

Worker Owned Cooperatives and the Ecosystems that Support Them

By

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BA in Political Science
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Ann Arbor, Michigan (2007)

Submitted to the Department of Urban Studies and Planning
in partial fulfillment of the requirements for the degree of

Master in City Planning

at the

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

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Abstract

By emphasizing wealth creation, communities can not only cultivate streams of income, but also build wealth. Through collectively owned and democratically governed assets, communities can build wealth. Economic development policy and practice should emphasize wealth creation. Employee ownership, through worker cooperatives is one way to build wealth. But worker cooperatives are rare in the United States; this is because there is not a supportive cooperative ecosystem. The province of Québec, Canada has developed a robust cooperative ecosystem, leading the province to have the most cooperatives in Canada and a greater density of worker co-ops than the US. This thesis explores the Québec cooperative ecosystem through analysis of interviews with 22 leaders of over 19 organizations, including two worker cooperatives. This thesis seeks to understand (1) how the organizations and institutions in the ecosystem work together, (2) how they support cooperatives, and (3) how the lessons from Québec can inform the development of a cooperative ecosystem in New York City. This study reveals (1) the importance of historical, political, and cultural context in shaping the potential and possibilities for cooperative development; (2) that government support through policy, funding, and collaborative leadership is critical for the ecosystem's development; (3) apex organizations are necessary to provide leadership and technical assistance among cooperatives; (4) interaction among cooperatives of all kinds leads to a stronger network; and (5) the size of the sector makes it easier to secure public support.

Thesis Supervisor: Xavier de Souza Briggs
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Shout out to Kalamazoo, Michigan, which not only really exists, but also is where I'm from.

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Introduction

Section I: Purpose

This thesis seeks to influence the trajectory of the worker cooperative movement in New York City. A small but growing number of NYC organizations have sought to develop worker-owned cooperatives as a way to generate jobs, particularly in the wake of the 2008 recession. Some organizations, like the Center for Family Life in Sunset Park, Brooklyn, are incubating worker cooperatives. So far, the Center has successfully incubated three cooperatives. However, in order for worker cooperatives to become a meaningful mechanism for job creation and an adequate response to unemployment, they must be developed at a scale appropriate to the size of the problem. Considering most worker cooperatives in the United States average about 11 members (Deller, Hoyt, Hueth, & Sundaram-Stukel, 2009), the New York City cooperative movement will not reach a relevant scale if only a few cooperatives are developed each year.

In the wake of the 2008 recession, interest in developing worker cooperatives has grown. The number of organizations attempting to develop worker cooperatives is slowly proliferating. The philanthropic community has also expressed interest in supporting cooperatives. While the renewed interest is encouraging, the American worker cooperative movement tends to gain momentum during economic recessions only to see interest diminish and cooperatives fail soon after.

In order to avoid the mistakes of the past and to reach a meaningful scale, actors in NYC must develop an ecosystem that supports the growth and development of cooperatives. They must model the system on other nations that have developed ecosystems that allow cooperatives to flourish. The number of worker cooperatives in the United States pales in comparison to other nations such as Italy, Spain, and France. In Italy, worker co-ops employ 800,000 people; in Spain, 300,000; in France, nearly 40,000 (Corcoran & Wilson, 2010). These nations have developed rich ecosystems that support cooperatives. Research suggests the supportive ecosystems distinguish Europe from the US. The cooperative ecosystems there include a host of institutions, referred to as secondary institutions, as well as supportive government policies and programs. Secondary institutions include government agencies at the federal, provincial, and municipal levels as well as consultants (legal, marketing), education and training institutions (post-secondary, co-op management), non-profits, financing and banking organizations, federations and associations, organized labor, and other types of cooperatives (producer,

consumer, financial, housing). This thesis argues that the NYC cooperative movement must work to develop a supportive ecosystem for cooperatives, and not focus solely on developing cooperative firms.

Research suggests a cooperative ecosystem requires supportive public policy. Except for the Great Depression and the agricultural sector, the US government has not employed cooperatives as a tool for economic development. For the most part, cooperatives are viewed as hippy experiments from the 1960s that never amounted to much. I argue, however, that worker cooperatives can be—and indeed have been—effective tools for economic development. As such, federal, state, and local governments can and should take an interest in cultivating supportive cooperative ecosystems.

Developing such an ecosystem requires an in-depth understanding of existing cooperative ecosystems. For reasons detailed in the next section, I decided to explore and analyze the ecosystem in the province of Québec, Canada. Through this thesis, I seek to answer two questions:

(1) How do secondary institutions in Québec support the development of worker-owned cooperatives?

(2) How do secondary institutions interact and relate to one another?

I use the insights and lessons from Québec as a lens to assess the terrain in New York City and chart a course toward a cooperative ecosystem.

Section II: Research Questions & Methods

A case study proved to be the best method for exploring these questions. Robert Yin (2009) outlines three conditions that allow researchers to select an appropriate research methodology and includes the conditions under which a case study serves as the appropriate method. Case studies are appropriate when, (1) the researcher is asking a how or why question, (2) the researcher has no control over actual events, and (3) the focus is on contemporary events (Yin, 2009). The questions posed and the contexts being studied fit these conditions.

Case Selection

The recent growth of worker cooperatives in Québec, the contemporary development of the secondary institutions, and its proximity to the United States, make Québec an ideal case to explore these questions. In the late 1970s and early 1980s, the provincial government adopted an economic development strategy with cooperatives at the center; the policy was reinforced in 1996, and again in 2003. As a direct result of the strategy, a number of non-governmental organizations developed that

support the development of cooperatives. Since the adoption and implementation of the strategy, worker cooperatives have flourished in Québec, giving it the highest density and greatest number of worker-owned cooperatives in Canada (Hough, Wilson, Corcoran, 2010; Quarter, Mook, & Armstrong, 2009).

Research regarding cooperative ecosystems often looks to the Mondragon Cooperative Corporation in the Basque County in Spain, La Lega group of cooperatives in the Emilia Romagna region of Italy, and France's system as examples of healthy cooperative ecosystems. Indeed, these three robust ecosystems have provided much insight, inspiration, as well as strategic and tactical assistance to cooperative movements around the world. I wanted to find an example of a more recently developed ecosystem (1980 in Québec as opposed to 1943 for Mondragon). In addition, I wanted to find a case in which the public sector played a significant role in developing the worker cooperatives and the supportive ecosystem. Researching public sector action provides insight into the role government can play; these lessons can show the NYC worker cooperative movement how to garner the support of city and state governments. In the same way the public sector plays a critical role in developing good business climates, government can play a critical role in developing good cooperative climates; this suggests a role for economic development offices and other public agencies in the US.

The cultural and institutional similarity between the United States and Canada made it a case more generalizable and informative for US based action. Finally, proximity and a (mostly) common language made conducting research in Québec a practical possibility.

New York City was selected as the object of the thesis' prescriptions because, based on my history of working with cooperatives in New York City, there is potential to cultivate a denser, richer, more networked ecosystem that leads to the proliferation worker-owned cooperatives. I spent the summer of 2012 in New York City working with the Bronx Cooperative Development Initiative, an organization endeavoring to develop worker-owned cooperatives in the Bronx. During the summer I interacted with organizations that have or are supporting worker-owned cooperatives. I observed their focus on developing cooperatives, and a budding interest in developing supportive institutions. The organizations lacked a comprehensive framework for understanding the needs of worker co-ops and how they could work together to meet them. Without a clear vision for a co-op ecosystem, these organizations run the risk of repeating past mistakes: Developing a number of cooperatives that lack sufficient support, so the co-ops fail, and the movement subsides. This thesis has the potential to inform how these organizations and cooperatives approach the development of a more robust ecosystem.

Data Collection & Analysis

I collected data through interviews, document analysis, and a review of relevant literature. I conducted 19 interviews with 22 persons in Québec representing 21 organizations (listed in table I-1).

Interviewees represented a variety of perspectives including finance organizations, technical assistance organizations, federations of cooperatives, a government agency, educational institutions, private consultants, and worker-owners in two cooperatives. Most of these organizations serve the province of Québec specifically, though I included one national organization to gain a broader perspective.

Organizations were identified after a thorough review of contemporary literature of the Québec cooperative system. I identified interviewees through the organizations' websites. Interviewees needed to understand the working of their own institution and work with other institutions. Most interviews occurred in person, with a total of two interviews conducted over the phone. The interviews were semi-structured, with the interview guide serving as a jumping off point for a rich discussion. A list of questions is provided in the appendix.

Organization websites and annual reports were reviewed as well. Document analysis revealed the number and type of cooperatives served; history of the organization; formal and informal connections to other secondary institutions or cooperatives; stated goals, objectives, and outcomes; and sources of funding. However, lack of English language materials prevented a thorough document analysis for all organizations.

The thesis includes case studies of two worker-owned cooperatives in Québec, a microbrewery called *La Barberie* and an ambulance cooperative, CTAQ. These cooperatives satisfied two conditions for selection. First, the cooperatives have worked with at least one secondary institution; thus, informants had exposure to and experience with the ecosystem. Second, the co-ops operate in different sectors and at different scales, permitting analysis of a greater range of factors affecting how the firms interact with the ecosystem. Interview subjects included the worker-owner in charge of democratic life at *La Barberie* and the president and a manager at the ambulance cooperative. These individuals (1) engaged directly with the secondary institutions and (2) understood the firm's challenges and competitive advantages.

The analysis seeks to understand both the political and cultural context that sustains the cooperative ecosystem, as well as the unique roles of institutions and actors within the ecosystem. By understanding the functions of the institutions and actors in the ecosystem, we can gain insight into what organizations might be necessary in the US. By understanding the political and cultural context, we can discern the norms and values that make cooperatives more accepted by the Québécois government and general public.

A total of nine interviews with ten persons occurred with New York City informants (listed in Table I-2). Two interviews occurred over the phone and the remainder in person. These persons represent organizations that have supported the development of worker cooperatives or have expressed interest in supporting future development of worker cooperatives

Section III: The Following Chapters

Chapter 1, Cooperative Development as Economic Development, lays out the conceptual foundation of the thesis. I argue that economic development strategies should include wealth creation in addition to job or income creation. Applying a wealth framework that embraces multiple kinds of wealth beyond financial wealth, I argue that wealth creation leads to resilient communities and long-term shared prosperity. Employee-ownership is one way to create wealth, and worker-cooperatives are one form of employee ownership. The chapter discusses the potential and problems of worker cooperatives and describes their history here in the United States. The chapter then introduces the ecosystem framework, the idea that all firms thrive in supportive ecosystems, and, in that regard, cooperatives are no different. Therefore, government should develop good cooperative climates just as it establishes good business climates.

Chapter 2, Québécois Cooperatives in Contemporary and Historical Context, introduces readers to a brief overview of the province and the cooperative sector. It provides a detailed description of worker cooperatives in Québec, the key industries in which they are found, how they develop, and the motivating factors that lead people to start cooperatives. The chapter then dives into the history of cooperatives in Québec, beginning with credit union development in 1900, and ending with the present day development system.

Chapter 3, Québec's Cooperative Ecosystem, seeks to understand how secondary institutions work together. The chapter explores three categories of organizations in the ecosystem and critical functions they perform: (1) Government, (2) Support Organizations, and (3) Apex Organizations and Federations. The chapter includes the case of the forestry cooperative federation as an example of how the ecosystem functions. The chapter closes with key lessons and findings.

Chapter 4, The Co-operators' Perspectives, seeks to understand how the secondary institutions work with cooperatives. The chapter contains the cases of two worker cooperatives. These cases bring the cooperative ecosystem to life. Together with Chapter 3 readers gain a complete picture of how the Québec cooperative ecosystem functions.

Chapter 5, *New York City through the Lens of Québec*, introduces readers to the contemporary worker cooperative scene in New York City. The chapter applies the lessons from Québec to New York City through a series of recommendations for future action.

| Table I-1: Québec Informants | | |
|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Organization | Description | Interviewee Name and Title * Individuals represent more than 1 organization |
| Worker-Owned Cooperatives | | |
| Coopérative des techniciens ambulanciers du Québec CTAQ | Worker-owned ambulance cooperative, located in Québec City | Éric Hamel, BHSc., ACP, Director of Clinical Services and Logistics, and Worker Owner Mathieu Bourassa, President and Worker-Owner |
| La Barberie | Worker-owned brewery cooperative, located in Québec City | Jessica Provencher, Responsible for Cooperative Living & Sustainable Development, Bar Maid, Worker-Owner |
| Federations of Worker Cooperatives | | |
| Canadian Worker Cooperative Federation CWCF | Federation of worker cooperatives in Québec; based in Montréal | Hazel Corcoran, Executive Director of CWCF and CoopZone * |
| Fédération québécoise des coopératives forestières FQCF | Federation of forestry cooperatives; based in Québec City | Jocelyn Lessard, Director General |
| Reseau de la cooperation du travail du Quebec The <i>Reseau</i> | Federation of worker cooperatives in Québec; based in Montréal | Isabel Faubert Mailloux, Strategic Development Advisor Pierre-Olivier Latrémouille, Management Consultant |
| Apex Organizations | | |
| Chantier de l'économie sociale The <i>Chantier</i> | Translates as “Worksite for the Social Economy”, an apex organization for social economy enterprises including non-profits, associations, and cooperatives; based in Lévis | Geneviève Huot, Coordinator of Research and Training |
| Finance | | |
| Caisse d'économie solidaire Desjardins | Credit union founded by labor union (CSN), a member of the Desjardins network; based in Montréal | Olivier Rousseau, Financial Advisor |
| Fiducie du Chantier de l'économie sociale The <i>Fiducie</i> or the Trust | Literally the “Trust of the Social Economy”, it provides equity investments to social economy firms; based in Montréal | Jacques Charest, MBA, Director General |
| Fondation | Labor sponsored investment fund, founded by CSN, a labor union; based in Montréal | Léopold Beaulieu, President and Director General; also President of CIRIEC-International * Claude Normandin, MBA, Strategic Development and Marketing |
| Réseau d'investissement social du Québec RISQ | Short-term (2 year) financing for social economy enterprises; based in Montréal | Najib Benchekroun, MBA-CMA, Financial Analyst |

| Technical Assistance & Cooperative Developers | | |
|--------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Coopérative de développement régional de Montréal-Laval CDR Montréal-Laval | A regional development cooperative for the Montréal-Laval region | Christian Corbeil, Development Agent |
| Coopérative de développement régional de Québec-Appalaches CDR Québec-Appalaches | A regional development cooperative for the Québec-Appalaches region | Pierre-Luc Bonneville, MBA, Director General |
| Centre d'entrepreneuriat en économie sociale du Québec CEESQ | Center that helps entrepreneurs develop their business ideas, find business partners, and incubates social enterprises; based in Montréal | Maricarmen Merino, MBA- Collective Enterprises, Founder and Worker-owner |
| Centre local de développement West Island CLD West Island | Local development center, a one-stop shop for business assistance; serves the West Island area, near Montréal | Shant Kancachian, Advisor to Start Up Enterprises |
| ORION coopérative de recherche et de conseil | Cooperatively owned consulting firm, specializing in worker cooperatives and research; based in Québec City | Alain Bridault, Président and Worker-owner of ORION; President of the CWCF; Member of CICOPA; Board Member of the Reseau * |
| Tango RJ Consulting | Consulting firm for cooperatives; based in Gatineau | Réjean Laflamme, Founder and Consultant; former staff of the Conseil, leader in the funeral cooperative sector * |
| Academia | | |
| Chaire de coopération Guy-Bernier at the Université du Québec à Montréal The Chaire or CCGB at UQÁM | A research chair funded in large part by Desjardins Group; conducts research on the cooperative model, training for Desjardins staff, and promotes the cooperative model in the school; based in Montréal | Michel Séguin Ph.D., Professor Department of Organization and Human Resources in the School of Management Sciences at the University of Québec at Montréal |
| Provincial Government | | |
| Direction du développement des coopératives | A department within the Ministry of Finance and the Economy dedicated to non-financial cooperatives; based in Québec | Michel Clément, Sector Development Coordinator |

Table I-2: New York City Informants

| Organization | Description | Name and Title * individuals represent more than 1 organization |
|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bronx Cooperative Development Initiative (BCDI) | Organization working to develop cooperatives in the Bronx | Nicholas Iuviene, Program Director for Just Urban Economies at MIT Community Innovators Lab |
| Center for Family Life, part of the SCO Family of Services | Incubator for worker cooperatives | Vanessa Bransburg, LCSW, Director of Cooperative Development |
| Green Worker Cooperative | Training program for worker cooperatives | Omar Freilla, Coordinator |
| Lower East Side People's Federal Credit Union | Credit union serving Lower East Side; operates lending program for housing cooperatives | Linda Levy, Chief Executive Officer |
| Neighborhood Economic Development and Advocacy Project (NEDAP) | Research and training organization; preparing to launch a loan fund to support development of worker cooperatives | Deyanira Del Rio, Associate Director Gabriel Ristorucci, Special Projects Counsel |
| New Economy Coalition | Engaged in campaigns to support the solidarity economy, including cooperatives | Cheyenna Weber, Director of Coalition Organizing and Campaigns and Solidarity NYC * Olivia Geiger, PhD candidate at University of Massachusetts at Amherst |
| NYC Network of Worker Cooperatives (NYC NoWC) | Federation of worker cooperatives | Chris Michaels, Board of NYC NoWC and co-founder of Workers Development * |
| The Working World | Provides financing and technical assistance to worker cooperatives in the US, Argentina, and Nicaragua | Brendan Martin, Founder and President |

Chapter 1: Cooperative Development as Economic Development

Overview

This chapter argues that economic development strategies promoting employee ownership realized through worker-owned cooperatives are viable and worthy of pursuit. The chapter challenges conventional notions of economic development, insisting that economic development strategies should not focus only on income generation, but also on wealth creation. Worker-owned cooperatives facilitate the creation of several forms of wealth, including financial, human, political, and social capital.

The chapter then traces the history of employee ownership and worker cooperatives in the United States, describes the challenges of worker cooperatives, and ultimately seeks to understand why worker cooperatives are so rare in the US. Research suggests that worker cooperatives require a supportive environment to flourish, the absence of which has hindered the development and survival of worker cooperatives in the United States. The chapter describes the importance of ecosystems to all firms and uses this framework to advocate for a cooperative ecosystem in NYC.

Section I: Wealth Creation Not Job Creation

Economic Development

Between 1960 and the present, Edward Blakely and Ted Bradshaw (2002) identify three successive waves of American economic development strategies. First-wave strategies sought to attract businesses to municipalities and regions through tax breaks and incentives; giving rise to the term “smoke stack chasing.” Second-wave strategies encouraged practitioners to look inward in search of ways to “retain and expand existing firms” (Osgood, Opp, & Bernotsky, 2012, p. 334). Third-wave strategies focused on broader measures of development, such as sustainability and quality of life, as well as more community-based economic development such as entrepreneurship, small business, or microenterprise (Blakely & Bradshaw, 2002). While each wave represents an evolution of economic development practice, the prior strategies tend to co-exist with the old; it is not uncommon for public, private, and non-profit economic development agencies to simultaneously employ strategies from each wave. While each wave represents different theories and strategies, they operate in an income creation paradigm: Each seeks to generate streams of income that sustain individuals and families in the municipality or region.

In contrast, wealth creation strategies focus on building stocks of wealth, not just generating income. A stock is an asset that can provide income over time to sustain individuals and families (Kelley & Ratner, 2009). Though the value of the stock decreases over time, it can be replenished to continue serving as a source of wealth. In addition to building and replenishing the stock, wealth creation strategies focus on ownership, as a stock's wealth accrues to those who own it (Kelley & Ratner, 2009). Finally, when stock is collectively owned wealth sticks in a community; meaning the mobility of the wealth is constrained and it cannot easily migrate to another area (Kelley & Ratner, 2009).

A business venture serves as a stock of wealth for its owners. The business provides income for owners and employees alike, however wealth only accrues to the owners. If the value of the business increases it can be sold at a profit to the owners or passed on to family as part of an inheritance. While the business provides income for employees, when employees do not own the company they have little or no decision-making power regarding the future direction of the company. If the firm is owned by a group of shareholders or a few partners, they can decide how and where to locate, expand, or move the firm without the consent of the employees. Though capital investments may constrain firm mobility, if profits can be increased through relocation the firm may move. The wealth continues to accrue to the owners, but the employees lose their source of income. Without an ownership stake in an asset, the wealth of the asset does not benefit the employees. Thus, strategies designed to build wealth that sticks in a community must include *collective* ownership of wealth-building assets; ownership alone is not enough.

Kelley and Ratner (2009) argue that shared ownership of wealth generating assets and collective control of those assets can build financial wealth, but these two conditions alone will not result in a triple bottom line impact of “economic gain, social return, and ecological stewardship” (p. 6). In order to achieve that level of impact, they call for not only building financial wealth, but also building a total of seven forms of wealth. Investing in and growing all seven forms of wealth, outlined in Table 1-1, can lead to shared prosperity and a more resilient community. Employee-ownership is one way to build collectively owned and governed assets that build financial wealth. A worker-owned cooperative is one form of employee ownership that combines collective ownership and democratic governance, so it builds financial wealth for the coop members. In addition, the cooperative structure promotes the development of other forms of capital, which can lead to more resilient local economies that are less vulnerable to changes (Kelley & Ratner, 2009; DeFilipis, 2004).

| Table 1-1: Seven Forms of Wealth | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| Type of Wealth (called “capital”) | Definition | Example |
| Financial Capital | Any income stream flowing into or out of a community | Bank accounts, equity investments, and bonds |
| Natural Capital | Non-renewable and renewable resources, and environmental services | Oil, minerals, fish, wood, water, waste assimilation, flood control |
| Social Capital | Stock of trust, relationships, and networks that support a healthy community | A common interest group, such as a church |
| Individual Capital | Stock of skills and the physical and mental capabilities of people in a region | Computer skills, entrepreneurial ability, human health |
| Built Capital | Stock of physical structures and infrastructure | Homes, buildings, infrastructure |
| Intellectual Capital | Stock of knowledge and innovation in a region, embodied not in individual minds, but in the enduring intellectual products those minds have created | Inventions, patents, published writing |
| Political Capital | Stock of power and goodwill held by individuals, groups, and organizations that can be wielded to achieve desired ends | An organized constituent group pressuring a legislator to propose a specific piece of legislation |
| Source: Kelley & Ratner, 2004, p. 7; Wealth Creation in Rural Communities, http://www.creatingruralwealth.org/wealth-creation-approach/multiple-forms-of-wealth/ | | |

Wealth Creation through Employee Ownership

Building wealth through business-ownership does not have to be limited to supporting entrepreneurs as they establish traditional capitalist enterprises; business ownership can be achieved through structures that allow employees to have an ownership stake in a firm. The evidence regarding employee-owned firms suggests they hold promise for firms, employees, and communities. When firms combine ownership with participation in decision-making, the firms experience even greater gains in productivity (Logue & Yates, 1999). A review of several studies suggests that in employee-owned firms employees experience greater motivation to work, derive more fulfillment from their work, and increase company earnings (Logue & Yates, 1999; Kruse & Blasi, 1995; Artz & Kim, 2011). Employee-owned firms—especially firms that are highly participatory and those in which employees have decision-making power—are less likely to close down or leave a region, creating greater stability and long-term sources of income and wealth for regions and municipalities (DeFilipis, 2004; Dickstein, 1991).

There are several models for employee ownership of businesses such as employee stock ownership programs (ESOPs), stock options, profit sharing, and worker-owned cooperatives. While ESOPs are the most common form of employee ownership in the United States, this thesis focuses on worker-owned cooperatives. Though favorable federal tax legislation has led to an increase in ESOPs in

the United States, the level of employee ownership varies widely from as little as 1% of a company-owned by employees to firms that are 100% employee-owned and that include opportunities for employee-participation in firm operations (Logue & Yates, 1999). In contrast, worker-owned cooperatives are, by definition, owned by the workers, thereby ensuring collective ownership by workers (an important aspect of effective wealth building strategies) as well as rights to participation in firm governance. In order to focus on firms that combine ownership and governance, this thesis focuses on worker-owned cooperatives.

Section II: The Empirical and Historical Record of Worker Cooperatives

Definition

The US Federation of Worker Cooperatives defines a worker cooperative as

...a business that is owned and controlled by the people who work in it, the members of the cooperative. The two central characteristics of worker cooperatives are: (1) workers own the business, and they share the profits; (2) decision-making is democratic, generally adhering to the principle of one worker, one vote. (US Federation of Worker Cooperatives, 2012)

While not all worker cooperatives operate the same, the definition captures some of the core elements of a majority of worker cooperatives. When an individual joins as a member of a worker cooperative, s/he not only receives compensation in return for labor, but also begins building equity in the business. Typically, each worker-owner purchases an equity stake in the company; in most cases equity builds over time, serving as an asset that builds long-term wealth for the individual and his/her family. The equity also serves as capital for the firm, enabling expansion, further investment, and other activities. Owning a share of the company entitles a member to a vote. Votes are distributed on the basis of one person, one vote and not based on the number of shares owned or the size of a member's equity stake. In some cooperatives, all members engage in governance decisions. Many cooperatives elect a board of directors from amongst their membership to serve for an appointed time.

Most worker-owned cooperatives adhere to a set of cooperative principles adopted by the International Cooperative Alliance (2012). The cooperative principles are:

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation

4. Autonomy and Independence
5. Education, Training, and Information
6. Co-Operation among Co-operatives
7. Concern for Community

The broader social goals of co-ops, captured in these seven principles, set worker-owned cooperatives further apart from ESOPs and other ownership structures. Unlike conventional firms and ESOPs, worker cooperatives exist to provide employment for members and to further the cooperative principles, not to maximize profits. Certainly cooperatives must earn a profit, but the need to earn profit is subordinated to the goals and priorities of the members.

Advantages and Disadvantages

Like any economic development strategy, worker cooperatives hold both promise and problems for worker-owners and their surrounding communities. Researchers often attempt to compare the performance of cooperatives and conventional firms. The comparative research is limited because researchers are often unable to find “twin firms”, that is firms in the same industry, same region, same data points, and same time period, to compare (Craig & Pancavel, 1995). Additionally, researchers often aggregate all forms of cooperative enterprise together, providing findings that do not distinguish between worker cooperatives and other types of cooperatives. Nevertheless, exploring the empirical record as well as case studies reveals a great deal about the potential and pitfalls of worker cooperatives.

Worker cooperatives exist to provide work for their members; therefore the co-op cannot fulfill its purpose without creating jobs. For this reason worker cooperative formation tends to be countercyclical, emerging when the demand for jobs is greatest, such as economic recessions (Dickstein, 1991). Regardless of the economic situation surrounding a co-op’s formation, the enterprise is more likely to adjust work hours or pay when faced with an economic slump instead of laying off members (Craig & Pencavel, 1995), thus providing more stability.

Carla Dickstein (1991) found that while US worker cooperatives are found in every sector, they tend to be concentrated in “labor-intensive sectors with simple production technologies” (p. 19). These types of firms often pay lower wages than other, high-value added firms. Artz and Kim (2011) found that while worker cooperatives tend to pay higher wages than other firms in their sector, average wages of worker-owners fall below average wages in all US workers. However, these wage figures do not include total compensation. Artz and Kim (2011) found that cooperative firms offer health insurance at higher rates than other firms. Many co-ops provide additional income through the distribution of the co-op’s surplus to members. A 1993 survey of worker co-ops in Western European nations found that

dividends equate to as little as one week's or as much as eight weeks' wages (Bonin, Jones, & Putterman, 1993). Workers also build equity over the duration of their membership. For example, members of plywood cooperatives in the Northwestern United States have sold their shares for as much as \$90,000 (in 1983 dollars) (Bonin, Jones, & Putterman, 1993). However, the members risk losing all of their equity if the co-op fails.

Evidence suggests worker cooperatives are more stable than conventional firms because they have higher survival rates. In 2005, 1% of German companies were declared insolvent compared to less than 0.1% of cooperatives (this figure includes all types of cooperatives) (Birchall & Ketilson, 2009). A study by the Québec government found six out of ten cooperative firms survive more than five years, compared with four out of ten conventional firms (Bond, Clément, Cournoyer, & Dupont, 2000). After ten years, four of ten co-ops survive, while only two of ten conventional firms survive. The same study also revealed that worker cooperatives, as opposed to all cooperatives, have the same or only slightly higher survival rates when compared to conventional firms.

Worker co-ops provide stability, as they are more resilient than traditional firms. A 2012 study conducted on behalf of CECOP-CICOPA, the federation of European worker cooperatives and the international federation of worker cooperatives, examined four years of survey data from 2009 – 2012 from 50,000 European worker co-ops in seventeen European Union countries (Roelants, Dovgan, Eum, & Terrasi, 2012). Quantitative analysis of France and Spain suggests co-ops there “have been able to limit closures and job losses better than the average business, in some cases even to recover their status of net job creators, and they also tend to delay the impact of the crisis” (p. 4). The study attributes this resilience to the cooperative structure. The democratic decision-making allowed co-ops to quickly reduce costs without laying off members, and make investments in new long-term strategies. The internal capital accumulation system provides capital when banks stopped lending. Cooperatives worked together through inter-enterprise organizations that facilitated education, re-training, and other assistance in adapting to new conditions. Finally, the nations with the “best legal framework protecting and promoting cooperative enterprises” (p. 4) had the most resilient cooperatives.

Researchers also suggest that worker cooperatives are more stable because they are less likely to relocate or sell. Thus, they argue, the community can maintain control of the enterprise (DeFilipis, 2004; Dickstein, 1991). The desire to save jobs and retain firms led to the conversion of closing factories into worker cooperatives and ESOPs in the 1970s and 1980s (Dickstein, 1991; Blasi & Kruse, 1995). While the success of the conversions varied greatly, the concept of local ownership and strengthening the local economy fuelled the actions and remains a strong motivator today. Though the chance that a majority of members of a worker cooperative would decide to relocate the firm to another

city is low, cooperatives can demutualize (the equivalent of selling), or choose to consolidate. For example, the cooperative dairies of Nova Scotia consolidated, centralizing operations in the North leaving smaller towns with higher unemployment (MacLeod, 1989). Many of the plywood cooperatives of the American Northwest demutualized and converted to traditional firms.

Cooperatives may provide increased job satisfaction and higher job quality relative to conventional firms. Research suggests the ability of members to share in profits and to participate in decision-making leads to increased productivity, increased motivation, and increased capacity to adjust work (Kruse & Blasi, 1995; Logue & Yates, 2005). Stewart Perry, in *San Francisco Scavengers: Dirty Work and the Pride of Ownership* (1978), documented the history and struggles of a cooperatively owned waste disposal company. Among many findings, Perry reports the firm offered relatively higher incomes, a greater range of tasks, opportunities for self-governance, and the workers took more pride in their work when compared to other firms.

Worker-owned cooperatives benefit communities by building other forms of wealth beyond financial capital, including social capital, and human capital. By working together in a more egalitarian environment and making decisions together, workers build more social capital amongst themselves. The cooperative principles of giving back to community and cooperating with other cooperatives also build social capital between the firm and other entities. The democratic decision-making process and the need to understand the firm's finances build the human capital of workers. The capital developed in the cooperative can be contributed towards future enterprises or participation in other organizations.

Rothschild (2009) argues that worker cooperatives build economic democracy by extending ownership and control of financial assets to more members of a society. The experience also provides worker-owners with a daily, tangible experience of democracy. She argues that combining their increased capacity for participation with an independent economic base, worker owners are more able to participate in political democracy in the US. She advocates for the proliferation of worker cooperatives as means for cultivating economic and political democracy. In this way, worker cooperatives build political capital as well.

Rothschild goes further to say that not only can cooperatives increase democratic practice in this nation, but that the decisions made in a more democratic nation will produce more "equitable outcomes for society than would ever be possible with conventionally owned enterprises" (p. 1023). She reasons that "working individuals would not choose to put downward pressure on their wages or outsource their own jobs" (p. 1026). She cites as evidence the tendencies for worker cooperatives to make far different decisions regarding compensation, product development, layoffs, and other choices. With economic control more widely dispersed, a more equitable society might develop. Advocating for

reduced inequality and inequity is not only a moral or ideological position. Reduced inequality would improve US performance on another set of measures.

A more equitable distribution of resources benefits most members of a society. Wilkinson and Pickett (2010) argue that nations with greater inequity fare worse on a number of measures including homicide rates, health outcomes, incarceration rates, and more. Their key message is that inequality leads to worse outcomes for societies; therefore actions should be taken that limit the gap between the rich and the poor. Among developed nations, the gap between the rich and poor is higher in the United States than in almost any other nation. Economist Joseph Stiglitz (2012) demonstrates that inequality has negative economic impacts, specifically lower growth and reduced efficiency. If worker cooperatives improve equity, as Rothschild suggests, and if greater equity improves a society and its economy, then worker cooperatives can be one part of a multi-pronged approach to reducing inequity while growing the economy.

Despite the challenges, worker cooperatives hold much promise for communities and workers. The jobs provided are of higher quality and provide better or nearly equal compensation as conventional firms, when considering total compensation (health benefits, profit sharing). Worker co-ops survive at rates equal to or higher than conventional firms and are more likely to survive economic recessions. Employee turnover is lower and job security is higher among worker cooperatives. Still, the co-ops expose workers to risk and are not a guaranteed solution to unemployment or inequality.

History and Contemporary Terrain

Worker cooperatives have a long history in the United States, beginning in 1791, when a group of house carpenters formed the first documented worker cooperative (Lichtenstein, 1986). Prior to the Civil War a series of worker cooperatives formed and dissolved. The cooperatives usually developed as a result of labor disputes; during this time period the industrial revolution began displacing skilled trades people leading to displacement (Lichtenstein, 1986). Worker cooperatives were attempts to retain their livelihoods (Lichtenstein, 1986).

After the Civil War a number of organizations invested in the development of worker cooperatives. Two labor organizations, the Knights of Labor and the Knights of St. Crispin, dedicated financial resources and union capacity to establishing worker cooperatives (Lichtenstein, 1986). As a result of their efforts and those of others, 400 – 500 worker co-ops were established from 1865 – 1930 (Lichtenstein, 1986). The cooperatives were in a diverse array of small, labor-intensive industries, including the production of barrels, shingles, shoes, iron, and more. The Knights of Labor's cooperative

efforts collapsed as a result of the organization’s demise; the enterprises could not be sustained without the support of the union, especially in the face of rapid technological change. The AFL did not support cooperative development as a strategy, and the worker cooperative movement lost labor support (Lichtenstein, 1986).

During the Great Depression the federal government developed self-help cooperatives (essentially worker cooperatives) as a strategy for economic recovery. Over 250 self-help cooperatives “formed either directly or indirectly as a result of federal government support” (Lichtenstein, 1986). Not only did the government support the development of worker cooperatives, but also established a host of other cooperatives, such as rural electric co-ops, during this time.

Government support faded in the post-war decades, and has since not regained the support found during the Great Depression. Only during the economic recession of the 1970s and 1980s did federal and state governments support worker-ownership. During this era the government, including Congress, supported the development of ESOPs by passing permissive legislation. Some states, such as Ohio and New York, established employee ownership centers.

Today, worker cooperatives remain a small part of the US cooperative movement and an even smaller part of the US economy. Worker cooperatives account for 1% of cooperative firms in the US (Deller, 2009). The average US worker cooperative has 11 employees, all of whom may not be members (Deller, 2009). The University of Wisconsin’s Center for Cooperatives conducted a census of cooperatives. Data on cooperatives is notoriously difficult to track, as the federal government does not collect data from firms categorized by structure, thus inhibiting ability to identify all the cooperatives in the US. Furthermore, the data filed with the IRS does not necessarily allow for a comprehensive census of the cooperatives. Therefore the Center relied on voluntary responses from cooperatives in the US. Nevertheless, the Center’s study provides one of the most recent and comprehensive accountings of the cooperatives in the US. Table 1-2 shows the data by type of cooperative.

| Cooperative Type | Assets (\$M) | Revenue (\$M) | Wages (\$M) | Firms | % of Firms | Employees (Thousands)¹ | Memberships (Thousands)² |
|-------------------------|---------------------|----------------------|--------------------|---------------|-------------------|------------------------------------------|--------------------------------------------|
| Worker ³ | 128.02 | 219.24 | 55.41 | 223 | 1 | 2.38 | 55.14 |
| Producer | 23,632 | 65,426 | 2,970 | 1,494 | 5 | 72.93 | 714.65 |
| Purchasing | 1,126,848 | 157,892 | 2,902 | 724 | 2 | 130.35 | 6,133 |
| Consumer | 1,975,805 | 291,086 | 19,085 | 26,844 | 92 | 650.65 | 343,969 |
| Total | 3,126,414 | 514,624 | 25,013 | 29,285 | 100 | 856.31 | 350,872 |

Source: Table 2-2 from Deller, 2009, p. 11

1 Employment is reported in terms of full-time employees. Two part-time workers are reported as one (full-time) employee.

2 One member can belong to multiple cooperatives, so does not necessarily represent a unique

3 Membership numbers are higher than employment figures because a) member numbers include part-time workers, but employment figures represent the number of full-time positions and b) some cooperatives their membership but not their employment figures.

Worker cooperatives can be found in a variety of industries. The University of Wisconsin study found that 78% of worker cooperatives are in the Commercial Sales and Marketing sector, another are in Social and Public Services, with the remaining percentage uncategorized (see Table 1-3) (Deller, 2009). An analysis of the 2008 directory of the United States Federation of Worker Cooperatives revealed that 45% of co-ops featured in the directory are concentrated in 5 industries: (1) arts and media, (2) books, (3) food and beverage, (4) information technology, and (5) building, construction, and carpentry industries (Artz & Kim, 2011). Further analysis of the University data revealed that 70% of worker cooperatives are located in California, Oregon, Washington, Minnesota, Wisconsin, Massachusetts, and New York (Deller, 2009).

| Table 1-3: U. S. Cooperatives by Sector | |
|------------------------------------------------|-------------------------------------------------|
| Sector | Percent of Worker Cooperatives in Sector |
| Commercial Sales & Marketing | 78% |
| Consumer Goods Retail | 36% |
| Arts & Crafts | 9% |
| Entertainment | 33% |
| Social & Public Services | 18% |
| Healthcare | 5% |
| Transportation | 8% |
| Education | 5% |
| Uncategorized | 4% |
| Total | 100% |
| Source: Deller, 2009, p. 11 | |

| Table 1-4: Top 10 Industries | | |
|-------------------------------------------------------------------------------------|------------------------------------------------------------|------------------------|
| Industry | # of Co-ops, Collectives, and Democratic Workplaces | % (n = 210) |
| Arts & Media | 32 | 15.2% |
| Books | 17 | 8.1% |
| Food & Beverage | 17 | 8.1% |
| Information Technology | 15 | 7.1% |
| Building, Construction and Carpentry | 14 | 6.6% |
| Printing | 12 | 5.7% |
| Bakery | 11 | 5.2% |
| Crafts and Textiles | 8 | 3.8% |
| Grocery | 8 | 3.8% |
| Healthcare | 8 | 3.8% |
| Total | 150 | 67.4% |
| Source: Artz & Kim, 2011; Analysis of Directory of US Worker Cooperative Federation | | |

Obstacles

Despite the benefits of cooperatives, they face multiple obstacles to formation and success. There are two types of obstacles: (1) those that are intrinsic to the cooperative model and (2) those that are general firm challenges. Challenges intrinsic to cooperatives include the unique management challenges co-operatives face compared to conventional businesses. General firm challenges relate more to the firm's operating environment than to the structure of the firm itself. While the needs in the table tend to be services that any business needs, it should be noted that cooperatives have difficulty finding services suited to the unique needs and structure of worker cooperatives. Table 1 -5, below, illustrates these obstacles, adding the dimension of time to indicate when the obstacle tends to arise for the firm. Some obstacles persist throughout a firm's operation.

| Growth Stage → | Early | Middle/Late |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cooperative Challenges | <ul style="list-style-type: none"> • Trust between members • Time and sweat equity to start co-op • Initial capital and buy-in from members • Limited or no capacity to build equity outside of worker-owners • Viable business and business plan • Training and education for members in cooperative principles and management • Building and stabilizing sales | <ul style="list-style-type: none"> • Recruiting new members • Training new members in coop principles and responsibilities of ownership • Ongoing education for new members • Transfer to next generation of members • Improved financial management • Complex governance as firms grows in size |
| General Firm Challenges | <ul style="list-style-type: none"> • Securing financing and capitalization • Consultants (lawyers, marketing, etc.) who understand and support cooperatives • Coaches and support organizations for cooperatives | <ul style="list-style-type: none"> • Limited to no formal education for cooperative managers • Limited to no formal education for coop members • Securing capital for expansion, working capital, and patient capital • Limited/lack of coaching, consultant, or support organizations that understand needs of cooperatives |

Table 1-5: Obstacles to Growth and Development of Worker-Cooperatives. Compiled by author. Sources: Churchill & Lewis, 1983; Seidman, 2005; Artz & Kim 2011; Krimmerman, 1995; Lawless & Reynolds, 2004; Zeuli & Cropp, 2004)

Two of the most commonly cited challenges are lack of entrepreneurial and managerial talent and lack of access to capital (Dickstein, 1991; Krimmerman, L., 1995; Artz & Kim 2011). The managerial and entrepreneurial challenges include the fact that few traditional entrepreneurs are

attracted to the cooperative form of business. The model is perceived as higher risk and the owner must share the profit with a greater number of persons. Likewise managers may want to work for a higher-paying firm or may not be prepared to manage in a cooperative environment. Workers elected to serve on the board of directors may have little to no experience or knowledge of how to adequately manage the firm. As far as capital is concerned, mainstream financial institutions are usually unfamiliar with cooperative accounting and structure, and therefore may be less likely to make loans to cooperatives. In addition, many worker cooperatives are small firms, which have a notoriously difficult time acquiring the necessary capital from mainstream financial institutions.

Some researchers and theorists argue that worker cooperatives have not developed in the United States because political and cultural conditions are not conducive to their development and success. Most of the arguments can be summarized as (1) American capitalism discourages cooperation, cooperatives, and economic democracy and (2) the American left never consolidated into a labor party as in France, Spain, Italy or other European nations and therefore cooperatives had no strong political voice in government. Nevertheless, while historic, political, and cultural arguments certainly have validity, their truth does not negate the possibility of developing a different future in the United States. Embracing worker cooperatives as an economic development strategy requires careful consideration of the present political and cultural context, but does not place development of cooperatives out of reach. By focusing attention on helping cooperatives overcome barriers, the US can follow in the footsteps of other nations that have intentionally invested in worker cooperatives as economic and political development strategies.

Like any business, cooperatives need technical assistance providers, lawyers, lenders, education and training institutions—a host of secondary institutions—that understand and effectively service worker cooperatives. These secondary institutions exist in places with a high density of cooperatives. Stephen Smith (2001) examined two of the most successful networks of worker-owned cooperatives in the world, Mondragon in Spain and La Lega in Italy, to understand the strategies and institutional designs innovated by these organizations to mitigate the challenges faced by worker cooperatives. The institutional review concluded that “the creation of co-op networks themselves is probably the most important innovation and adaptation in La Lega and Mondragon” adding that the example should “encourage the development of such supporting structures for groups of existing employee-owned firms” (Smith, 2001, p. 45).

Smith is not alone in his call for the development of supporting structures for cooperatives. Cooperative members and academics call for a host of supports to address the external and some internal challenges that cooperatives face. Advocates emphasize that, because the cooperative firm

differs fundamentally from the capitalist firm, it requires partners that understand and support cooperative firms' unique mission, values, and structures (Lawless & Reynolds, 2012). The support structures include technical assistance organizations that can provide a variety of consulting services to cooperatives from legal advice to marketing plans; business support agencies that can serve cooperatives; federations and associations of worker cooperatives both by industry and region; favorable public policies such as tax law that encourages cooperative formation; MBA programs cultivating managerial talent; initial and ongoing education for worker-owners, especially board members; banks and other financial institutions who understand and support cooperatives and are willing to provide start up, expansion, and patient capital (Hough, 2010; Adeler, 2009; Artz & Kim, 2011; Krimmerman, 1995; Lawless & Reynolds, 2004; Zeuli & Cropp, 2004).

Worker cooperatives are not the only enterprises in need of a support system; firms of all kinds benefit from and indeed rise and fall, in part, in relation to the support system in which they operate. Indeed, Grenell states “the key to private entrepreneurship in American cities is to not only have a combination of the right tools, but the presence of an ideal climate, structured support systems, and an abundance of resources” (1998, p. 341). The analysis goes on to identify entrepreneurial needs in the areas of incubation, capitalization, and technical assistance. Michael Porter (1998) says that cluster theory “reveal[s] that the immediate business environment *outside* companies plays a vital role” in the success of a firm” (p. 78, emphasis in original). Recognizing the importance of clusters, defined as “critical masses—in one place—of unusual competitive success in particular fields” (p. 78), Porter advocates for firms—large and small—and institutions surrounding firms, such as “universities, standards-setting agencies, think tanks, vocational training providers, and trade associations” (p. 78), to operate differently in order to develop and leverage a competitive advantage not in one industry alone, but in clusters of related firms. Though more could be said, these two authors demonstrate that worker cooperatives are not the only firms that need supportive ecosystems. Further, though economic development practice is not typically focused on wealth creation, it has a long tradition of developing tools to support business development and foster a “good business climate” (Blakely & Bradshaw, 2002, p. 220). Economic development practice in the US can and should combine their ability to foster good business climates with wealth creation strategies, such as worker ownership.

In sum, worker cooperatives require a supportive environment that provides technical and financial assistance tailored to their unique structures, goals, and needs. The United States lacks sufficient density of cooperatives and thus secondary institutions. Furthermore, the secondary institutions that exist are scattered across the nation, not highly concentrated in any area, and often disconnected from one another. The limited number of worker-cooperatives in the US can be

attributed, in part, to the poor ecosystem. For communities in the United States to realize the potential of worker cooperatives, strong, networked secondary institutions must be created that help establish, develop, and grow worker-owned cooperatives.

Section III: Ecosystems

The literature on business ecosystems is rich and growing. Pioneered by such authors as James F. Moore (1996) and made ubiquitous by *The Keystone Advantage* by Marco Iansiti and Roy Levien (2004), business ecosystem theory uses biology and complexity science to create a metaphor for firm success and failure. Iansiti and Levien use natural ecosystems as a metaphor for business ecosystems in order to illuminate insights not readily understood through traditional management frameworks. They write that natural ecosystems are complex, filled with a variety of species that have "...coevolved mutual dependencies that work for their benefit...they are adapted to each other's presence" (2004, p. 20). The interdependence allows each species to specialize, find a niche, and consume less energy. For the most part, ecosystems have a shared fate. Relating this metaphor to the traditional firm, Iansiti and Roy advise firms to map and understand their ecosystem, to assess the health of their ecosystem, and provide strategies firms can adopt to nurture the health of their ecosystem.

The ecosystem metaphor elaborates on the idea of cluster development. Cluster development advanced the understanding of firm growth and development. The ecosystem framework pushed beyond and augmented cluster theory by trying not only to ascertain how like businesses compete and succeed, but also to construct a more holistic understanding of the

Inset 1-1: Ecosystem "Players"

Resource Providers - These players include providers of financial, human, knowledge, networking, and technological resources, and any brokers or intermediaries that channel these resources to those who want them

Competitors - Organizations that compete for the same resources, such as other businesses or efforts that want government funds for their programming.

Complementary Organizations and Allies - Organizations whose actions support the desired impact. Examples include policy organizations, think tanks, and cooperative associations, elected officials, business and economic development organizations.

Beneficiaries & Customers - The direct beneficiaries of the impact, worker-cooperatives directly benefit under a cooperative development strategy; families and individual municipalities also benefit. Specifically, these include clients or users of services provided by secondary institutions.

Opponents and Problem Makers: Institutions or individuals opposed to worker cooperative development, such as politicians and those ideologically or otherwise opposed to worker-cooperatives.

Affected or Influential Bystanders: Organizations or institutions that are not currently affected, but could be directly or indirectly affected. Labor unions, for example, could face decreased membership if businesses become cooperatives and do not unionize.

Adapted from Bloom & Dees, 2008, p. 49 - 50

dynamic interactions of many actors and environmental conditions that allow firms, clusters, and even regions to grow, decline, and change.

Others have adapted the ecosystem metaphor to other applications. Bloom and Dees (2008) used the ecosystem framework to describe how social entrepreneurs think about making change. The definitions they provide and the framework for mapping ecosystems is useful in understanding the actors and environmental conditions that affect the development of worker-owned cooperatives (see Inset 1-1).

Combining the insights of the ecosystem metaphor with the needs of worker-owned cooperatives yields an understanding of secondary institutions not as separate providers of services, but rather as networked actors intimately connected with each other and the worker-owned cooperatives that they serve. Indeed, in discussing the development of an effective business ecosystem, Kanter (2012) describes secondary institutions as “more likely to contribute to shared prosperity when they’re networked—with smooth pathways that allow intellectual, financial, and human capital to flow to enterprises at every phase of development” (p. 141). In order for worker cooperatives to become a substantial wealth building strategy in the United States, requires a dense and rich ecosystem of secondary institutions and worker cooperatives.

Chapter 2: Québécois Cooperatives in Contemporary and Historical Context

Overview

This chapter consists of three sections. The first section provides a brief introduction to the province of Québec. The second section describes the cooperative sector in Québec, including major industries, trends, and the characteristics of cooperative entrepreneurs. The third section explores the economic, social, and political pressures that shaped the history of cooperatives in Québec.

Section I: Québec

Explored and settled by the French beginning in 1534, Québec came under British Rule in 1763, “sacrificed by the Treaty of Versailles” (Girard, 1999, p. 15). In 1867 Québec joined the newly created nation of Canada. Covering 527,079 square miles of land, Québec is Canada’s largest province (Statistics Canada, 2005). The province’s population of just over 8 million makes it the second most populous province after Ontario (Statistics Canada, 2012). The vast area’s population is concentrated in the south along the St. Lawrence River, with other population centers on the periphery of the Gaspésienne Peninsula, the Saguenay River, Lac Saint-Jean, the Ottawa River, and the region of l’Abitibi-Témiscamingue.

Québec is the only French-speaking province in Canada. Today, over 79% of residents speak French at home (Statistics Canada, 2011). Most people, 86.7%, use French regularly at work (Statistics Canada, 2006). Nearly half of the population—46.7%—speaks more than one language, including 10.6% who speak three languages (Ministères des Finances, 2011). Passed in 1977, Bill 101, known as the Charter of the French Language, established French as the official language of the province. Among other items, the bill specified language rights, including the right to receive all public and private services in French, work in French, receive instruction in French, and to participate in deliberative assembly in French (Editeur, 2013). The passage of the bill proved to be a watershed moment that revived Francophone society and brought the French language back from marginal use.

In recent years, Québec’s GDP growth has outpaced the rest of Canada (including Ontario) and the United States (Ministères des Finances, 2011). Still, the province’s unemployment rate has been consistently higher than the rest of Canada (Ministères des Finances, 2011). Not until 2010 did the

province and the nation's unemployment rates converge at 8.0%; "this is the first time that [this] has happened since these records have been kept" (Ministères des Finances, 2011 p. 5). The provincial government projects continued decreases in unemployment and continued GDP growth.

Québec's primary industries include agrifood, mining, raw materials, forest products, life sciences (including medical devices and pharmaceutical products), and the manufacture of ground transportation equipment and aerospace technology (Investissement Québec). In 2010, 67% of the exported products went to the United States, with the remainder spread between Europe and Asia (Ministères des Finances, 2011). Primary metals, machinery, equipment, aircrafts and aircraft parts accounted for 48.4% of exports (Ministères des Finances, 2011). Still, a majority of Quebecers—78.9%—are employed in the service sector, which includes everything from retail to health care (Statistics Canada, 2013).

Section II: Cooperatives in Québec

Cooperatives

Over 10,000 cooperatives operate in Canada, with more than 15 million members (Conseil, 2013). As of 2013, over one third of those cooperatives are located in the province of Québec, where cooperatives and mutuals account for:

- 3,300 enterprises
- 8.8 million members
- 92,000 jobs
- \$25.6 billion in revenue
- \$173 billion in assets (Conseil, 2013)

A mutual is the term for collectively owned insurance companies. They are some of the largest insurance companies in the province.

In 2008, 2,320 non-financial cooperatives (excluding credit unions and mutuals) accounted for:

- 1.1 million members
- 43,000 jobs
- \$10.8 billion in revenue
- \$5.4 billion in assets (Dupuis, 2011)

Five types of cooperatives are codified in the Cooperatives Act (*Loi sur les coopératives*), the law governing non-financial cooperatives. The law covers consumer, producer, worker, worker-shareholder,

and solidarity cooperatives. Consumer co-ops “provide members with the goods and services they want at the lowest cost and highest quality” (Direction, 2013). In 2011, consumer cooperatives accounted for 65.3% of Québec cooperatives (Dupuis, 2011). The largest concentration of consumer co-ops is found in the food, school supply, and housing sectors.

Producer cooperatives¹ operate in two ways. First, members procure products, services, or equipment needed to produce their goods. Second, members work together to market their products. Agricultural cooperatives tend to be organized as producer cooperatives. In 2011, the agrifood cooperatives represented 50% of the jobs provided by cooperatives, but only they accounted for 12% of cooperatives (Dupuis, 2011). Several large agricultural firms generate most of the cooperative business in this sector.

The worker shareholder model, similar to ESOPs in the US, allows the employees of a company to form a cooperative. The cooperative then purchases shares of the firm. The workers are members of the cooperative and the cooperative owns the shares. The cooperative may own all the shares or only a portion. Typically, a capitalist firm will be converted into a worker shareholder firm; a firm does not begin as a worker shareholder company. Most worker shareholder cooperatives exist in manufacturing and other capital-intensive industries.

Solidarity cooperatives, also known as multi-stakeholder cooperatives, permit three classes of members: workers, users or clients, and community or solidarity members. This form of cooperative has become increasingly popular since its introduction by law in 1997. Solidarity cooperatives exist in a variety of industries, with concentrations in service fields such as health and home care, as well as cultural and artistic fields. Solidarity cooperatives account for 20% of cooperatives (Ministère du Développement, 2012)

Worker-Owned Cooperatives

Traditional worker cooperatives account for a small portion of the cooperatives in the province. Yet a majority of Canada’s worker cooperatives are located in Québec. As of 2010, researchers estimated that of Canada’s 346 worker co-ops, nearly “two-thirds...reside in Québec, employing about 10,000 people” (Hough, 2010, p. 8). As in the rest of Canada, “most worker cooperatives...are micro businesses” with fewer than 20 worker-members (Quarter, 2010, p. 65). Two prominent clusters of worker cooperatives exist in the forestry and ambulance industries. Collectively these two industries

¹ In some texts and some nations producer cooperative is the term for worker cooperatives, and the Quebecois definition of producer cooperative is referred to as a marketing cooperative.

employ the greatest number of worker-owners. The revenues in the forestry industry totalled \$278 million in 2006, nearly 59% of revenue generated by worker cooperatives (Hough, 2010).

Overall, worker cooperatives were found to have the lowest survival rate among all types of cooperatives. Survival rate measures the percent of firms that continue to exist at certain intervals of time; a study conducted by the *Direction du cooperatives*, the provincial government’s cooperative office, measured cooperative survival at five and ten years and compared these rates to conventional firms. The ambulance and forestry sectors had high rates of survival, while the other worker co-ops did not. The government study found that after five years, 83% of ambulance and 62% of forestry cooperatives survived, much higher than traditional firms (Bond, 2000). After ten years, 100% of ambulance cooperatives and 52% of forestry cooperatives survived. However, all of the other worker cooperatives had survival rates of 39% after 5 years and 21% after 10 years, rates comparable to traditional firms (Bond, 2000). This study casts some doubt on the efficacy of using worker cooperatives as an economic development strategy. The inclusion of many cooperatives of various industries into a single group clouds the ability to determine causes for the modest survival rates of worker cooperatives. Certainly the study demonstrates that worker cooperatives are not any less stable than traditional firms.

Worker cooperatives appear to be on the decline in Québec. The dramatic changes in the forestry sector have caused a significant decrease in the number of worker cooperatives. The global recession of 2008 led to a tremendous decrease in demand for lumber, resulting in decreased revenue for co-ops, and in some case the liquidation of the cooperatives (Dupuis, 2011). Thus this large and important sector’s decline can mask growth or stability in other sectors.

| Table 2 - 1: Worker Cooperatives by Industry in Canada and Québec | | |
|--------------------------------------------------------------------------------------------------------------------|-----------------------|---------------|
| Sector | Rest of Canada | Québec |
| Services | 56% | 48% |
| Production & Processing | 16% | 39% |
| Retail & Wholesale | 28% | 28% |
| Total | 100% | 100% |
| Source: Hough, Wilson, & Corcoran, 2010, p. 9; Data compiled from Québec Government Statistics and direct research | | |

| Services | Rest of Canada | Québec |
|--------------------------------|-----------------------|---------------|
| Arts & Theatre | 0% | 16% |
| Co-op & Community Development | 34% | 5% |
| Information Technology | 14% | 9% |
| Business & Consulting Services | 6% | 27% |
| Health & Social Service | 9% | 10% |
| Environmental | 17% | 0% |
| Tourism | 3% | 9% |
| Transportation | 3% | 2% |
| Education | 0% | 6% |
| Other | 14% | 15% |
| Total | 100% | 100% |

Source: Hough, Wilson, & Corcoran, 2010, p. 9; Data compiled from Québec Government Statistics and direct research

| Production | Rest of Canada | Québec |
|-----------------------|-----------------------|---------------|
| Artisan Crafts | 15% | 2% |
| Clothing | 10% | 6% |
| Food | 30% | 3% |
| Forestry | 10% | 44% |
| Construction | 15% | 4% |
| Manufacturing | 0% | 20% |
| Agriculture | 10% | 17% |
| Printing & Publishing | 10% | 4% |
| Total | 100% | 100% |

Source: Hough, Wilson, & Corcoran, 2010, p. 10; Data compiled from Québec Government Statistics and direct research

| Retail | Rest of Canada | Québec |
|---------------------------|-----------------------|---------------|
| Food Retail | 41% | 15% |
| Café, Restaurant, and Bar | 41% | 53% |
| Other | 18% | 33% |
| Total | 100% | 100% |

Source: Hough, Wilson, & Corcoran, 2010, p. 10; Data compiled from Québec Government Statistics and direct research

How Worker Cooperatives Start and Who Starts Them

Cooperatives start in a number of ways and for a number of reasons. Peter Hough (2007) constructed a typology of cooperative development initiatives. Cooperative development usually involves three parties: (1) co-op promoters, (2) co-op entrepreneurs, and (3) co-op developers/facilitators. Co-op

promoters “increase awareness of the co-op option” (Hough, 2007, p. 24) in an effort to stimulate interest in cooperatives or drive a specific initiative to create cooperatives. A promoter might be a staff member of a community organization or other entity seeking to create cooperatives. Co-op entrepreneurs “stand inside the...co-op” and are the “primary beneficiaries of the co-op’s success, they are the ones who generally have the most to lose if the co-op fails” (Hough, 2007, p. 20). In worker cooperatives, the entrepreneurs are the worker-owners. The co-op developer/facilitators “are individuals who provide development expertise to co-op entrepreneurs” (p.24). These might be hired consultants, staff of government-sponsored organizations, or other parties.

The drive to found a cooperative may be a grassroots initiative. Friends, colleagues, or other individuals may come together on their own with the intention of forming a cooperative to meet their needs. Or a co-op might develop through a top-down initiative. In this case an existing organization “seeks out potential co-op entrepreneurs” that will “ultimately assume ownership and control of the developed cooperative” (p. 21).

Hough combines these actors and scenarios into six types of cooperative development initiatives. The first type, self-selecting groups, typically consist of friends who generate the idea for beginning a cooperative in an informal and organic way. They then proceed to develop the enterprise, usually calling on the assistance of co-op developers. The second type, constructed groups, is created by the initiative of an organization that has usually received a mandate or funds to create a cooperative. This might be a non-profit or other type of entity. The third type, replications or model-drive development, might be a self-selecting or constructed group, but in either case the group seeks to replicate a type of cooperative that already exists. For example, lumberjacks invoked the replication typology when they founded a series of forestry cooperatives in the 1940s. The fourth type, common interest organizations, refers to an affinity group that chooses a cooperative as a way to meet the needs of its participants, members, or clients. The fifth type, crisis response, uses the cooperative model to respond to the closing of a business such as a grocery store, bank, or factory. The sixth type, conversion of an existing business, occurs when a capitalist firm becomes cooperatively owned and operated.

Across all typologies, the co-op entrepreneurs play a central role. Even if the entrepreneur does not initiate the cooperative, s/he will need to take ownership of the enterprise, particularly in a worker cooperative. The worker-owner cannot be a passive, disengaged person, but must be activated to invest time, money, ideas, and passion into the enterprise.

A comprehensive profile of worker cooperative members and entrepreneurs was not available. Nevertheless, some key concepts can be drawn from informant interviews and a *The Worker Co-op Sector in Canada: Success Factors and Planning for Growth*, a 2008 survey conducted by the Canadian Worker

Cooperative Federation. The survey included 30 Francophone worker co-ops, but did not include any forestry or ambulance co-ops. The survey found that the average age of members is in the 41–50 age group (Hough, 2010). Members of Francophone co-ops are 71% male and 29% female (Hough, 2010). Co-ops averaged 16 members. The cooperatives were distributed across the province with approximately 60% in cities, 23% in small towns, and 17% in rural areas (Hough, 2010). The Canadian Worker Cooperative Federation and the *Centre d'entrepreneuriat en économie sociale du Québec* (CEESQ), an organization that trains social economy entrepreneurs and incubates enterprises, both reported that many co-op entrepreneurs tend to be middle-aged individuals in their thirties or forties. The people who come to CEESQ seeking to start a social economy enterprise

...are mostly mature people, 35, 40, 45, and 50. Not all, but some have worked all their life, have had a good life, and they say “Something is missing.” They have an idea, but they need some place to get started. They want to do something more than just have a business. They are people who don't know what the social economy is but when they encounter it, they're like, “This is exactly what I wanted!” (Merino, Interview)

A wide variety of motivations drive individuals to become part of a cooperative and to invest the immense time and energy into founding the cooperative. Informants cited four primary motivations that drive co-op entrepreneurs. Need is a primary motivation for cooperative development. Individuals or a community face a need that cannot be met individually, but it can be met through collective action. By pooling their resources into the formation of a cooperative, they are able to meet their needs. These are often persons who “don't have the opportunity to get together to own a business” (Benchekroun, interview). Poverty or lack of resources prevents them from doing so, but together they can form an enterprise. This motivation is often present in the forestry cooperatives; as one informant put it, “When I was a lumber jack they were not in the co-op because they wanted self-management, they wanted to have money for their family” (Bridault, interview).

Desire to work under certain conditions motivates the actions of other cooperative entrepreneurs. These entrepreneurs want some control and influence over their work environment, commonly referred to as self-management, but do not want to become solely responsible for the enterprise (Bridault, interview). These motivations revolve around a desire to have a say in the organization of work and the management of the company. Through a cooperative these individuals hope to change their working conditions so that their work aligns with their values.

Often achieving a social mission is the core business of a cooperative. For example, childcare, health, home care, and cultural cooperatives are all examples of cooperatives whose core competency

revolves around the mission. The core operations of the firm allow the members to address a social need, such as making the community healthier or educating young children. Solidarity cooperatives in particular are enterprises whose business model, product, or primary activity often achieves a social mission.

Finally, co-op entrepreneurs are often motivated by a set of personal values and a mission to build a better society. This is distinct from achieving a social mission, because these co-ops may not be involved in a social mission; they may be retailers or manufacturers, but they see the cooperative way of life building a better society. These entrepreneurs hope that their working life can contribute to a better society and believe that cooperatives are a means to that end. The Québec federation of worker cooperatives reported that co-op entrepreneurs “want to make a business but not only for them. They want to make something bigger; something that makes sense for the community. They are not self-oriented” (Faubert-Mailloux, interview). For this group of entrepreneurs, “the cooperative organization and way of being is the way, it is a good way to contribute to develop a democratic society with more justice” (Beaulieu, interview). One of the worker-owners in Québec City reflected this sentiment. Though she was not a founding member of the cooperative, she enthusiastically supported cooperatives as a means to transform society:

We should promote co-ops as political business, we create jobs, but we [also] create people that involve themselves in their job and decisions they make—its democratic spaces. And when you get someone involved in democratic space in his job he becomes a better citizen. And then political change can happen. (Provencher, interview)

One final motivation expressed proved to be an outlier, but represents the diverse range of persons who invoke the cooperative model as a means to an end. Professor Michel Seguin, the *Chaire de coopération Guy-Bernier* at the University of Quebec at Montreal, argued that cooperatives are actually a tool of classical liberalism. For him, “Liberalism is a system to promote liberties, and market is only a means to liberty. If the market doesn't promote liberties, then we have to find another way. The target of liberalism is liberty not [the] market” (Seguin, interview). In his view, cooperatives expand the choices individuals have and allow them to freely associate in order to meet their needs.

Section III: A Historical Perspective

A discussion of the evolution of Québec cooperatives reveals the myriad forces impacting the cooperative movement at different times, the choices made, and the impacts of those choices. Cooperative development began around the turn of the last century as a civil society effort to stabilize Francophone society and preserve the power of the Catholic clergy and Francophone petty bourgeoisie. In the 1960s and beyond, cooperative development became a tool used by the state to strengthen the economy, build a social democracy in Québec, and make the case for a sovereign Québec. At the same time, social movements engaged in cooperative development and collaborated with the state. Social movements saw cooperatives as a means to building a better Québec society. Today, cooperatives continue to be used by the state as a way to develop a strong economy and are used by social movements to change society and meet needs.

1900 – 1930: Dawn of the Cooperative Movement

Québec's contemporary cooperative movement traces its roots to the creation of a network of *caisses populaires* across Québec. A *caisse populaire* is a type of financial cooperative, essentially a credit union. Members pool their savings and use the collective capital to make loans and provide other financial services, such as insurance. Alphonse Desjardins stands out as the visionary who worked fiercely to promote the *caisse populaire* model. He labored from 1900 to 1920, and established over 160 *caisses* by the time of his death (Girard, 1999).

The movement he started has grown into the Desjardins Group, a network of over 400 financial cooperatives based in Québec and expanding to other provinces. With over \$190 billion in assets, the Desjardins Group is the largest financial institution in Québec (Desjardins, 2012), and the single largest employer in the province with over 40,000 employees (Quarter, 2009). In 2009, the Desjardins Group claimed nearly 5.5 million Quebecers as members, which is nearly three quarters of the population (Quarter, 2009). For over 100 years the *caisse populaire* movement has played an important role in the cooperative movement and Québec's economic development.

Agricultural cooperatives also rose to prominence during this time period. Working together in producer cooperatives allowed farmers to reduce the cost of resources and tools and achieve a higher market price for their goods (Girard, 1999). The Cooperative Syndicates Act of 1906 and the Act Respecting Cooperative Agricultural Association in 1908 made establishing these cooperatives much easier. In 1922 the federation of agricultural cooperatives formed; it continues today, known as *la Coop*

fédérée (Diamantopoulos, 2011). The agricultural cooperatives continue to play an important role in Québec's economy. Today, the agricultural cooperatives produce as much as 60% of food consumed in Québec (Dupuis, 2011; informants).

Two forces, Québec nationalism and the clerical desire to reassert power and influence over provincial life, fuelled cooperative development during this era. The Catholic clergy, the Francophone petty bourgeoisie, and other Francophone elites saw the formation of *caisses* and agricultural cooperatives as a means to counteract the forces of Anglophone-driven industrialization (Levesque, 1990). During this time, a wave of industrial development swept over the province. Though most of the province spoke French, the English controlled nearly all the capital for industrial development, thus preventing Francophone profit or participation in the industrialization process. The development of industry began drawing Quebecers away from the rural communities and into urban areas (MacPherson, 1972). Thus, the Francophone elite, including the clergy, reasoned that the exodus of the population would lead to the erosion of traditional life as well as an erosion of their power. The English chain stores and firms supplanted the enterprises of the petty bourgeoisie and the urban migration deflated the sizes of parishes and the influence of the priests (Levesque, 1990). The *caisses* and the agricultural cooperatives were embraced as ways to revive Francophone society by creating access to capital for the elite and the masses as well as preserving jobs in rural communities.

In addition to combating industrialization, the *caisses* were used to combat an erosion of traditional values and halt the advancement of socialist ideas. Diamantopoulos (2011) notes that “organized around the parish structure, *les caisses* were used to reinforce the commitment of parishioners to traditional values.... *Caisse* organization diverted them from trade unions, self-managed worker cooperatives, or socialist ideas” (p. 99). Trade unionism had begun in the late 1880's in Québec and began advancing as more industry developed.

Benoit Levesque succinctly summarized co-ops of this era:

In the spirit of cultural nationalism, co-ops were seen as a means of preserving the French language and the Catholic religion, and of supporting a traditional way of life as a bulwark against the North American lifestyle prevalent in the large cities. (p. 110)

Thus, the cooperative project during this time can be viewed as a conservative and nationalist project. The use of cooperatives as instruments of economic development, social, or political action continues throughout Québec history.

1930 – 1945: Expansion

The Great Depression and attempts at recovery dominate this time period. The Depression created a crisis in the state and market, opening the door for cooperatives to be used as a response (Diamantopoulos, 2011). Some refer to the era as the golden age for cooperatives due to the sheer number of cooperatives and the diverse industries in which they were founded. Cooperatives formed in fishing, food, forestry, housing, education, as well as consumer, electricity and telephone cooperatives (Diamantopoulos, 2011).

Cooperatives became a tool used by a host of actors beyond the Church and the elite, and indeed the attitude of the clergy towards different types of cooperatives began to change. For example, forestry cooperatives enjoyed support from parish priests and the *Union Catholique des Cultivateurs* (UCC). Organized as worker cooperatives, over 160 forestry cooperatives would be founded from 1933 to 1970 (Diamantopoulos, 2011). Forestry cooperatives formation ushered in the use of worker cooperatives; still this structure of co-ops remained discouraged and marginalized by clergy and others (Diamantopoulos, 2011). Though facing struggles following the recession of 2008, forestry cooperatives remain an important part of the cooperative movement and the largest sector where worker cooperatives can be found.

In 1938, *père* Georges-Henri Lévesque, an ordained Dominican priest serving as director of the School of Social Sciences at the University of Laval, would create one of the most important organizations in the cooperative movement. Together with the leadership of the credit union federation and the agricultural federation, he founded the *Conseil supérieur de la coopération* (CSC), which continues today, known as *Conseil québécois de la coopération et de la mutualité* (CQCM or the *Conseil*) (Diamantopoulos, 2011). At that time the CSC served as the voice for the cooperative movement, though it did not include the forestry cooperatives. Like Desjardins, Lévesque is an important historical figure in the cooperative movement. Active from the 1930s until 1955, he played an important role by creating the CSC. He established the CSC outside of the church as a non-denominational institution, a major departure from the intentions of the church hierarchy at that time. In fact, this act and others like it caused critics to charge him with heresy, suggesting he had retreated on his vow to forsake worldly institutions (Diamantopoulos, 2011). He emerged from this challenge vindicated by the Vatican and continued to advocate that the Church could best pursue its mission through means not directly under Church control. Lévesque's perspective influenced a generation of young people studying at the University of Laval, students who would go on to become leaders in the Quiet Revolution and the changes that followed (Diamantopoulos, 2011).

During this time period, *caisses* and agricultural cooperatives continued to grow. From 1939 to 1945 the number of *caisses* “doubled, membership tripled, and assets increased fivefold” (Diamantopoulos, 2011). In 1932, in order to avoid government incursion and oversight into their affairs, the *caisses* came together to form the *Federation des union regionals des caisses populaires* [Federation of Credit Unions] (Levasseur & Rosseau, 2001; Girard, 1999). This contributed to the increase in membership (Girard, 1999) and began the cooperative networking that strengthened the cooperatives in Québec.

1960 – 1980: Quiet Revolution

The post war period, 1945 – 1960, brought very little cooperative activity. Activity picked up again during the 1960s. During this time period, converging forces transformed established cooperatives and sparked a second generation of cooperatives.

First, “with the rise of consumer society most Québec institutions became non-denominational” (Levesque, 1990 p. 111). The state began to assume responsibilities for services that had previously been provided by the Church, such as health and education services.

Second, neo-nationalism became amplified as the state continually sought to assert and advance both the power of Francophone society in Québec and the power of Québec in the federal government. In addition to cultural nationalism, the ambition became defined in economic terms. The state shifted into an interventionist position through such actions as adopting Keynesian economic policies, establishing Crown corporations, and creating the welfare state (Diamantopoulos, 2011). The state and other actors saw cooperatives, particularly established cooperatives, as a means for strengthening the provincial economy. For example, the Chamber of Commerce asked the credit union federation (*Federation des caisses populaires*) and the federation of agricultural cooperatives (*Fédérée du Québec*) to become members of the *Conseil d'orientation économique du Québec*, which is essentially the “planning group for state economic intervention” (Levesque, 1990 p. 112). The participation of these federations in the provincial economy was not only important because of the size and power of these federations in their respective sectors, but also because Quebecers owned the cooperatives. Thus they could not be sold to foreigners, nor become the instruments of outside capital. The cooperatives were Québécois enterprises without question, and could therefore be instruments of the state to build an economy firmly rooted in Francophone Québec society.

The influence of the government not only engaged cooperatives as important figures in provincial economic development, but also changed the relationship and attitude between the cooperatives and government. Prior to this time period, the cooperative movement shunned

government intervention in their affairs. But in the 1960s and 70s the established cooperatives abandoned their anti-statist attitude in order to become favoured vehicles for state intervention (Levesque, 1990). For example, by accepting state intervention, the Desjardins Movement became “the principal financial channel of importance under provincial jurisdiction” (Levesque, 1990 p. 113). The Lesage government passed legislation that allowed Desjardins to grow by acquiring other cooperatives and established a government agency to relate to cooperatives. Similar actions bolstered the position of the agricultural cooperatives.

The cultural and social movements of the 1960s and 70s constitute the third force impacting cooperative development during the Quiet Revolution. As elsewhere, the social movements that swept Québec turned to cooperatives to build alternative institutions that aligned with their values, ideals, and desired lifestyles. Though the grassroots social movements did not receive tremendous state support for cooperative development, the social movements began important experiments with cooperatives and began building their ability to influence decisions. The power of the social movements would become a major force in the late 1970s and the early 80s.

All of these forces led to (1) an expansion of the power of established cooperatives, (2) an expansion of state assistance to established cooperatives, and (3) the expansion of cooperatives in certain sectors. The financial and agricultural cooperatives experienced expanded power codified in new legislation and new government institutions that were established to facilitate collaboration between cooperatives and the provincial government. The government expanded assistance by creating an administrative unit, *Service aux cooperatives*, in 1963. Then in 1978 the government created *Société de développement des cooperatives*, “a mixed enterprise corporation designed to facilitate the capitalization and financing of cooperatives” (Girard, 1999 p. 18). Government intervention facilitated cooperative expansion into other sectors such as food consumption and housing (Girard, 1999). The government also employed cooperatives as an economic development strategy among Québec’s First Nations (indigenous people) (Girard, 1999).

1980 – Present: Contemporary Cooperatives

Québec’s contemporary cooperative development network emerged in the late 1970s and 1980s. This time period, especially the 1980s through the 1990s, was a tumultuous time for Québec’s government and economy. Overall, the government struggled to build a strong economy upon which the sovereignty platform could stand. The older, established cooperatives retreated from government support, while the social movements stepped in to take their place and willingly accepted government

assistance. This led to the emergence of a new cooperative development ecosystem, a number of secondary institutions, and new cooperatives.

In 1976, the Parti Québécois (PQ) came to power “on a program inspired by social democracy and the promised referendum on sovereignty association” (Levesque, 1990, p. 116). The PQ viewed cooperatives as a way to advance an economy owned by Québécois, thus building an economy strong enough to be independent of Canada. The PQ incorporated the cooperative model in 6 of 10 points in their 1976 political declaration (Levesque, 1990, p. 116). The PQ began instituting their policies, looking first to collaborate with the established cooperatives by continuing and enhancing the provincial policies established during the Quiet Revolution. For example, in 1978 the government established a policy that mandated that forestry cooperatives were “entitled to obtain forest management contracts for a minimum of 50% of the forest on Crown land” (Girard, 1999, p. 20). This policy had a tremendous impact on forestry cooperatives, securing their position in the forestry industry. This decision symbolizes the government’s support for cooperatives.

However, by 1980 the established cooperatives that once embraced government support had come to question the wisdom and efficacy of relying so heavily on the government. The turning point came in 1980 at the *Sommet sur la coopération* [the Summit on Cooperation]. There the established cooperatives, aligned through the apex organization, repositioned themselves and favored less government intervention into their affairs (Levesque, 1990). They formally requested the government change its pattern of engagement. New cooperatives, on the other hand, used the opportunity to signal their interest in government support (Levesque, 1990). The new cooperatives and the social movements eager to support them saw an opportunity to build the type of society they had envisioned.

After the summit, the PQ government began establishing a number of programs, institutions, and policies to support the new cooperatives. In 1985 the government established a network of cooperative development organizations based on an experiment in Outaouais (Girard, 1999). The *Direction du cooperatives*, a department dealing with the five non-financial cooperatives, was created as a point of communication between the cooperative movement and the government. The Québec Cooperative Investment Plan was launched in 1985 to help capitalize cooperatives (Girard, 1999). In addition, there was a major consolidation of the Cooperatives Act in 1983 (Girard, 1999). These measures and others unfolded in an effort to support social democracy and a strong economy the PQ could use to argue for sovereignty.

Worker cooperatives held a particularly important role in the economic development strategy of this time. 1980–1982 brought the most severe recession Québec had seen since the Great Depression, and the government hoped to establish worker cooperatives in order to revive the economy and

decrease unemployment. The network of cooperative development organizations was tasked with focusing on developing worker cooperatives. In addition to the development network, the government established *groupe conseils* that provided specific advice on the development of worker cooperatives and worker shareholder cooperatives (Girard, 1999). In fact, the worker shareholder model was legally incorporated into provincial cooperative legislation in 1987 in order to rescue companies that were closing. In addition, the labor movement acted to create five cooperatively owned ambulance companies during this time. The labor movement, particularly the CSN union, achieved this in concert with the *groupe conseils* and support from the provincial health ministry (Quarter, 1995). With the exception of the ambulance and forestry cooperatives, most worker co-ops established during this time were small firms with fewer than 10 members and concentrated mostly in the service sector (Girard, 1999).

The labor movement's embrace of the social economy and alternatives to traditional economic strategies came to the fore in the 1980s. The most powerful labor unions in Québec, FTQ and CSN, altered the venture capital landscape by creating two labor-sponsored investment funds (*Fonds de Solidarite* and *FondAction*). The FTQ founded the first labor-sponsored fund, establishing *Fonds de Solidarite*, or Solidarity Fund, in 1983 (Hebb & Mackenzie, 2001). Establishing the Solidarity Fund proved to be a Herculean effort. Hebb and Mackenzie (2001) describe the work of the legislature:

The act to establish the fund was the last order of business taken up in the spring legislative session in 1983 and the PQ and labor were so intent on passing it that they kept the session going through the night, resolved all of the issues, and then ended the session by turning the clocks backwards so they could establish the fund. (p. 129)

The FTQ Solidarity Fund revolutionized capital and investments in Québec. Since its founding, the Solidarity Fund has helped to bolster the Québec economy and provide access to capital for provincial firms. The Solidarity Fund invests in medium-sized firms based in Québec, firms with total assets of less than \$50 million; this level of financing filled a challenging gap in Québec.

The Solidarity Fund is completely controlled by labor, with the union appointing ten of the sixteen board members. The fund is capitalized by investments from union members (Hebb & Mackenzie, 2001). The federal government incentivizes saving for retirement in designated funds, known as Registered Retirement Savings Programs. Union workers entrust the Solidarity Fund with their retirement savings and the fund invests them for a profit. The Solidarity Fund uses union members to recruit their fellow members; workers become educated about the Solidarity Fund and help other members decide to subscribe to it (Hebb & Mackenzie, 2001). This increases the economic

literacy of workers and allows them to become more engaged in matters of economic development. Pushing employee empowerment further, when the Solidarity Fund invests in a firm it requires that the firm open its books to the employees; a Solidarity Fund staff member spends two days training the workers to understand the company books and thus better understand the firm (Hebb & Mackenzie, 2001).

The Solidarity Fund is important for several reasons. First, it exemplifies the type of policies that social movements and the PQ government worked to bring into existence. Second, the fund had a dramatic impact on the Québec economy, putting capital in the hands of Francophone Quebecois and fundamentally altering the power dynamic: Québécois now manage funds that are mandated to be invested in the provincial economy. Third, when the fund evaluates an opportunity, it considers more than the typical investment would and takes into account the broader social and economic impact of a firm. This move away from a strict shareholder value paradigm has allowed the Solidarity Fund to focus on broader impact and realize social democratic ideas about the economy being subordinate to society. This illustrated the viability of social democracy and how Québec could benefit. Fourth, the fund has proven instrumental in supporting Québec businesses and cooperatives—the aim of the PQ government and union. Finally, the Solidarity Fund inspired the creation of a similar fund by CSN. The CSN fund, *FondAction*, and the Solidarity Fund have become a large part of the capital for cooperatives throughout Québec.

The results of the efforts in the 1980s are mixed. On one hand the number of cooperatives developed during this era skyrocketed. As opposed to the prior era when the cooperatives kept the government at arm's length, the government-backed cooperative development strategy certainly led to the development of cooperatives and the advance of social sector organizations to support cooperatives. On the other hand, the government aimed to develop a strong economy that would allow it to make the case for sovereignty. The PQ was not primarily concerned with the democratic nature of the institutions or some of the aims that cooperative promoters themselves possessed. Thus the new cooperatives could sometimes find themselves at odds with the government or see access to assistance come with significant trade-offs in member control of the firm (Diamantopoulos, 2011).

Even while these experiments in building an economy and social democracy were under way, the PQ faced stiff opposition. The PQ platform sought to establish Québec as a sovereign nation and to become a social democracy, but external forces pushed back. The push for sovereignty, best illustrated in the referenda on sovereignty in 1980 and 1995, was openly opposed by Anglophone Quebecers and the Canadian federal government. As campaigns for both referenda unfolded, capital became politicized and the opponents of sovereignty warned that the Québec economy was not robust enough on its own

(Levesque, 1990). The social democracy promises were thwarted by the wave of neoliberalism in 1980. Margaret Thatcher in the UK, Ronald Reagan in the US, and Brian Mulroney in Canada all came to power and began implementing neoliberal policies (Diamantopoulos, 2011). The PQ resisted, but when the province's credit was downgraded in 1982 the PQ was forced to adopt certain policies that undermined the push for social democracy (Diamantopoulos, 2011). Though these forces threatened the PQ agenda, the PQ did not abandon cooperatives.

By 1990 the established cooperatives began to reposition themselves. The immense development network that sprung up in the 1980s led to a number of new cooperatives in new sectors. Meanwhile, the economic recession had taken a toll on the established cooperatives. The cooperative apex organization, the *Conseil*, began *Etats généraux de la coop*, or estates-general, in 1990 (Favreau, 2006). The project involved 30-40 roundtable discussions involving over 4,000 persons (Favreau, 2006). Lasting 2 years, the estates-general "generated a manifesto calling for the consolidation of all organizations in regions across Québec to draw in the enterprises that contributed to the enrichment of the collective legacy" (Favreau, 2006, p.10). This led to the creation of federations to serve the new cooperatives that had been created, a re-organization of government support, and more coordination (Favreau, 2006). This two-year period and subsequent changes marked a shift in how the more established cooperatives related to and supported the new generation of cooperatives.

From 1990 to 1993 the province experienced another severe recession, worse than that of 1980; the unemployment rate was the highest it had been in 60 years (Girard, 1999). As the province struggled to recover, the social movements again became active. This time the women's movement launched the Bread and Roses March in 1995, the same year that another referendum on sovereignty was narrowly rejected (Favreau, 2006). Following on the demands of the Bread and Roses March, another summit was called.

The 1996 *Sommet sur l'économie et emploi*, or the Summit on the Economy and Employment, proved to be another milestone in the cooperative movement. The summit brought together a wide range of groups and organizations in the public, private, and social sectors. One of the outcomes was the establishment of the *Chantier de l'économie social* or the Construction Site of the Social Economy (Favreau, 2006). Originally established as a working group tasked with understanding how the social economy could contribute to the province's economic recovery, the group evolved into a full-fledged organization in 1998 (Huot, interview). Today the *Chantier* seeks to be the apex organization for the "social economy", a concept that captures non-profits, mutuals, associations, and cooperatives.

Since that time, the cooperative movement, social movements, social economy, and the government have continued to develop the cooperative ecosystem. They have created new institutions

like RISQ and the *Fiducie* that provide capital for social economy enterprises, including cooperatives. The government led a collaborative policy-making process that engaged the cooperatives in crafting the Cooperative Development Policy adopted in 2003. Efforts to advance cooperatives and the social economy continue.

Section IV: Contemporary Perspectives on Cooperatives in Québec

When discussing the reasons for the abundance of cooperatives in Québec, contemporary leaders and experts articulate ideas supported by the historical record. One sentiment articulated by several informants suggests that Québec's linguistic and geo-political isolation forced the province to build their own Francophone institutions in order to meet the needs of the French-speaking residents. Michel Clément, staff member of the provincial Department of Cooperatives and 25-year veteran of the cooperative movement, stated:

We are the only place that speaks French in North America. So we have to develop our own institutions...so [Alphonse] Desjardins developed the credit unions. At the time, everyone around was Anglophone. That's the first reason why the co-op movement has been so strong in Québec: it has been a way for the Quebecers to develop the economy, to develop their place in the economy. (Interview)

Leopold Beaulieu, a long-time labor leader and one of the pioneers of CSN's labor-sponsored investment fund, echoed this comment, suggesting that because of the cultural and linguistic isolation of Québec, solidarity and working together had become a way of life. He cited Québec's high rate of trade unionism, the highest in North America, as evidence of this attitude (interview).

The idea that isolation led to institution building affirms the scholarly interpretation of government intervention in cooperative development. This move reflected the government's desire to respond to needs in the Québec population and build a strong, provincial economy. Clément reviewed the history of the Québec cooperative movement, describing each innovation and each major trend as a response to a need, thus showing the cooperative model to be a malleable tool adaptable to diverse challenges (interview). Each time the cooperative movement and government reacted, they responded to a real, tangible need, not simply an idealistic pursuit of a democratic society.

In 2013, the government continues to wield cooperatives as a choice tool to fix challenges. For example, the government has authorized the creation of a succession program that provides technical

assistance to workers seeking to buy the firms employing them. The government hopes that this program will deal with the coming wave of retirees whose firms have no clear heirs. The government does not want to see these firm sold to outside investors. Often times, American firms buy these companies, then close them or move the jobs to the US. This could lead to increased unemployment, which the government hopes to avoid by converting the firms to worker co-ops.

The succession program was one of many proposals the *Conseil* made to the Department of Cooperatives. Even with the close working relationship between the department and the *Conseil*, not all proposals come to fruition. When considering this proposal in light of the historical use of cooperatives, one can easily see how this project contributes to the PQ's dual projects of economic development and sovereignty.

The need to develop Francophone institutions and a strong Québec economy relates closely to the sovereignty movement. Several informants suggested that Québec needed to develop linguistically and culturally relevant institutions for its residents, and that it needed to build a strong economy to assert its independence. Though no informant made this exact statement, they certainly acknowledged the state's use of cooperatives in order to build a strong, local economy.

Yet the social economy is not only a tool of the government or secessionists, but a tool of social movements as well. The labor movement continues to view the social economy as a tool to achieve their larger societal aims. Beaulieu remarked:

FondAction started on the conviction that liberty depends on democracy, and democracy depends on the economic organization. And you need the democratization of the work place, inside the capitalist enterprise, because there is a right to the worker to have his word to say about the existence of his work, its organization, and its control. This is the main purpose, direction, thrust. Those values govern every organization that the union has helped found.
(interview)

CSN founded a series of organizations that support workers, beginning with a credit union in 1971. CSN continues to innovate establishing new organizations to meet the needs of the social economy, support workers, and advance their worldview.

The social economy and cooperative movement have enjoyed long-standing support from the government, even though the nature of that support has shifted over time. Informants reported that even as new governments come to power, support for cooperatives and the social economy remains strong. In addition, Michel Clément reported that very little opposition rises from the more conservative parts of the society; rarely does an organization lobby against government support of

cooperatives. Some informants invoked undefined notions of culture and Québec tradition to explain the high level of steady support. Others pointed to a more specific explanation, stating that the province embraces a pluralistic economy with space for three primary actors: the state, capitalist enterprises, and social economy enterprises (Beaulieu, Interview). This view permits the participation of the government in the economy and makes space for non-capitalist enterprises as well.

While Québec certainly has a more interventionist government than the United States and stable support for cooperatives, it is unclear how many Québécois formally acknowledge the plural economy paradigm given that many have no idea what the social economy is. Genevieve Huot, of the *Chantier*, lamented the lack of understanding of what the social economy actually is among not only the general public but also within social economy enterprises (interview). For example, she expressed some doubt as to whether the employees of the childcare cooperatives actually understood the cooperative from a theoretical point of view. The major implication of this lack of understanding is that these worker-members “don't think they are part of a social movement that wants to change the economy. For some people it's not important, they just want to work in any day care; they don't want to change the world, and its ok, but the *Chantier* wants to” (Huot, interview). Social movement organizations continue to advocate for the social economy and invoke the pluralist economy framework in their arguments, but this quote highlights the tension between those supporting cooperatives as a means to building society and those who participate as a way of meeting their needs for employment or childcare. Yet, the tension and different intentions do not prevent these individuals and groups from working together to develop cooperatives in the province.

Part V: Summary and Implications

Cooperatives have played and continue to play an important role in Québec. At the dawn of the twentieth century, the Catholic Church and Francophone elite organized credit unions and agricultural cooperatives in an effort to preserve rural, Francophone society. The cooperatives founded during this era multiplied, grew, and federated; today they are some of the largest companies in Québec. Following the Great Depression, cooperatives were employed as a solution to unemployment and as a means to meet daily needs. As a result, cooperatives became established in new industries.

In the 1960s, the Quiet Revolution ushered in a new level of state intervention in the economy as the influence of the Catholic Church diminished. The movement for sovereignty and measures to preserve Francophone society in Québec motivated the state to build a strong provincial economy.

The Parti Québécois rose to power in 1976, elected on a platform that promised a referendum on sovereignty and an economic platform featuring cooperatives in six out of ten points. The PQ saw cooperatives as a way to build a strong economy, sovereignty, and advance towards a social democracy. The PQ government passed legislation, erected institutions and organizations to serve cooperatives, and appropriated funds to cooperative development. The established cooperatives retreated from state support and state intervention during this time, while social movements and newer cooperatives gladly accepted state support. The social movements, including organized labor, took advantage of an opportunity to create jobs and meet the needs of their communities.

The programs and policies established during the 1980s evolved and many survive in different forms today. In 1992, the *Conseil* conducted an intense series of roundtable discussions that led to closer relationships between new and old cooperatives, the creation of several federations, and increased focus on cooperative development. The government continues to support cooperative development as part of an economic development strategy. The promotion of cooperatives remains motivated by the dual goals of a strong Québécois economy and a sovereign Québec.

Traditional worker-owned cooperatives account for a small portion of the cooperatives in Québec. Worker cooperatives are concentrated in the forestry and ambulance sectors. Peter Hough identified six scenarios from which cooperatives emerge: self-selecting groups, constructed groups, replications, common interest organizations, crisis response, and conversion. Informants suggested four common motivators that inspire individuals to develop cooperatives. Need is a primary motivator, whether the need for work that leads to a worker cooperative or for groceries that leads to a consumer cooperative. Organizations driven by social missions, that may have considered becoming non-profits or capitalist firms, incorporate as cooperatives. The core competency of their firm revolves around achieving a social mission, like caring for children or the elderly, and the cooperative form aligns with the organization's mission and values. Some join cooperatives to improve their working conditions. Through a cooperative, individuals can gain more control over their work environment. Finally, some start and join cooperatives in order to promote a particular worldview. They believe in the power of democratic institutions to build a better society.

The cooperative structure has been and continues to be used by a diverse array of persons and parties for a variety of reasons. Some use cooperatives to conserve and maintain power, some use cooperatives to build a strong economy, some use cooperatives because of need, or because of political beliefs. The history of cooperatives in Québec is long, and in that history cooperatives have served many purposes. The cooperative concept is malleable and attractive to diverse players. The

contemporary ecosystem contains a wide array of beliefs, and yet they align in the support for cooperative development.

Chapter 3: The Québécois Cooperative Ecosystem

Overview

This chapter examines the organizations that constitute the cooperative support ecosystem in Québec. The chapter explores several categories of organization, according to their principal function(s). Then the chapter uses examples to illustrate these functions. The chapter discusses how and why these organizations are able to work together and the challenges they face in meeting their shared goals. Finally, the chapter describes the ecosystem as a whole, highlighting key themes. While the chapter endeavors to differentiate and examine individual organizations, the very concept of an ecosystem is that the parts form an interconnected whole. Thus understanding one part demands understanding other parts; so the distinctions between each category are porous.

Section I: The Big Picture

The cooperative ecosystem can be divided into four types of organizations: (1) government agencies, policies, and programs; (2) support organizations, (3) networks of cooperatives, and (4) worker cooperatives. This chapter explores the first three types, with one section devoted to each type. Government provides a legal foundation, financial support, and supportive public policies. Support organizations, including financial institutions and technical assistance providers, work directly with cooperatives, helping the firms thrive. Networks of cooperatives, called federations, are quite common in Québec. Federations provide industry specific assistance to cooperatives and help coordinate interaction with government and other partners. The ecosystem is depicted in two diagrams at the end of the chapter.

Section II: Government

Federal Government

Overall, the Québec cooperative support system is, to a large degree, isolated from decisions made and policies passed by the Canadian federal government. In 2012, the Canadian federal government made an unexpected decision to end the Cooperative Development Initiative (CDI). The Initiative provided over \$3 million annually to a series of cooperative development organizations for the purpose of

launching new cooperatives and expanding existing ones. Established in 2003, the program borrowed its network-based approach from the Québec cooperative development network. My interviewees surmised that the federal government, controlled by a more conservative party than prior years, wanted to eliminate the program as a way to cut costs. Furthermore, the ruling party at the national level supports traditional, free-market enterprises and does not see cooperatives as a priority for achieving economic development goals. In addition, the federal government slashed the staff of the Cooperatives Secretariat from around 94 to just 15 (Corcoran, interview). A consultant who frequently works outside of Québec stated the cancellation of the CDI is a “huge loss! Not in Québec, because there are other resources, but outside Québec that was the only place you can get that kind of money for feasibility [studies] and business plan [development]” (Laflamme, interview).

Still, Québec is not completely isolated. One federal policy, the Registered Retirement Savings Program (RRSP), provides the platform for influential financial institutions, such as the labor-sponsored investment funds. An RRSP is a financial product used by the general public to invest untaxed funds in a registered plan in order to save money for retirement. RRSP investments can be deducted from one’s taxes. In Québec, investors are eligible for an additional 30% in tax credits when they invest in the labor-sponsored funds (Fonds, 2013). The 30% is based on a 15% credit from the federal government and 15% from the provincial government. With this support, these funds have grown into some of the largest and most influential finance organizations in the Québec ecosystem and transformed finance not only for co-ops, but also for all enterprises. The RRSP legislation also allows individuals to create self-directed RRSPs and to invest the funds into specific enterprises—including cooperatives. This allows cooperative members to finance their co-ops through their RRSPs (Hough, 2007 b).

In March 2013, the federal government released its budget, and declared it would eliminate the 15% tax credit for labor-sponsored funds. The province interpreted this as an attempt to weaken important institutions in Québec. One long time cooperative leader fears this legislation will weaken the funds, as the tax credits made these funds more attractive, and is a major reason why they were able to attract so many investors (Laflamme, interview). While the basic RRSP legislation remains unchanged, this move is certainly a blow to the ecosystem and the provincial economy at large. In fact, Québec’s finance minister, Nicolas Marceau, lashed out, saying, “We are witnessing a frontal attack against Québec. It is an exercise of economic sabotage” (Cousineau, 2013). The *Globe and Mail* captured the sentiments of many, stating:

It is not as if the two powerful Québec unions that sponsor those funds ever supported the Conservatives. But by alienating Quebeckers further on a range of issues, Ottawa appears to have irreversibly turned its back on the province. (Cousineau, 2013)

This demonstrates that the cooperative ecosystem is not completely isolated from federal decisions and federal politics.

Provincial Government

As outlined in my introduction, the provincial government plays a critical role in cooperative development in Québec. It serves as the foundation upon which the cooperative support system rests, is an active participant in shaping the system, and provides resources for the system. The provincial government provides a legal framework for cooperatives through the Cooperatives Act (*Loi sur les cooperatives*), the law governing non-financial cooperatives. The law serves as a guide to cooperative developers. Informants emphasized the importance of the law, which provides the cooperative movement and associated enterprises with a sense of permanence in the province and enforces some best practices, such as mandating indivisible reserves.

The law's provision for indivisible reserves in cooperatives adds particular strength to the cooperative movement since worker-owners cannot sell the cooperative for a profit. Any profits garnered from a sale of a company are transferred to the cooperative federation for the purposes of starting a new cooperative or to another cooperative in that industry. As Hazel Corcoran of the Canadian Worker Cooperative Federation noted, this provision makes the cooperative "like a public, multi-generational good and not just something that is going to benefit the founder," making it easier for governments to invest public dollars (interview). It also incentivizes cooperative members to focus on the long-term survival of the cooperative, and not just on short-term profit since any profits made from sale or dissolution of the company do not accrue to the worker-owners (Bridault, interview).

The *Direction des cooperatives* [Department of Cooperatives or *Direction*] "administers the Cooperatives Act" (Ministère du Développement, 2010). This is one of two departments in the *Ministère des Finances et de l'économie* [Ministry of Finance and Economy] that deals with cooperatives. The other department supports financial cooperatives, such as credit unions and mutuals. To administer the Cooperatives Act the *Direction* "review[s] and amend[s] the Act; keep[s] the register of cooperatives; [and] issues[s] reports on other legislation" (Ministère du Développement, 2010).

The Department of Cooperatives also plays a major role in the development and implementation of cooperative policy. In contrast to the law, which provides a foundation for cooperatives and outlines parameters of operation, the cooperative policy is a time-sensitive, action-

oriented document aimed at achieving specific goals. In 2003, the provincial government unveiled its Cooperative Development Policy. Hailed as a landmark policy, the overall goals were to prepare non-financial cooperatives “to face future challenges by providing tools designed to foster their development” (Ministère du Développement, 2010, p. 3). Specific policy objectives included diversification, increasing the pace of co-op development, and the creation and preservation of jobs through cooperatives (Ministère du Développement, 2010). The *Direction* engaged in a process of “co-construction” with the apex organization for cooperatives, *Conseil québécois de la coopération et de la mutualité* (*Conseil*). Throughout this process, the government and the *Conseil* met regularly and vigorously discussed what the policy should contain. The *Conseil* consulted its members and was able to incorporate their needs. The co-construction process was also open to input from others, as described in promotional materials published by the Ministry of Finance and the Economy. The ministry boasts:

Over 850 individuals and 324 organizations participated in this activity that resulted in the submission of 77 briefs or letters of comment. Over 3,500 copies of the document were distributed, and the Cooperative Branch held 23 presentations and meetings. (Direction des cooperatives)

This process demonstrates the close relationship the government has with cooperatives; they work with the *Conseil* “each and every day” (Clément, interview).

In addition to the Cooperative Development Policy, the *Conseil* and the government established the Partnership Agreement, which became effective 2004-2005. The agreement lasted six years and was renewed in 2010 for several more years. The Partnership Agreement consists of four interconnected programs. The first program concerns the promotion of the cooperative formula, efforts to increase interest in the general public. The second and third programs are closely related; the agreement provides financial support to a network of eleven *coopératives de développement* (CDRs [regional development cooperatives]) and some cooperative federations so that these entities can provide development assistance to cooperative start-ups as well as ongoing guidance and consulting services to established cooperatives. The CDRs and federations play the role of co-op developer/facilitator described in Chapter 2. The Partnership Agreement is unique in that it stipulates that the government will pay a CDR or federation \$4,500 for each cooperative they create and an additional amount for each job created. Clément, of the *Direction* emphasized that this incentive. “...is quite special. It’s [been around] for about 20 years. We are one of the few programs that pays job-for-job. We want outcome, we want results” (interview). The Partnership Agreement also pays for a portion of the consulting services CDRs and federations provide to established cooperatives, amounting to about 90% of the cost.

The final program in the Partnership Agreement supports research into new industries and sectors into which cooperatives might expand.

While most informants praised the level of government support for cooperatives—\$4.5 million annual allocation to the Partnership Agreement—some informants worried that too much government support eroded the cooperative principle of autonomy. The larger cooperatives contribute \$600,000 annually towards the programs in the Partnership Agreement, a little over 10% of the total budget. Alain Bridault describes:

The government [involvement] with the co-op development has another side. We have a lot of difficulty to explain to worker co-ops that we have a principle of autonomy. To build our autonomy we have to build strong federations; to build a strong federation we have to finance them with our fees. Sometimes they don't want to pay enough fees. Without the state we are not strong. In France and Italy the fees are sometimes 40 times higher [than here] and they are not dependent on the state. (interview)

The provincial government also supports financial tools, products, and institutions that provide capital to cooperatives. The government helped capitalize a number of financial institutions described later in the chapter. In addition, *Investissement Québec*, the government finance organization, guarantees loans made by these lenders to cooperatives. The provincial government also passed a tax measure, *Régime d'investissement cooperative* (or Cooperative Investment Plan), that gives individuals a deduction of 125% on provincial income tax for investments in cooperatives.

Finally, the government plays a critical role in scaling cooperatives in specific sectors. The government sometimes accomplishes this goal by directing procurement contracts to cooperatives. For example, the 1978 decree that half of all contracts for forestry work in the provincially owned forests would go to cooperatives was a boon to the forestry cooperatives (Girard, 1999). More recently, the government decided to subsidize day care so that it would only cost customers \$7 a day per child. The government decided to channel the subsidies through cooperative and non-profit child care facilities, leading to a massive increase in cooperative day care centers (Huot, interview).

Section III: Support Organizations

Finance

Seven organizations are primary providers of capital to cooperatives. With the exception of *Investissement Québec*, all of the organizations are structurally independent from the government. Table

3-1 lists and briefly describes each organization. These are not the only community development financial organizations in the province, but these are the most commonly cited by informants as important to the cooperative movement. These operate on a provincial level, whereas many smaller funds serve particular regions. These organizations resemble community development financial institutions in the United States in that they are mission driven, rarely provide 100% of the financing needed for a project, work together to co-invest in projects, and, yet, are still in friendly competition with one another. The programs and products of each program compliment others in the network. As each institution developed, it was designed to operate in a distinct niche. For example, *FondAction* invests in multi-million dollar deals with large firms. In order to focus on that scale, *FondAction* seeded *Filaction* to serve small enterprises.

The finance organizations I spoke with expressed a deep and unified commitment to investing in the social economy. The staff is explicit and almost uniform in their commitment to adhere to values. Najib Benchekroun, of RISQ, described an ideal project they funded:

For example we have some small villages, 2,000 - 3,000 people. There is one grocery. The grocery closed and they needed to create a food co-op, [to meet their basic needs]. The community gets together, they ask for subsidy from the government, the municipality, and they come to us or the *Fiducie*. Here you have both reasons to invest: social impact and jobs.
(interview)

Likewise, he described a profitable project that RISQ would not fund because it was not embraced by the community:

We see there is no community support; it is a private group that will benefit from the project. So we said no, because that does not fit in our vision of a community where there is support—both the local community but also support from the political and municipal community.
(interview)

Similarly, if “it [a business] goes bad, because it is a co-op or business that helps the community, we are going to try to find all possible solutions to help it survive” (Rousseau, interview). These lenders want to get to yes. If an applicant comes in the door and cannot be approved, the applicant is referred to other organizations in the network, such as the regional development cooperatives, the local centers of development, or to a consultant in order to prepare a business plan, a finance plan, and to learn more about the industry. Dealing with the *Caisse*, the applicant may even receive free consulting from MCE, a consulting firm launched by CSN to provide advice to *FondAction* and the *Caisse d’économie*. In addition

to advising these institutions, MCE provides consulting advice to social economy enterprises and traditional businesses.

The finance network collaborates not only through investments, but also through an organization called CAP Finance. CAP Finance emerged from a 10-year funded collaboration between social economy finance practitioners and researchers (Charest, interview). Funding for the collaboration was not renewed, but the finance network wanted to maintain the forum in order to continue improving the field and advancing social economy financing. CAP Finance allows the field to identify best practices and test new concepts. Together they published a manual for evaluating social economy investments and offer training to organizations interested in boosting their capacity. They are currently investigating the potential to securitize their portfolio and create a secondary market (Charest, interview). Though hopeful, they recognize the challenge in creating a market that is not based on speculation, as it could supplant the network's focus on people with a focus on profits.

The finance network evolved over time and continues to evolve to meet the ever-changing demands of the enterprises and the needs of the Québec economy. One unique finance institution, the *Fiducie du Chantier de l'économie sociale* (the Trust [the Trust of the Worksite of the Social Economy]) exemplifies the network's continuous innovation. The Trust makes 15-year patient capital investments in social economy enterprises for operations and real estate purchases in Québec. Enterprises pay interest during that time period, but the full amount is not due until the end of 15 years, though investments can be repaid earlier. The Trust describes the funds as risk capital; their investments are unsecured and usually in last position. If the enterprise fails, the Trust will not recoup any funds. The Trust was founded in 2007, after being conceived and tested by the original research partnership that became CAP Finance. Jacques Charest, director general of the Trust, who was around during its inception, explained its origins. The question was put to labor sponsored funds: "Why don't you invest in the social economy?" The funds responded:

Because you have nothing to sell. [We] cannot buy part of a non-profit. I can eventually buy part of a co-op, under the preferred stock program. But if I bought some preferred stock and bring 50% of the equity, I need 50% of the vote; but in [a] co-op it is one person, one vote, so it is impossible for us to invest in co-op. (Charest, interview)

To solve the problem, an intermediary was created. The labor-sponsored funds purchased shares in the Trust, which, in turn, invests in social economy enterprises, and the Trust pays returns of approximately 6% to its shareholders. On these terms, the Trust received initial investments of \$30 million from the federal government and \$25 million from both *FondAction* and the Solidarity Fund.

Table 3 – 1: Finance Products Offered by Members of CAP Finance

| Organization Name | Highlights | Products & Programs | Terms |
|-----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Trust (Fiducie du Chantier de l'économie sociale) | <ul style="list-style-type: none"> • Founded in 2007 • In 5 years invested over \$30 million in 126 projects • Capitalized with over \$50 million dollars from the federal government and from the labor-sponsored investment funds (Fondation and the Solidarity Fund) • Staff of three; RISQ staff serve as analysts for the Trust | Operations Patient Capital – for working capital fund, marketing of new products and acquisition of office and computer equipment, automotive equipment, machinery and equipment | <ul style="list-style-type: none"> • Min \$50,000 max of \$250,000 • Single payment due at end of 15 years • Monthly payment of interest and fees • Total investment cannot exceed 35% of project costs |
| | | Operations Patient Capital – to increase business capital | <ul style="list-style-type: none"> • Min \$50,000 max of \$250,00 • Single payment due at end of 15 years • Monthly payment of interest and fees • Project must have capital/asset ratio of less than 35% |
| | | Real Estate Patient Capital – for the acquisition, construction or renovation of real estate assets | <ul style="list-style-type: none"> • Min \$50,000 max of \$1.5 million • Single payment due at end of 15 years • Monthly payment of interest and fees • Total investment of 30-90% of project costs |
| Filaction (Filaction Fonds de développement) | <ul style="list-style-type: none"> • Founded in 2001 • Seeded with \$7 million from Fondation • Designed to serve small firms and smaller investments | Enterprises – financing available for development, expansions, merger, purchase of share by workers | <ul style="list-style-type: none"> • A variety of terms are available within each category • 3 – 7 years • \$50,000 - \$150,000; though can go up to \$500,000 • Filaction offers equity, loan guarantees, secured and unsecured loans, and “flash funding” for two weeks or less |
| | | Cultural Sector – financing for cultural organizations, start up, expansion, or consolidation | |
| | | Start Up Funding (fonds de financement dédiés) - \$5,000 - \$25,000 help for businesses that are starting up, gaining advice and consulting | |
| | | Social Economy – for co-ops and non-profits | |
| | | Fonds Afro-entrepreneurs – dedicated to Afro-Québécois led startups or firms less than five years old | |
| Solidarity Fund (Fonds de solidarité FTQ) | <ul style="list-style-type: none"> • Founded 1983 by labor union FTQ • As of 2013, manages \$8.8 billion in assets • As an RRSP individuals invest their retirement savings here and receive a federal tax break • Offers a variety of equity and unsecured loan products • First labor sponsored investment fund in Québec | Headquarters Fund | <ul style="list-style-type: none"> • Projects of \$2 million or more |
| | | Regional Funds – the mission is to “Make regional investments to support the creation, maintenance and preservation of jobs and stimulate the regional economy through strategic investments in development.” | <ul style="list-style-type: none"> • Projects \$100,000 to \$2 million |
| | | Local Funds – focused on small business development | <ul style="list-style-type: none"> • Projects \$0 to \$100,000 |
| | | Real Estate Fund | <ul style="list-style-type: none"> • No range given |

| | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| RISQ (Réseau d'investissement social du Québec) | <ul style="list-style-type: none"> • Founded in 1996 • Offers loans to non-profits and co-ops | Seed Component – For enterprises in the startup phase, allows them to hire staff to work full-time establishing the firm | <ul style="list-style-type: none"> • Up to \$100,000 unsecured patient capital • Up to 2 years • Repaid when venture is successful • Fixed interest rate of 8% |
| | | Technical Assistance Component – provides funds to help social entrepreneurs work with consultants | <ul style="list-style-type: none"> • \$1,000 - \$5,000 • Repaid at the end of the project |
| | | Capitalization - General financing for a social economy enterprise | <ul style="list-style-type: none"> • \$20,000 - \$50,000 • 2 – 10 year term. • Can be loan, guarantee, or equity • Interest rate of 8% |
| Quebec Network of Community Credit (Réseau québécois du crédit communautaire) | <ul style="list-style-type: none"> • Founded in 2000 • Network of microcredit institutions • 23 members in 12 regions • The network's mission is to "Develop and promote the approach to community credit in Quebec in the context of individual and collective well-being and poverty eradication." | Members offer a variety of products that allow informal investors to lend to each other. | <ul style="list-style-type: none"> • Members usually lend a maximum of \$20,000; though up to \$50,000 in extreme cases • Average of \$2,650 for 12- 36 months for lending circles • Average of \$7,200 for 2-5 years from Community Loan Fund |
| FondAction (Fonds de développement de la CSN pour la coopération et l'emploi) | <ul style="list-style-type: none"> • Founded in 1996 by labor union CSN • Fondaction is a labor sponsored investment fund • As an RRSP individuals invest their retirement savings here and receive a federal tax break • Invests at least 60% of net assets in Québec companies | <ul style="list-style-type: none"> • Offers debt and equity investments • Company must be Canadian and a majority of the employees must reside in Québec • Company assets must be less than \$100 million and net worth more than \$50 million | <ul style="list-style-type: none"> • Usually \$2 million to \$5 million; though as low as \$500,000. • 5 – 8 years |
| Caisse d'économie solidaire Desjardins | <ul style="list-style-type: none"> • Founded in 1971 by CSN • Founded as credit union (<i>caisse populaire</i>) for union members • Membership is now open to all. • Offers full range of banking and lending services to individuals and firms (cooperatives, non-profits, and capitalist firms) | <ul style="list-style-type: none"> • Worker cooperatives most commonly access small loans (less than \$100,000) • Special Fund: le Fonds de soutien à l'action collective et solidaire offers temporary loans to collective enterprises experiencing temporary difficulties • Special Fund: le Fonds d'aide au développement du milieu supports projects that contribute to long-term sustainability by building solidarity in the community. Amounts \$5,000 - \$10,000 | • . |
| Sources: Charest, interview; Beaulieu, interview; Benchekroun, interview; Rousseau, interview; and websites of each organization, http://fiducieduchantier.qc.ca ; http://www.filaction.qc.ca ; http://www.fondsftq.com ; http://www.fonds-risq.qc.ca ; http://www.rqcc.qc.ca ; http://www.fondaction.com ; http://www.caissesolidaire.coop | | | |

Operationally, the Trust has a small staff of three. Instead of building out a large staff, the Trust relies on investment analysts at RISQ to evaluate the projects. It also relies on the provincial network of CLDs and CDRs to identify applicants and prepare project proposals; these institutions connect the Trust with local knowledge and provide direct technical assistance to the enterprises. The creation of the Trust illustrates the collaboration of labor, government, researchers, and local economic development organizations to found a new institution.

Cooperative Development & Technical Assistance

Four types of organizations provide services to cooperative start-ups and technical assistance to established cooperatives: (1) *Centre local de développement*, or local development centers, (2) *Coopérative de développement régional* or regional development cooperatives, (3) sectoral federations, and (4) private consultants. Although for the most part these organizations complement each other, there is some redundancy.

A network of 117 local development centers (CLDs) operates throughout the province. CLDs are government-sponsored non-profit organizations that provide assistance to existing businesses or to entrepreneurs starting businesses. CLDs provide technical assistance with business plans, marketing, financing plans, and even provide financing for businesses (Kancachian, interview). Provincial and municipal governments fund each CLD, though they operate as independent organizations. The provincial governments, regional elected officials, and the CLD federation, the *Association des centres locaux de développement du Québec* (ACLQ), work together to identify goals and outcomes the CLDs should accomplish (Kancachian, interview).

Informants consistently identified CLDs as key actors in the cooperative development ecosystem. Entrepreneurs of all kinds are directed to CLDs by lenders and others when they embark on their enterprise. Shant Kancachian, advisor to start-up businesses at the CLD West Island, explains that this occurs because “we are at the front lines. Anybody who wants to start a business, whether social economy business or traditional for profits or non-profit, they come to see us. We are the gatekeeper for a lot of programs, for government funding, for grant sources, that kind of thing” (interview). Often firms must come to a CLD in order to be eligible for financing from other institutions. Once at the CLD, a consultant will expose the entrepreneur to the cooperative structure as a potential option for their company (Kancachian, interview). The fact that a frontline organization has cooperatives on the menu and can assist persons interested in cooperatives, increases the number of cooperatives under development. While many CLDs, such as CLD West Island, are equipped to help businesses in the social

economy, some informants noted that CLD support for the social economy varies from center to center. Improving CLD receptiveness to cooperatives could accelerate the pace of cooperative development. One informant commented that the CLDs are the ones “who are working with the real entrepreneur. If they know better the worker co-op model they can promote it...You have to have a counselor tell you which are the different models of business structure, someone has to suggest them to think about the co-op model” (Faubert -Mailloux, interview).

| Service | Business Plan | Board Development | Coaching | Legal Assistance | Industry Advice | Member Training | Entrepreneurial Education | General Business Consulting | Financing Plan | Incubation/Follow Up | Financing Available |
|-----------------------|---------------|-------------------|----------|------------------|-----------------|-----------------|---------------------------|-----------------------------|----------------|----------------------|---------------------|
| CLD | x | | x | | x | | | x | x | | x |
| CDR | | x | x | x | | x | | | | x | |
| Federation | | x | x | | | x | | | | x | |
| Consultant | | | | x | x | | | x | | x | |
| MCE ¹ | | | | | x | | | | x | | |
| CEESQ ² | | | x | | | | x | | | x | |
| Tango RJ ³ | | x | | | | | | | | x | |
| ORION ⁴ | | x | x | | | x | | | | | |

Source: Author's compilation of interview data and document review

¹MCE is a consulting firm that can provide industry research for cooperatives and other organizations.

²CEESQ or the Social Economy Entrepreneurship Center offers a six month course for prospective entrepreneurs and incubation afterwards.

³ Tango RJ Consulting is a small but experienced consulting firm offering a wide variety of services to cooperatives in the start-up phase or later on in their growth.

⁴ORION is a small consulting firm that provides advice to cooperatives, with a focus on worker cooperatives, and an emphasis on improving internal relationships and systems within the cooperative.

A network of eleven regional development cooperatives (CDR) operates throughout the province. Each CDR covers a distinct geographic area of the province. Whereas CLDs serve all types of enterprises, CDRs focus exclusively on the development of the five types of cooperatives covered by the Cooperatives Act. Established, funded, and managed through the provincial government’s Partnership Agreement (*Programme d’aide aux coopératives de développement régional*), CDRs assist co-ops from inception through the duration of the firm’s existence (Corbeil, interview; Bonneville, interview). Each CDR is organized as an independent cooperative (mostly producer cooperative) and receives a large

portion of funding from the government based on co-ops created, jobs created, and actual services rendered to cooperative clients.

Pierre-Luc Bonneville, director general of the CDR Québec-Appalaches, and Christian Corbeil, development agent at CDR Montréal-Laval, discussed how their organizations assist cooperatives. CDRs assist cooperatives through four key phases of development. First, the CDR counselor meets with coop founders for as many meetings as needed to make preparations for starting the cooperative. During this phase, cooperative members may be directed to other resources, such as the CLD to help create their business plan. In the second phase, the CDR assists the cooperative in completing the necessary paperwork to register with the provincial government. In the third phase, after provincial registration, the CDR assists the co-ops in holding its first official meeting during which the co-op will establish its principles, determine some fiscal aspects of the co-op, and organize its board of directors; this meeting essentially brings the co-op into compliance with the law, which dictates decisions that must be made and some parameters of those decisions. Finally, the CDR will assist in the first General Assembly and will work with the coop for one more year, until its next General Assembly.

The CDR Montréal-Laval continues to innovate and pioneer new models of cooperative development. The CDR Montréal-Laval developed the worker-shareholder and solidarity cooperative models in the 1980s and 1990s, respectively (Corbeil, interview). Currently the CDR Montréal-Laval is exploring a new cooperative model aimed at women and immigrants (Corbeil, interview). If the model proves to be successful, it might lead to changes in provincial law and adoption of the model across Québec.

Federations, another type of organization, are authorized by the Partnership Agreement to provide technical assistance and development services to cooperatives in their sectors. There are numerous sectoral federations; of them, eight receive funding under the Partnership Agreement. Whereas CDRs serve geographically bounded populations, sectoral federations serve enterprises located throughout the province.

The *Réseau de la coopération du travail du Québec*, known as the *Réseau*, is the federation for worker cooperatives in Québec. This federation is unique in that its members are united by a common cooperative structure instead of a common industry. The organization focuses its development energies in Montréal, which creates some tension between the *Réseau* and the CDR Montréal-Laval. Isabel Faubert-Mailloux, strategic development advisor, explained,

“We realized that we were in direct competition with the CDR Montréal-Laval on co-op and job creation because funding is geographically divided for co-op job creation. There was never really

any open conflict, but when there is money involved the relationship is always a bit tense” (interview).

However, the *Réseau* is often contacted by other CDRs when they require expertise in worker cooperatives. The *Réseau* also offers assistance to established cooperatives. For example, Pierre-Olivier Latrémouille, management consultant at the *Réseau*, assisted a cooperatively owned grocery store in reflecting “on governance issues, how to improve the participation of some members who are not as involved as they wanted them to be, how to manage their dividends at the end of the year” (interview). He provided about 25 hours’ worth of consultation to the cooperative. The work culminated in an all-day workshop that he facilitated, helping the cooperative make key decisions. The *Réseau* asked the co-op to pay 10% of the cost and with the remainder paid for through the Partnership Agreement.

Both CDRs and federations receive funds from the government based on the number of cooperatives served within a year. Thus each has an incentive to serve a cooperative instead of referring it to another organization. This situation causes a great deal of competition between CDRs and federations, as evidenced by the relationship between the *Réseau* and the CDR-Montreal Laval. Though the Partnership Agreement dictates that CDRs should refer a cooperative to its proper federation for assistance, the practice on the ground is less clear and not always followed (anonymous interview). Sometimes CDRs and federations work together, leveraging expertise for the benefit of the co-op. For example the *Réseau*, assisted a northern co-op in connecting with the local CDR for assistance. However, collaboration does not always happen so smoothly.

In addition to competition, informants reported that the quality of each organization varies. The network is quite robust, a total of 19 organizations serving a population of 8 million. Informants note that it is difficult for 19 organizations to maintain high quality staff in all regions and provide high quality services to all cooperatives. Alain Bridault, of consulting cooperative ORION and long-time leader in the cooperative movement, noted that, despite the large number of cooperative developers in the province, a survey “found the main problem [cooperatives faced] was to get access to good technical assistance” (interview). Several informants called for increasing access to good technical assistance through consolidation into fewer organizations. Rejean Laflamme noted several federations are already undertaking this move, such as the national Anglophone and Francophone apex organizations that are slated to merge this year (interview). The *Conseil* has launched Vision 20/20, a process designed to restructure and reorganize the cooperative ecosystem, likely to include consolidation.

Evaluating the overall effectiveness of the Partnership Agreement and the cooperative development and technical assistance it supports is difficult. My ability to find clearly articulated,

specific program goals was limited by the lack of English language materials. In addition, I do not have access to the costs associated with other economic development programs to compare the effectiveness of the strategies. Still, the *Conseil* reported the creation of 595 cooperatives between 2004 and 2010 (the first six years of the agreement). During the same time, 2,845 jobs were created or maintained. Staff provided nearly 75,000 hours of development and technical support to 962 cooperatives. This led Québec to incorporate at least 50% more cooperatives than the rest of Canada in 2006, 2007, and 2008 (Conseil, 2013 b).

Independent consultants assist cooperatives in various stages of their development. Developers are certified by the CoopZone, a national network of coop developers operated by the Canadian Worker Cooperative Federation. Developers complete an online self-assessment and can participate in CoopZone training courses to become certified and increase their skills (Corcoran, interview). Established and budding cooperatives alike can turn to CoopZone to identify a consultant near them. Consultants provide similar services as CDRs, but may have special expertise or be able to provide more intensive services. Several financing programs grant money to cooperatives and social economy enterprises to work with consultants, such as RISQ's \$5,000 award for an enterprise to work with a consultant to investigate the viability of an expansion, new product, or other venture.

Research & Education

Research conducted by academics, often in conjunction with practitioners, has played a critical role in the continual evolution of the cooperative ecosystem. Leopold Beaulieu, first manager of the *Caisse d'économie*, pioneer of *FondAction*, long-time labor leader, identified research organizations as one of the four critical elements of the Québec cooperative ecosystem (interview). The *Chantier* echoed the importance of research organizations. Formal academic research has helped legitimize the social economy: "we [had a] research partnership for 10 years with 30 researchers at different universities and the social economy became well researched in the academic world. We have recognition in the academic world" (Huot, interview). Table 3-3 lists some of the organizations; the table is not exhaustive, but provides a sense of the range of research, education, and training opportunities in Québec.

Numerous examples illustrate the role research has played in the cooperative ecosystem. Historically, *père* Georges-Henri Lévesque, a priest and dean at the University of Laval, convened the agricultural cooperatives and credit unions and founded the predecessor to the *Conseil*. After studying the social economy in France, Lévesque theorized that Québec needed a similar organization to assemble the co-op movement (Diamantopoulos, 2011).

The Canadian chapter of CIRIEC (International Centre of Research and Information on Public and Cooperative Economy) brings together practitioners and academics to share information and collaborate on research projects. As a rule, the organization itself does not conduct research, but rather facilitates collaboration. In a rare exception, CIRIEC undertook research to understand what the cooperative law in Québec could and should be; this research was instrumental in shaping the cooperative law (Beaulieu, interview). The Desjardins Group funds a research *chaire* at the University of Québec at Montréal, the Chaire de coopération Guy-Bernier as well as a research center at University of Sherbrooke. One part of the Chaire's tripartite mission is to conduct research that strengthens the cooperative movement. For example, the current Chaire, Dr. Michel Seguin, conducted a study to ascertain how the Desjardins Group could communicate clearly to members, potential members, and potential employees that Desjardins is a cooperative and explain the benefits of a cooperative (Seguin, interview).

Research also occurs outside of academic settings. The *Conseil* has two staff persons dedicated to conducting research. Similarly, cooperatives must submit detailed information to the *Direction du cooperatives* each year, information such as their size, sales, equity, debt, and other measures. Cooperatives must provide this information or risk dissolution (Clément). Thus, the *Direction* can conduct research that provides information based on the total population of cooperatives, not just a sample.

Despite the importance of research, funding to support it can be sporadic. The partnership that produced the idea that became the Trust received funding for 10 years and then the funding was not renewed (Charest, interview). The movement looks to chaires, centers, and institutes within academic institutions to serve as the stable locus of knowledge production. Yet, the social economy faces challenges being taken seriously in the academy. Dr. Seguin indicated two factors that might prevent social economy research from being taken seriously. First, he suggested that researchers are too close to the topic; instead of investigating the cooperative model to understand it, researchers are engaging in advocacy scholarship (interview). He believes this perspective prohibits a measure of necessary objectivity. Second, he points out that it is difficult to persuade mainstream faculty to participate in research on the social economy and cooperatives (interview). This is in part because it is difficult to be published in prestigious publications, making it difficult for cooperative research to advance an academic career.

| Table 3 – 3 : Research and Academic Institutions in Québec | | | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|--------|--------|-----------|-------------|
| Organization | Brief Description | Founded | Chaire | Center | Institute | Partnership |
| Université de Sherbrooke | | Grants Degree in Co-op Mgmt | | | | |
| UniRcoops Réseau des universités Amériques en études sur les coopératives et les associations | Academic review published by IRECUS | 1995 | | | | |
| Chaire Desjardins de coopération et développement du milieu {Desjardins Chair of Cooperation and Community Development} | “Enable the university to assist cooperatives in their efforts to understand their socio-economic environment, and give them tools to maximize their contribution to the development of local communities and improving their living conditions.” ¹ | 1999 | x | | | |
| IRECUS @ Université de Sherbrooke Institut de recherché et d’enseignement pour les coopératives [Institute for Research and Education for Cooperatives and Mutuals] | A multidisciplinary education and research Institute that aims to promote and enhance co-ops and mutual through education, research, maintaining relationships with provincial, national, and international organizations, and disseminating knowledge. ² | 1967 (chaire), 1976, IRECUS | | | x | |
| Université de Québec a Montréal | | Grants Degree in Co-op Mgmt | | | | |
| Chaire de Coopération Guy-Bernier @ UQAM | Fosters and promotes reflection and exchange on cooperative issues through research, training, and dissemination of knowledge | 1987 | x | | | |
| ARUC-ES Alliance de recherché universités –communautés en économie social @ UQAM [Community-University Research Alliances in Social Economy] | Alliance among universities (universities of Quebec at Montreal, Outaouais, at Chicoutii, and Concordia University), the <i>Chantier</i> , and labor. Dedicated to partner oriented research ³ | 2000 | | | | x |
| LAREPPS Laboratoire de recherché sur les pratiques et les politiques sociales @ UQAM | Forges close ties among researchers and practitioners in conducting action research ; research regarding alternative democratic and social development, specifically articulating social and public economy within a pluralist economy framework. ⁴ | 1997 | | x | | |
| Chaire de responsabilité sociale et de développement durable @ UQAM | Research, training, and outreach to create an interdisciplinary space for research, practitioners, and students to consider ethics and social responsibility ⁵ | 2000 | x | | | |
| CRISES Centre de recherché sur les innovations sociales [Research Center on Social Innovations] | Inter-university, inter-disciplinary research center on the social economy. Affiliated with over 60 researchers and 8 universities. Conducts research, hosts conferences, hosts postdoc students, develops partnerships. | 1986 | | | | x |

| Université du Québec en Outaouais | | | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|---|--|--|--|
| CRDC-GERIS Chaire de recherche du Canada en développement des collectivités [Canada Research Chair in Community Development] @ UQO | Contributes to the advancement of the theory and practice of community development through research, training, instructional design, and dissemination of knowledge ⁶ | 1992, present name in 2002 | x | | | |
| Observatoire en économie sociale et en développement régional @ UQO | A virtual portal that helps disseminate social economy research; send e-news and makes publications available online ⁷ | 2002 | | | | |
| École des Hautes Etudes Commerciales Montréal | | | | | | |
| Centre d'études Desjardins en gestion des coopératives de services financiers at the École des Hautes études commerciales (HEC) [Desjardins Center for Studies in Management of Financial Services Cooperatives] | Conducts research relevant to financial services cooperatives, maintains a network of researchers and practitioners, encourages knowledge sharing between universities, and trains future professionals ⁸ | 1975, new name in 2001 | x | | | |
| CIRIEC – Canada | Brings together researchers and representatives of social economy and public economy organizations (p. 20). Affiliated with CIRIEC-International ⁹ | 1967 | | | | |
| ¹ http://acpcol01.usherbrooke.ca/prod/recherche/USherbAdminweb.nsf/ContenuDesjardins/accueil?OpenDocument ; ² Fontan, 2006; ³ Fontan, 2006; ⁴ Fontan, 2006; http://www.larepps.uqam.ca/Page/presentation.aspx ; ⁵ http://www.crsdd.uqam.ca ; ⁶ http://www.communagir.org/fiche-de-la-nebuleuse/chaire-de-recherche-du-canada-en-developpement-des-collectivites/ ; ⁷ http://www4.uqo.ca/observer/ ; ⁸ http://preprod.centredejsjardins.hec.ca ⁹ http://www.crisis.uqam.ca ; ⁹ Fontan, 2006 | | | | | | |

Academic institutions also play an important role in training future leaders in the cooperative movement. Through MBAs in the social economy or social research oriented degrees, students are preparing to manage cooperatives, work at CDRs, or other institutions. Alain Bridault, remarked that, “at the beginning, the students came from the co-op movement. Now it is the reverse: the students go to the co-op movement [after school]” (interview). Indeed, many informants attended these programs and are currently employed in cooperative development.

In addition to preparing future professionals, classes expose more students to the idea of cooperatives. For example UQAM offers *Sensi-Coop*, a very popular learning experience. Over the course of three weekends, student teams create a worker cooperative and deal with simulated challenges (Seguin, interview). While the class has not resulted in droves of MBAs and BBAs wanting to start worker cooperatives, it has allowed the ideas to get more exposure and become more relevant (Seguin, interview). However, the topic remains an elective and is not part of mainstream business education.

Though several MBA programs exist, one informant noted that the 2-year programs are not flexible enough to meet the needs of managers working in cooperatives. Managers may not need

master's degrees but they need more formal training that is not currently offered by mainstream educational institutions. More flexible programs need to be designed to allow managers to increase their skills while simultaneously continuing their work (Laflamme, interview). This could take the form of distance learning, online courses, or certificates. The Chaire de coopération Guy-Bernier model is perhaps instructive as the Chaire provides non-degree training for Desjardins staff that is specific and focused (Seguin, interview). Expansion of such training and education might increase the capacity of managers and worker-owners.

The Québec cooperative movement runs several programs directed at youth and young adults. The CLDs, CDRs, the *Reseau*, and the *Chantier* operate a variety of programs geared towards elementary school children all the way to entrepreneurs under 30. Two programs in particular promote the worker cooperative model. One program operates school-stores in high schools across the province; the stores are organized as worker cooperatives. Students operating the stores also participate in a class offered at the school (Bonneville, interview). A second program, which operates during the summer, assembles groups of twelve to fifteen teenagers that work together to operate a real, functioning worker cooperative during the summer (Bonneville, interview; Faubert-Mailloux, interview). The program itself is a model of cooperation; it operates throughout the province, is funded by CSN, managed by the *Reseau*, and operated by the CDRs in each region (Faubert-Mailloux, interview).

Section IV: Cooperative Networks: Apex Organizations & Federations

Apex Organizations

Provincial

The *Conseil québécois de la coopération et de la mutualité (Conseil)* occupies a particularly important position in Québec. Founded in 1944, the *Conseil* is a federation of federations: federations, such as the *Reseau*, occupy a seat at the *Conseil*. Including cooperatives, financial cooperatives (*caisse populaires*, or credit unions), and mutuals, the *Conseil* acts as the voice of cooperatives. In addition, the *Conseil* manages the Partnership Agreement; the government's funds for the programs pass through the *Conseil* and then to the CDRs and federations. The *Conseil* began managing the Partnership Agreement in 2004-2005, in order to be more responsive to the needs of the federations and CDRs and to avoid the delays that sometimes happened when the funds flowed through the government bureaucracy.

The *Conseil* negotiates with the government on behalf of its members, a critical role in an ecosystem so reliant on government funds. In addition to periodically negotiating the terms of the

Partnership Agreement and the Cooperative Development Policy, the *Conseil* negotiates implementation of new programs and policies. For example, the entire cooperative movement expressed great anticipation and excitement for a succession program that will roll out in 2013. The *Conseil* will assemble a staff team who will assist and train co-op developers, CDRs, and federations in how to manage conversions of businesses into worker cooperatives. Over three years this team will build these skills in the network and hopefully oversee the conversion of 100 businesses annually as their owners retire and sell the enterprises to the employees.

The *Conseil* aims to bring cohesion to the cooperative movement, by providing a forum for people to talk and work together. This is no easy task because all interests are not commonly held. To foster cohesion, the *Conseil* consults its members before it approaches the government. In addition, the larger cooperatives invest \$600,000 annually to support the four measures of the Partnership Agreement, thus “all the big and oldest co-ops are directly involved in the financing of the new co-ops” (Laflamme, interview). Working together can lead the larger co-ops to develop other programs. For example, Desjardins—whose president is currently the president of the *Conseil*—worked with the government to create an investment product that gives investors a tax break of 50% for investing in a certain fund; 30% of the fund will be invested in new or existing cooperatives (Laflamme, interview).

National

Although the federal government has limited influence on Québec cooperatives, there are three national apex organizations of note. The Canadian Worker Cooperative Federation plays a similar role as the *Reseau*, but for the entire nation. The CWCF focuses its limited resources on technical assistance; managing the CoopZone; offering loans through its revolving loan fund; planning events, such as conferences, that build relationships and capacity; and lobbying the federal government for favorable policies. The Canadian Cooperative Association (CCA) and the *Conseil Canadien de la coopération et de la mutualité* (CCCM) are analogous to the *Conseil*; the former serves Anglophone cooperatives and the later Francophone cooperatives. Perhaps indicative of what might come in Québec, these two organizations are currently preparing for a merger. Together these organizations lobby for federal cooperative support. Through their sustained efforts, the Cooperative Development Initiative came into being and was sustained for over a decade. In addition, their efforts led to the RRSP programs provision for cooperative investment.

International

Though my interviewees rarely volunteered information about international organizations, they consistently referenced consulting with other nations and visiting other nations to learn about the ways in which their governments supported cooperatives. The International Cooperative Alliance, the International Labor Organization, and international federation of worker cooperatives (International Organization of Industrial, Artisanal and Service Producers' Cooperatives, CICOPA) serve as sources of information as well as connections to networks in Italy, France, Spain, and elsewhere. Several organizations are engaged in international work. The Chaire at UQAM frequently hosts groups from other nations who come to learn more about cooperatives. In addition, *FondAction* and the *Conseil* collaborate with cooperatives in other nations. *FondAction* has established partnerships with Brazil and other Latin American countries.

Federations

Actors in the ecosystem extol the importance and necessity of federations. Federations form each time a sector or type of organization reaches a critical mass. Effective federations provide resources, such as technical assistance. Federations also allow cooperative members the chance to speak “with other people that have been involved in starting a worker co-op and that are facing the same difficulties, and how they came about solving those difficulties...that's really the big, big plus they are getting from members of the federation” (Laflamme, interview).

Despite the frequency and benefits of federations, members do not always get along. The relationship between the CDR Montréal-Laval and the federation of CDRs (*Fédération des coopératives de développement régional du Québec*, FCDRO) represents the challenges of federations and networks. The CDR Montréal-Laval serves an area with a large and growing population. A developer at the CDR Montréal-Laval believes the cooperative movement needs to increase the number of cooperatives developed in Montréal, as this is the heart of population and economic growth in the province (Corbeil, interview). Yet the CDR Montréal-Laval has not been a full member of the federation of CDRs since 2005. The CDR attributes this to the urban-rural and Montréal-Québec City divisions in the province (Corbeil, interview). Montréal is focused on emphasizing a provincial vision of cooperatives and trying to understand how cooperatives can be part of urban communities, immigrant communities, and the next generation of Québécois. In contrast, some of the other CDRs face different challenges, have less diversity, and serve more rural populations. The division developed recently and the CDRs are working towards a resolution.

Similar tension exists between the CDR Montréal-Laval and the *Conseil*. Still, they need each other. The cooperative movement needs growth in Montréal, and the CDR needs the support from the *Conseil*; they collaborate out of necessity, if nothing else. Together they created a program based in Montréal and co-funded staff positions for the program (Corbeil, interview). One informant summed up the various tensions throughout the ecosystem by saying, "At some point in time there may be tension for any reason...I know in my own federation people had some difficulties...but what can you do? You have to make sure people can get along and live with it" (Laflamme, interview). The resources in the Québec ecosystem are centralized and often distributed to and through federations, forcing people to work together despite these tensions.

In the future, the movement hopes to both decrease the size of the cooperative development and technical assistance sector and increase the number of federations serving cooperatives. Though these goals seem contradictory, they are an attempt to increase the number of cooperatives served by federations while decreasing the competition between federations and CDRs. Several informants reported too many organizations engage in cooperative development. One solution is to have federations consolidate and combine their staff while maintaining industry specific board governance. At the same time, new cooperatives are springing up—particularly solidarity cooperatives—without connecting to federations. These cooperatives need to come together to form federations, but instead of creating a separate staffing structure the new federations can share the staff of existing federations. Co-ops may need sectoral federations in order to access expertise, but each federation does not need a specialized executive director, accountant, or training for board governance.

Graphic Depictions of the Ecosystem

Diagrams 3 – 1 and 3 – 2 graphically illustrate the cooperative ecosystem. Diagram 3 – 1 shows the organizations based on how directly they work with cooperatives. Organizations who work directly with the cooperatives are in the center; they include finance institutions, sectoral federations, and development and technical assistance providers. The second ring contains organizations that do not work directly with cooperatives, but produce outputs that help cooperatives or the ecosystem at large. For example, higher education trains individuals who may work for cooperatives or for federations. This ring also contains federations of second tier organizations, such as the federation of finance organizations or the federation of CDRs. The outer ring contains organizations that government affect every organization in the ecosystem, but not necessarily through direct interaction. For example the government supports cooperatives through legislation, but the government interacts with federations,

not the cooperatives. Likewise the apex organization administers the Partnership Agreement, which affects CDRs, who in turn work with cooperatives.

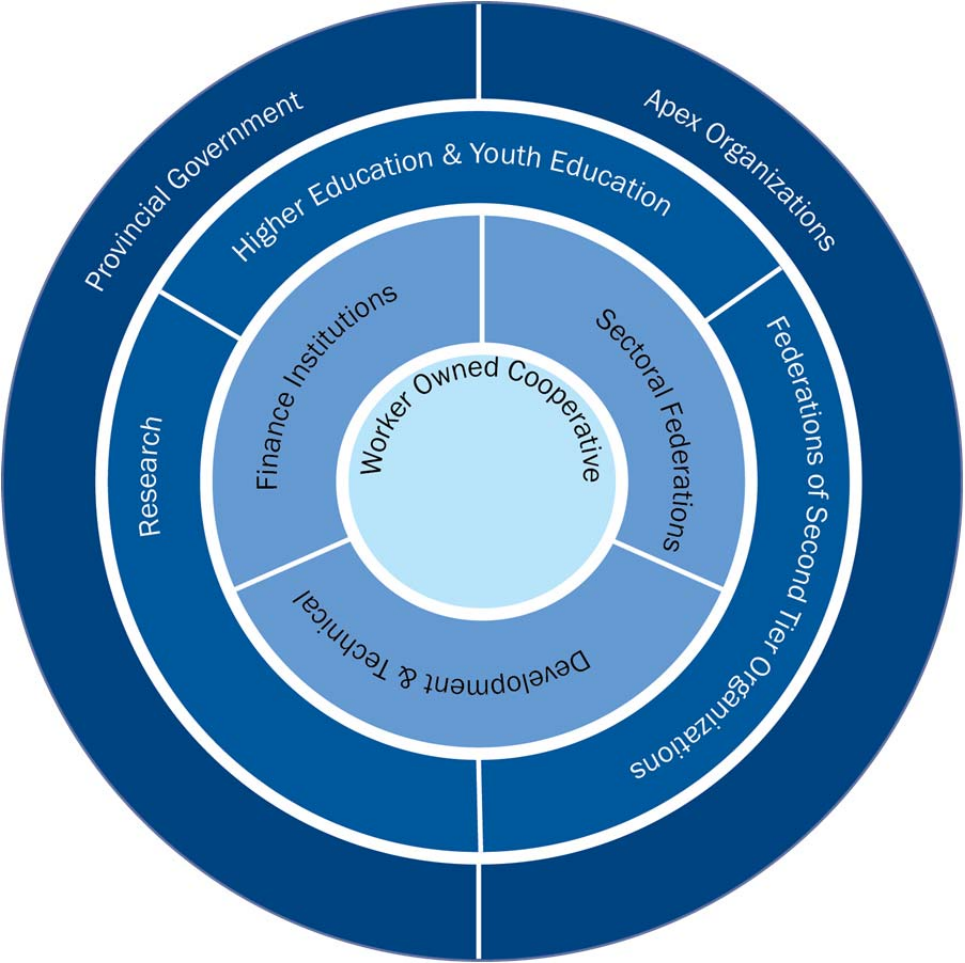


Diagram 3-1: How the Secondary Institutions Serve Co-ops; Source: Author

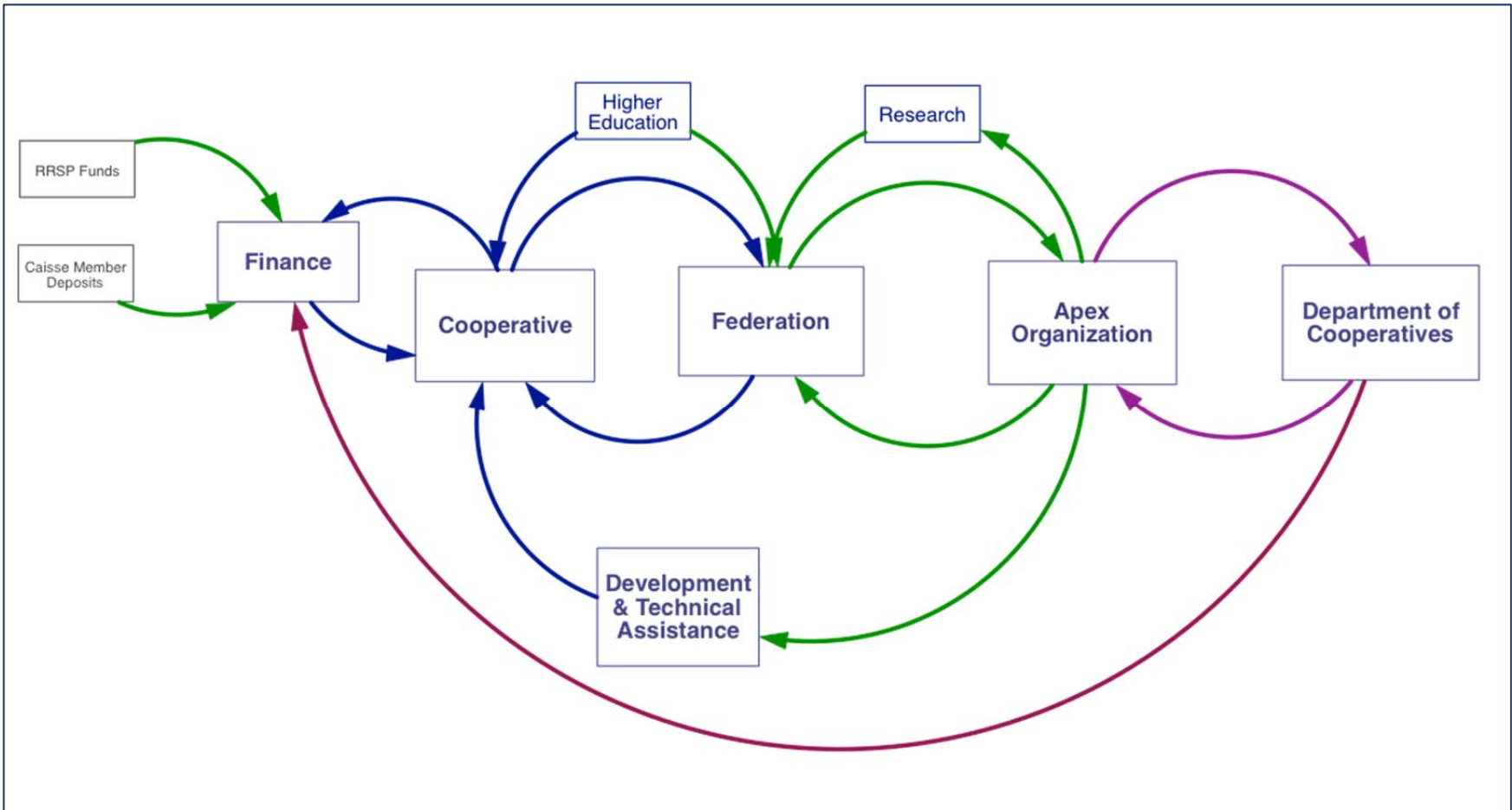


Diagram 3 – 2: How the Secondary Institutions Interact

Diagram 3 - 2 shows the flows of resources between secondary institutions. Each arrow represents a flow of resources from type of organization to the next. Resources can be financial; for example the Department of Cooperatives helped secure funds to capitalize some of the finance institutions. The finance institutions lend money to the cooperatives. Resources can also be relational, for example a cooperatives becomes members of a federation, a federation joins the apex organization. The apex organization engages in negotiation with the Department of Cooperatives. The different colors of the lines convey how distant that relationship is from the cooperative. Some organizations (blue) feed directly into cooperatives, while other (green and red) do not.

Section V: Organized Labor

Organized labor occupies a unique place in the cooperative ecosystem and has a particularly unique relationship to worker cooperatives. For the most part, labor unions play on the fringes of the cooperative ecosystem. CSN funds the youth summer program operated by the *Reseau*. In addition, *FondAction* and the Solidarity Fund finance social economy enterprises, including cooperatives. However, labor unions have little direct engagement with cooperative development. According to several informants, the FTQ had an experience 30 years ago of converting a textile company into a worker cooperative; however, it failed, leaving the labor movement reluctant to use worker cooperatives as a vehicle for building worker control. Nevertheless, the *Chantier* and *Reseau* are hopeful that recent conversations with the unions signal the beginning of renewed efforts to use union power to build more cooperatives. In particular, they hope that union members will play a key role in the succession program: “That's why we want to work more closely with the union, because they are in touch with a lot of workers and they sometimes know the intention of the owners and if they want to sell or not. So, if [the workers] are aware that there is the ability to buy their own company into a co-op,” the workers can let the union know and the union can contact the succession program (Faubert-Mailloux, interview).

Despite this hope, some in the cooperative movement do not believe that cooperatives should be unionized. Indeed, the cases of the forestry cooperatives and ambulance cooperatives reveal that though unionized cooperatives are plausible in theory, the actual experience of unionized co-ops has soured many in the worker co-op movement. Though this is applicable to few cooperatives, as not many cooperatives are unionized, more unionized co-ops could emerge as the succession program unfolds, and the current challenges would simply multiply.

Section VI: Case: The Cooperative Support System at Work in the Forestry Sector

The rise, fall, and hoped-for resurrection of the worker cooperatives in the forestry sector illustrates how all of the parts of the ecosystem fit together. First organized in the 1930s and 40s, forestry cooperatives consist primarily of lumberjack-members who harvest wood from the publicly-owned forests. Most of these enterprises, then, are organized as worker cooperatives. Private companies responsible for processing the wood and moving it to market contract with the cooperatives for harvesting services. The work is physically demanding and occurs in the northern regions of the province. Québec's forests account for 20% of the forests in Canada, and 2% of the world's forested lands (Ministere des Ressources naturelles, 2013). Over 90% of Québec's forests are publicly owned (Ministere des Ressources naturelles, 2013). The forestry sector, including forest management, timber, pulp and paper production, directly employs nearly 90,000 people in Québec (Ministere des Ressources naturelles, 2013).

In 1978, the provincial government directed the forestry industry to award half of the harvesting contracts to worker cooperatives (Girard, 1999). This decision bolstered the cooperatives, increasing their number, profitability, as well as their overall strength in the sector.

Despite the large numbers and size of the forestry cooperatives, they resisted federating. At the insistence of the government, the cooperatives eventually created a federation: *Federation québécoise des coopératives forestières* (FQCF). The director, Jocelyn Lessard, recounted, "In the beginning [the federation] was called the conference. Then it took 20 years to transform that into a real federation in 2005" (Lessard, interview). Mr. Lessard went on to describe the core functions of the federation:

There are three things we are trying to do since the beginning: regroup them to represent them; create a space where they can talk to each other, which is really, really important; and the third one, which is the most recent, is support their development with individual consulting and projects. And all that to try to make them work together more and more and more--this is the toughest thing to do. (Interview)

Though supported by recalcitrant members, the federation serves as a single point of contact for the government agencies such as the Department of Cooperatives and the forestry ministry. The federation also represents the cooperatives at the *Conseil*, incorporating the needs of the forestry cooperatives into the larger cooperative movement.

Mr. Lessard expressed tension between organized labor and the forestry cooperatives. He explained,

We don't work with the unions, we have all [kinds of] problem[s] with them. They don't want us to exist. We have the same goal, helping the workers. But when you put [a co-op and union] together, it is really awful. It's a war, a 20-year war. All they want is a good boss for the worker. But when the worker takes care of himself they don't like it. (Interview)

This comment echoes tensions expressed by the ambulance cooperative featured in Chapter 4. The primary struggle appears to be the way the unions deal with challenges inside the cooperative. Lessard shared that, "Sometimes when a co-op doesn't work well, the co-op asks the union to help them" (interview). In these instances, the union represents the worker-owners who are both members of the union and members of the cooperatives. Instead of working through the internal cooperative channels and treating the workers like owners, the union acts out of the typical labor-management relationship. This antagonistic posture causes further strife within the cooperatives. Lessard believes that the "co-op is not perfect, but we need to work with co-op solution" (interview).

The lumber industry, including harvesting, follows the business cycles of the overall economy. So, when the global recession began, the demand for lumber in the US dropped dramatically, sending the forestry co-ops into a tailspin. The federation has worked with its members on several fronts to help the cooperatives weather the storm and emerge stronger. First, the federation has invested time in helping co-ops understand their individual financial situations; in many cases the situation has been dire. Co-op members who have invested their RRSP in the co-op and counted on the equity as a source of retirement funds are now faced with the possibility of not recouping any funds. In many cases the co-ops played the part of the grasshopper in Aesop's fable of the ant and the grasshopper: when times were good the co-ops decided to pay themselves higher dividends instead of reinvesting the profits in the co-ops. The Cooperative Law mandates minimum amounts that must be reinvested in the firm, but now that a hard winter came, the cushion has dissipated, leaving little behind:

When it's going very well we put the [least] we can in the co-op and the most in the [account of each member]. When it's going bad the reserve is going down. When it is going bad for many years, the reserve is negative value. So the person thinks he has \$50,000 in the co-op; it's not true, the co-op cannot pay him...We had meetings to explain that we will not ever be able to pay them. I have been in those meetings on a Saturday morning and all those people in the room thought they have money, but they don't. (interview)

In response to this challenge, the federation has sent consultants to meet with cooperatives, explain their financial situations, and craft strategies to salvage the cooperative. In some cases the

cooperative cannot survive, in others the co-op can survive and maintain employment and income for the worker-owners, but they will never recover their equity investment. The federation counseled cooperatives to put more into the reserve accounts “for the last ten years”, but each cooperative has autonomy and was not required to follow this advice.

In addition to helping weather this storm, the federation is assisting cooperatives manage the impact of new government policies that are fundamentally changing the way the forests are managed. Instead of the government awarding contracts to private firms that manage the forests, the government will take direct responsibility for planning and managing the forests, and the industry and co-ops will need to compete for contracts to harvest. Co-ops and forest industry executives alike worry this change will severely damage an industry still struggling to recover. In the face of these changes, the FQCF sends staff to the co-ops to prepare the members for the changes. The cooperatives have responded enthusiastically:

We are seeing great, great change in the forest industry from the market and the government rules. So we have a chance to go and explain all of that. We have a young guy here who goes to the camp and meets the guys and tells them. And when that is over he says, “Ok, that’s it.” And the guys said, “No, you're not going away!” (interview).

The federation has increased funds for training co-op members. The finance ministry and forestry ministry pay for worker-owners to attend trainings offered by the FQCF, hoping that these trainings shore up the industry and maintain the co-ops for future generations.

The federation looks to other co-ops for aid as well. Desjardins has put together an insurance program that provides a favorable insurance rate for all the FQCF members. Until recently, Desjardins was unwilling to provide finance capital to the forestry co-ops because of their uncertain future. However, the financial giant is working to negotiate ways to invest in the future of the co-ops.

Finally, the *Conseil*, *FondAction*, the provincial government, a university, and even CSN (the union), have joined the federation in exploring a new industry that they hope will become the salvation of the forestry cooperatives. Under the partnership agreement the provincial government allocates funds to investigate new markets for cooperatives. The *Conseil* manages the funds and the projects. Currently, this group of stakeholders is exploring the potential for biomass heating. Essentially, the co-ops would develop, own, and operate plants that generate heat from biomass. These plants would serve large institutions, such as hospitals. For the institutions, the plants can reduce heating costs; for the cooperatives, they offer a way to use forest waste productively and to earn money—for the first time—as energy producers. Adoption of the technology requires growth in the institutional customer base,

which is challenging since hydroelectric power is produced so cheaply and some energy users will have little incentive to convert to a new energy source. Yet, the director of one hospital switched the institution to biomass heating. Lessard reported that the director felt motivated by a larger vision of health, “he said, ‘Good health is not just about medical, it is about good jobs. If I use the heat energy from my region I will create jobs here instead of buying petrol’” (interview).

The financial challenges the cooperatives face may be connected to the challenge of integrating new generations of workers into a cooperative. Scholars often cite the challenges worker cooperatives face moving from the founding generation of work-owners to successive generations. Without a focus on integrating the next generation of workers and instilling cooperative values in that generation, the cooperatives can disintegrate. Lessard noted that, “The first ten years it’s great! But when the co-op is in the second generation, those guys didn’t create it. And if a manager comes who doesn’t understand the values of the co-op, it breaks down” (interview). This comment suggests that the strength of a cooperative lies in maintaining the values of a cooperative; that is actually engaging members in democratic governance and building the cooperative for future generations. The lack of participation and reluctance to form a federation indicate the co-ops are not inclined towards the principle of cooperation among cooperatives.

As Mr. Lessard considers how to revive the forestry cooperatives, he sees the restoration of cooperative values as essential. While some workers only care about their jobs and not about creating a better society, some workers articulate their desire to have more than just a job. A cooperative is more than just a way to structure a business—the structure implies a certain set of values. If those values are not maintained, the business suffers. Staff at the CLD West Island noted that cooperative entrepreneurs “typically have a social agenda. If they didn’t, they would start another type of business” (Kancachian, interview). If the worker owners are only in the co-op for the money, that threatens the long-term sustainability of the enterprise as a cooperative. The forestry cooperative federation sees reviving cooperative values through training and educational experiences for the worker-owners as a critical part of reviving the industry overall.

This case illustrates several important points. This case illustrates the challenges cooperatives face. The forestry cooperatives are not isolated from the market and though they may be more resilient during crises they are not unaffected by larger economic challenges. However, the network has acted during this time of crisis to mitigate the impacts of the crisis. The federation has responded to the immediate insolvency crises, the changes in forestry management, and the longer-term challenge of creating new revenue streams. The federation has built relationships with other actors in the ecosystem, all of whom are engaged in an effort to find a long-term solution, in particular by investing

in the biomass heating industry. The *Conseil* has used its apex role to fund the research and help convene the various stakeholders to investigate the viability of biomass heating. The federation has the time to devote to the new industry that no individual cooperative has on its own. Furthermore, the federation intends for the biomass solution to aid cooperatives throughout the industry, not just one firm. This case illustrates why cooperatives form federations and the many roles federations can play.

Yet, despite the federation's vital role, often the cooperative members join reluctantly and participation in the federation varies from co-op to co-op. The Cooperative Law mandates certain best practices, like investing a minimum into the firm, and the government mandated creation of the federation. These measures were insufficient to prevent the current crises. The cooperative model itself, which allows members to vote on how to distribute the surplus, certainly contributed to the imprudent financial decisions. The cooperative model exposes workers to real risk. While the forestry cooperatives have generated wealth and income for decades, they are not guaranteed and, like any firm, require constant vigilance.

The forestry cooperatives have faced some of the classic worker cooperative challenges: intergenerational transfer, lack of access to capital, adapting to industry changes, the need for capable managers, and financial risk. The presence of the network, including the federation, the support of the government, the *Conseil*, and others has allowed the forestry cooperatives to survive thus far. The ecosystem is activated, hard at work finding solutions to the current challenges. This is the impact an ecosystem can have on worker cooperatives, worker-owners, their surrounding communities, and the economy at large.

Section VII: Summary and Implications

Québec's modern cooperative ecosystem rests on a foundation laid by the provincial government. Upon that foundation, a wide range of actors, from Desjardins and organized labor to the women's movement and lumberjacks, have worked together to erect a series of institutions that provide direct assistance to cooperatives of all kinds. The cooperatives in this system organized federations, following the tradition of the oldest and largest cooperatives. These federations joined the provincial apex organization for cooperatives, the *Conseil québécois de la coopération et de la mutualité*.

The provincial government plays a critical role in the ecosystem. Though cooperatives have a long history in Québec, the state's use of cooperatives as an economic development tool rose to prominence in the 1980s and led to the proliferation of cooperatives. The provincial government made

cooperatives an instrument of mainstream economic development. Through the Cooperative Law the government provided a framework that guides the structure of each firm and enforces best practices taken from European cooperative law. In addition, the government takes an active role in the development of cooperatives, implementing policy and supporting programs that lead directly to the creation of new cooperatives, the development of cooperatives in new sectors, and the support of existing cooperative enterprises.

The government not only supports entities focused on cooperatives, but also opens traditional business support programs to cooperatives. The provincial investment institution, *Investissement Québec*, guarantees loans made to cooperatives and social economy businesses. The local development centers advise cooperative and capitalist firms alike. Federal changes have a mixed impact. The elimination of the direct program for co-ops had not impact in Québec, however, the changes to the RRSF are making waves.

The provincial government not only provides a framework, policy, and support to the ecosystem, but encourages centralization in an otherwise decentralized network. The ecosystem contains a staggering number of organizations working in slightly different niches—or sometimes the exact same niche. While friction and competition certainly influence the actors in the ecosystem, they unite because the government requires it. The *Direction du cooperatives* and the finance ministry do not want to coordinate programs with eleven development organizations, so the government works with a federation of development organizations. Similarly, the *Direction* relies heavily on the *Conseil* when crafting policy, managing programs, and investigating new avenues for economic development through cooperatives. Players in the system who want access to government resources must collaborate and federate, or else their capacities are severely limited. Without a unifying factor, the competition, rivalries, and rifts between individuals and organizations might lead to a fragmented and handicapped ecosystem.

Government action strengthens the position of federations and apex organizations, and they exist to meet real needs of their members and survive because of their effectiveness. The case of the forestry cooperative federation illustrates the critical role federations can play. The forestry cooperative federation, though reluctantly created, has served to train members of the cooperatives, to prepare cooperatives for changes in provincial forest management policy, and is currently collaborating with other players in the ecosystem to establish a new industry leading to a new income stream.

The forestry cooperative federation's innovative work continues the tradition of innovation and growth supported by the federations and apex organizations. The *Direction*, the *Conseil*, and federations work together to develop cooperatives in new industries. The budding biomass heating project is one

such example. In addition, the proliferation of day care cooperatives and health cooperatives resulted directly from public policy and development efforts. The ecosystem not only innovates by launching cooperatives in new sectors, but continuously designs new products and programs to meet the needs of cooperatives in established sectors. The Trust exemplifies the innovation emerging within the ecosystem.

The academy plays an important role in the ecosystem, both in conceiving of and researching innovations, as well as conducting research aiding in the development of cooperatives. Advocacy scholarship supported by university positions, research centers, and partnerships inform the work of practitioners throughout the province. The academy has filled this role historically, with the University of Laval serving as the locus of the *Conseil's* predecessor and the CDR network.

The academy also serves as a training ground for managers and developers of cooperatives. Yet, despite the number of programs, some struggle to attract cooperative managers. The location of programs within business schools erects an ideological barrier, making students reluctant to enroll. Programs are not yet flexible enough to accommodate the schedules or needs of full-time, co-op managers.

While the government unifies the ecosystem, the tensions and conflicts cannot continue unaddressed. The ecosystem must evolve. The *Conseil's* Vision 20/20 project seeks to engage the many players in a visioning process that will result in a reconfiguration of the ecosystem. They expect the discussion to take two years; perhaps a similar process to the estates-general the *Conseil* implemented in 1992 that resulted in a cooperative manifesto, new federations, and a new way of organizing the cooperative development agencies. Consolidation is likely, but arriving at consolidation through consensus will be difficult, yet necessary, to increase the quality and effectiveness of the development and technical assistance provided.

Organized labor's record of engagement in the ecosystem is mixed. On one hand, CSN and FTQ's labor-sponsored investment funds have significantly transformed capital in Québec and opened new channels to the social economy. These funds play a large role in the development of the overall economy and enable a great deal of development within the social economy. Labor and the social economy actors share vision and values. However, the labor experience with worker cooperatives is not positive. The failure of a labor-sponsored worker cooperative scarred labor from investing in worker ownership as an organizing strategy. At the same time, the forestry cooperatives struggled against union representation. Similarly, the ambulance cooperatives, as will be revealed in chapter 4, struggle to work with the unions. The Québec federation of worker cooperatives has initiated conversations with labor, has received a positive response, and hopes the conversation develops into action. Labor's

money certainly plays a critical role in the ecosystem, but it is unclear if they will play a role in the development of cooperatives as part of their organizing strategy.

From the time of Alphonse Desjardins, the cooperative ecosystem of Quebec has undergone continuous evolution. Over time, organizations develop and change; the *Conseil* has changed its name several times, each time repositioning itself in the face of changed terrain. New organizations evolve in order to serve specific purposes; an example is the CDR network that helps develop new cooperatives. The evolution and adaptation continues. This, perhaps, is the most enduring underlying principle of the ecosystem: it continues to change as it faces new challenges but has not become overwhelmed by change nor fizzled into a mere fad in Québec's history. The cooperatives and social economy enterprises have changed and continue to change the economy of the province. The enterprises are not just testaments to a different way of doing businesses; rather, as part of a larger ecosystem, they are transforming the way the Québécois do business.

Chapter 4: The Co-operators' Perspectives

Overview

This chapter examines the cases of two worker-owned cooperatives in Québec City, Québec, a microbrewery and an ambulance cooperative. The cases illuminate how the ecosystem discussed in chapter 3 affects cooperatives and to understand how cooperatives engage the ecosystem. One co-op, *la Barberie*, is a small brewery with about 25 employees. The other, *Coopérative des techniciens ambulanciers du Québec* (CTAQ), is an ambulance cooperative with approximately 350 worker-owners. I chose these two for sharp contrast. These cases offer lessons on ways two very different cooperatives engage the cooperative support system. One coop is small; one is large. One is in food service and production, while the other co-op operates a publicly financed service provided by the private sector. Both cooperatives operate in urban areas. I excluded worker shareholder and solidarity cooperatives when selecting my focal cases because those models are not analogous to any model presently used in New York City. This chapter opens with a brief look at worker-ownership in Québec, discussing the three types of cooperatives that count workers in their membership. The section also revisits some of the unique challenges worker cooperatives face.

Section I: Worker Cooperatives in Québec

Landscape

In Québec, three types of cooperatives have workers as their primary members: traditional worker-cooperatives, multi-stakeholder cooperatives (also known as solidarity cooperatives because they allow clients and “community” members, in addition to worker-members); and worker shareholder cooperatives, where workers have partial ownership of a company. Multi-stakeholder and worker shareholder cooperatives cannot be found in the rest of Canada; informants consistently emphasized that these two structures are unique to Québec.

Table 4-1 shows the numbers of worker cooperatives by type; though these numbers are dated they offer some insight into each cooperative type. Clearly the solidarity cooperatives have many members who are not employed by the cooperative; while these co-ops do create jobs, employment is not their primary objective. All members of a worker-shareholder cooperative are workers. Though there are fewer worker shareholder cooperatives than worker cooperatives, the worker shareholder co-

ops provide more jobs, because the firms are larger. Worker cooperatives have more jobs than members, indicating the cooperatives hire non-member employees. The worker shareholder cooperative appears to promote greater worker ownership, but the data do not reveal how much of those 90 companies the worker shareholder members control.

Table 4-1: Cooperatives with Worker Members, (circa 2007)

| Type | # of firms | # of members | Jobs |
|--------------------------------|-------------------|---------------------|-------------|
| Worker Cooperative | 188 | 6,500 | 8,100 |
| Solidarity Cooperative | 81 | 22,000 | 1,800 |
| Worker Shareholder Cooperative | 90 | 5,000 | 5,000 |

PowerPoint Presentation, Simard, 2004

Solidarity cooperatives evolved in the 1990s based on a research visit to Spain, France, and Italy and innovation on the ground by the CDR Montréal-Laval (Laflamme, interview; Corbeil, interview). Solidarity cooperatives permit three classes of members: workers, users or clients, and community or solidarity members. In the last few years the number of solidarity cooperatives has increased sharply. Informants believe the model's increased frequency reflects the desire to have a mix between a non-profit and a for-profit enterprise. Entities that might have become non-profits now choose to incorporate as solidarity cooperatives so they can have multiple streams of income and engage the users of a service in the governance of service provision.

The worker shareholder cooperative model evolved in the early 1980s during a severe recession in Québec. The recession put many firms at risk of failing. The worker shareholder model, similar to ESOPs in the US, allows the workers of a company to form a cooperative. The cooperative then purchases shares of the firm. The workers are members of the cooperative and the cooperative owns the shares; it is important to emphasize that the stock is not individually owned, but rather collectively owned by the co-op. Overtime, a worker shareholder cooperative may purchase 100% of the company, but if not the remainder of the shares are publicly traded, held by the owner or other private investors. A worker shareholder cooperative forms within an existing business; a firm does not usually begin as a worker shareholder company.

Cooperative Success & Failure

In most respects, a worker cooperative has the same needs as any other business (see chapter 1), but also face unique challenges. First, entrepreneurs must learn about the worker cooperative model. The *Reseau* and others hold monthly open sessions for individuals to learn about the cooperative model.

CLD consultants discuss the cooperative option with clients. Or any of the scenarios identified by Hough (2004) unfold. After a group decides to start a cooperative, they still need education in the details of cooperative operation and management. Rejean Laflamme, a consultant for cooperatives and a leader in the cooperative movement for over 30 years, states, “[the entrepreneurs] get an idea or they've heard about [cooperatives], you have to let them know everything about what a co-op is: what's the difference between a co-op and a for-profit. So it's all that training first to determine if the co-op model is really for them” (Laflamme, interview).

Then, the co-op members face the challenge of working together. In Laflamme's experience, many worker-cooperatives succeed or fail due to internal management challenges (interview). The worker-owners may lack sufficient skills to properly manage the cooperative or the workers may not understand when to act as employees and when to act as owners. Alain Bridault reported that the democratic life of the cooperative can suffer due to poor communication, lack of transparency, or misunderstandings (interview). When only a few members engage in running the cooperative and making decisions, the cooperative's short and long term survival can be jeopardized. The tendency for power to concentrate in a few members—a phenomenon observed in other firms and organizations—must be countered by continuous efforts to engage the membership. Unlike other types of cooperatives, members of worker cooperatives spend a significant amount of time together on a daily basis, and each member's livelihood is dependent upon the actions of other members. Thus, personality conflicts, getting along, and other interpersonal challenges have the potential to damage the cooperative. The empirical record, discussed in chapter 1, supports the Bridault and Laflamme's experiences.

In the long term, cooperatives also face the challenge of transferring ownership to the next generation of members. Alain Bridault shared the story of a printing cooperative that collapsed after 40 years of operation (Bridault, interview). The original owner transferred the firm to the workers just after WWII. The cooperative grew to over 300 workers, but as the co-op grew, it did not incorporate new members into the core leadership. Bridault reported that the co-op did not invest in technology nor did it adapt to the new competitive environment because the new members acted more like employees than owners with a vested interest in the company. The co-op did not survive. This case suggests that management's ability to sufficiently engage new talent impacts the firm's ability to adapt to market conditions. Bridault suggested that the newer, younger members had valuable insight into the changing technological needs in the industry, but without sufficient engagement the insights were not adequately integrated into the co-op's operations (interview).

Section II: La Barberie

I spoke with Jessica Provencher, a worker-owner at *La Barberie*. Ms. Provencher works at the bar and serves as *Responsable de la vie coopérative et du développement durable*, which roughly translates to responsibility for cooperative life and long-term development. Nearly all of the information in this case comes from my interview with her

The Cooperative

Founded in 1995 by three friends, Bruno Blais, Mario Alain and Todd Picard, *La Barberie* is a cooperatively-owned and operated microbrewery. The brewery takes its name from the long beards, or *barbes* in French, of the original founders. In 1997, the brewery created a tasting room (essentially a pub). Featuring an outdoor patio that is very popular in the summer, the pub serves as a gathering place for the Saint Roch neighborhood; for example, a monthly knitting circle calls the pub home. The Saint Roch neighborhood has undergone a transformation over the last 15 years. The neighborhood, located just outside of the Old City in Québec City, began declining in the late 60s and early 70s as suburban development and shopping malls pulled residents and commerce away from the city center (Warfield, 2005). Though various revitalization schemes were tried, it was the city's *RevitalizAction* plan, adopted in 1992 (Warfield, 2005), that managed to align investments that have led to a significant turnaround in the area. Various popular news sources suggest that locating in the low-income neighborhood and being part of the burgeoning arts-based revitalization suited the values of the brewery's founders.

La Barberie has an estimated 60 beer recipes. Nine beers are bottled and sold, while a rotating selection is available at the tasting room. The brewery specializes in providing beers for special events or brewing recipes exclusively for various pubs across the province. In 2012, *La Barberie* had approximately \$1 million in sales at the tasting room and \$1 million in sales to other pubs, grocery stores, and other outlets. Brewing three hectoliters of beer a year makes *La Barberie* one of the larger microbreweries in the province. Worker-owner Jessica Provencher noted that “the really big brewer is 80 hectoliters” while “80 of the 100 microbreweries in Quebec brew less than 1 hectoliter. We are above the small ones and below the huge one. There are 2 - 3 big microbreweries, and we are one” (interview). The expansion of microbreweries has intensified; in 2012 the province more than doubled the size of the microbrewery industry, approving over 100 permits for microbreweries compared to the 95 breweries in existence the year prior (Provencher, interview). *La Barberie* was the first microbrewery organized as a worker cooperative. Since their founding in 1995, about seven cooperatively owned

breweries have emerged. In fact, as the sector continues to grow there is talk of federation (Provencher, interview). *La Barberie* already participates in the *L'Association des microbrasseries du Québec*, the trade association for microbreweries. The community is tight-knit, described as a friendly community of brewers who are passionate about their trade (Provencher, interview). If the cooperative federation emerges, it is unclear how it will differ significantly from the trade association. Its role, however, may not be immediately apparent, in the same way that the federation of forestry cooperatives was not well-utilized until problems arose.

The co-op has 25 workers, 18 of whom are full and auxiliary members (Provencher, interview). These 25 persons occupy about 10 – 12 different positions. It is not unusual for a person to have two positions; for example, a person may be a director of events and may also work in production. A board of five directors, elected from among the members, governs the cooperative (Provencher, interview). Ms. Provencher described the process for becoming a member. First a worker must go through an 18-month probationary period, after which the employee can register interest in becoming a member. If accepted by a vote of the board, the member begins paying \$4,000 for an equity stake in the co-op. This can be paid through a minimum of 8% of the paycheck being contributed and should be paid in full within two years of becoming a member (Provencher, interview). Members tend to come and stay: “So we don't have a lot of staff changes. In our bar we are nine, and I don't think you can find another bar or restaurant where all the barmen are there two years or more. Every time someone comes, he stays—or almost” (interview). Members enjoy higher wages, scheduling privileges in the bar, collective insurance, more vacation time, and more free beer when they go on vacation (Provencher, interview).

Changes and Challenges

The co-op has engaged the cooperative ecosystem at various times during its 17 years of existence. In the beginning, the co-op founders received financing assistance from *Fond d'emprunt économique communautaire*, *Caisse d'économie solidaire Desjardins*, and *Investissement Québec*. The *Fond d'emprunt économique communautaire* aims to “provide a source of funding for those with business plans but without access to conventional credit. [Their] goal is to fight against poverty by focusing on economic development” (Fond). The *Fond's* support proved so influential that *La Barberie* bottles and sells a beer called *Brasse Camarade*, and a portion of the sales go to the *Fond* in order to support further development. The *Caisse d'économie* continues to play a supportive role; if the co-op ever expands or purchases their building, the *Caisse d'économie* would likely serve as the financier for the deal.

The cooperative also receives support from the CDR Québec -Appalaches. The CDR came to the co-op to provide training for members and the board, helping them to understand the role of the member, the board of directors, and assisting members to understand exactly what a cooperative is. They also ensure that *La Barberie* follows the stipulations of the law.

In 2010, internal challenges threatened the cooperative. At that time, the cooperative had about 9 - 10 members but was growing rapidly. Despite the booming business,

Our co-op life was really, really bad. We didn't pay attention to it. I think a lot of members who, 2 years ago, had the impression that [the general manager and co-founder] had not created a co-op because he wanted it but because it was a good way to have money at first. I personally believe that he really believes in the movement, but it was difficult for him to let go [of] the baby. He had good ideas to develop to grow [the cooperative], really good ideas, but maybe it was difficult for him to manage humans. (Provencher, interview)

This management challenge led the members to create a staff position in the cooperative, *Responsable de la vie coopérative et du développement durable*, which roughly translates to responsibility for cooperative life and long-term development. Ms. Provencher recalls that “the members at some point decided that enough was enough. They said [to the co-founder/general manager] ‘Stay there, because we don't want to kick you out. Ok you're there, you have good idea, you can still be there, but we need some balance between numbers and humans’ ” (interview). The member filing this role, Jessica Provencher, spends about 7 – 10 hours a week in this role in addition to working in the pub. She describes her role as “bridging”; Ms. Provencher ensures that the ideas and needs of the members are considered by the proper director and the board of directors. She sits on the board, not as an elected member but in order to fulfill her role; “the point is to get people to give their ideas and invest in democratic spaces” (interview).

In September 2012, the last co-founder left *La Barberie*. The other two founders had departed several years earlier, pursuing careers in music and energy efficiency (Provencher, interview). Problems within the cooperative had reached a point where the general manager/co-founder decided he could not take the company to the next level. The board appointed one of the current members to serve as interim general manager. As the members prepare for the next phase of the enterprise, they have called on the *Reseau*, of which the co-op is a member, the CDR Québec -Appalaches, and a cooperative development consultant to guide the co-op through a period of reflection. The Pierre-Luc Bonneville, director general of the CDR Québec -Appalaches, described the process *la Barberie* is engaged in. It includes meetings with all the members, consultation by phone, e-mail, and smaller consultations with

individual members of the cooperative (interview). A primary focus of the reflection is defining the co-op and the roles for each person in the cooperative.

Using the Ecosystem & Building Your Own

Overall, the development of *la Barberie* has certainly been shaped by the cooperative ecosystem. However, Ms. Provencher offers a critique of cooperatives and their limited use of the available supports:

I think co-ops themselves have to define what they need. I think in our case, *La Barberie* went through the years just by going into the waves and we just surfed on the waves. We never defined our strategy. If co-ops got to know themselves more and just asked what are the next steps, I think they would be able to ask for more services. That was our need to have strategic developers, and we got them in the sectoral federation. If I didn't know that they were giving these services, we would just not have asked for it. We wouldn't have thought of it without a suggestion. They might promote the services more. But you see a lot of these federations try to get co-ops to know each other, but I think we create these bridges between all the co-ops but I think we just don't use it. We know it's nice to have some co-op beside us, but we don't know when and where we can ask them, what we can share. So we have a big network, but we just don't use it. (interview)

The cooperative also contributes to the ecosystem: beyond the contributions to the *Fond*, Ms. Provencher serves on the boards of the CDR Québec Appalaches and the Canadian Worker Cooperative Federation. While this is not required as part of her job, she is motivated by her own ambitions and her deep belief in the power of worker cooperatives to transform society. Observing the dire situation for cooperatives in the rest of Canada, she reasoned that being part of a national federation aimed at lobbying and beating back the actions of the conservative parliament might affect some change at that level (interview). In addition, she appreciates seeing the problems in the rest of Canada; “We are miles from other co-ops but we have the same problems. We have the same issues and solutions in one can help another” (interview).

In addition to participating in cooperative organizations, *La Barberie* collaborates with other businesses and cooperatives in the neighborhood.

The co-op offers some examples of working with other co-ops and businesses of like values - but we don't do it systematically, but we try to encourage the social economy. We work with a lot of

the little industries in the neighborhood. They are not co-ops but they have the same values. Every third Sunday of each month, we have [an event] and we buy bread from the bakery around the corner. And this bakery is on its way to become a co-op. It's not the policy but we try. On [a nearby street there's] a co-op where they sell cheese and fruit, veggies, bread, meat. [It is a] co-op of producers that came together and opened a grocery and there's a little fast food in there. We sell beer there. And also they sell onions caramelized with our beer. It's a little social business in the neighborhood that takes our beer to derive some products. (interview)

The *La Barberie* case exemplifies the roles the cooperative support system can play throughout the life of a cooperative. The financial network provided startup capital and ongoing support to the rapidly growing business. The technical assistance providers stepped in during a challenging time of transition. The cooperative needed to develop a way to foster the cooperative principles within the co-op, which included creating a specific position. The person filling that role not only promotes active participation of worker-owners in the cooperative, but also builds relationships with organizations throughout the cooperative network. Her role also allows the cooperative to live out the principle of cooperating with other cooperatives and demonstrating concern for community; by collaborating with other neighborhood businesses, *la Barberie* is cultivating a local ecosystem of cooperatives.

Section III: Coopérative des techniciens ambulanciers du Québec – CTAQ

I spoke with Mathieu Bourassa, a worker-owner at CTAQ and president of the board. We were joined by Éric Hamel, a work-owner and part of the management team; Mr. Hamel is director of clinical services and logistics. The information in this case comes from my interview with them.

The Cooperative

The worker-owned cooperative *Coopérative des techniciens ambulanciers du Québec* (CTAQ) provides paramedic services in four regions of Québec; Québec City, Laurentides Wildlife Reserve, Charlevoix, and Saguenay. The cooperative has over 350 members, operates 54 vehicles including 46 ambulances (CTAQ, 2013). The region covered, number of members, and number of vehicles make CTAQ the largest ambulance company in Québec. CTAQ hopes to expand this year adding several vehicles, increasing staff to operate the vehicles, and increase the size of its headquarters through the purchase of an adjacent warehouse.

A majority of CTAQ's members are paramedics, excluding some non-paramedic roles. To become a paramedic one must complete a three-year degree and pass a provincial examination. Some

members' first exposure to the co-op occurs during their studies; each student must complete a 200 hour clinical rotation which might be completed at CTAQ. To become a CTAQ member one must go through a probationary period of 480 hours, which can take up to one year to complete. Once a person is approved for membership s/he begins paying \$10,000 to purchase an equity stake in the company. The money is deducted from the member's paycheck. The investment qualifies for a provincial tax credit, the CIP, and thus the member will receive a deduction on provincial tax returns.

The CTAQ board consists of seven members elected by the membership and three outside experts. The members elect the board and the board elects the president from among themselves. The current president has served in that role for four years. The board represents all four of CTAQ's service areas. The board meets once a month for an entire day. The board responsibilities include hiring a quality general manager, articulating the vision of the co-op, approving the budget, approving expenses over \$25,000, and dealing with suspension and firing of members.

In Québec, paramedic and pre-hospital services are public services provided by private companies. As such, the provincial government reimburses CTAQ for services provided. In addition, the *Ministre de la Santé et des Services sociaux* (MSSS, Ministry of Health and Social Services) must approve any expansion of ambulance companies. CTAQ applies to the local branch of the ministry for ambulance permits. The local health agency must approve the request for a permit and confirm that the area needs more ambulances. Each permit allows the company to purchase one ambulance. Each permit costs the company \$1 million upfront, but CTAQ is reimbursed by the government. As the province's population continues to age the need for paramedic response and transportation to hospitals is increasing. With the government as a reliable, paying customer, the cooperative does not have to worry much about generating revenue.

Engaging the Ecosystem

While most of the challenges CTAQ faces arise from their relationship with its union and internal challenges of cooperative management. Still, they do connect with other organizations in the cooperative ecosystem. Since the beginning, the cooperative has worked with *Caisse d'économie* for banking and financial help. CTAQ benefits from working with a credit union that understands the way the cooperative needs to work with and answer to its board. In 2011, the *Caisse* provided \$520,000 of financing allowing CTAQ to expand its building in Québec City (Ciasse, 2011). Future building expansions or purchases of new ambulance permits will rely on financing from the *Caisse*.

The federation of ambulance cooperatives, the *Federation des cooperative des paramedics du Quebec* (FCPQ), consists of seven cooperatives. FCPQ's membership accounts for about 1/3 of the ambulance companies in Québec. The president of each cooperative sits on the board of FCPQ. In turn the FCPQ represents the industry at the *Conseil*. The federation formed in 2005 and is young relative to the age of many of its members. CTAQ's president, who is also president of FCPQ, said CTAQ does not need many of the services provided by the federation because they are such a big co-op. Overall, because of the virtually guaranteed, recession-proof demand, the ambulance industry has secure financial resources and, unlike other sectors, the federation members do not need each other to survive. So the federation struggles to find projects that are useful and of interest to its members.

Finally, the tax policies at the federal and provincial level provide an important source of financing for the cooperative and its members. When members purchase their equity share in the company the amount can be deducted from their taxes. This makes it easier for members to buy in.

Founding Story

CTAQ's founding and ongoing operations have been greatly influenced by organized labor. CTAQ was founded during the time when the PQ invested heavily in worker cooperative development as a strategy for job creation. The down economy of the 1980s, the energy for worker cooperatives, and the unions' relationship with the PQ are the context for CTAQ's founding story. The CSN, *Confédération des syndicats nationaux* (Confederation of National Trade Unions), represents several trades, including paramedics. In 1983, a trade union was organized among the workers of 21 ambulance companies in Montréal (Quarter, 1995). At that time many of the ambulance companies were small mom and pop operations. Workers were poorly paid, and felt they were unable to provide quality service. The union eventually secured a contract for the workers in 1986 (Quarter, 1995). Unionization and the contract transformed the industry, and many of the small companies could not survive or chose to sell (Quarter, 1995). This created an opportunity for the workers to purchase the companies and form cooperatives.

CTAQ formed in 1988. Eric Hamel, who currently serves as the director of clinic services, was a paramedic in one of the firms that would merge to become CTAQ. He describes the founding of the cooperative:

[At the time] there were 3 kinds of ambulances businesses in Québec City. Two were owned by the same owner, who also owned a funeral house. At that time, the union was coming through the system. And at that time the owner said, 'The funeral is going well, the ambulance is OK, union will be complicated, let's sell it.' At that same time, those workers thought, 'OK, how can

we buy our boss?' They made research and found the co-op way. There was another way of going to the bank and borrowing money. But they were not going to be able to afford that. So they said, "Let's do a co-op." But [the owner of the third ambulance company] said, "If these two get together we'll die! So we'll ask if we can join." So members from two companies founded the co-op and asked for the money from the government. (Interview)

When asked if the union drove the process of becoming a cooperative, Hamel said, "Yes and no." On one hand, the union supported the move, but he stated that the union actually wanted ambulance services to become public services. He suggested the union wanted to buy the companies and bankrupt them, thus forcing the government to provide the services. He noted that this happened in Montreal. In contrast, he said, workers in the other regions made significant financial investments in the formation of the co-ops and elected to continue the co-ops. In this version of the founding story, the unionization was the impetus for the sale of the ambulance company. While amenable to cooperatives, the union was not necessarily pushing for the cooperative. This account aligns with some scholars who write that the union turned to cooperatives as a last resort and not necessarily as the first option (Quarter, 1995).

Unionized Worker Cooperative

The union has helped achieve major changes in the industry itself. Sixty percent of all paramedics in Quebec belong to the *Fédération de la santé et des services sociaux* (FSSS-CSN, Federation of Health and Social Services). The FSSS-CSN includes two sub-groups, *Rassemblement des employé-es techniciens ambulanciers du Québec* (RETAQ-CSN, Rally of EMTs Quebec) and *l'Association des travailleurs du préhospitalier* (ATPH-CSN, Association of Prehospital Workers). The union negotiates contracts on behalf of its 2,500 paramedic members (Federation, 2013). The contracts apply to all the paramedics; they are not firm specific. Thus wages and other agreements apply to all paramedics. At the time of unionization, in the late 1980s, paramedics in the companies that would become CTAQ earned about \$9.35 an hour and now earn approximately \$30 an hour (figures not adjusted for inflation) (interview). The FSSS-CSN negotiates these terms with the Ministry of Health and Social Services and the employers' associations, *la Corporation des services d'ambulance du Québec* (CSAQ Corporation of Ambulance Services of Quebec) et *l'Association des services d'ambulance du Québec* (ASAQ, Association of Ambulance Services of Quebec) (Federation, 2013). The employers' associations represent all EMS companies in the negotiations with the government.

While CSN certainly helps advocate on behalf of paramedics and thus achieves better pay and

benefits for the paramedics in CTAQ, the cooperative nature of CTAQ complicates the relationship. The union negotiates with the owners on behalf of the workers; in a worker cooperative the workers are the owners. So CTAQ is part of the employers' association (CSAQ), and in that way the interests of the cooperative members are represented. The members, who are unionized, are also represented by the union. A recent incident exemplifies this complexity:

Lately we are having a convention [contract] and they put stickers all over their trucks about "We don't like our conditions." Hold on, would you put stickers on your car? And pay to take stickers off your car? No. But they've done it twice in a month. (interview)

Mr. Hamel means that as the union heads into negotiations, workers typically put bumper stickers all over the ambulances. However, in the co-op the workers own the ambulances and then the co-op has to pay for the stickers to be removed.

In the opinion of management and CTAQ's president, managing the union relationship is quite difficult. The tradition of needing to fight management is most familiar to many members:

In our case [the] union is like a...kind of bizarre. Because we are our own owners. And we own the business. And if we are logical about this we are our own boss and you create your own wealth. And we have a union, which many times a year comes to us and we have griefs about many things. Especially in our business, EMS, because people had been fighting for their money for their level for about 20 years and they've been fighting pretty hard. And they have the mentality that we should fight with the boss. And they don't have the mentality that they are their own boss. (interview)

Management and leadership acknowledge that the union plays a critical role; however, they believe the union needs to create a different way of engaging members who are part of cooperatives. The union should distinguish between negotiating for strong contracts and organizing within the co-op. The current structure of the cooperative allows members to join committees, report problems to the appropriate leaders, and to work within the cooperative to solve problems. Instead, the president and manager see the union making problems that could be handled internally into grievances with union representation (Bourassa and Hamel, interview). The manager also expressed the idea that unions protect members who might not be performing well.

While the unique union situation certainly contributes to friction, some of the challenges might be due to the nature of worker cooperatives and the challenges that typically arise. Often members do not understand the differences between their roles as employees and owners. Some CTAQ members think that because they are owners they should use that position to constantly question the decisions of

management. While being questioned can be tough, the main challenge seems to be the way the questions are communicated, in that members do not always follow the desired communication channels, making it difficult for the board, managers, and committees to do their respective work. Members forget that, “You have a share in the business, you are not *the* boss—it’s not the same thing” (Hamel, interview). The president, Mathieu Bourassa, noted that:

Sometimes they communicate with me directly, but it’s very important to respect the line between the president, the board, the director. If they ask me something about the operation I can answer the question. If they want me to take a decision, I have to say it’s not my yard. And I ask them to communicate with the person who is over that, because if I said yes then it could be a war between the managers and the board. (interview)

Additionally, the size of the cooperative leaves some workers feeling that their ideas and perspective are not adequately represented.

In order to deal with the challenge, the managers (who are worker-owners) invest time in explaining decisions to the board. The board in turn works hard to communicate the decisions to the membership in open and transparent ways. Sometimes the board asks the federation of ambulance cooperatives to conduct training for the board in order to prepare them to do their work better. However, as an elected body the board is primarily political, and this can clash with more business-minded aspects of what managers focus on. Members may want those on the board to take actions that would not be prudent business decisions, which can lead to more consternation.

Section IV: Summary & Implications

These two cases illustrate the roles the cooperative support system plays throughout the evolution of a worker cooperative. *La Barberie* illustrated that even small cooperatives can face internal challenges of governance, communication, and member engagement. These challenges led to the creation of a new position and, ultimately the departure of the director/co-founder, all shaped in part by engaging support organizations. Specifically, the co-op turned to its federation, the *Reseau*, as well as a private consultant. The cooperative structure allowed channels for workers to express their dissatisfaction with the working conditions and to take actions to change them. As the situation evolved, the members could turn to the ecosystem for support. However, as Ms. Provencher noted, many cooperatives remain

unaware of the services available in the ecosystem. This suggests that other co-ops could benefit from these services, but do not access them.

Throughout *la Barberie's* operations, the local CDR helped the worker-owners understand what a cooperative is and how to distinguish the roles of worker and owner; this is a type of training that can maintain worker engagement and integration of new members. In addition, *la Barberie* relied on the finance system for support, both the local *Fond* as well as the *Caisse d'economie*, which operates throughout the province. These lenders have allowed for the continual expansion of the cooperative.

La Barberie has not only taken advantage of the ecosystem's services, but actively participates in the ecosystem. Ms. Provencher serves on two boards, one at the provincial level and one at the national level. In contrast, the ambulance cooperative is not very active in the ecosystem. *La Barberie's* participation could certainly be the prerogative of Ms. Provencher; however it is more likely that her participation is enabled by the culture of the business. Furthermore, the culture of community engagement—perhaps inspired by the cooperative principle of concern for community—is reflected in many actions that the cooperative takes, such as collaboration with nearby businesses. The community engagement is also part of the brewery's value proposition; acting as a community center of sorts builds the brand and value of the brewery. All of these factors act together, and this analysis does not purport to sort out which aspects are caused by the cooperative structure and which actions are simply those of a growing small business. Still, the combination yields a work place that aims to be highly democratic, engage in the community, and cooperate with other cooperatives.

CTAQ presented a unique and complex case. While CTAQ participates somewhat in the cooperative ecosystem, the paramedic ecosystem of unions, the health ministry, and the ambulance operators' association are far more relevant to the co-op's daily operations; this is the product of a unionized industry whose contracts are bargained through tripartite negotiations with the union, the ambulance companies, and the government. CTAQ's relationship with the union is difficult and yet necessary; the worker-owners' salaries are the result of union organizing and periodic negotiations with the Ministry of Health and Human Services and ambulance companies. Yet, the union tactics have not adapted to the cooperative context. Many in the United States look to unions as a potential source of strength for the worker cooperative movement; CTAQ presents a case of the challenges that can emerge when union tactics do not change despite the change in the relationship between a worker and the company. Finally, though CTAQ struggles with the union relationship and internal challenges, the support of the provincial government makes the business secure, with little concern for where revenues will come from.

CTAQ's size and stability distance the co-op from the ecosystem. The co-op does rely on the *Caisse d'économie*—the credit union that informants identify as most closely allied to the cooperative movement—to finance its expansion and current operations. The co-op also participates in the ambulance co-op federation, with CTAQ's president serving as the federation's president. However, the reliance on and participation in the ecosystem is far less tangible than *La Barberie's*. CTAQ's level of participation may resemble the forestry cooperatives' ecosystem participation before the most recent crisis. However, one might argue that greater participation in the ecosystem might reduce some of the internal challenges the cooperative faces. Consultant Alain Bridault described how he assisted ambulance cooperatives in dealing with communication challenges and forestry cooperatives in dealing with union issues (interview). Working with consultants like him or others in the ecosystem might allow the cooperative to develop better systems, processes, and a different culture that reduces these challenges. However, the overall security of the cooperative might make the co-op content to let the challenges persist. After all, the forestry cooperatives did not invest in changes until a problem occurred. Without a pressing need, the co-op may not be motivated to engage the ecosystem.

Overall, these cases demonstrate that the Québec ecosystem impacts cooperatives at different points and in different ways. During times of change, such as needing a loan for expansion, or challenge, such as losing the director/co-founder, the firms turn to different actors in the support system to grow and overcome. Without institutions committed to the success of the cooperatives and with a deep understanding of the cooperatives, these businesses may not have experienced the growth observed. Perhaps even more instructive is the fact that these cooperatives are absorbed by the day-to-day operation of their firms, and therefore lack the time to lobby, advocate, create new financial products, and conduct research. The ecosystem allows the cooperatives to focus on their core business, while still benefiting from the strength of having a united voice working closely with government and other actors.

Chapter 5: New York City through the Lens of Québec

Overview

This chapter reviews and then applies the lessons from the Québec cooperative development ecosystem to New York City, seeking to identify ways actors there can bring worker cooperatives to scale. I begin by recapping the major lessons of the Québec approach. The chapter then introduces the key actors in New York City, describes recommendations, and proposes immediate next steps.

Section I: Findings

The cooperative ecosystem cannot be separated from the larger historical, political, and cultural context in which it exists. Québec has long sought ways to preserve Francophone culture and to assert its identity. As a French-speaking province surrounded by Anglophone Canada and the United States, Québec has a combative mentality that provides a measure of unity amongst the Québécois. In this context, the succession movement has found fertile ground, launching two referenda on sovereignty. The voters nearly passed the 1995 referendum, demonstrating that the desire for independence is broadly shared. The desire to build a strong provincial economy that could one day become a national economy manifested itself in support for cooperatives. Furthermore, the Québécois are open to government intervention in the economy, adopting a pluralist view of the economy that has a solid role for government. The citizenry as a whole is more accepting of government intervention, thus limiting challenges to public support for cooperatives and other interventions in the economy.

The ecosystem serves all cooperatives, not just worker cooperatives. In this robust ecosystem, worker cooperatives remain the smallest of all cooperative types and have the lowest survival rates compared to other types. This begs the question: Should Québec serve as the model for worker cooperative development? The fact that worker cooperatives are the smallest in number compared to other types of cooperatives suggests the difficulty of starting and maintaining them and that there is less interest in this model. New York City and others should not look to this ecosystem as the model worker cooperative development ecosystem, but rather understand it as a *cooperative* development system in which worker cooperatives are one of many beneficiaries.

In order to deliver on the potential to build wealth, cooperatives must sustain a focus on wealth creation as a core value. This thesis postulated that cooperatives *could* be part of building shared wealth—that is collectively owned assets that are democratically governed. Structurally, cooperatives are set up to achieve that mission, but that does not guarantee the outcome. To be more precise, the structure is necessary but insufficient for building long-term financial wealth and for building other types of wealth. Indeed, the structure must be combined with a set of values in order for a co-op to build multiple forms of wealth. For example, the director of the federation of forestry cooperatives explained that the co-ops can break down over time after new generations of worker-owners join who may not share the co-op values (Lessard, interview). Indeed, he sees reinforcing values as a key part of reviving the forestry sector. Genevieve Huot, of the *Chantier*, expressed similar concerns about the need to connect the workers and members of cooperatives with the vision for building a new economy (interview). The ecosystem cannot afford to focus only on structures and standard measures of firm growth but must endeavor to inculcate values into the secondary institutions, the cooperatives, and the communities that support them.

The size of Québec's cooperative sector—the number of firms, the economic impact of those firms, and the number of members across the province—gives the sector immense influence in the economy as well as political power in the province. Large and small cooperatives consolidate their power through sectoral federations and the apex organization (the *Conseil*), in order to co-construct public policy with the provincial government. The provincial government cannot ignore cooperatives because they are so large and critical to the provincial economy. The support of the government reinforces the cooperative sector by creating and sustaining institutions that develop new cooperatives and assist existing ones, which continues to increase the scale, impact, power, and importance of cooperatives.

The provincial government has not only had to support cooperatives because of their size, but also uses cooperatives to achieve its economic development objectives. Through cooperatives, the provincial government can create and sustain firms owned and governed by Québécois, thus firms that cannot be bought by or sold to foreign owners. This allows the government to build a strong financial base from which it could launch a sovereign Québec. Thus, the government supports programs and policies that further its own objectives, such as the business succession program. The involvement of the public sector in creating the ecosystem cannot be overstated. The decision to award 50% of forestry contracts to cooperatives, the decision to award day care contracts to cooperative day care centers, the passage of the Cooperative Law, the more recent Cooperative Development Policy, and other actions catapulted the cooperative movement forward. Just as the public sector supports capitalist enterprises, so to public support is needed for cooperative enterprises.

The provincial government and apex organization connect, coordinate, and manage the cooperative ecosystem, which is a decentralized network of independent organizations. Coordination, conflict resolution and other functions are critical to understanding those roles and the robustness of the ecosystem and cooperative sector as a whole. The *Conseil* and the provincial department of cooperatives play leading roles in coordinating and managing the network in order to achieve larger goals. Most secondary institutions are autonomous, non-governmental organizations. However, the secondary institutions rely on the public funding, which is often passed to the *Conseil* or other federations. The government prefers to communicate and interact with federations, thus necessitating the formation of federations and facilitating interaction among cooperatives and organizations. The decentralized nature of the Québec ecosystem allows communities, organizations, and cooperatives to maintain autonomy, while also requiring coordination and collaboration.

The decentralized nature of the system is not without its challenges. For example, the Vision 20/20 restructuring process requires consensus building and deliberation among many organizations. Most organizations do not have any incentive to consolidate; so moving the system forward requires negotiations with multiple parties, which adds complexity and time to the process. In addition, tensions between organizations can make it difficult to achieve unified goals. However, even though organizations may not always agree, they are compelled to work together in order to receive funding from the government. Tension is not eliminated from the ecosystem, but the structure encourages interdependence and requires organizations to work together despite their differences.

The diversity of the actors in the ecosystem serves as a source of some of the tension in the system. The history of the Québec cooperative movement is not one of a unified group with a shared vision. A wide variety of individuals with different political beliefs and motivations have found their way into the cooperative tent. Over time, parties disagreed, parted ways, and came back together. For example, in 1980, the predecessor to the *Conseil* declined further government assistance in order to maintain their independence. The social movements stepped in and accepted help from the government in order to start cooperatives. The PQ government happily worked alongside these organizations, establishing the CDR network, consulting groups, and other institutions to further the development of cooperatives in order to create jobs and lower the unemployment rate. But, in the early 1990s the *Conseil* aligned with the government and other institutions and began managing the CDR network. The cooperative sector is a big tent, and everyone underneath it does not have to agree for the network to be effective

The apex organization also ensures the cooperative voice is adequately represented in government negotiations. The *Conseil* is a federation of federations that allows cooperatives to speak to government

in a unified voice. The *Conseil* also serves as a forum for cooperatives to come together to discuss how best to strengthen the cooperative sector. Finally, the *Conseil* administers many of the publicly supported programs, allowing the cooperative movement to have direct control over program implementation, which gives the sector more autonomy from the government.

Section II: The Worker Cooperative Movement in New York City

Though the NYC worker cooperative scene is small, interest has increased in the last few years and continues to grow. Several support organizations have emerged, providing an array of services. These organizations fall into several categories, including development, incubation, finance, and federations. The makings of a robust ecosystem exist, but the institutions are not coordinated and networked as tightly as in Québec.

The number of worker-owned cooperatives in the New York City is quite small. Though no definitive count exists, the New York City Network of Worker Cooperatives (NYC NoWC) has fifteen members listed on its website. These members range from Cooperative Home Care Associates, which boasts 2,000 members and is the largest worker cooperative in the US, to OccuCopy, with approximately four staff. However, not all worker cooperatives are members of NYC NoWC, so their membership total may undercount the real number.

Three cooperative development organizations serve the NYC metro area, the Center for Family Life, Green Worker Cooperative, and the Working World. In 2006, the Center for Family Life (CFL) in Sunset Park, Brooklyn established a program to incubate worker-owned cooperatives as a way to provide jobs and better working conditions for their clients. CFL has incubated five cooperatives, three of which are still in operation. Through trial and error, the Center for Family Life has settled on a method for cooperative development that it is now exporting to other non-profits. In 2013, Make the Road New York and Westchester Square Partnership will learn from CFL and incubate one cooperative each, a cleaning cooperative and a baby nurse cooperative (Bransburg, interview). Four additional organizations will be brought on later in 2013 to learn how to develop cooperatives (Bransburg, interview). Throughout this process CFFL has worked closely with the Urban Justice Center, a legal services, advocacy, and organizing group, that has provided legal advice and services to CFL and the cooperatives (Bransburg, interview).

Also in 2006, Green Worker Cooperative Academy began, though in a much different form than today. Initially, Green Worker served as a way to recruit worker-owners for the cooperative Rebuilder's

Source. The idea was that Green Worker would help establish green, worker-owned businesses in the Bronx. However, Rebuilder's Source, which "recycled building and construction materials from surplus inventory", closed in 2010 (Salazar, C., 2008). After that, Green Worker revamped the curriculum for the training and unveiled a fundamentally different program, aimed at preparing cooperative entrepreneurs to start their firms (Freilla, interview). Participants meet one evening a week and two Saturday's a month for four months. Through the training, participants learn basic business development strategies and tactics, as well as cooperative principles (Freilla, interview). The training, which began in 2011, accepts several teams of at least three people into each class, and runs two sessions in a year (Freilla, interview).

Though founded in 2004, the Working World did not begin operations in the United States until 2011. The Working World began in Argentina. Founded by a former Wall Street investor, the Working World provides technical assistance to and capital for worker-owned cooperatives (Martin, interview). The Working World then expanded to Nicaragua and now operates in New York City, where it has made loans to three firms.

Two additional organizations provide limited development services to co-ops. The Northern Manhattan Improvement Corporation has also incubated a cooperative, Eco-Mundo a cleaning cooperative; it is unclear if incubation continues to be part of their programmatic agenda. In addition, Worker's Development also provides limited technical assistance to worker co-ops, though Worker's Development's has devoted more time to developing IPOs as a means for cooperatives to raise capital than to technical assistance (Michaels, interview).

These organizations and cooperatives came together in 2009 to form the New York City Network of Worker Cooperatives (pronounced "nick-knock"). NYC NoWC has not yet developed a clear purpose and strategy. Nonetheless, it has served as an important forum for connecting cooperatives, for promoting the cooperative model throughout the city, and has successfully advocated for city council funds to be awarded to the Center for Family Life in 2012 (Michaels, interview).

In addition to the Working World, two finance organizations serve worker cooperatives. The Lower East Side People's Federal Credit Union (LESPFCU), a community development credit union founded in 1987, loaned \$50,000 to COLORS, a cooperatively-owned restaurant (Levy, interview). The former employees of the Windows on the World restaurant in the World Trade Center and the Restaurant Opportunities Center (ROC), an organizing and advocacy organization, founded COLORS in 2006. The Nonprofit Finance Fund "spearhead[ed] a consortium of lenders that raised over half of the \$2.2 million needed" (Nonprofit Finance Fund, 2006). LESPFCU cannot participate in loans with non-regulated institutions, so the LESPFCU loan stood alone from the loan packed by the fund (Levy,

interview). Though all parties involved charged off the loan, LESPFUCU has not been deterred from seeking more ways to support worker cooperatives. However, regulations do not allow the credit union to lend to non-natural persons; that is they are required to make personal loans to individuals and require a guarantee. This is antithetical to the cooperative structure, and the principle of sharing both the debt and equity among the members. The LESPFUCU received a waiver from their regulator allowing them to make loans to low-income housing cooperatives in New York City, and they anticipate a similar waiver for worker cooperatives (Levy, interview).

In 2013, the Neighborhood Economic Development Advocacy Project (NEDAP, changing its name to the New Economy Project) will launch a loan fund for worker cooperatives. Though the fund's structure has yet to be defined, NEDAP hopes the fund demonstrates that worker cooperatives are a sound investment. NEDAP wants to develop a model for lending to work co-ops that other lenders can replicate, thus multiplying the sources of capital for worker cooperatives (Del Rio, interview).

A number of organizations view worker cooperatives as part of larger efforts to create the new economy. Solidarity NYC, the Bronx Cooperative Development Initiative, and the New Economy Coalition are just some of the organizations that do not currently provide direct services to cooperatives but hope to play a role in the development of the new economy or economic democracy in New York. While the theories of change motivating each of these organizations vary to some degree, these organizations all hope to create an economy where ownership is more dispersed and the economy is more accountable to society. A variety of projects have been undertaken to further this goal. Solidarity NYC has mapped various solidarity economy enterprises in the city and features them in an interactive online map (Weber, interview). Solidarity NYC recently completed a research project, "Growing a Resilient City: Possibilities for Collaboration in New York City's Solidarity Economy" (2013) outlining how these organizations can collaborate. The New Economy Coalition, a merger of the New Economics Institute and the New Economy Network, combines the energy of grassroots organizing with the intellectual capacity of academics to organize for a just and sustainable economy (Weber, interview). The New Economy Coalition has several projects, including a network of college organizations and an annual conference. The Bronx Cooperative Development Initiative, a project of MIT's Community Innovators Lab, has assembled a broad group of stakeholders in the Bronx to propose and pursue an economic development strategy that includes building locally owned cooperative businesses that will serve anchor institutions, such as hospitals (Iuviene, interview).

Organized labor in NYC has recently shown interest in worker cooperatives. 1199SEIU, a local of Service Employees International Union (SEIU) is part of the BCDI steering committee and provided BCDI with office space in their midtown building (Iuviene, interview). 1199SEIU is the largest local

union in the world, with over 400,000 members in New York, New Jersey, Massachusetts, Maryland, and Florida (1199SEIU, 2013). BCDI leveraged support from 1199SEIU to begin discussions with Montefiore Hospital, where many staff are part of 1199SEIU. 1199SEIU's participation attracted Montefiore's attention. The hospital ultimately joined the BCDI steering committee and cited the support from 1199SEIU as key (Iuviene, interview). In addition, the Alliance for Greater New York (ALIGN) and Cooperative Home Care Associates are beginning exploratory discussions regarding the possibility of expanding the cooperative or spinning off other home care cooperatives in the city (Ryan, interview). ALIGN is a long-term labor and community partnership, bringing together organized labor and community based organizations in NYC to run joint campaigns that build collective power. CHCA members are also members of 1199SEIU. Home health care is projected to expand rapidly over the next few years. The Professional Health Care Institute reports "nearly 50,000 new home care positions are expected between 2006 and 2016 from growth alone (Professional, 2010). Though plentiful, the jobs pay low-wages. Labor and community organizations have an interest in improving the wages and working conditions for these workers. The expansion of CHCA could be an opportunity for labor, community, and cooperatives to achieve common goals.

It would not be unusual for labor to work with cooperatives, as New York labor leaders of the 1920s led the construction of thousands of units of cooperative housing that are still occupied today (Levy & Siegler, 1986). In addition, the Knights of Labor and Knights of St. Crispin, two labor organizations, founded a number of worker cooperatives in the post-Civil War era. These unions viewed cooperatives as a form of labor resistance that would eventually lead to self-sufficiency (Lichtenstein, 1986). These unions declined in prominence in the early twentieth century. The AFL, which gained strength, "did not view cooperation as a strategy that could be developed quickly enough and effectively enough to challenge the growing alliance between big government and big business" (Lichtenstein, 1986, p. 3). Thus, labor in NYC has a history of supporting cooperatives, but not worker cooperatives.

Despite the dearth of worker cooperatives, other cooperatives are prevalent throughout the city. Housing cooperatives and financial cooperatives are the most common. The housing cooperatives in New York can be divided into two groups, one group is dedicated to low and moderate income persons, and the other group has higher income members and is not concerned with affordability (Levy, interview). The city assisted with the development of low-income housing cooperatives through the Tenant Interim Lease purchase program (TIL) operated by the NYC Department of Housing Preservation and Development (HPD). Under TIL, city-owned apartment buildings are renovated and tenant associations can manage their own buildings under 11-month renewable leases. If the association demonstrates the ability to successfully manage the building, the tenants can purchase the

buildings for \$250 per unit (Department of Housing, 2013). The TILs serve low-income persons and are income restricted for 30 years (Department of Housing, 2013). Low-income housing co-ops receive training and technical assistance from the Urban Homesteading Assistance Board (UHAB). UHAB works to ensure that renters are equipped to become owners of co-ops created from buildings formerly owned by HPD. UHAB reports that, “Since 1973 UHAB has assisted in the preservation of over 1,700 buildings and created homeownership opportunities for over 30,000 households” (Urban, 2013). UHAB also engages in organizing and advocacy for low-income housing. In addition, the Federation of New York Housing Cooperatives and Condominiums and the Council of New York Cooperatives and Condominiums provide training, technical assistance, and policy advocacy. The latter organizations belong to the National Association of Housing Cooperatives, which focuses on federal advocacy, education of co-op members, and promotion of cooperative housing.

Financial cooperatives include credit unions, community development financial institutions, and community development credit unions (CDCU). There are over 130 credit union locations in New York City (Smarter Choice, 2013), plus 24 CDCUs, which serve low-income and underserved communities, (National Federation, 2013). The credit unions are organized into regional chapters, which are members of a state federation. The credit unions are also members of the Credit Union National Association. The CDCUs are members of the National Federation of CDCUs. The CDCU federation is based in New York City and NEDAP’s co-director reports the federation is “interested in bridging the divide that will allow coops to help finance other coops” (Del Rio, interview). The financial institutions are already organized into federations capable of advocacy and technical assistance. Del Rio went on to say that these “are strong financial institutions that would be strong natural partners to coops” (interview). In addition to financial co-ops, values-aligned banks could also be partners. In 2010, SEIU and Workers United gained control of Amalgamated Bank, a labor-owned bank (MacGillis, 2010). Amalgamated Bank could also play a role in financing cooperatives, especially if the movement aligns with SEIU.

The food cooperative movement is also small in NYC and not organized. Approximately eight food co-ops currently exist in New York City (Solidarity NYC b, 2013). The food co-ops are not organized into a citywide federation. The National Cooperative Grocers Association listed only one NYC food co-op on its membership roster (National Grocers, 2013). But at least one co-op is of sufficient size to offer technical assistance to others: the Park Slope Food Cooperative in Brooklyn. Park Slope boasts over 16,000 members (Park Slope, 2013). Park Slope created a fund that provides technical help and small loans to other food cooperatives.

The worker cooperative ecosystem in NYC is small, but growing. Other types of cooperatives also exist in NYC, some that are long-standing and with developed local, state, and national infrastructure. There is tremendous opportunity for the cooperative movements to work together, build strength, and develop an ecosystem that leads to the development and success of more cooperatives in New York City.

Section III: Recommendations

The following recommendations aim to apply the lessons from Québec to the New York City context, providing guidance on how the organizations can develop a vibrant ecosystem. The preceding section on NYC and the prior chapters about Québec sought to explore two central parts of the ecosystem: the players and the environmental conditions. The players are the interrelated organizations that support cooperatives; returning to the Bloom and Dees metaphor, players are analogous to the organisms found in a biological ecosystem. The recommendations seek to provide guidance on how the players in the NYC ecosystem should function, that is explain the types of institutions that need to be established or further developed as well as the purposes those institutions serve or would serve. In a biological ecosystem, the environmental conditions are the soil, sunlight, and weather; they are analogous to the “laws and regulations, demographics, the economy, and culture” all of which affect the distribution of environmental conditions, such as the values, culture, and political power that must permeate the ecosystem (Bloom & Dees, 2008). The Québec case illustrated that environmental conditions are important elements of the ecosystem, perhaps even equal in importance to the functions of the institutions in the ecosystem.

Scale

In terms of strategic goals, the NYC worker cooperative movement must reach significant scale as rapidly as can be done responsibly. The tricky questions are about how, but scale is vital, as the Québec case illustrates.

Scale will not only increase the direct impact of worker cooperatives, for example on employment and poverty rates, but will also build economic and political power, leading to increased government support. As seen in Québec, this could lead to policies that grow the cooperative sector, further increasing impact. By hitting a tipping point, this type of virtuous cycle could take off in NYC. Just as the Québec cooperative movement built successful, powerful cooperatives that have garnered immense public support, the NYC movement needs to focus on achieving scale and impact in order to

garner public support. Unlike Québec, though, the NYC movement cannot rely on a government with a socially democratic vision and support for government intervention. Instead, the NYC movement should focus on building cooperatives of significant economic impact and with large memberships, so that the political establishment cannot ignore the cooperatives. With a large base, co-ops can compel responsiveness from the government regardless of who hold sway politically or their specific policy agendas.

New York actors acknowledge both the need and desire for scale but also express hesitancy. In interviews, they worried that scale could thwart democratic governance or a participatory development process. For example, when reflecting on the Evergreen Cooperatives of Cleveland, Ohio—an effort at large-scale, high value-added production and services—one informant remarked, “...the large scale stuff, unless it is grounded in people who are going to own the stuff, it doesn’t matter how many outside experts you have, you’re going to have to keep bringing them (outside experts) in” (Weber, interview). Another confirmed the reluctance, but emphasized the importance of scale:

It is hard for people to think on a large scale. There is a concern about bigger things, which is about figuring out how to not lose democratic decision-making and all that. But people have to think bigger. Folks got to make a decision: either we are fine staying small but not having a transformative impact or, if we want a bigger change, we have to think bigger. We’re still thinking small. (Iuviene, interview)

The additional recommendations are designed to help the NYC worker cooperative movement reach the tipping point as rapidly as can be done responsibly.

Implications of Scale

In order to reach scale, we cannot think of the “worker” cooperative development system but rather the cooperative development system. The Québec system supports several types of cooperatives, and the NYC system should too. Worker cooperatives are the black sheep of the cooperative movement; they are the least prevalent of all co-op structures in both Québec and the US. However, worker co-ops in Québec still reap the benefits of the ecosystem because most institutions are designed to serve several types of cooperatives. This arrangement is easier to set up and operate than it may seem. Though cooperatives have different structures and require some specialized training and services, many deal with similar challenges—especially in the startup phase. The NYC ecosystem should be envisioned as a robust, flexible support system that has some specialists and many more generalists.

In order to reach scale, worker co-ops must be developed through strategic initiatives. In Québec, the cooperative movement frequently mounts strategic campaigns to start cooperatives in new sectors. The apex organization, the *Conseil*, and the provincial Department of Cooperatives conducted a joint investigation into the potential to start health care cooperatives. Since the study, they have worked together to grow the health care cooperatives from 9 to 50 in just 6 years.

Scale can be achieved by concentrating on the development of worker cooperatives in strategic industries. This strategy could lead to the development of many small or several larger cooperatives. Three scenarios illustrate the potential for focusing development on specific industries. First, imagine a strategic initiative to establish domestic cleaning cooperatives throughout the city. The Center for Family life has incubated *Sí Se Puede*, a successful domestic cleaning cooperative; Northern Manhattan Improvement Corporation launched *Eco-Mundo*, also a cleaning cooperative; and Make the Road New York is planning to launch another. Worker cooperatives are already concentrating in this industry and the developers have experience. A campaign to develop cleaning cooperatives could organize the (mostly) women already working in this industry into cooperatives. Once organized into a cooperative, the members of *Sí Se Puede* experienced better wages, \$25 an hour, better working conditions, and the pride of having their own business. This campaign would build on the success of *Sí Se Puede*, the skills of the cooperative incubators, and the skills of the primary constituency many of the organizations currently work with. A strategic initiative in this industry might be the simultaneous development of several independent, but networked, cleaning cooperatives in different parts of the city. The co-op members and developers can learn together, troubleshoot, share best practices, and enjoy mutual support.

Second, imagine an initiative where CBOs work with a building services union, such as SEIU 32BJ, to secure a contract from a large institution such as a hospital, for its janitorial services. The union, the CBO, and the cooperative developer then work together to build a large, unionized cleaning cooperative capable of serving the hospital and other large institutions. The cooperative grows in size and is able to employ more members and serve more institutions. This scenario is very similar to the anchor-institutions strategy being pursued by the Bronx Cooperative Development Initiative; it could be pursued in boroughs beyond the Bronx.

A third scenario, discussed at a meeting of informants, is to adopt a borough or neighborhood development strategy. Under this scenario, development organizations might work in each borough—and perhaps within specific neighborhoods in each borough—to create economic development plans based on collective ownership, democratic governance, and other principles. These plans might include a variety of ideas, from land banks to time banks, food co-ops to worker co-ops. These plans can

become the basis for cooperative development in each borough. This option has the advantage of being comprehensive, engaging multiple stakeholders, and building a plan for a movement that is broader than worker cooperatives. This option has the disadvantages of being time intensive and yielding few results in the short-term. The long-term planning process could be coupled with a short-term strategic initiative to develop worker cooperatives in each borough in a specific industry. Cooperative developers could work together to establish domestic cleaning cooperatives in each borough, consolidate them into a sectoral federation, and use that to build momentum for the cooperative and new economy movement.

Support System Structure and Function

Apex Organization

The NYC movement needs to develop an apex organization soon. In Québec, the *Conseil*, the provincial apex organization, plays a critical role in the ecosystem. The *Conseil* negotiates with the government, provides cohesion in the movement, manages publicly and privately supported programs, and facilitates cooperation among cooperatives. With such a large network of independent organizations with varying agendas a unifying organization is necessary.

Several informants in New York noted that the various *parts* of the Quebec cooperative development ecosystem exist in New York, but they are not organized into a coherent system. An apex organization could change that. By bringing together a diverse group of stakeholders, from grassroots organizing groups to city council members, the organization could become the voice of the cooperative movement.

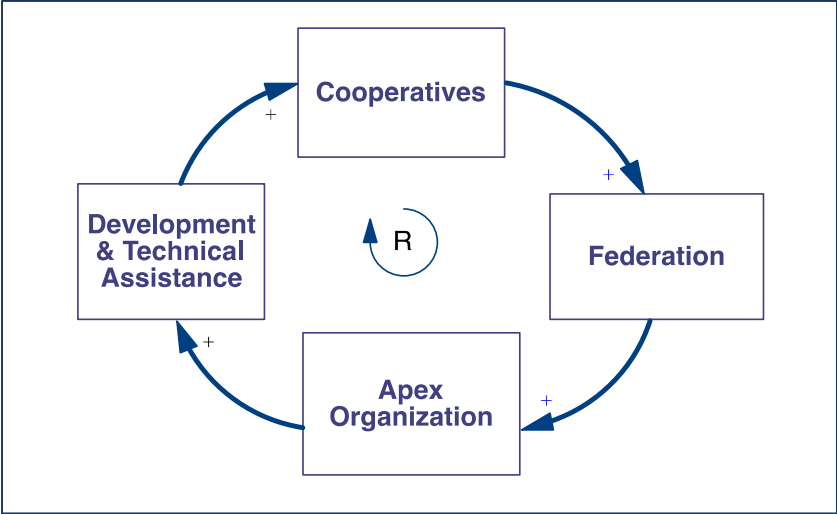


Image 5 -1: Concept diagram depicting the virtuous cycle of co-op development.

Image 5 -1 shows the dynamics that reinforce the ecosystem in Québec. Historically, cooperatives developed, and once a sufficient number existed in a sector, they formed a federation. The *caisses* and agricultural cooperatives were among the first to do so, back in the 1930s and 1940s. Then the apex organization formed. Then the development organizations were created. Today in Québec, an increase in strength, number, or capacity in one type of organization increases the strength of the other. New York has a few organization scattered in each category, but no apex organization uniting the cooperative movement and launching a coordinated growth strategy. Founding the apex organization sooner rather than later would help the virtuous cycle take off.

The apex organization could:

- (1)** *Manage the participatory research, analysis, and planning that guides the strategic initiatives* – Implementation of strategic initiatives requires research that needs to be coordinated amongst a broad range of actors. The *Conseil* collaborates with the provincial government, cooperative developers, and sectoral federations to identify new industries, such as its work with the forestry federation to build the biomass heating industry. The NYC apex organization can play a similar role in helping various actors coordinate their work.
- (2)** *Establish co-op development organizations or designate a limited number of organizations as cooperative developers* – A limited number of cooperative developers should be designated as the cooperative developers for NYC. Existing developers can be included and new developers may need to be established to serve different geographic areas, populations, or sectors. In Québec the *Conseil* oversees the developers and distributes their funding, bringing consistency, shared mission, and similar services to all parts of the province; while the independent nature of each developer maintains local control.
- (3)** *Galvanize, organize, and centralize funding and financing for the cooperative network* – Centralizing funding within the apex organization can help limit competition between its members. Together the board members can decide to pass funds through to other organizations for carrying out work. Similarly, the apex organization could provide capital, manage a government loan guarantee program, or recruit philanthropic support.
- (4)** *Create standards for cooperatives* – Until state laws can be changed, the NYC organization can create a set of standards and best practices that could be encouraged by cooperative developers and required by the financial institutions in order to access capital. Strong provincial law details how cooperatives should be structured in Québec. The law includes provisions for indivisible reserves and other best practices for cooperatives.

- (5) *Organize for public policy changes and negotiate with city and state government* - The diverse membership can launch campaigns to change city and state policy resulting in laws more favorable to cooperatives. The Québec ecosystem did not come about overnight, and even with all the existing support the *Conseil* still works diligently and frequently with the government to maintain support and design new programs and policies.
- (6) *Establish and maintain strong links with academia leading to research and manager training programs* – Strong relationships with the academy can lead to quality, action-oriented research that the cooperative movement can use to improve co-ops, services, or launch more successful strategic campaigns. In addition, these relationships could blossom into formal degree and certificate programs for cooperative managers.

Community Based Organizations

CBOs should not serve as cooperative developers. They should play a role in the design and operation of the ecosystem, but not provide technical assistance to cooperatives. The social sector and civil society play an important role in the cooperative ecosystem. In Québec, community based organizations (CBOs) help advocate for the social economy and have been critical to pushing public policies into the mainstream. In addition, community organizations often form cooperatives, especially solidarity cooperatives, as a means to dealing with local challenges. NYC should leverage the competitive advantage of CBOs in community organizing to achieve public policy change, engage communities, and identify co-op members, but should not focus on providing technical assistance to cooperatives.

Again, Québec's experience is instructive. A province of over 8 million people (about as many as New York City) has 19 cooperative developers, and co-op leaders are discovering that number is too many. Informants in Québec described two problems that resulted from the presence of too many developers: (1) low quality services are being provided to cooperatives and (2) developers are incentivized to compete and not cooperate. All 19 developers are unable to provide high quality service, as it can be challenging for developers to retain or afford talented staff. Competition among developers for clients is leading to counterproductive behavior and distracting developers from their primary mission. A process of consolidation is currently underway to remedy the challenges of too many developers.

In light of this, the current trend in New York towards proliferation of cooperative incubators is worrisome. The CFL received \$200,000 from the NYC City Council and additional funding from the Women's Foundation to scale up their incubation program by teaching other community based

organizations how to incubate cooperatives. However, this will likely spread cooperative development resources too thin, and NYC might face a problem similar to Québec’s current challenges. While NYC is large, the demand for cooperative development is not that great and would be better served by a few highly skilled, well-resourced, capable cooperative developers rather than by a series of poorly equipped and inexperienced developers at multiple organizations. Not only is Québec instructive, the US experience of community development corporations (CDCs) provides a cautionary tale. Throughout the 1980s and 90s distressed communities all across the nation founded CDCs, many that rely on real estate development to fulfill their missions and financially sustain their organizations. The proliferation of CDCs, compounded by the decrease in subsidies affordable housing generates competition between organizations that are often separated by a few city blocks. This increases the difficulty of doing real estate deals, thus constraining a CDC’s fiscal capacity, limiting staff exposure to deal making, which decreases the experience of the staff and thus the quality of the deals. This vicious cycle can lead to the collapse or atrophy of CDCs.

CBOs can make a huge impact in the ecosystem by organizing for policy change and policy support for co-ops; leading grassroots, popular education campaigns to build the movement; recruiting their members and constituents into co-ops; and giving their time and voice into the governance of the apex organization. Figure 5-2 illustrates the role CBOs can play in the virtuous cycle. The CBOs put pressure on government, which leads to more government support for the apex organization. The apex organization distributes resources, including supporting the work of the CBOs. The CBOs also build support for cooperatives, by recruiting members. Finally, through the popular education the CBOs can actually change the political and cultural landscape of their communities.

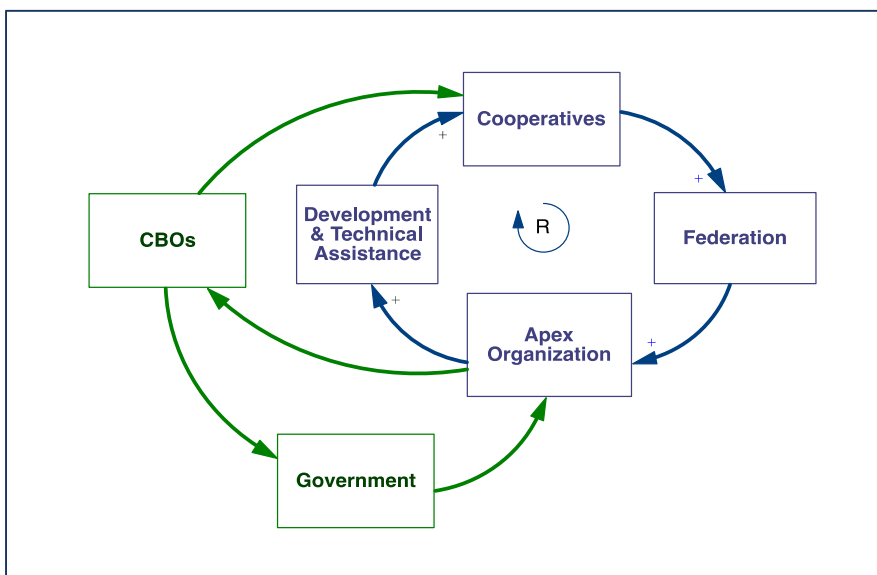


Figure 5 – 2. Concept Diagram of Potential NYC Ecosystem Roles

CBOs should work to ensure that the network is diverse and that it represents the needs of all New Yorkers, not just a certain subset. Co-op advocates face a huge challenge when they speak of cooperatives as a way to combat poverty, to build wealth, and to build power in low-income and people of color communities, because there are not many low-income or people of color in the co-op conversation. One informant described the problem and diagnosed a solution:

Sometimes these conversations are kind of crunchy and it's not really a diverse group of people having the conversation. [It's not the people] who are building power among the types of people we want to reach. We want to make sure that these are not just alternative institutions that serve a certain privileged type that just wants to not be mainstream, but we want to be rooted in communities and be an opportunity for people to have economic opportunities that they determine for themselves. So bringing in organizing groups that have that lens to this and bringing their capacity [is important]. (Del Rio, interview).

CBOs can help to bridge the divide. The leadership in this movement, however, must take care to ensure that the cooperative table is welcoming and accepts people from diverse backgrounds. This will be challenging as those who seek to scale cooperatives in order to change the economy, eliminate poverty, and provide jobs for the unemployed often come in conflict with those who are already engaged in the cooperative movement but perhaps have different priorities. Several informants noted that some of those currently engaged in cooperatives, who tend to be white and middle-income persons, seem more interested in the ideology and values of cooperatives and are not necessarily under any pressing need to expand cooperatives as an employment driver or wealth creator. They can also feel the need to have their particular version of cooperation in practice. Creating a space where the CBOs and those who are new to cooperatives have power in the conversation is critical. NYC NoWC board members are discussing hosting a conference in the summer of 2013 and having a summit of CBOs beforehand to introduce them to the cooperative model. Such efforts to intentionally reach out and engage CBOs should continue and be repeatedly evaluated to increase their effectiveness.

Cooperative Development

Developers and incubators can participate in strategic initiatives. When the NYC apex organization identifies opportunities for cooperative development, these organizations could play a key role in development, training, and incubation of the cooperatives. At the same time incubators can serve

individuals and groups who "walk in" with ideas for cooperative development. Thus, allowing for both large-scale campaigns while still providing help on a small scale. This strategy is different than the current strategy of endowing many CBOs with the capacity to develop worker cooperatives and then have each develop its own cooperative. It is also different than establishing several cooperative developers and waiting for entrepreneurs to approach.

In Québec, the current system of cooperative developers features 11 CDRs, 8 federations, a network of CLDs to provide general business assistance, and private consultants. The system did not develop all at once, but rather in bits and pieces. In New York, the apex organization should identify the services not provided by the three existing technical assistance providers, identify how to build the capacity of existing orgs, and seek multi-year funding to achieve the level of service and capacity necessary to achieve scale. The development organizations can be developed over a period of several years, so ideas can be tested and evolve.

Finance

The existing values-based and cooperative finance institutions must be adequately trained, positioned, and capitalized in order to finance cooperatives. Community development finance is not currently equipped to support collectively owned enterprises. Some institutions face regulatory challenges, such as those the LESPFCU encountered. Community development finance organizations also face technical challenges, such as understanding how to interpret the financial statements of collective enterprises. These challenges can be solved through training for staff, development of new mechanisms for engaging cooperatives, and establishment of lending standards appropriate for cooperatives.

Financial institutions must develop lending programs for worker cooperatives and other new economy institutions. The NEDAP loan fund could serve as a guarantee for existing financial institutions to begin experimenting with making loans to cooperatives. Once the model is proven, NEDAP can use its capital to leverage program related investments from foundations and social entrepreneurs. These funds could then serve as investment capital with NEDAP serving as the guarantor, thus increasing the amount of capital to be lent to cooperatives. The success of NEDAP's fund might also persuade the city, state, or federal governments as well as mainstream credit unions, banks, and CDCUs to provide capital or guarantees for lending to cooperatives. The participating financial institutions could create a federation, share training and best practices. In Québec, *Investissement Quebec* guarantees loans made to cooperatives, allowing the financial institutions to take greater risks. NEDAP could play this role until public funding can be secured.

The existing finance organizations could also begin collaborating more. In Québec, the seven organizations that focus on financing the social economy co-invest in projects, evaluate projects together, and try to develop programs that are complementary. In addition, these institutions support common training for their staff, have a common set of best practices and standards for lending in the social economy, and have a shared set of values and priorities. The finance organizations in NYC could begin taking steps towards deeper collaboration.

The finance community can also address a more fundamental, structural challenge: the extractive nature of finance. Informants noted that many finance tools, whether community-based or not, are extractive. Even social and impact investors can be compromise efforts to build wealth. Nick Iuviene captured this sentiment, “ If you want to be an impact investor and you want hedge fund returns, you are not having any impact by definition. You are keeping income going, but you are not creating wealth” (Iuviene, interview). For these reasons, the Working World created an innovative “zero-debt” strategy, whereby the Working World only makes money if the borrower makes money; if the loan does not increase earnings for the company, then the Working World will not recoup its investment (Martin, interview). As lenders, instead of asking if the borrower can support the debt, they are asking if the investment is sound (Martin, interview). Finance organizations must seek innovative ways to lend and invest that do not compromise the values of the ecosystem. Québec finance organizations have stayed true to their values, and created new tools and programs to address the needs of their clients.

Academia

The academy can play an important role in conducting action-oriented research about cooperatives as well as training cooperative managers in special tracks (MBA, BBA, Associates degrees or certificates) or even policy related degrees (MCP, MPP, or MPA). In Québec, academia has played a key role in the movement, one that continues today. It was a priest serving as dean at the University of Laval that first conceived of and organized Québec’s apex organization in 1938. The academy continues to test ideas, such as the cooperative law or the biomass initiative, in order to advance the movement. The creation of institutions, such as chairs, centers, and institutes, has helped solidify the place of cooperatives and the social economy ensuring that a university’s commitment extends beyond the tenure of certain faculty. And Québec’s apex organization and other lead organizations help academics prioritize and also provide channels for impact; that is, the relationships appear to be mutually beneficial.

The New York apex organization could coordinate with academic institutions as well as policy organizations to conduct research on the impact of co-ops, best practices, and identifying new industries to pursue. In the short term, this will rely on identifying interested and capable faculty and students whose research interests align with the movement's needs. Some likely candidates include Columbia Teacher's College, which has a long history of conducting high-quality, highly relevant research on the local labor market. Hunter College and Pratt have planning programs with faculty and students strongly interested in equitable community economic development. These are likely many more institutions that would be eager to participate. In the long run, these programs may be institutionalized through more formal and long-standing commitments. Non-academic research organizations might also be engaged to help produce practical policy analyses and advice.

The academy in Québec also plays a role in the formation and professional training for many within the cooperative support system. Many employed in the ecosystem—especially developers—have professional degrees related to cooperative development. In the short-term, education for cooperative managers and worker-owners might be more informal, occurring through workshops or short programs. In the long run, a formal MBA program or even a certificate in cooperative management could be developed. New York interviewees suggested that the City University of New York would make an ideal host for such a program. They suggested CUNY because it is public, relatively low cost, and has a number of campuses dispersed across the city.

Political Strategy and Organized Labor

The apex organization must begin designing a political strategy that (1) secures support from city agency, elected, or appointed official, and (2) aligns with organized labor. As Québec illustrates, support from political leadership and government agencies is critical. The apex organization must secure support from elected and appointed leadership as well as civil servants. Identifying a city agency or appointed official—such as the deputy mayor for economic development—that can benefit from the development of a cooperative ecosystem can help focus advocacy energy. Organized labor can assist with the development and execution of a political strategy. Labor has the ear of elected leadership and has paid lobbyists and other staff constantly working with the city and state governments. Labor's political insights and political muscle are necessary to secure sufficient support for cooperatives. What's more, labor can help identify interference from other political actors seeking to implement policy that would harm the cooperative movement.

Public Policies

New York City and New York State government can support policies that provide support to the cooperative movement. Public policies form the foundation upon which the ecosystem is constructed. In Québec, public policies have allowed the cooperative movement to flourish. There, the government frames cooperative policy as job creation and economic development policy. The Québec government supported cooperative development as a way to support development of locally owned businesses that could not move nor be bought or sold. That frame allows cooperatives to be understood as mechanisms for achieving a mainstream public good (such as a stronger economy) and not as a social, political, or ideological statement aligned with one party or another.

Cooperatives of all kinds might best be framed as economic development tools that create quality jobs that will stay in New York and cultivate local entrepreneurship. Currently, cooperative policy is non-existent in New York City. While the state has permissive laws that allow cooperatives to form, the City has not established a cooperative development policy. As one informant put it, “I don't think any of [the city council members] ever heard of a co-op. They are not opposed or for them, they don't know they exist” (Levy, interview). While NYC actors agree the city is largely ignorant of cooperatives, at least one political leader is not. Council Speaker and mayoral candidate Christine Quinn supported the Center for Family Life and Urban Justice Center with \$200,000, allowing them to train more cooperative incubators. While most informants see this as a hopeful sign, they realize it could simply be a play for votes and understand that it is in no way a mainstream endorsement of cooperatives as an economic development strategy.

Though public support for cooperatives may be limited right now, the city has a history of supporting cooperatives. As stated earlier, HPD supported the development of thousands of units of cooperatively owned housing. This policy is still in effect. In addition, the NYC Economic Development Corporation recently issued an RFP for an economic development strategy that seeks to get more local businesses into the procurement stream of major anchor institutions in the city (Iuviene, interview). While this strategy does not necessarily have anything to do with cooperatives *per se*, it is loosely inspired by the Evergreen Cooperatives in Cleveland that used a similar strategy to develop local cooperatives as part of the procurement stream of hospitals in Cleveland. Cooperatives are not truly on the political radar, but they could be, and they could be viewed favorably.

Target

Public policies should not simply target low-income persons. Instead the policies should employ a targeted universalist approach. Targeted universalism “means identifying a problem, particularly one suffered by marginalized people, proposing a solution, and then broadening its scope to cover as many people as possible” (powell, Menedian, & Reece, 2009). Targeted universalism argues that the best policies to help the poor do not limit eligibility to the poor, but rather make it universal. By being universally available, the policies gain a broader base of support, making the policies less vulnerable (Weir, Orloff, & Skocpol, 1988). Yet these policies do target problems, such as income insecurity and lack of savings, that disproportionately affect the poor or other disadvantaged people.

Through targeted universalism, the cooperative ecosystem can truly be a broad cross-class movement that encourages the democratization of wealth and ownership for people from all walks of life, not just the poor. If the overall goal is to build shared wealth and to increase democratic control in the work place, such opportunities should not be limited to low-income persons. In addition, income restrictions might place undue burden on cooperatives. Experts cite skills, talent, and ability to work together among the keys for cooperative success. A person with skills in an industry might not be low-income, but nevertheless might want to work in a cooperative; restricting such persons from joining the cooperative team would not be in the best interest of the enterprise. Finally, the policies and institutions do not have to be targeted because the strategic initiatives can focus on industries that are typically low-wage, such as domestic cleaning or home health aides. Thus, the cooperatives can indeed serve low and moderate-income workers, while not necessarily barring higher-income individuals from participating. If, however, it seems necessary to target policies towards certain groups, they should not be targeted towards low-income persons, but rather low and moderate wealth persons. An individual’s wealth may have more bearing on their ability to start a business than their income.

Support for Development, Incubation, Finance

New York City government should allocate funds to support cooperative development, incubation, and capital for cooperative finance. In Québec, the *Conseil* worked very closely to co-construct the cooperative development policy, the cooperative law, and the partnership agreement; three pieces of legislation with attendant programs and allocations that have strengthened cooperatives in Québec and led to the continued growth of the movement. The NYC apex organization should seek to forge a collaborative relationship with city government resulting in funding distributed through the apex organization or in accordance with the desires of the apex organization. In Québec, the government

acts as a unifying force in a network of independent organizations; even organizations that disagree are forced to work together in order to receive funding. While philanthropic sources will certainly need to be part of the funding for the support system, the more funding that can come directly from the government the greater the opportunity for the NYC cooperative movement to achieve some measure of unity and coordination.

In the short term, the NYC movement should seek increased funding for cooperative development and incubation. The City has a history of supporting business incubators, so the concept is familiar. The city and state governments can also support the development of cooperative finance. The City could help capitalize loan funds focused on cooperative development or could establish loan guarantees that encourage lenders to invest in cooperatives. In Québec, the provincial government employs both strategies, capitalizing funds like RISQ while Investissement Québec provides guarantees to lenders like the Caisse.

Local Procurement Strategy

Reforming City procurement to emphasize local sourcing would create an opening for contracts to be secured by cooperatives. If NYC established strong buy-local, buy-NYC procurement policies that awarded additional points to local companies and considered the best value and not only the lowest price, then local firms might have a better chance to compete for larger contracts or become part of the supply chain for larger suppliers. This type of policy builds on popular support for “buy local” or “buy American” campaigns.

Evidence from Québec and the US suggests local procurement is possible, profitable, and has a positive impact on the local economy. The provincial government in Québec used a similar strategy to support the forestry and day care cooperatives resulting in dramatic expansions in these sectors. In Cleveland, Ohio, a non-profit hospital, University Hospital, used a \$1.2 billion expansion to create local jobs and grow the economy. University Hospital set explicit goals of awarding contracts to female and minority-owned enterprises, local and regional procurement, and local hiring for construction. A recently published case study (Serang, Thompson, & Howard, 2013) investigated the results. University Hospital managed to meet and exceed three of four goals; 7% of contracts were awarded to female-owned enterprises; 17% of contracts were awarded to minority-owned enterprises; 92% of goods and services were locally procured; and 18% of construction workers were city residents (falling short of the 20% goal) (Serang, 2013). This case demonstrates that buying local can be cost effective and that meeting high goals for local procurement is possible.

Legal Framework

In the long run, the movement should dig deeper into the cooperative laws of other nations and seek to alter New York State laws to create a stronger foundation for cooperatives. Changes might include some of the provisions Québec interviewees identified as important: provisions for indivisible reserves, minimum amounts of profit that must be reinvested in the co-op, new cooperative structures, such as multi-stakeholder cooperatives, or tax policies that incentivize members to invest in their own cooperatives. These changes should be sought after a thorough review of best practices in other nations.

Small Business Assistance

City agencies and departments that help entrepreneurs start businesses, help businesses expand, or focus on economic development should be able to provide support to cooperatives and suggest the cooperative structure to entrepreneurs. Québec's one-stop-shops for business development are able to provide services to cooperatives. This takes pressure off of CDRs and other cooperative development organizations to provide the type of technical assistance that all businesses need, such as help with business plans and financing plans. This limits redundancy in the ecosystem and allows organizations to specialize. Securing these changes in city agencies may take time as it requires organizations to learn new technical skills, and learning new skills will only occur when serving cooperatives becomes a priority. The apex organization should identify organizations in city government that are appropriate to pursue and those whose leadership might be open to these changes.

Business Succession Program

The city should establish a program to help employees purchase their companies when the owners retire. The oncoming retirement of the Baby Boom generation means that many small and medium sized firms will either be transferred to heirs, put up for sale, or close. Rather than lose value or see the firms sold to larger firms—which might shut down the company or transfer jobs elsewhere—the government could support a program that helps employees buy the firms. In Québec, a succession program of this nature is underway. The *Conseil* is assembling a team of staff who will assist CDRs and other on-the-ground technical assistance providers in transitioning companies to a worker cooperative structure. The *Conseil* hopes the project will produce 100 new worker cooperatives each year. The provincial government funds the program. A similar program supported by the city government could lead to a growth in the number of worker cooperatives in NYC.

Section IV: Next Steps

Research suggests cooperatives develop counter-cyclically. Certainly, cooperatives boom when economic bubbles burst. The Great Depression led to the “golden age” of cooperatives, and the recessions of the 70s and 80s led to spikes in employee ownership. Therefore it comes as no surprise that in the wake of the 2008 recession organizations that displayed no interest in cooperatives are now launching programs and preparing to incubate cooperatives. This moment is a great opportunity for the cooperative movement in New York City, but it is also a critical time during which important decisions will be made that determine the trajectory of this movement. History may repeat itself and cooperatives may be developed now, but they may fail due to lack of managerial talent, lack of access to capital, or any of the other pitfalls that lead to cooperative demise. To avoid this path, the movement can use this opportunity to develop a cooperative ecosystem, to establish institutions that can anchor the cooperative movement and support the development of these fragile and unfamiliar firms, and to adopt and implement supportive public policy. Swift action must be taken. Organizations are already moving in the cooperative space, launching programs and incubating cooperatives—the train is already leaving the station. But it is running on the same, dead-end track. A new track has to be laid before it is too late. The next steps proposed below offer a way to begin laying the new track.

Connect organizations through a working group. It may take some time to establish a true apex organization, but that should not stop organizations from meeting and working together. Cooperatives, support organizations, and federations—including the housing and financial federations—should start meeting. This working group can devise a strategy to develop the ecosystem described here.

Scan the terrain. The working group should map the current NYC ecosystem to identify potential allies, opponents, resource providers, other stakeholders, and political opportunities. This effort may result in expansion of the working group.

Consider how current activities can build institutions, further public policies, establish cooperative firms, or develop the movement. The cooperative train has left the station. Organizations have received funding to incubate cooperatives. These activities are going to continue. The working group should work together to consider how these activities could be used to develop the

cooperative ecosystem. Can program goals and objectives be altered? Can implementation strategies change? Can other partners join? The current projects can serve as opportunities for working group members to work together, learn together, and build relationships.

Start a strategic initiative. Several organizations identified in this thesis are starting worker cooperatives. The working group should assess the potential to turn one or more of these budding co-ops into a strategic campaign that is broader than any one enterprise (as highlighted in the Québec case). A strategic initiative would give the group energy, facilitate group learning, and build the credibility of the organization with community organizations and the city government.

The working group should immediately begin discussions with funders. Funders, including foundations, individual donors, institutions, and social investors, should be engaged immediately. A deluge of money to uncoordinated, competitive organizations will lead cooperative development down the same historical path, to the same historical dead-end. To prevent this, the working group should engage the funders in discussion and collaborative problem-solving; by strategizing with funders, the working group and the philanthropic leadership can come to a shared understanding of why a ecosystem is a better long-term investment. Funders can embrace the idea of a central organization that plays a leading role in coordinating activities and limit competition. This process will take time, so beginning as soon as possible—even without a crystal clear strategy—is advisable.

Start teaching. The working group should begin a grassroots and grasstops popular education campaign. Community based organizations and organized citizenry are necessary to (1) build a broad political power base, (2) organize cooperative members and customers, and (3) begin the cultural change and consciousness raising required to sustain the cooperative ecosystem. Many bridges must be built between different sub-cultures within the cooperative movement, and more organizations must join the cooperative movement. NYC NoWC's proposed co-op summit and co-op workshop should gather together the key organizations and institutions that must be part of the cooperative ecosystem. The summit can be a place to discuss the vision for economic development, the role of cooperatives, and the ecosystem approach to cooperative development. The summit should also be a place for plain discussion about the role of race and class in the cooperative movement; the summit should not only be intentionally inclusive in terms of attendance and leadership, but open and honest about the challenges of a diverse group. The summit could also be a place to begin discussions of launching a deep grassroots

education and leadership development campaign. The Bronx Cooperative Development Initiative has a curriculum designed to teach members of community-based organizations about economic democracy; organizations can use this training series to engage their membership. A solid grassroots foundation is necessary for the ecosystem to advance beyond a philanthropic initiative and for a particular set of values to permeate the ecosystem. Building the foundation requires a large group of people who trust each other, have a shared understanding, shared values, and shared vision.

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Appendix

Interview Schedule

ORGANIZATION BASICS

1. Here is what I have for the general organization history and the role you play in the [social economy, cooperative movement]. Is there anything else you would like to add?
2. Who are the most important funders of your organization? [if not in annual report]
3. Can you please take a moment to describe the role you play in the organization?
4. How did you come to this work?

ORGANIZATION'S WORK WITH COOPERATIVES

This section is really aimed at understanding how the organization interacts with worker cooperatives—perhaps that interaction is not direct. Perhaps the interaction is with federations of cooperatives or with the social economy. Understanding the relationship between the org and the enterprise—however distant.

1. Can you describe the assistance you provide to worker cooperatives?
2. To other types of cooperatives?
3. How do you measure the effectiveness of your organization's work?
4. What does success mean?
 - a. Failure?
5. What is your organization best at?
6. What do you find challenging about the work?
7. What could be done to enhance the effectiveness of your organization?
8. What are the organization's future hopes and plans?

WORK WITH OTHER ORGANIZATIONS

1. What organizations do you collaborate with?
2. What does collaboration mean? Describe collaboration, specific instances.
3. What is the purpose of collaboration? Why collaborate?
4. What are the positive outcomes of collaboration?

5. What are the negative outcomes of collaboration or challenges?
6. What about rivalry and competition? There seem to be many organizations in the social economy, how do you all get along together?
7. What are the major disagreements, splits, or distinctions between organizations?
8. What would strengthen the support system for cooperatives?
9. What has weakened the support system for cooperatives?
10. What resources and services are most essential/critical for cooperative development?
 - a. Organizations? Programs?

WORKER COOPERATIVES

1. Can you please take a moment to describe the role you play in the organization?
2. How did you come to this work?
3. What are the greatest challenges your cooperative faces in your industry?
4. What are the greatest internal challenges in your cooperative? Have those challenges changed over time?
5. What were the greatest challenges your cooperative faced during start up?

6. Outside of suppliers and customers, what organizations and institutions do you work with outside of the cooperative?
7. Do you do business with or actively engage with other worker cooperatives? Which ones and why
8. Do you do business or actively engage with other types of cooperatives (retail, producer, financial, etc.)? Which ones and why?
9. What are the keys to the success of your cooperative?
10. What other types of supports would allow your cooperative to continue to grow and/or thrive?