



**Submission to the Standing Committee
on Finance and Government Services**

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Letter from the Chair

The British Columbia Co-operative Association (BCCA) is pleased to share our recommendations for the 2021 provincial budget with the Select Standing Committee on Finance and Government Services, to assist with their deliberations as priorities are developed.

2020 has been a challenging time for British Columbians battling with a global pandemic and a major economic downturn. Through this time, we've seen our communities come together like never before, demonstrating the power of collective action through the willingness of people to fundamentally alter their daily lives overnight to protect ourselves, our families and our neighbours from a deadly infection. Looking back in the years to come, as difficult as this period has been, we can truly be proud of our willingness to put aside our self-interest for the broader good.

Yet, as we move from crisis response to recovery, we know that the pandemic exposed significant deficits in our economic stability and social and health services. For legislators, addressing these shortfalls will be front and centre, a process that includes examining foundational questions about public health and the world of work, all while maintaining focus on environmental sustainability, affordability and Indigenous reconciliation.

Co-ops in British Columbia are at the forefront of these challenges: members of the BCCA provide health and social services, support community development and are leading the way with innovations that are keeping communities safe and creating clean energy technology. The resiliency of our sector is second to none and provides a model for economic development and job creation.

The recommendations contained in this submission outline how the Co-ops in British Columbia can be supported to grow and develop, to meet the challenges ahead. We thank you for taking the time to undertake the difficult task of advising the provincial budget preparation and look forward to working with you in the coming weeks and months as we build an even better British Columbia.

Sincerely,

Ben Hyman
Chair, British Columbia Co-operative Association

Introduction

The British Columbia Co-operative Association (BCCA) represents Co-ops and credit unions across the province. The BCCA is a member services organization. Since 2003, we have supported Co-ops, educated the community, and advanced the Co-op sector.

The province's Co-op sector is large and diverse, with about 700 businesses, including some of the largest and most well-established Co-ops and credit unions in Canada, as well as smaller Co-ops, and a new generation of innovative start-ups. Our members are the consumer, worker, community, multi-stakeholder, and producer Co-ops that operate in every region of the province, working in financial services, agriculture, retail, housing, community investment, health care, renewable energy, social services, and media.

Co-ops compete in the marketplace and strive to be self-sufficient; however, unlike for-profit organizations, the primary objective of Co-ops is meeting members' needs and not profit maximization. These needs can range from access to housing and financial services, improved purchasing or marketing power, stable jobs, or the provision of social services. This places Co-ops in-between not-for-profit societies and strictly for-profit enterprises, blending business and community objectives.

Co-ops represent about 0.7 per cent of the province's employment, with \$2.5 billion in annual revenues (2015). Employment at Co-op organizations is growing, estimated at growth of 22 per cent from 2011 to 2016.¹ Co-ops also improve affordability by reducing the cost of doing business for their members, maintaining services that are not commercially viable and providing needed social services in ways that are more durable than not-for-profits.

Co-ops Build Communities

For most people, the term Co-op activates thoughts of communally owned housing developments where tenants share the responsibility for ongoing maintenance and upkeep. In British Columbia, they might also think of credit unions like Vancity or Coast Capital where they do their banking, or they might remember that they once paid \$5 to become a shareholder in MEC so they could shop for outdoor gear. But Co-ops in B.C. also include producers who put food on our tables, therapists and other health practitioners who support our well-being, artists' studios and libraries that expand our minds, and tech start-ups, including one that has developed an app to keep people safe from overdosing alone. Wherever you look around the province, you'll see Co-ops and their members at the heart of our communities.

In a recent study, *Economic Impact of the Co-operative Sector in Canada*, Co-ops outranked mineral extraction, utilities, telecommunications, accounting and payroll services, postal and courier services, and automotive manufacturing with respect to total jobs (182,253) and contribution to the country's gross domestic product (\$61.2 billion). Including direct and spinoff jobs, the sector was responsible for providing over 666,146 full-time equivalent jobs in 2015. In the five years from 2010 to 2015, the sector had increased its assets by 42.5 per cent, to \$503.2 billion and increased memberships by 13.3 per cent to nearly 32 million. Childcare Co-ops were found to reduce costs by up to 50 per cent and in Vancouver, Co-op housing was found to be 55 per cent less expensive than comparable market rents.²

When it comes to community-building, Co-ops and credit unions also beat out for-profit enterprises by keeping capital circulating in local

1 "BC Co-operative Sector: Labour Market Environmental Scan," Ference & Company Consulting Ltd., 2016

2 "Economic Impact of the Co-operative Sector in Canada," Dr. Fiona Duguid and George Karaphillis, 2019

communities and enhancing social capital and civic cohesion through democratic accountability.³ In fact, the International Co-operative Alliance includes “concern for community” as one of the seven core principles of Co-ops.⁴

Weathering the Pandemic and Building Stronger Communities for Everyone

Over the last four months, to address the global COVID-19 pandemic, British Columbians accepted restrictions on movement and human interaction, though the consequences in terms of business stability and employment have been severe. Hundreds of thousands of workers were laid off with little to no warning and now that the economy is restarting, many have no job to return to. Business owners, likewise, are dealing with ongoing, and significant, revenue shortfalls, coupled with additional expenses to modify their facilities and improve environmental hygiene to keep their employees and customers safe. In many cases, businesses that closed in response to the pandemic will never re-open.

The COVID-19 pandemic has exposed just how fragile our current economic system is: those who took time from work to care for loved ones or because they were sick themselves often did so by foregoing paycheques and benefits, seniors living in long-term care homes around the country dealt with outbreak after outbreak as staff moved from one location to another to claw together full-time equivalent employment, and parents were suddenly faced with the demands of working from home with minimal child care and school supports for their children.

3 “Resilience of the Cooperative Business Model in Times of Crisis,” Johnston Birchall and Lou Hammond Ketilson, 2009

4 www.ica.coop

About: Brave Technology Co-op

Brave Technology Co-op is a multi-stakeholder Co-op based in Vancouver with a mission to reduce overdose deaths. By developing technologies that enable drug users to connect with support when they are at risk, Brave is reducing harm for vulnerable people. During the global COVID-19 pandemic, their work has only become more essential as drug users are at heightened risk, in part by spending more time alone and without the care they need.

Through this time, they have expanded installations of Brave Buttons, especially in Vancouver’s Downtown East Side, and accelerated launch of their Be Safe App, both of which are connecting users with emergency help when they are alone to reduce the likelihood of a tragic overdose.

Existing Co-ops in British Columbia and throughout the country have already demonstrated better options for senior and child care, worker engagement and safer worksites, and environmental sustainability. Now is the time to encourage the development of new and existing Co-ops to ensure that an increasing number of the province’s residents can benefit from the expertise that we already have. Building new Co-ops and supporting the transition from employer-owned to worker and multi-stakeholder Co-ops can hasten the process of modernizing and innovating; it should be central to our economic recovery strategy.

While the pandemic was in full swing and opinion leaders set about debating how to address shortcomings of our work world and social safety net, we saw a rise in microaggressions and violence against Asian communities in British Columbia, followed by the exposure of state violence against black and Indigenous people in the U.S. and Canada. Responding to these crises, communities are taking action, not just to address overt racist acts, but to work together to build a forward-looking economy that works for everyone. Already Co-ops and credit unions are open to everyone willing to accept the responsibilities of membership, with members from every race, gender, ability, social status and political or religious affiliation.

Repeatedly, government officials have told the public that the return to work will be a return to a “new normal”, one where physical distances between people must be maintained, personal protective equipment will be required, and everyday occurrences like sharing a pot of coffee at the office or sitting next to a friend during a break, will not longer be allowed. As this new reality takes hold, there is also an opportunity to rethink work, along with health and social services, with an eye to encouraging changes that will ensure work is more sustainable, the economy is more resilient, and all British Columbians are better supported.

While the severity of the current economic crisis is more drastic than any in recent memory, the reality is that the constant cycle of boom and bust of the modern economy has demonstrated the necessity to identify and support alternate models of producing goods and services and keeping workers on the job and safe. Further, the work that has already begun in many quarters to dismantle systemic racism and oppression must be integrated into economic recovery planning.

About: River Select Co-op

River Select co-operative provides an opportunity for eight small-scale First Nation-owned fisheries to conduct fish harvesting with sustainable methods, while finding efficiencies through co-operation. By working together, the member fisheries can maintain the economy of scale they need to preserve their traditional fisheries. The co-op directly employs four workers and fosters the livelihoods of hundreds of Indigenous fish harvesters across the province.

“Our co-operative came into being when it became clear that these small artisanal fisheries of yesteryear, they can’t survive in today’s global economy because it’s all about large, consistent volumes year-round,” explains Dave Moore, Manager of River Select Co-operative on the Sts’ailes First Nation. “...we designed a fisheries co-operative that could provide the financing, the infrastructure, the professionals in order to help do the kinds of things they couldn’t afford to do as a single small enterprise, but could do collectively if they shared these things.”

Each Nation maintains a storefront for their branded products, which are also distributed by the co-op, maximizing the reach of these local producers, who are able to capitalize on tourists hungry for local salmon.

Source: Co-operative First (cooperativesfirst.com)

Co-ops are Resilient and Responsive

If there is an upside to be found in the recent crisis, it is that it forces us to rethink our economy, including a plan to build more resilient, worker-supporting and community-focused opportunities for sustainable growth. Co-ops can be part of the solution, already proven capable of addressing many of the challenges highlighted by the crisis: elder care, child care, food security, business resilience and local job stability, among them.

Member-owned and controlled, committed to principles of inclusion, Co-ops evaluate business decisions differently than for-profit enterprises. Decision-making based on the interests of members who are both investors and consumers are more likely to derive from shared commitment and knowledge, and strong economic incentives.⁵ Moreover, consumer Co-operatives provide members with access to goods they need at the lowest possible price, increasing affordability. Utilizing strength in numbers, producer Co-ops offer self-employed and family-owned businesses the markets they need to survive.

5 Shah, T (1996) Catalysing Cooperation: design of self-governing organisations, New Delhi: Sage

About: Modo

Founded in 1997, Modo is part of a long Co-op history of forming to respond to an unmet community need. Through an innovative car-sharing model, this Co-op has made transportation more affordable and reduced greenhouse gas emissions in the process. And when the pandemic hit, they maintained service throughout the province while international for-profit companies abruptly abandoned ship.

"Modo is here to stay, just as we have been for the past 23 years," said Selena McLachlan, Modo's Director of Marketing & Communications. "We're here for our members and community during good times and bad."

Like many other businesses, Modo had to pivot and quickly make significant operational changes to continue serving their members and adapt to the constantly evolving circumstances. Instead of laying off staff as a quick way to cut expenses, Modo chose to put half of its fleet into storage, a choice that reduced fixed costs such as car insurance, parking, and maintenance. This approach enabled Modo to keep everyone on payroll, maintain a sufficient vehicle supply to meet member demand, and increase cleaning by 40 per cent to keep everyone safe.

For those members who were on the frontlines, supporting vulnerable people and communities, Modo launched a temporary program to ensure that member-owners who needed it had a vehicle for their exclusive use. "It's very rewarding to hear stories from individual members like Constance Barnes, who works in the DTES and relies on Modo to deliver masks, gloves, food, water, cleaning supplies and more; and business members like Federal Store who use us to deliver online groceries on a 'pay-what-you-can' model."

And worker Co-ops provide people with jobs and direct input into their working conditions, thereby increasing individual investment in the organization and the likelihood of success.

Comparing worker Co-ops to for-profit entities found that Co-op early survival and median lifespan met or exceeded that of traditional businesses.⁶ Co-ops in British Columbia between 2000 and 2010 had a five-year survival rate of 66.6 per cent (100 out of 150), compared to conventional Canadian businesses that had a 43 per cent and 39 per cent 5-year survival rate in 1984 and 1993, respectively.⁷ Alberta Co-ops created in 2005 and 2006 had a three-year survival rate of 81.5 per cent compared to 48 per cent for conventional businesses in that province.⁸

The Co-op model is highly adaptable. It can be designed to serve consumers, support producers of goods or services, provide labour opportunities, or any combination of these via a multi-stakeholder Co-op. A number of key societal challenges have been exposed during the pandemic – how best to care for seniors and children, the need to make work more stable and reliable, the challenge of addressing systemic racism and oppression – illustrating room for a great many more Co-ops enterprises to support meaningful employment, build community, deliver necessary services, and reduce the cost of access to high quality goods.

Two additional challenges that were present before the pandemic hit – improving affordability and fighting climate changes – remain. Whether it's through consumer Co-ops that enhance the ability of members to purchase high quality goods at lower prices, credit unions that provide affordable banking options, producer Co-ops create better access

to processing and markets for farmers, or housing Co-ops that exert downward pressure on hot housing markets, Co-op development is one of the most effective ways to make life more affordable for average people.

In recent years, a growing number of clean energy Co-ops have emerged, both in B.C. and across Canada. Building new infrastructure and supporting community ownership of greener energy sources have been the primary motivations for people to come together to form Co-ops. Further, community ownership encourages sustainability as shareholders in the resource understand scarcity and the danger of overconsumption.

Governments at all levels, communities throughout British Columbia, and individuals looking for alternatives to precarious work and a fragile social safety net stand to benefit from encouraging Co-ops formation (either as start-ups or transitions from existing traditional businesses) and supporting existing Co-ops. Contained below are several measures that the Government of British Columbia can take to support the sector and build new resilience into the economy, as we undertake to rebuild it.

Leveling the Playing Field so Co-ops can Compete Fairly

Co-ops compete in the market alongside small- and medium-sized enterprises (SMEs), as well as large multinationals, but do not have access to the same tax credits, putting them at an unfair and unjustifiable disadvantage. Further, Co-ops often outlive their founding members and continue to serve their communities as multigenerational assets, for which they must establish indivisible reserves that cannot be

6 “The Relative Survival of Worker Cooperatives and Barriers to Their Creation,” Erik Olsen, 2013

7 Carol Murray, British Columbia Co-operative Association, Co-op Survival Rates in British Columbia, 1-2, (June 2011), available at http://www.uwcc.wisc.edu/pdf/BALTA_A11_report_BC.pdf

8 Richard Stringham, Alberta Community and Co-operative Association, and Celia Lee, BC-Alberta Social Economy Research Alliance, Co-op Survival Rates in Alberta (Aug. 2011)

divided and allocated to members in the case of demutualization and dissolution of the Co-op. By opening up access to tax credits available to SMEs and modernizing Co-op taxation to reflect current realities, Co-ops will be able to compete on an equitable playing field.

As community-based, purpose-centred businesses, at a minimum Co-ops should have the same supports, data and streamlined processes that are available to for-profit businesses. Onerous regulations and administrative processes that have long since been removed or altered for SMEs and non-profit organizations should be amended for Co-ops to help them better focus on building successful businesses. Moving to online filing, reducing unnecessary provisions and improving cross-department communication will all have a significant impact on the Co-op sector. Government's commitment to supporting the social economy, demonstrated through recent changes to the Societies Act, can be further developed by making necessary changes to support Co-ops.

Government should:

- Work with BCCA to raise member awareness of their eligibility for the Small Business Venture Tax Credit and amend the Small Business Capital Venture Act so that Co-ops can apply to be venture capital corporations (VCC);
- Encourage the BC Securities Commission to work with the provincial Co-op sector to create a more flexible regulatory environment for raising capital, geared to the risk-profile of member-based investment.
- Provide preferential tax treatment for any allocation Co-ops make to an indivisible reserve;
- Ensure Co-ops have access to relevant and up-to-date resources related to their specific industry (including agriculture, social and health services, technology, and retail) through the relevant Ministry;

- Ensure Co-ops are positioned as a preferential succession option at the point of corporate entity dissolution, with workers having the right of first refusal; and
- Streamline the incorporation process for creating new Co-ops and for converting existing for-profit businesses into Co-operatives;
- Improve access to data on Co-ops and the Co-op sector in support of outcomes measurement.

Government Procurement

Co-ops in British Columbia already produce many of the goods and services that government relies on regularly to conduct its own business or to support community organizations. Currently, Co-ops are unable to participate in government procurement processes on an equitable basis with SMEs and non-profit businesses.

Government should:

- Work with the B.C. Co-op Association and its partners to identify mutually beneficial, strategic gains.
- Develop new guidelines for all government procurement that support community investment, family-supporting jobs, and environmental sustainability;
- Update the Core Policy and Procedures Manual to explicitly guide and support procurement from Co-ops and other forms of social enterprise;
- Encourage Ministries and Crown agencies to include social purchasing provisions in procurement activities and initiatives wherever possible; and
- Educate all Ministries and Crown agencies on the benefits of procurement from Co-ops and social enterprises.

Technical Support for Start-up and Growth

Like all businesses, Co-ops can benefit from resources and technical support for start-up and growth; however, many of the existing resources available to support business start-ups are geared towards the for-profit sole proprietorship, partnerships and corporate models. These systems and supports should be updated to ensure that Co-ops are competing fairly.

As the economy moves from crisis through recovery, and then builds resiliency, we cannot risk leaving rural British Columbia behind. Co-ops are often the backbone of smaller communities, providing social services and ensuring food security, while offering good, long-term jobs. The collapse of some small- and medium-sized businesses in those communities could be devastating but can be avoided by supporting their transition to worker-owned and multi-stakeholder Co-ops.

Government should:

- Ensure entrepreneurs have access to a wide range of services, including legal, accounting, branding and education to encourage Co-op development; and
- Provide access to start-up and transition supports and capital to ensure that opportunities available now can be leveraged to provide community-based services in a more resilient economy.

Development of Long-Term Strategy to Support and Promote Co-ops

As government recognizes the long-term importance of specific industries, especially where there are opportunities for expansion and growth, teams are often dedicated to developing strategic plans to promote

investment and job creation in those industries. The benefits of Co-op development, including the resiliency of the sector and its adaptability, indicate it is a sector ripe for government support and strategic alignment.

Government should:

- Work with Co-ops and the B.C. Co-op Association to develop a long-term strategic plan to promote investment in and development of Co-ops, with a focus on job creation and expansion into health and social services, agriculture and food, community financial resiliency, technology and green energy.

Promote Education about Co-ops with all Business and Economic Education

Despite nearly two hundred years of community involvement and successes, knowledge about Co-ops continues to be very limited and a lack of a general awareness about the model remains one of the greatest challenges the sector faces as it works to grow and develop. Many young entrepreneurs never learn, or learn too late, about the Co-op model. The BCCA, Co-op federations and several larger Co-ops work on a daily basis to address this gap; however, there is much more to do.

Government should:

- Develop a plan to educate key partners in government, regional districts, municipalities and chambers of commerce;
- Encourage teaching the Co-op model in business schools and economics classes and incorporate Co-op education in K-12 schooling whenever economics and entrepreneurship are taught.

Conclusion

Co-ops in British Columbia have decades of history, providing much-needed goods and services to communities throughout the province. Originally developed in response to economic upheaval that was throwing people out of work and undermining community self-reliance, Co-ops have long demonstrated a resilience that is unmatched by the for-profit sector, with support for workers and community as central principles of the movement.

In British Columbia, the Co-op sector is thriving, with more than 700 active businesses operating today. Yet opportunities remain to further develop and grow. Working with the Co-op sector, the B.C. government can help unleash unlimited potential to meet the challenges of today: climate change, job creation and worker engagement, long-term economic stability, and Indigenous reconciliation, all while supporting innovators and entrepreneurs working to support their communities.