

# CO-OPS, THE SOCIAL ECONOMY, & CED IN QUÉBEC

by Bill Ninacs with assistance from Frank Moreland

Understanding the relationship between the co-operative movement and CED in Québec is not a simple task. On one hand, the evolution of the co-op movement here has given rise to different generations of co-ops that cannot be lumped together just because they all share the same legal structure. On the other, CED is often hard to distinguish from other community-focussed strategies in place here, such as local development, and from other approaches promoting economic democracy, such as the social economy. The goal of this article is to shed a little light on all of this.

To start with, Québec's co-operative movement has to be placed in an historical context. Until fairly recently, French-speaking Québec was characterized by weak capital structures and a social climate of consensus and commitment. This made it possible for collective enterprises, both co-operatives and government bodies, to grow here much more than elsewhere in North America. Indeed, since the turn of the last century, progress on the economic front has gone hand in hand with the growth of the co-operative movement. Today, the Desjardins network of credit unions is Québec's largest bank and, combined with its subsidiary insurance mutuals and investment firms, is among the top ten suppliers of financial services in Canada. Similarly, the *Coopérative fédérée* provides employment to close to 6,000 people, over 20,000

Québec families live in housing co-operatives, and Québec has the largest concentration of worker co-operatives in North America.

Most of these co-operatives operate in strongly competitive sectors, such as financial services, agriculture, and forestry, where markets dictate profitability. However, a newer generation of co-operatives has emerged in recent years, wherein groups of people and government programs often tend to play a more deciding role than the market in enterprise viability. Together with nonprofit organizations (co-operatives are considered for-profit organizations in Québec), these second-generation co-ops make up what is called the social economy here.

Indeed, the social economy spans a very broad spectrum of formal and informal structures wherein a variable mixture of

market forces and public financing - frequently accompanied by volunteer efforts - come into play in order to provide goods and services to targeted individuals as well as to the public at large. The *Chantier de l'économie sociale*, a nonprofit umbrella organization promoting and co-ordinating social economy efforts, puts forward a pragmatic definition for these. Basically, it sees the social economy as being based on principles of solidarity, autonomy, and citizenship, that must be embodied in operational guidelines. The *Chantier* thus considers the social economy to be made up of initiatives distinguished by: a) a chief goal of service to members or the community even before that of accumulating profit; b) autonomous management and governance (non governmental); c) democratic decision-making processes; d) the supremacy of persons and work over capital in the redistribution of profits; and e) operations based on principles of participation, empowerment, and individual and collective accountability.

It can be argued that, fundamentally, the *Chantier's* view of the social economy is that of a variety of initiatives practising economic democracy and the empowerment of individuals and communities. As such, it overlaps with community economic development (CED). Indeed, the link to CED is of strategic importance since social economy initiatives most often respond to local needs, use local resources as much

as possible, and generally rely on the active participation and support of members of the community.

The co-operative movement's success stories help justify the idea that the co-operative model is advantageous in itself. In Québec as elsewhere, many, although not all, co-operative development professionals see the social economy in terms of legal structure, considering it to be made up of organizations that have legal status as co-operatives or that formally embody principles that regulate co-operatives in their governance and operational rules and structures. These principles are based on the axiom of 'people before capital': 1) democratic control based upon the 'one member/one vote' principle; 2) requisite retaining of a portion of surplus earnings; 3) allotment of remaining earnings based on either patronage or membership (never on capital ownership); 4) upon dissolution, no distribution of accumulated reserves among members. People using this definition believe that social goals are attained through the structural components of co-ops themselves, since democratic decision-making levels the relationship between rich and poor members; because local participation in economic development is ensured through the co-ops' boards of directors (comprised of members of the community served by the co-ops); because dividends are not based on personal wealth; and because the non-transferability of accumulated reserves guarantees local control over assets. In truth, they have a point.

Many scholars in Québec see the social economy and CED as intrinsically interwoven; with CED being a development strategy within the social economy. This is not my view, however, since I believe that social economy enterprises are tools for ensuring control over economic resources and that, as such, they should therefore be components of a more comprehensive CED strategy and not the other way around. I see CED as a planned, community-controlled process of social change by which communities, in particular disempowered ones, acquire, through new institutions, the control over the economic resources that they need to ensure individual and collective ful-

filment. CED is thus a local development strategy that seeks to go beyond a community's economic development. Indeed, CED considers the overall development of a community, by and for all of the members of that same community, as a way of simultaneously achieving social and economic objectives and addressing socio-economic inequalities.

**I**n Québec, as is the case elsewhere in Canada, there are two main types of CED institution: intermediary organizations and collective ventures. CED intermediaries are democratically-controlled, nonprofit, local development organizations

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that oversee and support CED efforts by bringing together diverse groups (business, labour, government, and community groups) to plan and co-ordinate development strategies in their communities. Besides offering services such as technical assistance for both traditional and alternative business development, job readiness training for the unemployed, and networking resources, CED intermediaries generally implement their strategies by setting up CED ventures. Prevalent forms of CED ventures are not-for-profit commercial ventures, community businesses, private democratically-controlled service agencies, training businesses, worker-owned businesses, co-operatives, and microenterprise development programs such as loan circles. Such CED ventures usually possess the characteristics of social economy initiatives and this is where, from my vantage point at least, CED and the social economy are intrinsically linked.

Many such CED ventures also emerge from the grassroots, often without the support or knowledge of local CED intermediaries. Moreover, just because CED ventures have been supported by CED intermediaries, it does not mean that these ventures have ties among themselves. The lack of co-ordination between CED ventures can be a major weakness. I believe that it is necessary to anchor CED ventures in local dynamics in order to avoid duplication of services and job displacements (since many models overlap), to share information and resources of all kinds, and to combine efforts in order to obtain larger contracts or to address multidimensional needs. For example, human resource development is often a goal of CED ventures, but it has to be part of a mix with other ingredients such as financing and planning if community revitalization is to succeed. This can result in a continuum of locally-controlled practices that may include community organizing, housing development, entrepreneurship training, integration-through-work activities, social enterprise development, and conventional business development. Most importantly, however, the co-ordination of CED ventures is also essential in order to strengthen the networks of solidarity that enable a community to optimally use all its existing resources and to provide its members with access to the resources that they need.

Québec is one of the few places in North America where local and regional development is official economic development policy. In line with legislation adopted in 1997, 113 local development centres (CLD) have now been established all across Québec. Modelled after Community Futures Committees, CLDs are multi-service outlets for job-creation projects offering technical assistance and referral services to new and existing businesses, including social economy enterprises. Most CLDs have specific investment funds or administer programs that provide financial assistance to businesses, self-employed individuals, social economy enterprises, and start-ups of businesses by young people. Supported by the Québec government and by local municipalities, CLDs are nonprofit corporations whose boards of directors are

made up of local economic and labour market partners, including the municipalities, as well as stakeholders in the social economy such as women's groups and community organizations. No one knows how many CLDs have adopted comprehensive approaches to economic development in their strategic plans. According to a recent study, a solid majority of their executive directors consider their mission as being along the lines of most conventional economic development corporations or, in other words, exclusively related to job creation and business development. Thankfully, some CLDs have a less restrictive vision and can thus be considered another type of CED intermediary organization.

Local development is not always synonymous with CED, and the truth is that there is no overall, comprehensive CED policy in Québec. Indeed, in recent years, CED has largely been eclipsed by the accelerated development of social economy enterprises. To an extent, the focus on the social economy has somewhat pre-empted debate on topics that are current in CED circles elsewhere in Canada and in the United States. For example, asset-based approaches and an understanding of asset development as a component of the process towards self-sufficiency on both individual (individual development accounts) and collective (community land trusts, community foundations) levels are almost unheard of in Québec. On another front, while every CLD offers technical assistance for self-employment to budding entrepreneurs, only a few, along with a small number of nonprofit organizations, promote and support the development of microenterprises for disadvantaged population groups (women, recent immigrants, etc.) through programs that usually combine training-based technical assistance with finance-based peer-lending approaches.

Even the co-operative model has been somewhat pushed to the sidelines outside the specific niche of social economy enterprises. Outside of CLD development personnel specifically assigned to social economy initiatives, the legal model is rarely proposed to budding entrepreneurs. Often, this is because a co-operative re-

quires 12 founding members in Québec. (Worker co-operatives require only three.) This membership constraint impedes all potential 1- and 2-person start-ups from adopting the model. Moreover, the co-operative capital structure is not conducive to obtaining private venture funds and fiscal policies are much less generous to new co-operatives than to other types of business. Economic development practitioners - including credit managers in *caisses populaires* - therefore often balk at recommending the model except in cases where an immediate, direct advantage, such as access to a specific financing program, can be identified.

Heeding the call for some new mecha-

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nism that could bridge co-operative and local development principles and actions, the Québec co-operative council - the *Conseil de la coopération du Québec* (CCQ) - developed a new structure, the *coopérative de solidarité*, based on an Italian model. The governance structure of the "solidarity co-op" makes it unique. In this type of co-operative, two groups of members must be present: users of the services provided and the co-op's workers. A third membership group is also possible, one that brings together other individuals or organizations that have a vested social or economic interest in the co-operative's success. This last group can be made up of community members who are neither workers nor users, as well as suppliers, representatives of key players, etc. Each group has the right to elect at least one member of the board of directors, but the third group cannot occupy more than a third of the total number

of seats on the board. This is a very significant undertaking by the CCQ, since this type of co-operative is well suited for all kinds of personal services.

**N**otwithstanding the success stories of first-generation co-operatives in Québec, an approach combining social and economic intervention is still somewhat of a novelty in many development circles here although it is gaining more and more ground. Where it is taken seriously, however, it is most often associated with the social economy and not CED, mainly because of the public resources committed to social economy enterprises. At best, CED is seen as an urban variation of some kind of progressive local economic development.

CED and co-ops seem to be separate movements in Québec. The co-op movement has, in a number of instances, been oriented towards the development of the co-operative legal structure and not necessarily oriented towards co-operative principles. The co-op movement right now is in transition because it is being considered in a larger framework, that of the social economy. In this framework, the legal structure is generally less important than the underlying principles upon which its operations are based. With regards to the field of CED, both in Québec and elsewhere in Canada, I think that there is a movement in the making. It is a movement that would have communities develop themselves to be able to simultaneously address social, economic, environmental, and cultural issues. Communities could do so by using economic tools in ways that would benefit all the members of the community. Communities could make this operational by setting up different forms of organization or business, as well as by sometimes facilitating conventional businesses in increasing employment.

On the other hand, because they espouse democratic principles, many CED organizations often try to set up co-operatives. So if there is a tie between the CED and co-op movement, it is when co-ops are used as vehicles to help build communities, and when CED practitioners build

community capacity by developing co-ops that empower their members. There could thus be a symbiotic relationship between the co-op movement and the CED movement. I honestly believe that this is one of the goals of the leaders of the social economy movement in Québec. However, the fact that there is little mention of this in their recent position paper would seem to indicate that this is a long-term goal at best. Therefore, considering that the co-op movement has never played a leadership role in this regard, the impetus would have to come from the CED movement. I thus think that the Canadian CED Network's increased presence in Québec will be of great value.✉

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