) **Implement the CWCF [Climate Change Statement](#)** - a focus on an integrated and cross-departmental regulatory approach to reducing GHG emissions in Canada. (Environment Canada, and general)

CWCF also supports the following CMC ask:

- 5) **Have the federal Government invest in the [Canadian Co-operative Investment Fund](#)** (to which CWCF has committed an investment.) Having federal support would enable this Fund to better meet its mandate including in support of start-up co-operatives.

If these issues could be addressed, it would be extremely significant for the worker co-op sector, supporting worker co-ops to unleash their potential to transform the economy.