

## **The solidarity cooperative in Quebec: a new formula in North America**

Jean-Pierre Girard<sup>1</sup>

Research coordinator, Co-operative membership and social cohesion research project, Centre de recherche sur les innovations sociales en entreprises, syndicat et économie sociale, Université du Québec à Montréal

Since 1977, Quebec legislation has allowed for multimembership cooperatives, or the solidarity cooperative, to be created. To the best of our knowledge, this is the first of its kind in North America. To date, very little has been written on this subject, which can be explained by the embryonic status of the concept. However, in barely five years (1997-2001), more than one hundred forty or so of these cooperatives were created. They operate in approximately ten branches of industries. Given their associative nature, they offer new avenues for partnerships to emerge between civil society, parapublic organizations and various local forces. To use the example of social cooperatives in Italy, the issue centres around an original re-articulation of the link between the economic and the social. The association within the same organization of workers and users makes it possible for a joint construction of supply and demand to emerge. This structure is proving to be a new means of applying the contributions offered by volunteer and activist resources, which reinforces the value of donations and reciprocity. Finally, as it is the last one to arrive on the scene of the Quebec cooperative landscape, the solidarity cooperative needs to find its bearings among the large cooperative families which practice unicity in terms of membership.

This article aims to take stock of the situation of the solidarity cooperative's development in Quebec. After a brief summary of the genesis of the idea of the solidarity cooperative, we will present the legal provisions which define the concept and which prescribe its policies. We will be pursuing our analysis through a brief portrait of the development of the formula since its legal act which led to its existence in 1997. Finally, we will formulate several observations on the appreciation of the solidarity cooperative and its perspectives in terms of future development.

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## Origin

After the fashion of many other places in the world, Quebec, over many decades, has been the scene of a major cooperative development, as a result of a declination of the single owner. Thus the very well-known network of Desjardins financial services cooperatives is made up of consumer cooperatives. Agricultural cooperatives, as important players in the domestic agri-food industry, are rather producer cooperatives. On a more reduced scale, we have contributed for twenty or so years to the development of self-managed companies which adhere to the model of work cooperatives. Although practicing a model of unique partnership, these different types of cooperatives are not sheltered from the tensions brewing between members who may different, or opposing, interests. Therefore, in financial services cooperatives, the investing member seeks to maximize the return on his deposits. On the contrary, the borrowing member looks for the lowest cost at which to borrow money. But it remains that the group of these cooperatives, contrary to the mutual responsibility cooperative, responds to a single line of reasoning: consumption, (producer) distribution and work.

The origin of the concept of the solidarity cooperative stems from different sources. We are able to identify four major problematics which have variable levels, and over a period of approximately ten years (1986-1996), have contributed in encouraging reflection on what will become the solidarity cooperative: the question of local development, that of the closing of villages, the development of daycares (nursery schools) and the issue of insertion. A fifth theme and the place its debate will be taking place will give the process its final push: home services and the Québec Economic and Job Summit (1996).

In Quebec, if over a long period, community development were to adopt the name of regional development, like in the 1980s, it is the concept of local development that is rather being referred to. In this sense, groups of citizens and representatives of institutional players from the community, such as municipalities, credit unions, etc. will seek to equip themselves with organizations promoting discussion, implementation of development strategies and the initial support for new businesses. Notwithstanding the fact that democratic operating rules are being established, these structures which balance various interests should have adhered to the legal form of the non-profit organization (NPO), because the provisions set by the Cooperatives Act (uniqueness of owner) do not promote choosing the cooperative model. Related to the issue of local development, in small villages, the closing of essential services such as the post office, grocery store and others, demonstrates a serious threat to the community's survival. The idea of

consolidating all the organizations and persons concerned within a cooperative able to offer a basic minimum of services, is gaining ground. In other respects, the increased presence of women in the job market has given rise to a peaked demand for the development of childcare services. Again, the impracticability for the cooperative to consolidate like family members and workers has led to the NPO model being favoured in this area. Finally, concerning the fourth issue, we must consider the increased number of projects aiming to promote the reinsertion of disqualified individuals in the job market, since the beginning of the 1990s. These initiatives have often taken the form of apprenticeships in home working supervised by a structure aiming to accommodate the interests of the trainee, the beneficiary of the service and the supervising organizations, as is the case with the Local Community Health Centres.<sup>2</sup>

These new social and economic realities and the demands imposed by local development have fuelled reflection on the Cooperative Movement to find means of adapting the cooperative model to the new hand dealt. One event in particular will provide the opportunity to bring this reflection to fruition. On the Government of Quebec's proposal, conducting the Economic and Job Summit in 1996 generated numerous initiatives likely to improve Quebec's performance in the areas of creation and maintenance of jobs. Among these issues, that of home-care service needs to be raised. Following the example of other Western countries, Quebec must come to terms with its noticeable aging population. Sheltering in a public environment for those who are aging and are losing their autonomy where its physical limits are concerned, is considerably expensive; consequently, the government has decided to encourage elderly people to stay home. In this context, through the network of Local Community Health Centres, the government can, in principle, ensure a delivery service of assistance and care to these persons, but not work and domestic help. As a significant portion of these custodial services were carried out under the table, within the 1996 Economic and Job Summit, the government decided to support the creation of Homecare Social Economy Enterprises, according to the NPO model or cooperatives considered non-profit organizations.<sup>3</sup> In so doing this, one seeks on the one hand to bring this service delivery out of the informal economy, and on the other hand to promote job creation, especially for persons excluded from the job market (measures enabling re-entry into the labour force). The support from the Province for this project of the Homecare Social Economy Enterprise has first of all taken on the form of a

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<sup>2</sup> Parapublic organizations reconciling health and social services, so they are funded by the health and social care ministries. They constitute close to one hundred spread over the Quebec territory.

<sup>3</sup> This notion of the profit-making cooperative implies that the cooperative agrees to include in its positions a provision to the effect that the surplus will be reinvested in the cooperative and not returned to the members in the form of commissions.

financial aid program at the request of users who wish to override domestic help services, and from elderly people who are in the process of losing their autonomy and require regular housekeeping, under the name *Programme d'exonération financière en services à domicile* (PEFSAD). Second of all, following the representations from the general organization consolidating all of the cooperative sectors in Quebec, the Conseil de la coopération du Québec (CCQ), the Province has accepted to expand the *Cooperatives Act* by adding new provisions allowing for solidarity cooperatives to be created. For the Cooperative Movement, the opportunity to develop cooperatives within the niche of home services provided an excellent opportunity for opening up to the form of multi-member cooperatives: to give a legal basis allowing for interests to be expressed by the various actors affected by these cooperatives' lines of activities. We are therefore speaking about the interest of the user who seeks to satisfy his need for home services as much on the level of cost as on the quality of the service, of the worker, in terms of work and salary conditions and of organizations or individuals which, without being directly involved in offering these services, share the same objectives of the organization. Over a period of a few months, a close collaboration between the CCQ and the government department responsible for administering the *Cooperatives Act*, the Direction des coopératives, will enable the amendments to the act's text to be completed, all of which forms the subject of a sanction made by the Quebec parliament in June, 1997.

### **Provisions relating to the solidarity cooperative**

Paragraph 226 from the *Cooperatives Act* therefore gives substance to the concept of the solidarity cooperative. The main provisions are connected to four elements: definition, capitalization, make-up of the board of directors, and commissions.

According to the Act, “the solidarity cooperative concurrently consolidates members who are users, services offered by the cooperative, and members who are workers working within this cooperative. Moreover, any other person or company who has an economic or social interest in attaining the objective of the cooperative can also be a member of the cooperative. This member is hereafter named a “supporting member” (Quebec, 1999). In Quebec, the initial mechanism of capitalization takes the name of parts (share) of qualification composed upon the choice of the cooperative, or of social parts and preferential parts. For the solidarity cooperative, it is specified that the number of these parts that a member must hold can vary according to whether the member is a user, a worker, or a supporting member. During these activities, in the same way as is seen in other types of

cooperatives, the solidarity cooperative can use another mechanism of capitalization, the preferential parts according to categories which have not been included in the qualification parts. Furthermore, if a policy authorizes it, the Act specifies that the solidarity cooperative have the freedom to issue, to the supporting members, another capitalization title, of the participating preferential shares. Each category of members forms a group for the election of the directors. The Act ensures that each of these groups has a minimum of one representative from the board of directors. It is up to the cooperative to determine the number of members per group, but the Act stipulates a ceiling of a third of the directors originating from the group of supporting members. Within the hypothesis of paying commissions, the Act specifies that it occurs for user members on a prorata basis with operations carried out with the cooperative during the previous fiscal year. In the case of the working member, this payment is established according to the volume of work carried out during the previous fiscal year. This volume can be determined according to the number of working hours, the member's revenue, or any other measure as set by the policy. Attributing a commission to supporting members is prohibited.

## **Development of solidarity cooperatives**

The youth from the solidary cooperative experiment in Quebec will only allow for the distribution of incomplete, fragmented information. We must still wait a few years before being able to paint a more accurate portrait.

At the constitutional level, the very large majority of solidarity cooperatives are *ex-nihilo* creations, while some result from the transformation of NPO and five cooperatives of another type having modified their positions to embrace this form of cooperative. One must know that this development, a relatively quick result ensuing from the solidarity cooperative model, was able to benefit from the support from different government programs. Besides the cases of cooperatives in the home service sector and those in the area of childcare services, several others have been able to sustain themselves with the assistance of the financial aid program provided to the cooperative development from a State Company, Investissement-Québec. This program offers mainly loan guarantees. Furthermore, another program developed by the ministère des Régions proposes subsidies for the start-up of so-called social economy companies. It is used for initial financing. Managed by organizations which also use resources to supplement the start-up of social economy companies, local development centres, this program has significantly stimulated the development of solidarity cooperatives.

Table 1  
Evolution of the number of constitutions of solidarity cooperatives in Quebec:  
Period from June 1997 to December 2001

<b>Period</b>	<b>Number</b>
From June 5,1997 to March 31, 1998	13
From April 1, 1998 to March 31, 1999	41
From April 1, 1999 to March 31, 2000	47
From April 1, 2000 to December 31,2001	<u>45</u>
<b>Total</b>	<b>146</b>

Reference: Direction des coopératives, Gouvernement du Québec

Solidarity cooperatives are present in approximately ten lines of activities with a dominant presence in the so-called area of personal home services. This result is not surprising considering the resources allocated since 1997 to promote the development of this type of organization. Table 2 exposes the portrait dating from March 2000.

Table 2  
 Lines of activities of solidarity cooperatives in Quebec:  
 Data available in December 2001

<b>Lines of activities</b>	<b>Number of cooperatives</b>
Personal home services	29
Professional company services	18
Leisure and entertainment	16
Daycares	6
Grocery stores/diet	8
Restaurants and caterers	6
Farming	8
Garbage and salvaged materials	3
Social services	12
Others	<u>40</u>
<b>Total</b>	<b>146</b>

Reference: Direction des coopératives, Gouvernement du Québec

On a financial level, we must deal with limited data, considering that approximately forty cooperatives began their operation in the last year when information was available. In this sense, it is only a question of a reduced range of samples. According to Table 3, we learn that on average, a solidarity cooperative has assets of \$182 819, a gross turnover in the region of \$308 622 and a level of subsidies, known as nonrecurring subsidies or at the start-up, equal to \$111 360. The considerable weight of a single cooperative on the level of social shares makes establishing an average on this subject somewhat rash. In other respects, although other instruments encouraging self-capitalization very well exist, that is to say the preferential shares and the participating preferential shares, these resources seem to be under-used.

According to the data in Table 4, the average membership of a solidarity cooperative is established at 198 members, broken down into 146 user members, 19 worker members, and the balance in supporting members. Among these supporting members, the corporate member category is mainly composed of local development centres, Local Community Health Centres, credit unions, and other community organizations.

Table 3  
 Solidarity cooperatives in Quebec: (partial results: 61 cooperatives)  
 Financial data (000, \$CDN) on December 31, 2000

Variable	Total
Assets	11 152
Social shares <sup>4</sup>	3 260
Gross turnover	18 826
Subsidies	6 793

Reference: Direction des coopératives, Gouvernement du Québec

Table 4  
 Solidarity cooperatives in Quebec: (partial results: 61 cooperatives)  
 Data on the company on December 31, 2000

Number of user members	10678
Number of worker members	1158
Number of supporting members	261
<b>Total number of members</b>	<b>12 097</b>

Reference: Direction des coopératives, Gouvernement du Québec

### Assessment, development perspectives

The accelerated development of solidarity cooperatives in Quebec since the 1997 adoption of the decree acknowledging their existence is definitely no accident. First of all, the cooperative model is part of the model of economic development in Quebec. In the image of the language and culture, it is a model of development which distinguishes itself from the rest of North America.

There is a presence of large capital stock companies like Bombardier, Québecor, Jean Coutu and others, but through capital equity participation, there is a very large influence of major public corporations including the very impressive Caisse de dépôt et de placement (assets exceeding \$110 billion), the Société générale de financement and Investissement-Québec. Workers' funds are then earmarked for

<sup>4</sup> On its own, a cooperative totals \$2.7 million of this amount.

risk capital within companies including cooperatives and large cooperative organizations, which at the forefront we find Desjardins, Agropur and the Fédérée.

Therefore the cooperative option, contrary to the prevailing situation in other Canadian provinces, is clearly part of the choices of economic and social development. On another level, major resources are allocated to promote this development, not only, such as illustrated previously, on a financial level, but also concerning support, aid offered to the start-up and to development. The determining role of the local development centres and regional development cooperatives must thus be taken into account. The acknowledgement of solidarity cooperatives did not come from a sole government initiative, but from years of representation by the spokesperson for the cooperative movement, the Conseil de la coopération du Québec, which facilitates the integration of the model into the larger cooperative family accordingly. To this day, there does not exist an association of cooperatives in a federation as is the case, for example, for the social cooperatives in Italy. Being present in a multitude of sectors, there is no sufficient critical mass to justify such groupings. In the sector of home services, a Federation was created in 1996, but it brings together the group of cooperatives independently from their form. Cohabiting as such in the Fédération des coopératives de services à domicile du Québec are solidarity cooperatives, user cooperatives and even some work cooperatives. Elsewhere, solidarity cooperatives generally adhere to organizations which often supported their development, the regional development centres, which enables networks or cooperatives also associated with regional development centres to join forces with more institutionalized cooperative networks.

How is arbitration carried out among the various interests within these cooperatives? The information available does not allow for a firm judgement to be made. Various indications lead us to believe that until the present time, things have been progressing relatively well. Therefore, according to the Direction des coopératives, telephone surveys indicate that the sharing of positions on the board of directors is generally administered according to the rule of equality between group members. Furthermore, these cooperatives do not seem to have appealed more than the others to significant interventions between the actors, involving mediation. One must, however, keep in mind that they are still in the great majority of cases under the influence of the enthusiasm for a merge from the outset, a favourable élan of compromises. They seem overall well entrenched in their environment, proposing responses which are flexible and adapted to the various needs.

In prospective terms, certain stakes must be watched closely. To this day, solidarity cooperatives have been very active in areas mainly affecting social issues. In certain cases, including home services, there has been saturation. Although in this world of local community-based services or so-called *relational* services, which includes the recreational-tourism sector, the model has not yet reached full maturity. It goes without saying that there is nothing preventing us from thinking that there would be cause for envisaging development in sectors increasingly regulated by the market. For example, in the food-processing industry, a cooperative would group together non-traditional livestock breeders (bison, emu, ostrich, etc.), slaughterhouse employees and consumers, before and after the affected actors. The solidarity cooperative formula could also find a place in the already established networks of consumer cooperatives. Whether it be in the academic environment (colleges and universities), in food consumption, or even in funeral services, of all the networks of consumer cooperatives, the solidarity cooperative would provide an original approach to motivate actors other than the users of which the most important is the workers.

These new areas of development may lead us to rethink capitalization strategies. To this day, we have no choice but to notice that solidarity cooperatives have benefited reasonably from public grants, which explains in many cases why cooperatives have adopted the so-called non-profit status (impossibility of returning the surplus). One can even think that in certain cases, that was able to have a perverse effect in the sense of inciting people to adopt this formula for the sake of this very end result. What cannot be doubted is that the height of start-up grants serving as capital outlay had a discouraging effect where members are concerned for the capitalization. By taking into account individuals' financial limits, let us consider the lower wage earners: one nevertheless agrees that for the formula to be viable over the long term, greater financial involvement by the members through self-capitalization would certainly be acceptable. One is entitled to feel that this may be the path that new cooperatives will follow, particularly those exposed to the games of supply and demand, thus evolving in less protected markets.

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