The Co-operative Learning Centre (/)

What is a Co-operative?

Co-operatives are autonomous associations formed and democratically directed by people who come together to meet common economic, social, and cultural needs. Founded on the principle of participatory governance, co-ops are governed by those who use their services: their members.

Based on the principles of empowerment, education, and community, co-ops operate laterally promoting participation both within their own organization, and through a focus on community interaction, and support.

- What types of Co-operatives are there? (http://learningcentre.coop/content/what-co-operative#types)
- Co-operative Principles (http://learningcentre.coop/content/what-co-operative#prin)
- A Brief History of Co-operatives (http://learningcentre.coop/content/what-co-operative#hist)
- Frequently Asked Questions (http://learningcentre.coop/content/what-co-operative#faq)
- International Labour Organization (http://learningcentre.coop/content/what-co-operative#ilo)

What types of Co-operatives are there?

The co-operative model is as flexible as any organizational structure and may be applied to the social services sector, used to create shared infrastructure, as well as to pursue business ventures.

Common types of co-operatives include:

- **Retail Co-operatives**, whose members are, more often than not, the very patrons of their establishment, buying a share in the co-op as a prerequisite to shopping. These co-operatives tend to be governed by a board of directors elected by the membership annually or bi-annually.

- **Credit Unions**, whose members similarly invest in a share in the organization as a prerequisite of participation, and generally elect a board of directors.
- **Service Provider Co-operatives**, whose members generally share in the costs of renting or purchasing the space, and/or materials necessary for their work as a co-operative. In these instances, direct democracy is usually the prevalent method of decision-making.

- **Housing Co-operatives** often spring up in areas where residential costs are high and offer a method for increasing living standards, one's sense of community, and safety. These co-ops' work similarly to Service Provider Co-ops in that they are usually directed by first-person democratic exchange; often they work on the consensus model.

There are many more types of common co-operatives, as well as a disparate array of goods, services, and infrastructure that are provided to people all over the world through the co-operative model.

Indeed the Canadian Co-operative Association (CCA) has noted that in Canada alone there are over 10,000 co-operatives and credit unions, providing products, services and support for over 10 million Canadians. For more information, visit the CCA's **CoopZone website (http://www.coopzone.coop/)**.

Co-operative Principles

The hub of the global co-operative movement, the International Co-operative Alliance, has accepted seven principles that guide all co-operative organizations:

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

For more information, see the ICA's **Statement on the Co-operative Identity (http://www.ica.coop/coop/principles.html)**.

A Brief History of Co-operatives

The Rochdale Pioneers Society (1844)

Read a comic about one of the first co-ops, The Rochdale Pioneers, and how they created the co-op principles! (http://bcics.uvic.ca/youthzone/toadlane/index.htm)

In 1844, as Henry David Thoreau was preparing to build a cabin on Walden Pond , and the industrial revolution began to urbanize the western world, 28 workers in Rochdale England formed the first successful co-operative. These weavers, shoemakers, cabinetmakers, tailors, printers, hatters, and engineers wrote down a set of principles to operate their food co-operative, which contributed to their success and spread to other co-operatives around the world. Although co-operative societies had existed previously, the successful establishment of the co-operative in Rochdale marks the beginning of the modern co-operative era. The ideas of the Rochdale Pioneers' were simple, but profoundly transformed the traditional producer/consumer relationship and created a pathway for small and large-scale community based economic and social development. Today, more than 150 years later, this heritage continues to affect the lives of millions of working people worldwide.

The International Co-operative Alliance (1895)

Another milestone in the continued expansion of the co-operative movement came only 51 years later with the establishment of the International Co-operative Alliance (ICA) in 1895. Originally founded by co-operative organizations from 12 countries, t oday over 200 national co-operative organizations representing 92 nations belong to the ICA : the apex organization of all national co-operative movements. The ICA aims to promote co-operative development and trade worldwide and boasts an individual membership of more than 750 million people.

For more information, please see our International Movement Section (http://learningcentre.coop/content/international-movement-today)

Frequently Asked Questions

- **Does a co-operative follow a basic organizational structure? (http://learningcentre.coop/content/what-co-operative#structure)**
- **What is the general assembly? (http://learningcentre.coop/content/what-co-operative#assembly)**
- **What are the powers of the general assembly? (http://learningcentre.coop/content/what-co-operative#powers)**
- **What is the board of directors? (http://learningcentre.coop/content/what-co-operative#bod)**
- **Who can be members of the board of directors? (http://learningcentre.coop/content/what-co-operative#who)**
- **What constitutes a quorum? (http://learningcentre.coop/content/what-co-operative#quorum)**
- **How is the net surplus of a co-operative allocated and distributed? (http://learningcentre.coop/content/what-co-operative#surplus)**
- **May co-operatives enter into stock markets like other kind of corporations and exchange their company's share? (http://learningcentre.coop/content/what-co-operative#stock)**
- **Are there advantages to forming a co-operative rather than a traditional private enterprise? (http://learningcentre.coop/content/what-co-operative#advantage)**
- **How many people are needed to form a co-operative? (http://learningcentre.coop/content/what-co-operative#many)**
- **Is a co-operative non-profit? (http://learningcentre.coop/content/what-co-operative#profit)**
- **Must all members of a co-operative buy shares? (http://learningcentre.coop/content/what-co-operative#share)**
- **What is the cost of a share in a co-operative with share capital? (http://learningcentre.coop/content/what-co-operative#cost)**
- **Must all members have exactly the same total value of shares? (http://learningcentre.coop/content/what-co-operative#value)**
- **May non-members invest in a co-operative? (http://learningcentre.coop/content/what-co-operative#invest)**
- **Do all members earn the same salary in a workers' co-operative? (http://learningcentre.coop/content/what-co-operative#salary)**
- **Does a co-operative perform as well as a traditional private enterprise? (http://learningcentre.coop/content/what-co-operative#perform)**

Does A Co-operative Follow A Basic Organizational Structure?

Yes. Your co-operative will need at least the following for its day-to-day operation:

- General Assembly
- Board of Directors
- Set of Officers
- Committee System
- Hired management/ paid employees

What Is A General Assembly?

A General Assembly is the highest policy-making body of the co-operative and is the final authority in the management and administration of the affairs of the co-operative.It is composed of members who are entitled to vote, duly assembled and constituting quorum.

The general assembly holds at least one meeting a year; the date of the meeting is fixed in the by laws, or within 90 days after the close of each fiscal year.

For newly registered co-operatives a special general assembly meeting must be called within 90 days from the date of approval.

What Are The Powers Of The General Assembly?

The General has the following exclusive powers, which cannot be delegated:

- To determine and approve amendments to the articles of co-operation and by laws;
- To elect or appoint the members of the board of directors, and to remove them for cause;
- To approve developmental plans of the co-operative; and

Other matters requiring a 2/3 vote of all the members of the general assembly

What Is The Board Of Directors?

The Board of Directors is the body that formulates policies, directs, supervises and manage the business of the co-operative. It is generally composed of five to fifteen members elected by the general assembly. Their term of office is determined by the laws of the co-operative. Usually, a term of office must not exceed two years and no director can serve for more than three consecutive terms. The board of directors must hold monthly meetings, unless the by laws say otherwise. Special meetings may be called as stipulated in the laws of the co-operative. Directors cannot attend or vote by proxy at board meetings.

Who Can Be Members Of The Board Of Directors?

All regular members who meet the qualification and none of the disqualification set by the laws of the co-operative can be elected to the board of directors.

What Constitutes A Quorum?

Unless the by laws define it otherwise, a quorum consist of 25% of all the regular members entitled to vote. For the board of directors a simple majority of its member makes a quorum.

How Is The Net Surplus Of A Co-operative Allocated And Distributed?

Generally, the distribution of a co-operatives surplus is determined by-laws. Surplus is determined at the close of a co-ops fiscal year or as prescribe by its by-laws. A co-operatives surplus is not profit in the usual sense of the word. As far as the co-op is concerned, this excess payment or surplus is considered as having been returned to the members if the surplus is distributed in the following manner. First priority goes generally to the reserve fund at least 10 percent of the net surplus. The reserve fund is meant to stabilize co-op operations and may be used only for investments allowed by the code. Second priority goes to Education and Training, which is generally not more than 10 percent of net surplus. Third priority is an optional fund, a land and building fund, community development fund and any other necessary funds. After all these have been allocated, the remainder is available to the general membership in the form of interest on his investment and patronage refund. Nevertheless, interest in share capital should exceed normal rate of return on investment.

May co-operatives enter into stock markets like other kind of corporations and exchange their company's share?

Yes, some large co-ops in the US trade their stock (class B, non-voting shares) on the stock market. Notably, member shares, which permit voting rights, may not be traded in such a manner.

Are there advantages to forming a co-operative rather than a traditional private enterprise?

Definitely, particularly if you think you will need to obtain the commitment and advice of associates. The co-operative option could then prove to be the best legal choice because it is an organizational tool designed to meet the needs, and facilitate the operations, of both small groups and of large groups with tens, hundreds or even thousands of members. It offers a proven legal framework for governing collective decision-making and for protecting everyone's interests.

Therefore, if you are attempting to meet a special economic, social or cultural need, the co-operative's legal format may be the best way to become an entrepreneur or resolve your problem with others who share the same goals. You might be looking for a way to obtain affordable quality housing, or access to cable television or any other product or service unavailable in your region. You might want to create a job corresponding to your abilities and your requirements, or reduce your costs of production.

By forming a consumer or service co-operative, you will be able to obtain:

- products or services you need. As co-owner of an enterprise operating according to democratic rules, you will be able to define the characteristics of the products or services with the other members;
- products or services at a lower cost. The enterprise is not operated to maximize profits that must be returned in the form of dividends to shareholders, but to maximize members' co-operative advantage, i.e. quality products and services at the best price.

By forming a workers' co-operative, you will be able to obtain:

- the job you do not have or the job you would like to have;
- the right to take part in defining your working conditions (salary, benefits, organization of work, health and safety in the workplace, etc);
- the right to share in surpluses in the form of returns in proportion to your salary or your hours of work.

How many people are needed to form a co-operative?

This varies according to applicable local legislation on co-operatives. Most national legislation requires at least three founding members. Some legislation may require up to twelve founding members to form consumer, service or producer co-operatives, and only three or five to form a worker co-operative.

Is a co-operative non-profit?

Although the primary goal of a co-operative is not to maximize profits but its service to members, a co-operative must, nevertheless, generate sufficient revenue to cover expenses and ensure its growth. After securing, in a general reserve, the capital needed to finance the expansion of the business, any surpluses remaining are returned to members.

Beyond this basic requirement, and in accordance with certain existing federal and provincial legislation on co-operatives, a co-operative may decide not to distribute any surpluses and therefore, in some situations, will meet the definition of a non-profit organization. There may, therefore, be two kinds of co-operatives:

- for-profit co-operatives: those in which members may redistribute any surpluses of the enterprise among themselves in the form of returns proportional to their business transactions with the co-operative during the fiscal year;

- not-for-profit co-operatives: those in which any operating surpluses of the enterprise may not be distributed to the members and must be returned in their entirety to the co-operative's general reserve. (For example, housing, day care, health and other similar co-operatives.)

Must all members of a co-operative buy shares?

Yes, if the co-operative is listed as a co-operative with share capital.

What is the cost of a share in a co-operative with share capital?

A distinction must be made between a share and the number of shares required to become a member of a co-operative. The number of shares, or the cost of the shares that a member purchases, will depend on the kind of co-operative and on the legislation governing co-operatives. When it is first set up, each co-operative defines the minimum amount each person will have to invest to become a member. This amount may correspond to one share or to several shares. Depending on the requirements of the federal or provincial legislation in question, this will be set out in the co-operative's by-laws or in the actual articles of association.

Certain provincial legislation may decree that the value of a share is always the same -- such as, ten dollars. Depending on investment or start-up requirements, a co-operative will define the number of ten-dollar shares a person must purchase to become a member:

- in a consumer co-operative, it might be only one ten-dollar share;
- in a producer or worker co-operative, where initial start-up costs are usually higher, it might be one hundred ten-dollar shares for a total of one thousand dollars or more.

Must all members have exactly the same total value of shares?

No. All must have the minimum number of co-op shares and preferred shares defined by the co-operative in order to be eligible for membership, but some members may decide to invest more and to buy more than this minimum number. This does not give them greater rights in the co-operative, because the rule of one person, one vote applies regardless of the number of shares a member has. The amount members must invest in co-op shares and preferred shares may vary greatly from one co-operative to another. It depends on the enterprise's capital requirements. Shares may also be bought through payroll deduction of a percentage of salary (for example 5%) in a worker co-operative or through the payment of patronage returns in the form of preferred shares, enabling the enterprise to finance its own growth in whole or in part.

May non-members invest in a co-operative?

Normally, only members may invest in a co-operative. Given the size of investment necessary to start up or develop an enterprise in certain economic sectors, however, some legislation authorizes the issue of preferred shares to non-members.

Do all members earn the same salary in a workers' co-operative?

This is not obligatory. It may sometimes be the case in very small co-operatives, such as co-operatives composed only of professionals. Generally, however, a co-operative must adapt its salary policies (particularly its salary scale) to the practices in effect in the sector in which it is operating. Otherwise, it runs the danger of having production costs that are too high to be competitive in the marketplace. If salaries are too low, on the other hand, the co-operative may face difficulty hiring or retaining experienced workers.

Salary policies are set by the co-operative's board of directors.

Does a co-operative perform as well as a traditional private enterprise?

It may perform a great deal better, particularly in the case of worker co-operatives. Some studies comparing the performance of these co-operatives with private enterprises operating in the same economic sector have demonstrated their superiority in two ways:

- low absenteeism;
- better quality of products and services.

This is the result of the high motivation of workers. They know that the business belongs to them. They know that the better their work, and the greater the surplus the enterprise generates at the end of the year, the more they can increase their income through returns.

The co-operative model is also particularly well suited to new methods of participatory management being increasingly adopted by enterprises wishing to maximize their performance and the quality of their client services. In fact, through its democratic management philosophy and its work team approach, a worker co-operative can function like a natural quality circle.

This democratic management approach is particularly important in highly skilled sectors. By its nature, a worker co-operative has the potential to be an "intelligent" operation in which all workers contribute their intelligence and skills to collective decision-making for the benefit of the enterprise.

International Labour Organization

The International Labour Organization is the UN specialized agency which seeks the promotion of social justice and internationally recognized human and labour rights. It was founded in 1919 and is the only surviving major creation of the Treaty of Versailles, which brought the League of Nations into being, and it became the first specialized agency of the UN in 1946.

The ILO formulates international labour standards in the form of Conventions and Recommendations setting minimum standards of basic labour rights: freedom of association, the right to organize, collective bargaining, abolition of forced labour, equality of opportunity and treatment, and other standards regulating conditions across the entire spectrum of work related issues. It provides technical assistance primarily in the fields of vocational training and vocational rehabilitation; employment policy; labour administration; labour law and industrial relations; working conditions; management development; co-operatives; social security; labour statistics and occupational safety and health. It promotes the development of independent employers' and workers' organizations and provides training and advisory services to those organizations. Within the UN system, the ILO has a unique tripartite structure with workers and employers participating as equal partners with governments in the work of its governing organs.

For a detailed discussion of the labour standards, their history and method of enforcement, along with relevant recent examples of their application, visit the **International Labour Standards page of the ILO website (http://www.ilo.org/global/What_we_do/InternationalLabourStandards/lang--en/index.htm)**.

Related Resources:
Advantage Workers' Co-operative (/resource/advantage-workers%E2%80%99-co-operative)
CCEC Credit Union (/resource/ccec-credit-union)
Co-op sur Genereux - Visiting a Housing Co-op (/resource/co-op-sur-genereux-visiting-housing-co-op)
Co-operatives on Hornby Island (/resource/co-operatives-hornby-island)
Co-ops Building Co-ops (/resource/co-ops-building-co-ops)
Core Neighbourhood Youth Co-op (CNYC) (/resource/core-neighbourhood-youth-co-op-cnyc)
East End Food Co-operative (/resource/east-end-food-co-operative)
Rainbow Community Health Co-operative: A Case Study (/resource/rainbow-community-health-co-operative-case-study)
The Power of Co-operation (/resource/power-co-operation)
Español (/es/content/%C2%BFqu%C3%A9-es-una-cooperativa)

Related Resources

Introductory

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[The Power of Co-operation](/resource/power-co-operation)

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Chelsea Lake

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Sol Kinnis

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[Co-op sur Genereux - Visiting a Housing Co-op](/resource/co-op-sur-genereux-visiting-housing-co-op)

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Eryk Martin
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Intermediate

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[Rainbow Community Health Co-operative: A Case Study](/resource/rainbow-community-health-co-operative-case-study)

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Cory Rushton
Kristen Sinats
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Core Neighbourhood Youth Co-op (CNYC)

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CCEC Credit Union

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Language

- **English (http://learningcentre.coop/node/3)**
- **Español (http://learningcentre.coop/es/node/16)**