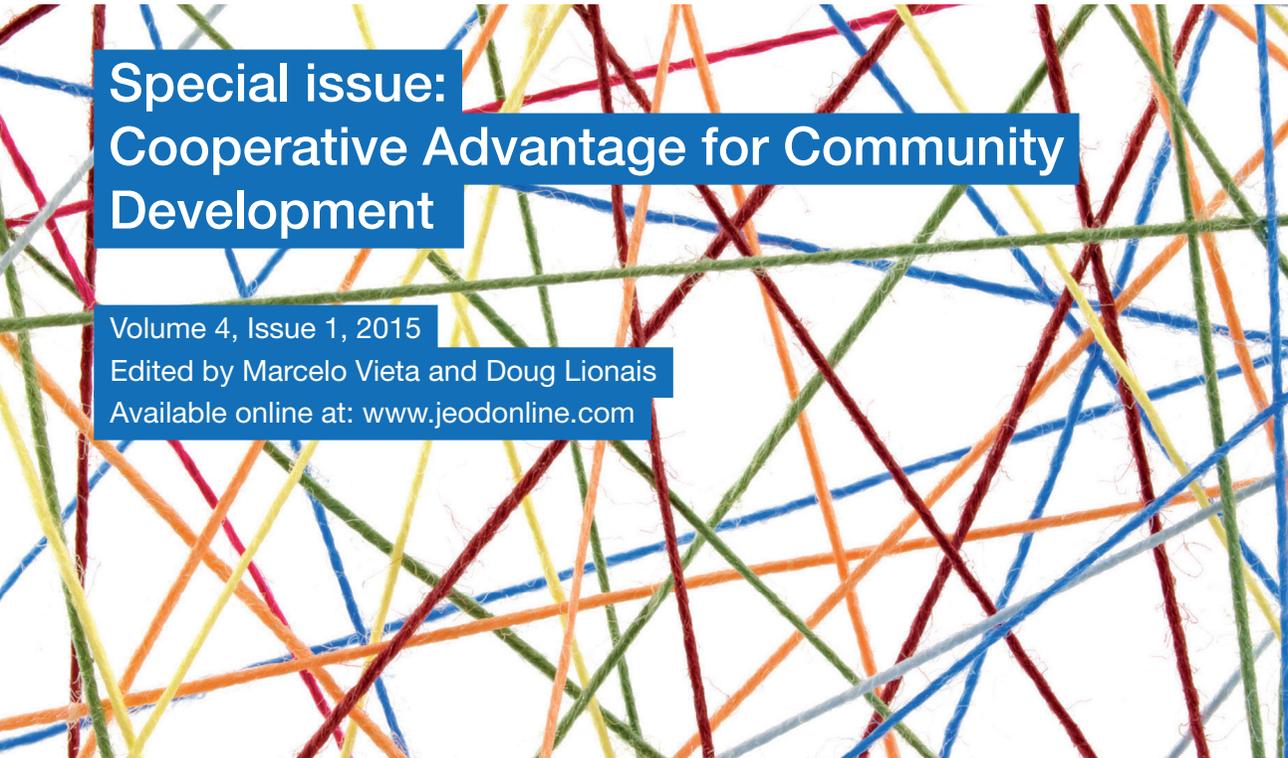


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Special issue:  
Cooperative Advantage for Community  
Development

Volume 4, Issue 1, 2015

Edited by Marcelo Vieta and Doug Lionais

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# Editorial: The Cooperative Advantage for Community Development

## ABSTRACT

Empirical evidence has shown that cooperatives are diverse organizations that efficaciously address a plurality of socio-economic needs. Cooperative organizations are effective in provisioning for myriad life needs, and do so in more democratic and sustainable ways than investor-owned firms. Rooted in the unique principles and values that distinguish them from other business types, cooperatives, in a nutshell, embody what has been called “the cooperative advantage”. This special issue of the *Journal of Entrepreneurial and Organizational Diversity*, “The Cooperative Advantage for Community Development”, was organized to highlight the myriad roles that cooperatives can and do have in protecting and developing communities, as well as the possible tensions and challenges that emerge in the process. Including seven articles from established and upcoming cooperative studies scholars, the special issue critically assesses diverse experiences of co-ops deployed for community development. Via papers engaged in case study approaches, political economy perspectives, critical historical research, and qualitative and quantitative methods, this special issue of JEOD critically reflects on and contributes to understanding the role of cooperatives in grounding bottom-up and locally based community development.

## KEY-WORDS

COOPERATIVES; COMMUNITY DEVELOPMENT; COOPERATIVE ADVANTAGE

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The 2008 financial crisis and the austerity politics that have followed have depleted communities around the world, creating the need for alternative community development initiatives to counter uneven outcomes in the market. In many national and regional contexts, cooperatives<sup>1</sup> are seen as important organizational tools for responding to social and economic failures and for assisting in the development and revival of local communities. This is because, as Majee and Hoyt (2011: 50) astutely observe, “cooperatives bring people together to meet a shared need through operation of a democratically controlled business... and build capital in communities where they are located”.

This special issue of the *Journal of Entrepreneurial and Organizational Diversity* that we have entitled “The Cooperative Advantage for Community Development” was organized to highlight the roles that cooperatives can and do have in protecting and developing communities. We can identify numerous historical successes of cooperatives playing a role in community development. The Mondragon group of cooperatives in Spain had a crucial role in resuscitating the Basque economy post World War II. The cooperative system in Trentino, Italy has grounded and guided much of the coordination of that autonomous province’s economy for over 100 years, being a central social and economic force in taking it from an impoverished region in the first years of the 20th century to one of the most affluent Italian provinces today (Salvatori, 2011). With over 20,000 co-ops throughout its economy today, Kerala, India also has a history of cooperatives underpinning its development, especially rooted in a state-and-local model emerging post-independence and focused on credit, housing, weaving, the agricultural and fishing sectors, and alleviating poverty (Planning Commission of India, 2008). More recently the Evergreen Cooperatives in Cleveland, Ohio have taken an integrated cooperative approach to community development in response to rampant deindustrialization. The Cleveland model connects worker cooperatives to anchor institutions within the community and its already existing human capacities to create a mutually supportive network (Alperovitz, 2013). These successes highlight the possibility of cooperatives in grounding and proliferating alternative forms of community development, all embedded in a vision of social and economic justice.

In times of crisis, in particular, cooperatives can stabilize community economies. This counter-cyclical tendency has been observed in the most recent global economic crisis as cooperative systems have been seen to be much more stable business models (Birchall and Hammond Ketilson, 2009; CECOP-CICOPA Europe, 2011; Sanchez Bajo and Roelants, 2011; Zevi et al., 2011). Mondragon, as one example, has maintained employment levels despite the severity of the crisis in the rest of Spain (Webb and Cheney, 2014). Cooperative banks have also demonstrated this tendency (Ferri, Kalmi and Kerola, 2014; Goglio and Alexopoulos, 2014; Lemzeri, 2014). And worker buyouts of failing conventional firms that sees employees converting them into worker cooperatives have saved

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<sup>1</sup> The articles in this special issue use the term “cooperative”, but refer to “co-operatives” where the latter form is found in quotations and organizational titles. The short form “co-op” is used to differentiate it from the pre-existing word “coop”.

not only jobs and business entities but also entire communities from further decline (Jensen, 2011; Vieta, 2015; Vieta, Depedri and Carrano, 2015). Cooperatives, therefore, are central organizational mechanisms for a more resilient community economic system.

Cooperatives benefit communities in distress via what has been termed the “cooperative advantage” (Spear, 2000). Spear outlines the cooperative advantage as rooted in co-ops’ particular ability to: (i) respond to state and market failures, (ii) engender trust, (iii) build a spirit of self-help, (iv) strengthen civil society, (v) promote key stakeholder participation by building on cooperative values, and (vi) create greater social efficiency and efficacy via positive social and economic externalities. Spear argues that cooperative values, in particular, lead to resilient and flexible organizations that can stabilize a community economy since members usually have deeper stakes in the community compared to dispersed shareholders. In the same vein, Nokovic (2006, 2008) argues that cooperatives can exhibit a concern for the community and mitigate market failures by internalizing externalities. Guided by motivations beyond just returns and profits, cooperatives may choose to maintain production in a location that is not sufficiently viable for investor-owned firms, may choose to hire “less productive” workers from marginalized populations (as with Italy’s social cooperatives), and may choose to purchase locally produced inputs despite cheaper imports (Nokovic, 2006, 2008). Cooperatives are effective tools for community development because they can, and often do, make community interest a priority over short-term financial gain. Operating as place-based businesses (Lionais and Johnstone, 2009), they do so by choosing to locate their business functions in particular places for social rather than (purely) financial reasons.

Cooperatives on their own, however, are not a panacea for depleted communities. As well as cooperative success, there are examples of cooperative degeneration and failure. The Antigonish movement that flourished in the 1930s in Eastern Canada, for instance, faltered by the 1950s due to an over-reliance on technical and managerial perspectives and not enough on the “broader picture”; in the end, the Antigonish movement lost sight of the distinctiveness of the cooperative *movement* although they did adhere to the mechanics of a cooperative *structure* (Dodaro and Pluta, 2012). The long-understood tendency of worker cooperative degeneration once they take on too much hired-labour, is another, although contested, example of potential cooperative degeneration (Webb and Webb, 1920; Ben-Ner, 1984; Rosner, 1985; Dow, 2003). And throughout the US hinterland, Canada’s Prairie provinces, and Argentina’s agricultural sector, some producer and energy cooperatives, the backbone of rural economic development and local solidarity amongst farmers and small towns in these three countries, have lost many of their initial cooperative values and given in to bureaucratic centralization, market interests, and even demutualization (Craig, 1993; Fernández Besada, 2002; Battilani and Schröter, 2011; Fulton et al., 2015).

However, the possibility of cooperative degeneration must be considered in context. Cooperatives are more than just a legal structure. Indeed, Nokovic (2008) has stressed that it is the cooperative

principles rather than the ownership model that is key in understanding cooperatives. In order to have a broader community impact, then, cooperatives must be engaged in something larger than the internal functioning of the organization. On the other hand, the cooperative form *is* an organizational tool, too. But in order for that tool to have a social purpose it must be attached to a wider social vision or movement (Spear, 2010). The potential to unlock cooperatives' transformational impacts on communities necessitates that they be grounded in broader issues of socio-economic justice and alternative visions of socio-economic organization. Many of the most successful and long-lasting cooperatives, for instance the Basque's Mondragon, the cooperative banks of Trentino, Quebec's Desjardins *caisse populaire*, Kerala's agricultural and weavers' co-ops, and Argentina's Hogar Obrero, have had long-lasting and positive impacts on local communities specifically because they have been rooted in broader visions of social justice and community development.

What we would like to underscore is that "community" itself is a key cooperative principle, not only in terms of community development, but also in the broader perspective on cooperatives as presenting an alternative socio-economic reality. As MacPherson (2012) has argued, "concern for community" has historically been an important and central aspect of cooperativism, and was rightly—and finally—entrenched as the seventh cooperative principle in 1995. Indeed, since cooperatives first appeared as formal organizations in the mid 1800s, community has animated much of the most progressive moments in the cooperative movement.

In the context of this special issue, we argue that community development is not simply one possible objective to which the cooperative tool can be applied, but rather it is a defining objective and strength of the cooperative movement. Co-ops become effective tools for community development when they are linked to a broader social and political imagination of alternative development in conjunction with adequate policies and support mechanisms. This is a point particularly stressed by Sonja Nokovic and Tea Golja in this issue.

Community purpose as a key principle of cooperativism, however, exists in relation to other cooperative principles. The paper by Alicia Lake and Catherine Leviten-Reid illustrates how community purpose can come into tension with other cooperative principles and even with different scalar understandings of community. Their paper explores how the desire of local consumer cooperatives in Cape Breton, Canada to source locally produced agricultural products is placing local consumer cooperative stores in tension with the federated network from which they receive the bulk of their supply. They report significant potential for cooperative stores to link up with new movements of local food production. This, however, represents a shift away from the traditional function of supplying conventional foodstuffs in the context of market failure. This new goal for local cooperatives, moreover, creates tensions with larger federated

distribution networks that, on one hand, wish to support local producers but, on the other hand, lose business when they do<sup>2</sup>.

Another example of the tensions between the community principle and the other cooperative principles in practice comes to the fore in Marika Morris's paper. Morris reports on a six-year study of a housing cooperative in Ottawa, Canada where she shows how the co-op was able to build a sense of community for most of its members. However, she also concludes that community building is difficult, tensions exist between diverse groups within the co-op, and that policies set up to support housing co-ops in Canada often hinder their actual community development potential and can even run against the co-op principles. There are thus limits, Morris underscores, to the functional ability of the co-op to support members most in need. Hence, her paper suggests, cooperatives can only take care of certain social ills and marginalization accentuated by capitalistic economic systems. In short, while cooperatives can play a role in community development, we can question whether a strict focus on an economic organizational form (whether cooperative or conventional) is the best way to conceptualize building the capacity of those most marginalized individuals. Implicitly, Morris suggests that co-ops, while ideally situated for such capacity-building assistance, must also be complemented by adequate policies and educational opportunities.

Jorge Sousa's paper also examines the role of community development in a housing cooperative—this time in Toronto, Canada—but puts the focus on community ownership and control. Sousa argues that the Atkinson Housing Co-operative, a complex of 410 residential units covering several apartment buildings and townhouses that was converted from public to co-op housing (Canada's first such conversion), demonstrates community control as a manifestation of the cooperative advantage. The cooperative form was, here, used as an explicit and purposeful tool for community development. However, the experience showed that just as much as the cooperative form could be used as a tool for community development, the successful conversion to the cooperative form required antecedent community development and social justice impetus. In the case of the Atkinson Housing Co-op, community development, in the form of education, capacity building and community policing was required in order to establish the cooperative and allow it to thrive.

Andrés Ruggeri and Marcelo Vieta's paper also presents cooperatives as the transitional outcomes of a wider transformational process. Here cooperatives were selected—both pragmatically and purposefully by the worker-protagonists of the *empresas recuperadas por sus trabajadores* (ERTs) of Argentina—as the organizational form best suited to the movement of worker-led factory and business recuperations in the context of a crisis and post-crisis Argentina. Ruggeri and Vieta argue

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<sup>2</sup> It should be noted that the regional co-op federation that was supplying the local cooperative stores sold its grocery division to a large private sector firm during the editing process of this special issue. The local cooperative stores may now be facing entirely new pressures with respect to local sourcing in Cape Breton as they establish contracts with a new wholesale distributor.

that there have been three different waves, or “eras”, of recuperated enterprises in Argentina: crisis, post-crisis and contemporary ERTs. Here again we see the cooperative form being used as part of a wider social movement for radical socio-economic change—this time intimately connected to a national context of working-class history and the labour movement. Emerging at first out of the crisis of neoliberalism in Argentina during the years spanning the turn of the millennium, cooperatives were the best fit with the social and solidarity principles of the wider social movements of the time, which eventually would garner institutionalized support for ERTs in Argentinian law. One of the more interesting points that Ruggeri and Vieta raise, then, is the intersection between social movements, policy and political-economic inertia. In their paper, cooperatives were seized upon as the most appropriate form for organizing collective ownership of reclaimed and revived factories and businesses. And while the potential for the worker-ownership process seemed to win some policy support in terms of new bankruptcy laws, the evidence shows that those laws have, due to unfavourable hearings from some judges, served to hinder rather than help new business conversions to co-ops. Despite these challenges, Argentina’s ERTs, they conclude, remain robust and promising examples of how cooperatives can and are being used for saving and sustaining jobs and local economies during times of macro and microeconomic crises.

In the ERT movement outlined in Ruggeri and Vieta’s work and the housing co-op detailed by Sousa’s paper, we explicitly see the reciprocal relationships between cooperatives and the communities in which they exist. The wider social and community purpose of cooperatives can serve to unlock this valuable asset (also see Jones and Kalmi, 2013). From the community’s perspective, cooperatives can represent a mechanism to, for example, preserve needed jobs and industry within their localities, or secure affordable and dignified housing for its most vulnerable people. In the case of Ruggeri and Vieta’s paper, ERTs’ ability to survive the prolonged periods of legal limbo and eviction attempts by former owners and at times the state largely stems from the support and legitimacy they receive from the wider community. In Sousa’s paper, residents’ early cohesion and common purpose in securing dignified housing and self-determination for themselves reaches similar goals. The lesson here is that cooperative forms of enterprise, because of their purpose and attachment to a larger, progressive, socio-economic vision, can engender more community engagement and support when compared to traditional investor-owned or even publicly owned firms. In both cases, it is the community that asserts and defends the cooperative members’ moral legitimacy over the recuperated assets. A similar spirit, but with another set of tensions, can be witnessed in community-owned and cooperatively managed energy sector cooperatives.

Mümtaz Derya Tarhan’s article provides a literature review of renewable energy co-operatives (RE co-ops) and their strong connections to community development. As Tarhan demonstrates, RE co-ops offer a powerful nexus between a compelling global movement in sustainable energy (perhaps the defining issue of our times) and local geographic and interest-based communities. Tarhan finds that RE co-ops have great potential for positive socio-economic impacts at the

community level—keeping revenue local, generating employment and new business opportunities, and so on. They also have positive impacts with regards to the environment and lowering global carbon emissions. Further, the cooperative form allows for greater acceptance of renewable energy installations at the local level as community ownership often dispels or reduces the not-in-my-backyard (NIMBY) phenomenon. As we see with the other articles in this issue, the process of developing RE co-ops itself can also have positive impacts in empowering communities to build local capacity. Moreover, the process of creating RE co-ops can assist in overcoming one of the main hurdles to their development—community trust via the experience of working together.

Ushnish Sengupta provides an important counterfactual—and reminder—to this special issue's theme. In the context of Canadian Indigenous communities, Sengupta argues that cooperatives were historically state-sanctioned tools of securing land for European settlers and thus also central to the project of colonization. While having also proven to be promising vehicles for the self-determination of Indigenous peoples, co-ops nevertheless continue to imbue this problematic history. Initially, cooperatives were used as tools to settle migrant populations and assert Canadian sovereignty over Indigenous people's lands. It is therefore not surprising that Canada's Indigenous communities' response to cooperatives has often been resistance. In these cases we can see how the larger socio-economic vision to which cooperatives are employed can equally serve a negative process of community destruction rather than development, particularly when imposed by powers external to the community. And while, as Sengupta shows, cooperatives have been taken up by some Indigenous communities as viable mechanisms from which to practice Indigenous entrepreneurship—rooted in quadruple bottom-line practices that include culture in the mix—they continue to be controversial tools for some of Canada's First Nations, Metis, and Inuit peoples. This is a poignant reminder that the cooperative form is (just?) a tool that, while privileging values of mutual aid, self-determination, and community, can also be deployed for other means and ends that may uphold exclusionary power hierarchies and unjust economic structures. As such, considering issues of *how* and *why* cooperatives are to be used, and by *whom*, are vitally important for adequately optimizing the cooperative advantage and their potentially positive social impacts.

Finally, Sonja Nokovic and Tea Golja's article equally acknowledges the dual potential of cooperatives as tools for progressive community development rooted in social justice issues or, equally, of the neo-liberal status quo. In other words, co-ops may also be employed within a redistributionist economic model that ultimately upholds the capitalistic framework rather than one connected to an alternative social-economic project. Might this be a possible trap for cooperatives? In the context of post-civil war Croatia, Nokovic and Golja argue that cooperatives can indeed potentially be an important component for the broader European project of an expanding social economy. They may, and do at times, also emerge as supports to neo-liberal attempts of downloading state provision to communities. For Nokovic and Golja, the key for Croatian cooperatives, in the context of the continued transitioning process of its economy from the former Yugoslavia's particular brand of

socialism to a mixed-model developmental economy, is for its disparate and disjointed cooperative sector to organize and see itself as a *movement*. The success of cooperative movements in other places and conjunctures, we believe, leaves hopeful openings for an alternative path to Croatia's future development beyond the problematic offerings of neo-liberalism.

Our fundamental argument in this introduction to the special issue of JEOD, "The Cooperative Advantage for Community Development", is that cooperatives are most effective when they are both connected to larger social-justice movements and when simultaneously rooted securely to local communities. Such "glocalized" (Swyngedouw, 1997) ways of thinking about (and practicing) cooperation unleashes the potential of the cooperative model. Local community impact is enhanced and improved as cooperatives connect to wider socio-economic movements for alternative economies. The papers in this edition serve as examples of how this can be achieved (Ruggeri and Vieta, Sousa, Tarhan), how there can be tensions between the local and larger socio-economic contexts and visions (Lake and Leviten-Reid, Morris) and that a potential trap for cooperatives might exist when the larger projects within which they are embedded are colonialism (Sengupta) and neo-liberalism (Nokovic and Golia). But even the last two papers of the special issue allude to the cooperative form's equal potential to move beyond these traps if rooted in local needs, practices, assets, cultural sensitivities, and supportive policies.

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# Conventional Consumer Cooperatives and Local Foods: A Case Study from Cape Breton, Canada

**ABSTRACT**

This paper examines cooperation and community development in the food sector. It explores how conventional consumer cooperatives located in Cape Breton, Nova Scotia, Canada support local producers as well as the role of their second-tier cooperative in hindering and facilitating this work. Fifteen interviews were conducted with managers and directors representing ten stores. Findings show that while there is interest on the part of these cooperatives in carrying local foods, they experience store and supply-level barriers in doing so. Additionally, some federation practices constrain the ability of the retailers to carry Cape Breton products. Both stores and the federation, however, share a common understanding of the role they play in community development and alternative food systems.

**KEY-WORDS**

LOCAL FOOD; FOOD SYSTEMS; COOPERATIVES; FEDERATIONS; CANADA

**JEL Classification:** L81; Q13; R11 | **DOI:** <http://dx.doi.org/10.5947/jeod.2015.002>

## **1. Introduction**

Cooperative organizations feature prominently in the food sector. While food cooperatives traditionally emerged as consumer-owned grocery stores in response to failures in market economies (MacPherson, 2009; Thompson, 2012), more recently examples have formed largely as a result of consumer and producer interests in the inter-related issues of organic and local agriculture, sustainable development and fair prices for farmers (Murtagh and Ward, 2009; Chouinard and Martin, 2012). Food cooperatives are found around the world and are grounded in internationally recognized principles including member economic participation, voluntary and open membership, cooperation among cooperatives and concern for community (International Co-operative Alliance, 2011). They contribute to their communities in a variety of ways: by offering community spaces, by creating employment opportunities for local residents, and by stemming economic leakages through the provision of essential goods in small communities, to name a few (Hoyt, 2004; Heit, Fulton and Fairbairn, 2014). Those promoting local and sustainable production and consumption also work to counter the negative environmental, social, health and economic impacts of a globalized food system (Feenstra, 1997; Seyfang, 2006; Williams et al., 2012; Sumner, McMurtry and Renglich, 2014).

The purpose of this paper is to examine cooperation and community development in the food sector in two different, but interconnected, respects: first, it explores how a cluster of cooperative stores located in Cape Breton, Nova Scotia, Canada support local producers and the challenges they experience in doing so. Second, it explores the role of the second-tier cooperative in supporting producers in the small communities where the individual member cooperatives are located. This article makes two contributions to the literature: first, unlike the existing literature on the role of new cooperatives in facilitating dimensions of sustainable agriculture, we examine how food stores established to address market failures in the conventional food system attempt to work with local producers. Second, we examine the relationship between a cooperative federation that both operates a wholesale and sources food at a regional level, and its member stores that are also attempting to partner with Cape Breton producers. Through this, we look at the interplay between the principles of cooperation among cooperatives and concern for community, and more specifically, how the principle of cooperation among cooperatives may hinder or contribute to community development.

## **2. Background**

Cape Breton Island, Nova Scotia, is located in eastern Canada. Cape Breton is an economically depressed region, with an unemployment rate that is double the provincial average and is triple the national one, and with high rates of outmigration (Nova Scotia Department of Finance, 2013). The island experienced rapid growth a century ago through the coal and steel industries, but is

now de-industrialized. Traditional rural industries such as forestry, fishing and agriculture have also experienced decline (Dodaro and Pluta, 2012; Stalker and Phyne, 2014).

At the same time, people living on the island have long experimented with self-help strategies. The country's first community development corporation was formed in Cape Breton in 1976 and continues to operate (Macleod, 2004; Lionais and Johnstone, 2010). Importantly, the island was also the home of the Antigonish movement, an economic movement that took place primarily between the 1930s and the 1950s that saw the formation of hundreds of cooperative businesses through the use of adult education techniques animated by extension workers from a nearby university (Dodaro and Pluta, 2012). It was during this time period that the majority of food cooperatives that participated in this research were formed.

The cooperative grocery stores in Cape Breton, as well as in other parts of Nova Scotia, and the provinces of New Brunswick and Prince Edward Island, own a second-tier cooperative structure called Co-op Atlantic. This federation provides wholesale, distribution, financial, marketing, and other services to its member cooperative stores (Brown, 2014), and is also active in real estate, social housing, energy and agriculture supplies (Brown, Hicks and Leclerc, 2012). Co-op Atlantic has management agreements in place with some of the first-tier food cooperatives, whereby the federation hires store managers and provides training, although the managers are still accountable to the directors of the cooperatives they run (Livingstone, 1995). In addition, the federation also owns and operates some grocery stores that are not controlled by consumers (Brown, 2014). Called "corporate stores", these retail outlets were acquired by the federation when they were no longer financially viable as independent, consumer-owned cooperatives to ensure that adequate retail scale would still be available to the federation. At the time that this research took place, there were 12 cooperative food stores operating in Cape Breton under the Co-op Atlantic banner (Co-op Atlantic, 2008), one being a corporate store.

Co-op Atlantic struggles within a globalized food system where chain stores and complex supply chains dominate (MacPherson, 2009; Brown, 2014; Cameron and Hanavan, 2014). Co-op Atlantic has responded to their competition by emphasizing and marketing "the cooperative difference" (MacPherson, 2009; Brown, 2014). One of their areas of emphasis is partnering with Atlantic Canadian farmers and making what is grown and raised by these producers available to federation's stores through their wholesale division (Brown, 2014). For example, Co-op Atlantic sells inputs to producers through their agricultural supply stores, and then purchases meat and produce from these farmers. They also highlight these products through their marketing; the logo used to identify these products in store flyers reads "Atlantic Produced by Your Neighbours" (Co-op Atlantic, 2008), and these regionally-produced foods are identified by the federation as "local" (Co-op Atlantic, 2008). As a result, while their competitors operate using a globalized supply chain, the federation has responded, and works to differentiate itself, through the creation of a regional food system.

What is meant by local foods is socially constructed and can change over time (Seyfang, 2006). Some consumers define local in terms of driving distance (Zepeda and Leviten-Reid, 2004) or the 100-mile diet (Rose et al., 2008). Although the term is not clearly defined, local food systems or foodsheds can also be understood as having social and cultural elements while being rooted in particular places (Kloppenborg, Hendrickson and Stevenson, 1996; Feenstra, 1997). Cape Breton, as an island, has naturally-occurring boundaries and a unique history and identity, and its geographic and climactic features make it a separate entity from mainland Nova Scotia with respect to agricultural production (Koziel, 2012). As a result, using the term “local” to capture foods grown on the island has cogence.

With respect to the agricultural sector, the most current data show that there are 223 farms in Cape Breton generating approximately 20,000,000 CAD in revenue (Koziel, 2012). The typical small and medium-sized farm on the island is focused on self-sufficiency, whereby farmers grow primarily for their own consumption, but also have one or two commodities for sale (Beaton, 2015). Producers are experimenting with sustainable farming practices and are marketing their products through a variety of means, including through the formation of new farmers’ markets and a food hub, and by selling from the farm gate. Scaling up the agricultural sector is seen as an important economic development strategy by local actors (Economic Growth Solutions, 2012) as well as the Province (Koziel, 2012). This complements the growing consumer interest on the island in procuring local and sustainable foods.

### **3. Literature**

Retail cooperatives have the potential to carry a significant amount of local foods. In surveys of American consumer cooperatives, gross sales of local products were found to average 21 per cent of total sales (Katchova and Woods, 2013), and stores boasted connections with approximately 150 local producers each (National Cooperative Grocers Association, 2013). In Japan, the buying groups that form the Seikatsu Consumer Cooperative purchase over one billion CAD in food grown by local and regional farmers (Conaty and Lewis, 2012), while Korean consumer cooperatives partner with over 2,500 producers (icoop Korea, 2013).

A range of strategies are used by cooperatives to procure their local products. Hingley (2010) offers the case of a consumer cooperative in England that worked with a group of livestock producers and processors to make locally-raised meat available in its retail outlets. To do so, the cooperative became a financial investor in the initiative, developed a unique logo and marketing information on food miles, and joined the new organization’s board of directors alongside processors and farmers. In the case of American stores, many tolerate lower profit margins for the local products they sell. Staff works directly with farmers, helping them plan their growing seasons, and providing training on packaging, food safety, and quality. Additionally, local foods are promoted vigorously through newsletters, social media, and by sharing producers’ narratives with shoppers (Katchova and Woods,

2013; Stockinger and Gutknecht, 2014). In Korea, consumer cooperatives encourage procurement by educating their members about the importance of purchasing regional products, and by offering a loan fund to farmers (icoop Korea, 2013).

Despite the physical spaces established by many cooperatives to sell their foodstuffs, not all organizations are using conventional retail environments to make local foods available. Pearson et al. (2011) describe a cooperative in the UK that, beyond its store walls, operates weekly markets in community spaces in order to make purchasing locally-sourced and other foods as convenient as possible. To carry out its work, the cooperative relies extensively on volunteers to sort and sell its products. Further, Little, Maye and Ilbery (2010) and Diamond (2012) document consumer cooperatives that do not have stores at all; for example, one such US initiative was established by consumers who sought out area farmers to supply them with local products. The producers are profiled on a web site, and food is dropped off at community hubs and sorted by volunteers. In order to cover its operating costs, the cooperative charges an annual membership fee and a five per cent surcharge on purchases. Similar to this example but operating on a much larger scale, Conaty and Lewis (2012) and Kimura (2010) describe the workings of the Seikatsu Consumer Co-op: small groups of up to 10 households order from farmers and receive their products through member-run drop off points; consumers work directly with growers to establish protocols for acceptable production practices, conduct farm inspections, and set fair prices for farmers.

The literature reviewed above reveals that consumer cooperatives are not only able to encourage and strengthen local production, but that they do so in some overlapping ways: members of these cooperatives are active participants in procuring their food, and partnerships are established with producers that involve communication, information sharing and contributions of time or financial equity. Also common among these cooperatives is that they were established with the objective of fostering local and sustainable agriculture.

There is limited extant work on federations in the cooperative sector. In the theoretical literature, they have been described as integral to the survival of cooperative organizations as they compete and adapt in a globalized economy (Fairbairn, 2014; Novkovic, 2014), and characterized as complex and variable with respect to the degree of influence exerted by the second-tier organization over member cooperatives (Quarter, 1992). Empirical studies provide evidence of these two assertions. In an examination of the role of cooperatives and their federations in carrying local foods in two countries, tensions between retail stores and their larger structures are found (Hingley et al., 2011). Case studies show that the second-tier structures have developed branding and marketing strategies for regional and national products, but not for those coming from the immediate vicinities where member stores are located. Lack of consistency, volume inadequacies and problems with distribution are the reasons why regional or national foods are privileged over local ones, as is confusion on the part of managers with respect to what, precisely, constitutes local foods. However, the independent member stores of these federations do retain some autonomy to buy local products, albeit to varying degrees.

Beyond local food, Heit, Fulton and Fairbairn (2014) focus on the Canadian retail sector more generally, and demonstrate the delicate balance between the shared identity and scale offered by a federation and the need for member cooperatives to have a degree of autonomy to meet the expectations and aspirations of their home communities. To illustrate, they describe how the cost cutting directives made by Federated Co-operatives Limited to stores under financial duress did not fit with the needs of small towns to have full service retailers; in other words, given their lack of proximity to larger centres, stores in smaller communities needed to retain all their departments to prevent economic leakages. They document how one cooperative responded by raising equity from consumer-members who shared an understanding and commitment to cooperative principles and community development. This local success, in turn, altered the federation's approach from requesting cost-cutting to offering financial assistance. In a different example, but one that also demonstrates tension and balance, the authors describe how the federation's advice to a successful store to relocate to a larger but peripheral location was not pursued because consumer-members saw the cooperative as an anchor in their downtown. However, the cooperative did agree to expand its existing site, in keeping with the spirit of the federation's recommendation. Finally, Bijman (2005) documents what can occur when the equilibrium identified by Heit, Fulton and Fairbairn (2014) is not achieved. The author looks at the decline of a large, Dutch-based agricultural cooperative group and argues that insufficient authority was established at its second-tier to strengthen vertical integration in their system; this was caused by a membership base with interests that were too diverse and narrowly-focused and created, in turn, both a board of directors with limited decision-making ability and a need for capitalization which was not met by members.

#### **4. Methods**

We adopted a flexible, case study design for this research (Yin, 2009; Robson, 2011). This design was chosen to provide an in-depth, qualitative exploration of cooperatives and local food in a distinct geographic location. The authors' own experiences working in the local food movement were instrumental in selecting the topic (Kirby and McKenna, 1989; O'Leary, 2005).

All independent cooperative food stores in Cape Breton were invited to participate in this study, and all but one agreed. We requested permission to interview a board member and a manager from each store in order to gather information on both policy and management-level decisions. In five of the cooperatives, only the store manager agreed to be interviewed. In four stores, both a board member and manager were interviewed, and in one cooperative, only a board member agreed to participate. The total sample size is 15 individuals from 10 retail cooperatives. Despite the fact that we were not able to interview a director from each store, managers from these cooperatives were able to respond to policy-level questions related to their boards of directors.

The interview questions were based on existing literature on food systems and cooperatives, as well as the authors' knowledge of these sectors. We conducted semi-structured interviews (O'Leary, 2005; Robson, 2011) and these lasted, on average, one hour. Participants were provided with a copy of the questions in advance. The first author was also given tours of several of the retail stores during the interviews with managers. The researcher made field notes of observations and photographed elements of interest that reflected points raised during the interviews, such as labels used in the stores and local food displays.

Data were collected in the spring of 2013. With the exception of two interviews that were not recorded at the request of research participants, interviews were taped and transcribed. Data were analyzed using thematic coding (Robson, 2011) by the first author. Labels and themes were then reviewed by the second author to strengthen the validity of the findings.

Over half of the managers interviewed reported a background in business, accounting or management. Some reported past experience in food industries and others explained that they had worked their way from entry-level positions into management within their stores. The managers had between two months and twenty-five years of experience in their positions with the average being just over seven years. Board members came from varied backgrounds including farming, business, and education.

All cooperatives that participated in this research were located in rural communities. Store sizes ranged from small to moderate, but all carried a full line of grocery items. Most stores also featured historical photographs of their stores and communities inside or outside their buildings.

This study has one significant limitation: neither consumer-members of the local cooperatives nor federation staff or directors were interviewed. Their exclusion was intentional because the focus of the research was to understand the topic from the perspective of store managers and directors. However, interviewing participants from the federated organization would have shed additional light on their role in helping individual stores with local procurement. Additionally, interviews with consumer-members would have provided valuable insight on members' thoughts and ideas about foods in their stores and relationships with producers.

## 5. Findings

Four major themes were identified in the data analysis. These were the interest participants expressed in supporting their communities and local producers, the practices they follow in carrying local foods, the challenges they experience in doing so and the relationship between local cooperatives and their federation.

### *5.1 Supporting communities, supporting local*

Interviews revealed that cooperative managers and directors want to contribute to the geographic communities in which they are located. Interviewees described cooperatives as organizations that

inherently contribute to place and identified the reciprocal relationships that exist between the cooperative stores and their towns. For example, one participant stated: *“I mean everybody has to look out for their own communities, right? That’s what a co-op is, it is a community store and you want the community to support your store so you have to support the community as well ...”*.

Research participants also felt it was important for their stores to buy from local producers as part of this role they play in their communities. One manager articulated: *“I think it is very important because you’re giving back, you’re helping support your own community and you’re helping support the people who are supporting you so it has to work both ways”*. Additionally, they see a natural fit between their cooperative organizations and the selling of local foods. For example, one participant stated that *“It’s people helping their own communities and that’s where it all started and that’s where our strength is”*, while another stated that, *“Well co-ops have always been in retail food so I’m not sure if the co-op’s trying to catch up with the local movement or if the local movement is trying to catch up with the co-ops. I’m not sure which way it is, we’re just trying to play our part, if we can support local then we will”*.

Some participants felt that their stores were better positioned to respond to consumer demand than larger chain stores given their relationship to their members and their embeddedness in their localities. For example, one manager stated that *“It’s not like those big stores in the big cities... It’s nice to see there’s committee involvement and you can get advice from people because in reality they own the store and they have a share of the store; they have a say in what happens there”*. They felt that their ability to contribute to the community and specifically to work with local producers, in fact, differentiates their stores from competitors: *“That’s what sets us apart from the other grocery stores”*.

Further, participants indicated that there is increasing member interest in purchasing foods grown from nearby producers. For example, one participant expressed that, *“I think there are a lot more young people that support locally grown. They want to know where it is coming from”*. Explanations of this growing interest centered on the food being healthier, fresher, safer, and more trustworthy. As one participant stated, *“Their trust is more in local products now; knowing where the product is coming from”*. Participants indicated that there are other trends they are observing in member demand, including greater interest in foods that are less processed, organic, gluten free and free of genetically-modified organisms. However, participants also indicated that their members continue to be price sensitive.

## 5.2 Practices

Despite the strong interest expressed by research participants in carrying local products, they revealed that the majority of food sold in cooperative stores was coming from Co-op Atlantic’s wholesale, rather than Cape Breton producers. However, all cooperatives included in this research carried at least some items that were produced in Cape Breton. The number and type of local products were found to vary from cooperative to cooperative. The types of items sold included eggs, vegetables, berries, value-added products such as oils and jams, wild fiddleheads, maple syrup,

honey, fish, processed meats, chicken, and milk. To illustrate, one participant stated that, *“Last year we started buying blueberries locally from a gentlemen just about five minutes outside of town. I don’t even know what the name of the company is; everyone just knows them as [person’s name] blueberries”*. Managers also talked about how these products are valued by cooperative members, for example, *“He sells some fish like smelts; they are locally caught here. It’s mostly for the older people because they can’t fish for themselves anymore but they still like to eat fresh fish”*. Another participant indicated that, *“Sometimes we get local plums and people just go crazy for them”*.

During interviews, participants indicated that procurement policies do not exist at the store level with respect to buying local products. In the absence of policy, managers of the stores are able to make autonomous decisions around buying locally produced food; that is, without being encouraged nor constrained by their boards of directors. When it comes to procurement practices for Cape Breton foods, most managers are generally approached by local producers to buy their products, *“There are people coming in all the time trying to sell stuff; that’s usually how we get it”*. In a small number of cases, however, managers seek out specific, locally-grown products, such as berries, and maintain long-term relationships with these producers. The interviews show that managers are not actively seeking out new local products in their communities, however. As one manager indicated, *“unless we have members asking for a product we are not really going out and actively looking for new stuff to bring in ...”*.

According to the interviews, there is no special placement for local foods within the cooperatives. With few exceptions, local foods are typically placed in sections alongside similar mainstream products. In addition, the cooperative stores are not making labels to identify local items in their stores, despite the fact that they have the technology to do so. In most cases store managers report that they make hand-written signs to identify these local products. Some managers indicate that they are labelling local foods specifically by naming the town of origin on hand-written signs, or they use the broader term local. In some instances, local producers are encouraged by managers to create their own signs, with some carrying through with this request. Although there are no standard labelling practices currently being used by this cluster of cooperatives, many participants felt that a standard logo identifying local products should be adopted. Managers attempt to keep the prices of local products the same as what they source from Co-op Atlantic.

### 5.3 Challenges

Participants identified several challenges to procuring and selling local food in their stores. With respect to procurement, managers reported that there are currently no resources to inform them about what is available locally. As a result, managers usually find out about these products if local producers contact them or bring them to the store to sell. Another challenge lies in the distribution system for local foods; unlike the multiple deliveries provided by Co-op Atlantic every week, local producers typically deliver directly to stores. Most small producers are limited in the number of

times they are able to deliver their products per week, and in some cases local producers do not make deliveries at all. This poses an even greater challenge to managers; as one participant informed us, *“Some producers don’t even deliver to this area. So the berries, for example, I had to drive to [name of community located 80 kilometers from this co-op] to pick them up myself and take them back, and that’s not something that I have the time to do. But if the customers want the product then we will do that”*.

Participants reported additional procurement challenges presented by the short growing season and the decreasing number of farms in Cape Breton. These obstacles prevent them from being able to obtain an adequate and dependable supply of a wide range of products year round. One manager remarked that it has become more difficult to source local products over time: *“There’s not a lot [of local food]. At one time there would have been... If there was a farmer selling turnips or carrots or whatever the fresh produce of the day would be, there never would be any issues on that, but a lot has changed”*.

Regulations were also identified as being a barrier to sourcing local products, and participants stated that they do not always have a clear understanding of provincial guidelines. For example, one manager reported: *“If we start selling local produce more and more, what regulations are we dealing with? Are we dealing with any?”*. It was evident in the interviews that the concern for food safety extended to the delivery of local products and the trustworthiness of producers.

When it came to selling local products in the cooperatives, a host of new challenges were identified by managers. They indicated that most local producers did not label their products, which meant that the responsibility to do so fell to the stores. They also reported that although they attempt to keep the price of local foods the same as foods grown elsewhere, some producers expected high prices for their products. Paying out higher prices makes it more challenging for the cooperatives to make any profit from the sale of local foods; they also indicated that it puts them at risk of not selling the product at all and taking a larger loss. Some managers also reported that producers may prefer to sell at farmers’ markets because higher prices can be commanded there.

Managers identified a list of aspects that would make it easier for them to procure and sell local foods in their stores. The need for more information about local products available in Cape Breton was most often identified, and many participants suggested that a list of suppliers should be compiled or some sort of computerized ordering system for local foods be developed. Managers also felt strongly that a logo to identify local foods would greatly help in the marketing of these products in their stores. Managers further voiced that there should be systems in place to ensure that farmers were meeting safety regulations and that there was a more frequent and simplified delivery system.

#### *5.4 The federation and member stores*

Interviewees confirmed that Co-op Atlantic plays a vital role in helping cooperative retailers in Cape Breton. Participants emphasized that the federation assists them in a wide range of functions, including distribution, wholesaling, marketing, advertising, ordering and automatic pricing systems,

as well as providing guidance, training and networking opportunities to managers. In addition, the federation provides health and retirement benefits for employees in the member stores. Participants stated that Co-op Atlantic has a comprehensive, full service wholesaling division, making up to three deliveries per week to their stores. Their role as a distributor, supplier and wholesaler was also identified as being integral to the operations of the stores. As one individual stated: *“They are our major wholesaler and Co-op Atlantic was formed by all of us co-ops to source items and to carry on the larger aspects of business that we can’t .... We would never survive without them, really”*. Within the Co-op Atlantic network, individual stores are able to work together to make goods available for their consumer-members. For example, some smaller retailers are able to buy small quantities of product from other cooperatives and have these brought to their stores by Co-op Atlantic trucks.

Participants confirmed that Co-op Atlantic has a regional “buy local” campaign that defines local as Atlantic Canadian, and that this program promotes Atlantic-sourced products with the use of signs, labels and other advertising. However, many managers and board member indicated that they felt the scope of the campaign is too broad. For example, one participant stated the following: *“I think it’s just that there should be more focus on Cape Breton. I think you can say local, but Atlantic Canada is really broad because we have a lot of local producers of food in Cape Breton ....”*. In addition, participants stated that there was no equivalent initiative to promote Cape Breton products within the Co-op Atlantic system, even for stores on the island.

Interviews reveal that Co-op Atlantic does not have a written policy to govern or guide managers in their purchasing of Cape Breton-based food versus food from Co-op Atlantic’s wholesale. Participants indicated that Co-op Atlantic verbally supports the cooperative retail stores in their efforts to buy local, although it was noted that assistance is not provided. For example, one participant stated the following: *“They say they are very supportive, ‘oh yeah, you support local above all’, but they don’t seem to then follow through and give the manager concrete direction on how to do that ....”*. Another participant noted how this position puts Co-op Atlantic’s bottom line at risk; when a manager is buying a product from a local supplier outside of Co-op Atlantic’s distribution system, the federation is not collecting a fee. This interviewee stated: *“They are definitely wearing two hats there, encouraging [us] to buy local. They are shooting themselves in the foot to do that, but that’s what they stand for or part of what they stand for”*.

The relationship between the federation and member stores also comes into play in setting prices. As reported earlier, most managers indicated that when they buy local products they aim to match the Co-op Atlantic price, but some identified problems with this system. For example, one manager stated that: *“If they are supplying you with a product and that week Co-op Atlantic decides to promote it [the local producer] will just back out of it, saying ‘No we can’t match that price’. But you’re not in it to lose money, so you end up bringing it in from the wholesaler”*.

The last dimension under this theme concerns the marketing role played by the federation. Interviews reveal that the main marketing channel for member stores is a weekly flyer made by Co-op Atlantic. However, participants also report that their stores market independently to a certain

degree through in-store specials and signs, newsletters and radio advertisements. For local food, participants reported that word of mouth is one of the strongest forms of advertising.

## **6. Discussion**

Findings show that there is unequivocal interest in carrying locally-sourced foods on the part of independent, Cape Breton cooperatives. This interest is based on the role cooperatives play in developing their own geographically-based communities, as well as changing consumer preferences. However, and despite the fact that the stores are carrying some Cape Breton products, the current practices managers use to procure local foods are small in scale. Moreover, the challenges managers experience in sourcing and promoting local foods are great, due to both store-level and supply-level factors. So while there is interest in contributing to community through the procurement of island foods, there exist, in reality, many barriers impeding the cooperative retailers from doing so.

Interestingly, findings reveal that these Cape Breton stores have not adopted the practices used by newer food cooperatives that are emphasizing local products. For example, there is no active involvement of consumer-members in buying, marketing or selling (Little, Maye and Ilbery, 2010; Conaty and Lewis, 2012; Diamond, 2012). More importantly with respect to supply-side challenges, there are no established practices used to communicate demand-size information to producers, to help farmers plan their crops, or to invest in new farms or processing infrastructure (Hingley, 2010; Katchova and Woods, 2013; icoop Korea, 2013). These practices seem vital, however, in helping scale up the island's agricultural sector. Suggestions made by research participants reflect practices these conventional cooperatives currently use to purchase food through their federation, including ordering from a centralized list and using a standardized logo to identify local foods. In addition, some research participants noted that it was further assistance that was required from their federation in order to make more local foods available, rather than identifying partnerships that could be established with nearby farmers and producer associations (such as pasture, beekeepers and fish processing cooperatives) that are outside the Co-op Atlantic system (MacDonald, 1998; Koziel, 2012).

We do not wish to discredit the suggestions made by research participants on how to make more local foods available in their stores, as these proposed approaches may indeed be helpful. Our point, instead, is to note that these conventional food cooperatives are suggesting current, conventional practices for building a more localized food system, rather than articulating strategies used by more alternative food cooperatives that have successfully established extensive ties with producers. This finding could perhaps be explained by the fact that the second-tier structure has been the historical provider of wholesale services to independent stores, meaning that cooperatives have not had to pursue partnerships with local producers in order to stock their shelves. Moreover, the federation also provides training of store managers, and this has undoubtedly established a set

of practices that foster and reinforce the relationship between cooperative stores and their federation rather than the communities where the retailers are located. In the same vein, consumer-members of these stores have, for decades, been involved in their stores by serving on the boards of directors, and not by seeking out, sorting and selling local foods. Finally, working through the federation to procure more local foods helps maintain the viability of a structure that supports small cooperative stores as they operate in the context of a globalized food system.

With respect to our second research question, we find that there is both tension and opportunity with respect to the role of the federation and the development of the towns and counties served by the Cape Breton cooperatives. On the one hand, member cooperatives in our study depend on the services of their federation to remain viable, yet the federation's central marketing and pricing practices make it more difficult for local stores to carry foods from area producers. Here we see a contradiction at play between the international cooperative principles of cooperation among cooperatives and concern for community: cooperatives need to work together to garner the scale required to compete with other grocery stores, yet the federated structure constrains their ability to support their communities by purchasing local foods. At the same time, however, the federation is also interested, and is actively involved in, building a food system that counters the mainstream globalized one on which conventional, profit-maximizing stores are based, and in fact pursues the development of this food system as part of its "cooperative difference", albeit at a much larger scale than the foodshed of focus in this study. Yet although it has been suggested that this type of structure might be too rigid or constraining for member cooperatives to pursue their goals (Bijman, 2005), our findings demonstrate that there is room within Co-op Atlantic to foster community development at the level of retail stores. Following Heit, Fulton and Fairbairn (2014), part of this opportunity lies in the overlapping understanding the federation and the retailers have of the role of cooperatives and local foods: according to research participants, both identify that cooperatives form and exist to meet the needs and aspirations of residents in their immediate communities, and both view the availability of local foods in stores as a way to pursue community economic development. In addition, there is overlapping understanding that selling local foods can differentiate the cooperatives from competing stores. Because these are shared, there is space for the organizations to work out better practices for making more Cape Breton-grown foods available on store shelves; in the absence of shared frameworks, federations and member stores can work against each other to the detriment of both (Fairbairn, 2014; Heit, Fulton and Fairbairn, 2014). The challenge ahead for these organizations is to achieve an adequate balance between their procurement practices at more local and regional levels, since extant work on the demise of a central structure identified diverse interests among member cooperatives as a reason for its failure (Bijman, 2005).

Finally, opportunity also lies within the policy level of the federation. Although, as identified earlier, some existing practices privilege Atlantic Canadian grown foods from Co-op Atlantic's wholesale, a policy environment exists in which cooperative stores are not actively prevented from purchasing Cape Breton foods, despite the fact that this puts the federation at some level of financial

risk. This policy environment, in addition to a shared framework, suggest that cooperative stores have opportunities to develop their communities by supporting local producers; scaling up this work may require learning from consumer cooperatives that specialize in partnering with local producers, and from horizontal networks of cooperative organizations that exist in other parts of Canada and around the world (Sumner, McMurtry and Renglich, 2014).

## 7. Conclusion

More remains to be learned about cooperative stores and local foods in Cape Breton. This includes interviewing staff and directors of the federation, understanding the experiences, needs and ideas of island producers with respect to scaling up farming and fishing, and consulting with cooperative producer associations about their ideas for establishing horizontal linkages with retail stores. Consumer-members should also be interviewed. However, the strong interest on the part of cooperative stores to contribute to community development through local foods, not to mention the island's history of self-help and the current importance placed on agriculture as an economic engine, means the opportunities for building up Cape Breton procurement through cooperative retailers are great. And although some store - and supply - related barriers were identified, the practices of other food cooperatives provide opportunities for replication. With respect to retail and their federation, findings point to challenges but also opportunities for community development: cooperatives working together at the second-tier level are interested in alternative food systems and contributing to community, mirroring island stores. Our research has identified this overlap; what remains now is for Cape Breton cooperatives and their central to identify concrete actions to take local procurement another step.

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# The Cooperative Advantage for Social Inclusion Meets Uncooperative Government Regulation: International Cooperative Principles and Cooperative Housing Regulation in the Province of Ontario, Canada

**ABSTRACT**

Canadian housing cooperatives are a tool for building an inclusive society, bringing together people diverse in income, race, age, and ability/disability. This six-year case study of an Ottawa, Ontario, Canada housing co-op found that co-op housing provided benefits for its members: reducing the depth of poverty; increasing physical, material and emotional help; and catalyzing social integration, greater social capital, safer communities, organizational experience, skills-building, networking, and political mobilization. However, the legal framework in which co-ops operate and a lack of resources prevent Ontario housing co-ops from fully adhering to International Co-operative Alliance principles and ensuring that all members benefit equally from co-op housing.

**KEY-WORDS**

COOPERATIVES; HOUSING; SOCIAL INCLUSION; SOCIAL CAPITAL; PUBLIC POLICY; POVERTY REDUCTION

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## 1. Introduction

In his influential book, *Development as Freedom*, Amartya Sen (2001: 74) states that an inclusive society is: “characterized by ... a widely shared social experience and active participation, by a broad equality of opportunities and life chances for individuals and by the achievement of a basic level of well-being for all citizens”.

Although Canada is a highly industrialized society in which most people enjoy a good standard of living, Canada has a long way to go to meet Sen’s requirements for a truly inclusive society. According to the Organisation for Economic Co-operation and Development, Canada ranks among the industrialized countries with the most income inequality (OECD, 2008) and higher than average child poverty (OECD, 2014). It is clear that despite rich natural resources and a healthy GDP, Canada has not achieved equality of opportunity or a basic level of well-being for its citizens, the vast majority of those needing assistance being families with children who rely on food banks because they cannot afford to buy food (Food Banks Canada, 2013). Neither has equality of opportunity or basic well-being been achieved among Indigenous communities in Canada—and Indigenous women in particular, highlighted by the disproportionate number of missing and murdered Indigenous women (RCMP, 2014)—or the 300,000 Canadians who are visibly homeless and living on the streets or in shelters (Wellesley Institute, 2010).

There is also an affordable housing crisis in Canada. Almost 1.5 million households, which is about 13 per cent of Canadian households, are in “core housing need” which “means that they cannot locally access a home that costs less than 30 per cent of their before-tax household income, which also has an adequate number of bedrooms for household members and does not require major repairs” (CHRA, 2011). The stock of rental accommodation, particularly at the more affordable end, has been declining in Canada over the past few decades, incomes for the middle and lower income brackets have stagnated or declined, rents and the cost of homes have risen, and social benefits have been reduced. TD Economics (2003) attributed the decline in rental stock to two main factors: developers can make a much faster and larger profit from building condominiums and houses for home ownership, and federal and provincial policies have exacerbated the problem, which I will be pointing out throughout this paper. Clearly, the capitalist market model has not worked to meet the demand for affordable housing in Canada.

Hyman et al. (2014) discuss the shift from social exclusion (outcomes such as homelessness) to social inclusion (processes, resources and conditions that support equality). Building social capital networks, particularly among the disenfranchised and between the disenfranchised and those with more power, has implications for people’s ability to be fully participating citizens, and for social and economic well-being and inclusion. Social inclusion, as Sen also points out, is a matter of helping people develop the networks and participation skills they need to take action to change social and economic structures. Canadian housing co-ops, I argue, have the potential to promote positive social change through building social capital and inclusion across barriers of income, race, ethnicity, immigration status, gender, sexuality, health status, age, family status

and other divisions at the micro level within co-ops, and at the macro level through the political mobilization of co-op members.

Housing co-ops not only provide affordable housing in well-maintained, democratically controlled buildings, but are also an important source of building social capital across socioeconomic and demographic groups. Canadian housing co-ops are mixed income, that is they have members whose incomes are low enough to receive a housing subsidy and middle and upper-income members who do not receive a subsidy and with rents linked to market rates. Moreover, urban housing co-ops particularly meet a need in response to the lack of community felt in modern societies in which many are transient and fewer people know their neighbours.

This article discusses a subset of results of a six-year case study of a housing co-op in Ottawa, Ontario, Canada incorporated as a housing cooperative under Ontario provincial legislation in the 1990s. Using a mixed methods case study approach, the article focuses on the benefits to members of being a part of the co-op, and the impact of public policy on how well Ontario housing co-ops are able to adhere to the International Co-operative Alliance (ICA) principles of open membership, democratic control, economic participation, independence, cooperative education, cooperation among cooperatives, and community. It also outlines areas of improvement for the Canadian co-op housing movement, including cooperative housing regulation in the province of Ontario, in terms of building social inclusion among co-op members.

### *1.1 Housing cooperatives in Canada*

Cooperatives as institutions of mutual aid and support are one way to enhance social inclusion and social capital in society and meet the needs of people who are not well-served by market forces. These may include people who are living on low incomes for whatever reason, such as inadequate pension in old age, racism in housing and employment, mental and/or physical disabilities, unemployment, significant unpaid caregiving responsibilities, skills and educational levels that are not in demand, lack of experience or qualifications that are not recognized in the country of immigration, uncertain immigration or refugee status, trauma, intergenerational poverty, and employment in low wage occupations. Housing cooperatives in Canada are mixed-income communities, in which a certain percentage of units are reserved for people living on incomes low enough to receive a subsidy. In co-ops created in the 1970s, the ratio was often fifty-fifty in terms of low-income to full market rent units, but certainly in Ontario the ratio increased in favour of more subsidized units. The co-op in this case study had 60 per cent of units reserved for people living on incomes low enough to receive a subsidy, and 40 per cent for people whose incomes were too high to receive a subsidy.

Cooperatives have been recognized internationally as an alternative organizational model able to more than adequately function as more equitable forms of businesses within or in spite of the capitalist model. They also differ from many not-for-profit organizations in that, in a co-op, the

beneficiaries are in control, making up the board of directors and each one having a vote<sup>1</sup>. Although many kinds of formal and informal structures are referred to as “co-ops”, the housing cooperatives discussed in this study refer only to those that:

- are legally incorporated under federal or provincial legislation as housing cooperatives;
- where applicants for housing units undergo a membership interview process;
- have boards of directors completely made up of co-op members;
- oblige members to participate in members’ meetings to approve budgets, audit statements and other major decisions;
- provide rent-geared-to-income (subsidized) housing for a majority of members; and
- are a part of a world-wide cooperative movement which includes financial co-ops (credit unions), farm, retail, funeral, artist, worker, producer, and other kinds of co-ops.

Housing co-ops are different from consumer or producer co-ops in that they are not “collectively owned either by its customers (a consumer cooperative) or by its suppliers (a producer cooperative)” (Hansmann, 2013: 2). The Co-operative Housing Federation of Canada (CHFC, 2014c: par. 2) specified that “[t]he members do not own equity in their housing. If they move, their home is returned to the co-op, to be offered to another individual or family who needs an affordable home”. The majority of co-op members (but not all) live on low incomes, for whom any kind of home ownership is out of reach. Those who can afford to buy a house but choose instead to live in a co-op tend to do so for the sense of community.

Not-for-profit housing (NFPH) also exists in Canada, alongside cooperative housing. NFPH is often created by citizens or organizations for the purposes of providing specialized or affordable housing to certain populations. There are several legal and practical differences between NFPH and co-ops. NFPHs are incorporated under different pieces of legislation and are subject to different laws and requirements. For example, many NFPH providers are free to apply for charitable tax status which can aid in fundraising, co-ops cannot. People who live in NFPH are not required to participate in the running of the building or housing provider, whereas co-op members are required to attend meetings and participate in the management of the co-op. NFPH residents do not necessarily vote for or sit on the board of directors, although this may be allowed in some NFPH depending on the constitutional structure. By definition, co-op members democratically control their own housing, and are required to attend meetings and vote on candidates for the board of directors, review and pass audited financial statements and budgets, and pass by-laws and policies. NFPH may also be mixed income, like housing co-ops, but many NFPH providers cater to certain populations only, for example, 100 per cent of residents may be living on lower incomes, or be mentally ill, etc.

There are 2,220 housing co-ops in operation in Canada, representing over 91,000 households. Co-op members tend to be diverse in terms of income, race, immigration status, physical and mental ability/disability, and family status (CHFC, 2014b). Ottawa housing co-ops are represented

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<sup>1</sup> This can be the case in some not-for-profit organizations, but it is not a defining characteristic.

federally by the CHFC, provincially by the Co-operative Housing Federation - Ontario Region, and locally by the Co-operative Housing Association of Eastern Ontario (CHASEO). The CHFC is a member of the ICA.

## 1.2 Method

The study referred to in this article was conducted in fulfillment of an interdisciplinary doctorate in Canadian Studies, drawing on sociology, anthropology, geography, economics, social work, community development, political science and policy studies. It was a six-year (2004-2010) case study of a housing cooperative in downtown Ottawa, Ontario, Canada. The co-op members were socioeconomically diverse. Sixty per cent were living on incomes low enough to receive a housing subsidy. The other 40 per cent had incomes high enough not to qualify for a subsidy. A written demographic survey revealed that the co-op was also diverse in terms of race, ethnicity, language, immigration status, sexual orientation, age, abilities, family status, and health status. The co-op at one point had an HIV/Aids housing policy, which reserved two units for people living with HIV/Aids. As in any community, there were also members living with mental illnesses and addictions.

All participants had at least one thing in common: as in most housing co-ops in Canada, they all went through a membership interview when applying to the co-op, promising to dedicate at least four hours per month of volunteer labour, and indicating an interest in community life and getting to know their neighbours.

Twenty-five of the 48 co-op members were interviewed, and both quantitative and qualitative data collected about their participation inside and outside of the co-op, sense of belonging, voting, trust, social networks and self-esteem. In addition to the quantitative data collected, research participants were also asked why they participated in the co-op to the level they did, asked open-ended questions about their experiences at the co-op, and asked what suggestions they had to increase participation and get members to get to know each other better.

Co-op minutes and policies were analyzed, written materials gathered from co-op housing associations, and interviews performed with key informants outside the co-op, such as a municipal councillor, co-op coordinators, and staff of co-op housing associations. I also took detailed notes as a participant-observer participating in general members' meetings, some board meetings and in other co-op events over a period of six years. Some members and key informants clearly identified the changes to Ontario social housing policy in the 1990s as a problem affecting the functioning of the co-op, so I also undertook a policy analysis of the Ontario *Social Housing Reform Act* (SHRA) and related regulations. The SHRA has now been replaced by the *Housing Services Act* (HSA), but the analysis of how this piece of legislation affected the ability of the housing co-op to foster social inclusion is still useful, as the key problematic elements of the SHRA, which I will delve into throughout the article, are also present in the HSA.

The case study yielded data that were rich and textured. Only the data related to the following questions are discussed in this article: (i) How do housing co-operatives benefit their members? (ii) How does public policy influence the ability of Ontario housing co-ops to adhere to the International Co-operative Alliance (ICA)/Co-operative Housing Federation of Canada (CHFC) principles? (iii) What are the challenges faced by Ontario housing co-ops in living up to their potential?

## **2. Results and discussion. Contradictions between co-op principles and the current realities of Ontario housing co-ops: The role of public policy**

The housing co-op did a number of things well, at least for a majority of members. This included providing rent-geared-to-income (RGI) housing, which reduced the depth of poverty in the community, and facilitating social inclusion. Members provided each other with physical and material help, emotional help, and greater security. The co-op also provided many opportunities for networking, skills-building, social integration and political lobbying and mobilization. In their study of women living in social housing, private rental housing and co-op housing in Winnipeg, McCracken and Watson (2004: par. 20) found that: “The women living in cooperative housing told us that stable, adequate and affordable housing helped them improve their health, economic status and gain skills”. These findings were confirmed in the present study.

Major challenges also existed. Unlike the assumptions made in some of the social capital literature, racial and cultural diversity were not the roots of insurmountable problems in this co-op. The major obstacles were the inability of the co-op and its members to deal with members with mental health issues, and personality conflicts that led to disruption in the functioning of the co-op. The legal framework within which the co-op operated was also antithetical to the co-op’s ability to embody the International Co-operative Alliance principles in full.

In several ways, direct contradictions existed between the seven co-operative principles and the realities of Ontario housing co-ops during the study period (2004–2010). The ICA updated and published the seven cooperative principles in 1995, and these were endorsed and adopted, in modified form, for housing co-ops in Canada by the CHFC (2014a). The CHFC’s version of the cooperative principles are: open membership, democratic control, economic participation, independence, cooperative education, cooperation among cooperatives, and community. Each principle and definition is listed below, with an analysis of how Ontario co-ops try to adhere to the principle and where they are impeded from doing so by public policy. For comparative purposes, both the ICA and the related CHFC principles are given.

During the study period, the *Social Housing Reform Act* (SHRA) was the key piece of legislation governing co-ops and other social housing providers in the province of Ontario, where the co-op under study is located. The SHRA was introduced in 1995 and was replaced in 2012 by the *Housing Services Act* (HSA). All of the policy elements discussed below are still a part of the HSA, unless otherwise noted.

## 2.1 Principle 1: Open membership

ICA principle:

*Voluntary and Open Membership:* Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

CHFC principle:

Co-ops are open without exception to anyone who needs their services and freely accepts the obligations of membership.

Provincially-regulated Ontario co-ops cannot just accept any applicant they choose. Under the SHRA and the HSA, applicants for subsidized units must be referred from the centralized Social Housing Registry, which is a list of all subsidy applicants in the municipality for any kind of subsidized housing, not just co-ops. Before the SHRA, people sought out co-op housing because they were attracted by participating in a community. They had to find out about the co-op and apply directly to the co-op. Now, the people at the top of the Social Housing Registry are desperate for housing, and may say they want to live at a co-op simply because it increases their chances of finding housing earlier. Applicants must still undergo the membership interview process, but it is easy to claim to be willing to donate four hours per month of labour when one really needs somewhere affordable to live, and there is no legal way to enforce participation in provincially-regulated co-ops. This could potentially lead to splits between market and subsidized members, should most subsidized members have no real interest in co-op life.

However, where the co-op does have control is in interviewing every potential member, and accepting or refusing that person for membership. An observation of how the Membership Committee functioned and on what basis people were refused membership raised an issue of social justice versus the smooth functioning of the co-op. The co-op was the keeper of subsidized units. However, some applicants were not able to contribute skills or were not convincing about their commitment to participation and community. The question then arises of how being rejected for membership affected some of these applicants, many of whom were living on low incomes and/or facing other challenges such as low levels of functionality in English<sup>2</sup>, obvious mental illness, or inability to make a good first impression. Canada has well-articulated human rights laws that prohibit discrimination on the bases outlined in the ICA principle. However, the perception by co-op members who do the interviewing about “who would make a good co-op member” could in fact be influenced by common stigmas and the reality of insufficient capacity.

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<sup>2</sup> Of all the co-op members at the time who were known to be immigrants, all but one had an excellent command of English, and all but one (not the same one) had post-secondary education. There was also a Canadian-born francophone whose ability in English was limited.

Ben-Ner and Ellman (2013) described the risk of mismatch between the type of individuals who work in cooperatives and the needs of an effective organization design. Unattended mismatches typically grow over time until their negative impacts becomes so severe that they end in the demise of the cooperative.

In a related vein, housing co-ops are in a difficult position when it comes to balancing open membership with the need to accept members who have the skills to work with others. Housing co-ops are challenged to be inclusive, which necessarily means capacity-building for some who could benefit most from membership but who might not be able to participate as expected by incumbent members. As a small co-op, the co-op in this study had very limited ability to provide training.

Although nobody forces anyone to live in a co-op, the voluntary nature of membership is confronted by the reality of economic need. If those paying market rent do not like the co-op, they are in a better position to find alternative housing. If people living in subsidized units don't like the co-op, some found themselves trapped there for lack of any affordable alternative. This contributed to a sense of powerlessness among some of these members, despite the fact that the co-op is democratically controlled.

## 2.2 Principle 2: Democratic control

ICA principle:

*Democratic Member Control:* Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

CHFC principle:

Co-ops are controlled by their members, who together set policy, make decisions and elect leaders who report to them. In primary co-ops each member has one vote.

Co-op members are required to attend four general members' meetings per year in which they: may present themselves as candidates for the board of directors; elect the board of directors; amend and pass the annual operating budget, review and approve the co-op's audited financial statements; and discuss and create or amend by-laws and policies. A quorum of at least 51 per cent of members is required for votes to be valid. Although all members are required to attend, in reality not all do because of scheduling conflicts with shift work or classes, lack of child care, mental<sup>3</sup> or physical illness, or alienation. Nevertheless, only once in the six-year period of this study was quorum not obtained. In that case, the meeting was then rescheduled and quorum was obtained.

The SHRA determined that the following were under the final control of the Province, not the housing provider (including co-ops): corporate structure, by-laws, operation, management,

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<sup>3</sup> For example, one member was agoraphobic, and participated mainly in ways that avoided being in large groups.

maintenance, selection of property managers, participation in a generalized waiting list system for subsidized housing, eligibility rules, occupancy standards, priority rules, relationship with occupants, system of pooling capital reserves, group insurance, system for the renewal or replacement of mortgage financing, and “such other matters as the Minister considers to be necessary or desirable”. So although the co-op claims it has democratic control, many key decisions, including major aspects of the budget, are actually made by government.

Although in practice, the Province or the City does not interfere in matters such as selection of property managers unless there is a problem that may require intervention, it is still difficult to see from this list in what way Ontario provincial co-op members have democratic control of their own affairs or are truly “independent”. Even the annual housing charge increases were dictated by the Province, and members had to either rubber-stamp the increase or live with serious financial penalties that would eventually bankrupt the co-op. The HSA contains a bit more flexibility but mainly for the municipality rather than for co-ops.

In addition, where members do have some control, as in certain decisions involving other members, the results of this case study show that members sometimes vote for policies and penalties that oppress other members. Many of the decisions boards and members made about other members were sources of conflict, and were sometimes infused with personal rancour. Examples included whether the co-op’s insurance should pay for damage made to members’ property during work in a member’s unit performed by the co-op. In most cases, members at meetings tended to compensate or waive penalties for members who were liked, but did not compensate or waive penalties for members they did not like, regardless of the similarities of the situations. Conflicts arose from time to time regarding staffing, as well. To some members living on low incomes, the co-op coordinator’s salary appeared high when it was in fact the market salary for the work. In addition, some members on the board of directors did not have management experience or a sense of professional salaries, benefits or expectations. This may have been a factor in the resignation of some of the co-op’s coordinators.

The Canadian co-op housing movement has responded to various management and governance challenges through establishing the “2020” visioning and certification process. This began with the necessity to plan for the end of federal government operating agreements with housing co-ops established under federal programs. Most of these operating agreements are due to expire between 2015 and 2028, leaving large numbers of federal co-ops with no structure or financing from the federal government. While this should give them more freedom—the federal government will no longer dictate or manage their affairs and their mortgages will have been paid off—they will also no longer receive RGI funding from the federal government. Although the co-op in this case study is not a federal co-op but is incorporated under Ontario law, and it is nowhere near the end of its operating agreement with the Province of Ontario, it has benefited from the federal CHFC program for all member co-ops which provides trained facilitators to help the co-op develop a 2020 vision and mission statement. CHFC also provides a toolkit of resources to help co-ops put “co-op values to work for your co-op” as well as develop good governance, principled leadership, sound

management, a plan for capital replacements and longer-term investment, a long-term budget and an examination of refinancing options. CHFC certifies any co-op which can show that it can meet the standards it sets, and the co-op in this study received this certification. The 2020 process tends to focus on governance and financial structures, but does not draw on the lessons from the literature about organizational dynamics. Even though a co-op may gain this certification, this does not mean that all members are trained to carry out the main tenets of certification.

Despite these challenges, the expectation and motions of democratic control had a beneficial effect for some members in the following ways: members who had no opportunity to sit on a board of directors of any organization now gained the experience of co-managing a multimillion dollar enterprise, and could add this to their résumé; members who had little or no experience working on committees with others gained this experience, which is also a valuable employment skill; members who had little experience with accounting had audited statements and operating budgets explained and gained an understanding of how the finances worked; members who had little experience with voting or elections could vote and see first-hand what the procedures were. In addition, this co-op was located in a 100 year old building which had only become a co-op in the 1990s. Due to the building's age, there were many competing and urgent maintenance issues, and co-op members elected to the board had to prioritize and decide what was do-able within a fixed budget. Here co-op members needed to, and did, develop and use skills of prioritization, financial management and planning regarding the co-op's maintenance issues. As such, for some members, going through the motions of democratic control contributed to their increased social inclusion in terms of gaining familiarity and skills that could help them better integrate in the larger society.

### *2.3 Principle 3: Economic participation*

ICA principle:

*Member Economic Participation:* Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

CHFC principle:

All members contribute fairly to their co-ops, which they own in common. Co-ops pay a limited return (if any) on money people have to invest to become members. Surpluses are held for the future and used to improve the co-op's services.

The CHFC's economic participation principle emerged from the experience of other types of co-ops. Housing co-op members do not own their housing as individuals. When they move into the co-op, they become co-op members with the right to vote and sit on the board. When they move out of the co-op, they cease to be members. They do not buy or sell their unit.

The co-op under study was an entity registered under the province of Ontario's *Co-operatives Corporations Act*. However, the co-op was so tied to government financing during the life of the 35-year mortgage that it was essentially controlled legally and financially by the provincial government. Initially, the government had the power to place a co-op in receivership. The SHRA obliged co-ops and other housing providers to turn over all or most of their surpluses to the municipality. Now, some of the surplus can be kept for future repairs and capital projects. However, the surplus cannot be used, for example, for capacity building.

Before the SHRA, the co-op charged an application fee and membership fee. Application fees are no longer allowed (something I agree with) because it was a burden to lower-income people who were required to pay several application fees to the different co-ops that they hoped to join. The current membership fee is nominal and payable at the time a successful applicant moves in. Since economic participation is now nominal, Principle 3 for housing co-ops (and in the co-op under study) has evolved into the "sweat equity" of four hours of participation per month. However, the participation requirement was divisive and problematic. Every once in a while the issue of penalties for people who did not participate enough or at all in the co-op would arise, with some even suggesting a "wall of shame" to put up the pictures of non-participating members, or financial penalties. This is despite the fact that some non-participants were people living on low incomes and for whom financial penalties would be a hardship. The study also found that the harshest attitudes to people living on low incomes were from other people who were currently or formerly living on low incomes, which pointed to an internalized oppression or a tendency to judge others that, for some, came from experiences of a harsh life. The study found that many of the members who felt alienated, or were perceived as trouble makers, or went for long periods without participating had been diagnosed with a major mental illness (schizophrenia, obsessive-compulsive disorder, generalized anxiety disorder, etc.) that was not widely known among other members. Also, some members were physically ill and the extent not known to other members. Some had many conflicting work and family priorities. Some had had bad experiences participating in the co-op, particularly being criticized for their work or having to deal with unpleasant members, and had withdrawn their participation. Many members did not have the knowledge or training to understand why people behaved as they did.

If all 48 members of this co-op did their required four hours of work per month, this would result in 192 hours of volunteer work for the co-op per month. But the reality was that there was not enough unskilled work available to provide for everyone's four hours per month. Some of the work required professional skills that most members did not have, or required confidentiality, for example knowledge of who is receiving a subsidy, which members were uncomfortable having other members know. Finally, some of the work that was done by volunteers was criticized by other volunteers as not being good enough, and certainly an ongoing issue was a perception that some members lacked the social skills to do effective board or committee work. In short, some

members were essentially set up to fail to meet, or adequately meet, their four hour requirement of participation.

The organizational psychology literature (e.g. Jex and Britt, 2008) would be very useful for co-ops, particularly providing a concrete evidence base for what really motivates participation and structural issues that influence group dynamics. On the positive side, interviews revealed that there was no difference between the low-income and market rent members in terms of participation, including participation as the co-op's leaders.

There are also structural issues very much under the co-op's control which could be rectified in order to reduce conflict and ensure member rights. For example, Ontario housing co-op members should not have fewer rights than tenants under the *Residential Tenancies Act*. Since most co-op members were previously tenants in privately owned apartment buildings, the fact that the co-op required 65 days' notice of intention to vacate rather than the 60 in the *Residential Tenancies Act* led to serious conflict in the co-op. Members were caught by surprise when charged an additional month's rent they were not expecting to have to pay. Conflict arose when some well-regarded members had the rent waived by the members at general members' meetings or by the board, while others were required to pay it. In some ways, where the co-op was able to form its own rules, some members suffered.

The co-op also experienced conflict because of issues between members and the part-time co-op coordinator or the board. Centralized management of provincial/municipally-regulated housing co-ops could cut costs by sharing the administrative burden, providing centralized and specialized coordinator training, providing a free conflict resolution mechanism, and acting as an arbiter to ensure members' rights are respected and that rules are consistently applied.

A certain degree of centralized management is already provided for federally regulated co-ops in the provinces of Ontario, Alberta, British Columbia and Prince Edward Island through the Agency for Co-operative Housing, a not-for-profit organization linked to the co-op housing movement. The Agency, limited in its responsibilities, primarily ensures that federal co-ops are spending public money appropriately and vets budgets and other financial matters. It is limited in its responsibilities. This mostly oversight agency, however, is not available to provincially regulated co-ops in Canada, such as the one in this case study.

The economic participation requirement did bring participating members together across socioeconomic differences, which benefitted members in numerous ways related to social inclusion. Many members volunteered in organizations outside the co-op, and were able to share knowledge of these resources with other members. Several members interviewed found paid work through other members of the co-op. The co-op served to enable lower and higher income members to get to know each other and work together, which meant that some members could recommend other members to their professional networks.

Housing co-ops also can provide links to other community organizations, either in a formal way, or informally through members. During the study period, one member organized co-op members'

participation in the City of Ottawa's clean-up day, during which there was also a neighbourhood social gathering. This served to build links between co-op members and other residents in the neighbourhood, further contributing to social inclusion.

#### 2.4 Principle 4: Independence

ICA principle:

*Autonomy and Independence.* Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

CHFC principle:

All agreements co-ops sign with outside organizations or governments should leave the members in control of the co-op.

Any organization in Ontario incorporated as a housing co-op must follow the framework and directives outlined by either the federal, provincial, or municipal governments, depending on which of these governments aided in the establishment of the co-op and the provision of the rent-gear-to-income (RGI) subsidy. As such, there is limited independence until the mortgage is paid off and then only if the co-op decides to no longer accept RGI subsidies from the relevant level of government. Members may pass by-laws, but these cannot supersede federal, provincial or municipal legislation or regulations, and co-ops have found that their by-laws are frequently not enforceable in the courts, particularly in cases of eviction of members for reasons not available to private landlords or other social housing providers.

Additionally, the legal framework under which co-ops are incorporated and the mixed-income housing they provide places limits on the amount and method of raising money and how funds are spent. The co-op under study did not have much in the way of discretionary funds, for example, for community development. So member control was often limited to decisions such as decorative colour schemes. However, other decisions were more significant to the lives of the members, such as which major repairs to prioritize. By-laws were generally adopted verbatim from templates provided by co-op housing federations.

Before the SHRA, the co-op had greater discretion in terms of meeting or exceeding its target of 60 per cent subsidized units. For example, if a member paying market rent lost his or her job, he or she could immediately be eligible, based on their reduced income, to receive a subsidy for the following month. At first, the SHRA regulations did not allow for subsidies to be given at all under these conditions. It required market members in this situation to apply to the Social Housing Registry and be placed at the bottom of the list, which in Ottawa was a seven-year wait. The co-op housing movement fought for and won the right of housing providers to extend subsidies to *in situ* market rent members who experience a drop in income severe enough to result in eligibility for subsidy. However, it is still not as flexible as the system used to be: the member must still apply to

the Social Housing Registry, and the subsidy only becomes available once the housing provider is below its target. This means the member must wait until a subsidized member no longer needs a subsidy through an increase in income, moving out, dying, or otherwise becoming ineligible. This is an insecure position, as there is no way to ascertain when any fortunate or unfortunate event might open up a subsidy space, which could be months or years in a small co-op.

Offering subsidized housing to market members who lose their source of income is important for several reasons: it maintains continuity of membership in the community; it offers help to a member of the community, which is what co-ops are supposed to do; it provides security of tenure which is not a feature of the private housing market where a loss of source of income means being unable to pay the rent; and it serves a social purpose through providing stable housing through a difficult time during, for instance, job loss, the loss of a spouse or parent, etc., so that the member does not have to compound the difficult situation by having to find a new home.

The SHRA and its regulations created an additional and potentially large problem for both co-ops and other social housing managers in that it introduced a benchmarking system to bring social housing expenses into line, without considering expenses such as community development or the realities of rising utility bills. The cost of utilities, for instance, was benchmarked to a fixed percentage increase at a time when oil and gas prices were rising well above that percentage. As of December 2005, there were over 70 appeals to the Province from housing providers all over Ontario. Moreover, the preparation of appeals added to the paperwork that housing providers had to fill out, which was particularly onerous for small housing providers, which includes most co-ops such as the co-op in this study (a co-op with 36 units of housing and a part-time coordinator). In practice, this has meant that the SHRA has multiplied the amount of paperwork social housing providers were required to file by 12.

Another problem with the benchmarking system was the standardization of RGI subsidies given to the housing provider, regardless of the market rent value of the unit. The co-op in this study had some very large two-bedroom units and very small two-bedroom units, which also differed in amount of sunlight and other features. Before the SHRA, it did not matter who got the large two bedrooms and who got the small two bedrooms. The RGI subsidy provided 70 per cent of whatever the rent on the unit was. Under the new system, the co-op lost money if the people in the large two-bedroom units received RGI subsidies because the subsidies were set according to whether the unit is a one bedroom, two bedroom, three bedroom and so on, regardless of the actual square footage, appearance or advantages of the unit. This subsidy was set at far less than the co-op previously received in RGI for the large two-bedroom units. For example, the market rent on the large two-bedroom units as of April 2010 was 1,185 CAD per month, whereas the city benchmarked the rent for any two-bedroom apartment at 869 CAD, resulting in a loss of 316 CAD per unit per month every time anyone receiving a subsidy lived in a larger, more attractive units. This caused grief between neighbours and suggestions that the larger and more attractive two bedrooms should be reserved for those paying market rent, essentially creating a class system where one's location in the building would mark one as a subsidy recipient or not. This was a conflict situation created entirely by public policy.

## *2.5 Principle 5: Cooperative education*

ICA principle:

*Education, Training and Information:* Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

CHFC principle:

Co-ops offer training to their members, directors and staff. Co-ops tell the public what they are and what they do.

Although training and education is now a part of the law for housing co-ops, the funds to engage in training and education are, on the whole, insufficient. Since co-ops provide mixed-income housing and are incorporated as cooperatives, they do not qualify under federal law as registered charitable organizations, which would broaden their ability to raise funds and finance more extensive training and education programs. However, some training and education initiatives are in place, but have shown mixed results to date.

The Co-operative Housing Association of Eastern Ontario (CHASEO), for instance, offers training, holding spring and fall weekend education sessions for co-op members at a central location. However, most co-op members had not attended any CHASEO education workshops. The co-op only had the budget to send a few members. CHASEO is also limited by its budget, which is made up of contributions from co-ops which are themselves limited in their budgets. HSA regulation now also requires social housing providers to prepare and follow a plan that includes: training staff and volunteers involved in a housing co-op's operations; succession strategies for the board of directors; and education of cooperative members about the governance of the cooperative. But as with CHASEO, most co-op members in the study never received any co-op training of any kind. Part of the issue is that neither the co-op nor the members may see the training as necessary, which is ironic, as sometimes the people most in need of conflict resolution training, for example, are those who need it most, which in this case would be the co-op's members themselves. The limited budgets of small co-ops is another barrier to training. Moreover, when co-op members do receive training, there is not necessarily any systematic follow-up whereby the trained co-op member communicates other co-op members about the training, beyond a description of a few sentences often in passing conversations.

Besides possible outreach initiatives to promote existing training programs and fundraising so that more co-op members can receive training, the themes covered by training programs should also be extended. Training programs, for instance, should not be limited to governance and operations, unless a wide view is taken of these areas, which includes member integration, volunteer management, constructive communication skills, and conflict resolution skills. Conflict resolution skills, in particular, need to be a part of co-ops and community development for all members, to provide shared norms about how to handle disputes when they arise. Conflicts are inevitable. It is

how we deal with conflict that can pull an organization through as a community or not. The co-op in the study did not have a conflict resolution by-law or policy, although one was considered at a general members' meeting but was never passed because ultimately it was not considered important. CHASEO also offers mediation services, but the co-op has to pay and all parties must agree to formal mediation.

Destructive atmospheres are not limited to co-ops, of course. The organizational management literature is filled with studies and solutions for poisoned workplaces and dysfunctional organizations, some of which could equally apply to other groups of people who do not communicate with each other effectively, or where there is a communication gap between management (e.g. board of directors) and those they manage (e.g. members). In particular, communication scholars Lutgen-Sandvik and Sypher's (2009) edited volume *Destructive Organizational Communication: Processes, Consequences, and Constructive Ways of Organizing* could be helpful. This book integrates theory and practice in addressing the human complexity of spaces in which people are required to work together.

One of the major positive findings of this case study was the cooperative movement's role in educating co-op members about considering co-op housing issues when voting in provincial and federal elections. A number of social capital theorists have discussed generating social capital to enhance political participation (e.g. Dekker and Uslaner, 2001; Badescu and Uslaner, 2003; Hooghe and Stolle 2003). For example, Hooghe and Stolle (2003: 1) in their review concluded that "it is now widely acknowledged that the presence of dense networks within a society, and the accompanying norms of generalized trust and reciprocity, allow citizens to overcome collective action problems more effectively". They expounded on two possible mechanisms: firstly, that perhaps voluntary organizations and their various forms of social interactions give rise to the development of civic attitudes (society-centred approach); secondly, that social capital is embedded in governments, public policies and public institutions (institution-centred approach). The present case study yielded an example of a society-centred approach that succeeded also in part because the public institution (in this case, the City of Ottawa) took the action seriously. This bottom-up, social capital-driven initiative illustrates well how members, adequately organized and informed, can be a powerful force for change in their local communities.

Political education and action within co-ops can be initiated by members, or by the federations to which the co-op belongs. During the study period, the co-op, which, as has been already mentioned, is in a 100-year old building (which is very old for the city of Ottawa), was faced with the possibility that a modern (and according to many of the members, rather unsightly) 18-storey condominium building would be built directly behind it. This would have essentially blocked all sunlight to the co-op, literally and figuratively overshadowing the co-op, which is a heritage building. Moreover, it might have posed a structural danger from blasting during construction, as well as posing an inconvenience for a number of years from the noise and dust of construction. One co-op member in particular took it upon herself to write notices and round up neighbours

through door-knocking and face-to-face chats about the importance of opposing this proposed construction. This member was a very active participant in the co-op and everyone knew and trusted her. She found out when the municipal planning meetings were, and organized a dozen co-op members to go with her. At the meeting at which the developer's condominium proposal was discussed, the co-op members outnumbered all of the other people present, including City staff and other members of the public. Most of the co-op members took active part in the discussion, strongly opposing the construction on various grounds, using the city's own heritage district plan. In interviews for this study, some co-op members divulged that this had been their first public meeting. Some also said they intended to go just to be "bodies" of support, but once there, they gained the confidence to say something after other co-op members got the ball rolling. For many members, this was their initiation into finding out how municipal decisions are made and how to influence them. In the end, and due to this bottom-up initiative, the co-op members were successful in preventing the neighbouring development as the municipality decided that there was strong public opposition to the development in that location and turned down the developer's application. Condominiums had before and since gone up in that neighbourhood, including gutting heritage buildings to make room for them, but none were successful within a one-block radius of the co-op under study. The key co-op member spearheading the initiative acted as the "agent" (Krishna, 2002) helping community members organize effectively, learn about relevant issues of concern to them and how to organize around these issues, and linking the members to appropriate state officials.

Social capital is also helpful in developing a political voice and gaining resources through the "collectivity's connections to other collectivities" (Lin, 2008: 63). Another example of political action at the housing co-op involved a combination of a member initiative and support from the local co-op housing federation. A right wing and austerity-focused Progressive Conservative government was elected in Ontario in 1995, which initially announced its intention to sell off Ontario's social housing stock. The perceived threat to social housing lasted a number of years. Members of the housing co-op did not know what would happen to the co-op, their home. In response, one member with political experience formed the Political Action Committee. Most of the members who showed up to the meetings had never taken part in any protest, lobbying, petition signing or any form of action to influence the political process other than voting. Most were members living on low incomes who were afraid they would have nowhere to live, including a woman in her 70s. The local and provincial co-op housing federations prepared materials for members and lobbied government on behalf of housing co-ops. At the co-op in the study, the Political Action Committee prepared lobbying materials and engaged in role-playing practice so that one of the lower-income members gained enough confidence to meet with the local member of the Ontario Provincial Parliament. Although some others had more political experience than she did, she had the powerful and convincing voice of experience as she had lived with rats and leaks and had seen her home transformed by the co-op from a dilapidated building in which she had no say to a well-maintained and affordable community

home in which she was an active and valued member. Technically, the provincial government could have forced the sale of the co-op by withdrawing its bridge subsidy for the mortgage, and by withdrawing housing subsidies from the 60 per cent of co-op members who lived on incomes low enough to receive them. In the end, the co-op housing movement's initiatives were successful and no co-ops were sold or were forced to sell.

Voter turnout is used by many social capital theorists as a proxy indicator for social capital. Of those eligible to vote in Canada<sup>4</sup>, 83 per cent of co-op research participants for this study voted in the November 2000 federal election, compared with 64 per cent of eligible Canadian voters that voted in that election (Elections Canada, 2007). The 2003 Ontario election is even more striking: 92 per cent of co-op research participants who were eligible to vote in that election did so, compared with 56.9 per cent of eligible Ontario voters (Elections Ontario, 2003). The largest difference of all emerged for the 2003 municipal election (elections that in Canada traditionally have very low voter turnout rates). Again, almost 83 per cent of research participants who were eligible to vote did so, compared with only 33 per cent of the City of Ottawa's eligible voters (Ottawa, 2003). Drawing from the participatory democracy literature that suggests that involvement in participatory organizations motivates participation in other democratic spaces (Pateman, 1970; Pinnington and Schugurensky, 2010; Larrabure, Vieta and Schugurensky, 2011), I theorize that voter turnout is probably high in most co-ops, even though they are more likely to include people of socioeconomic and demographic backgrounds who are more typically non-voters, because co-op housing movement organizations actively and effectively mobilize co-op members to vote. My field notes recorded numerous election-related materials and reminders posted at the co-op during election periods, connecting federal, provincial and municipal housing policies to members' own lives, successfully encouraging them to vote and thus fostering social inclusion.

## 2.6 Principle 6: Cooperation among cooperatives

ICA principle:

*Co-operation among co-operatives:* Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

CHFC principle:

Co-ops work together through local, national and international structures to serve their members.

Elements of Principle 6 are alive and well in the Canadian housing co-op movement. CHFC and CHASEO, for instance, maintain links to local, national, and international cooperative

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<sup>4</sup> Eight per cent of the interviewees were ineligible to vote because they were not Canadian citizens at the time of the interview.

movements. Rooftops Canada/Abri International is an organization that grew out of the Canadian co-op housing movement and is still supported by it. Rooftops provides technical expertise and leadership to build low-cost housing and sustainable communities around the world. Occasionally, local co-op housing federations publish directories of local co-op businesses for the benefit of the broader housing co-op community.

However, work also needs to be done to further promote this principle; understanding of and support for the co-op housing movement (let alone the broader co-op movement), varies in and between housing co-ops. For example, a discussion takes place at co-op meetings from time to time about whether the co-op should continue to pay dues to CHASEO and whether it gets “value for money”. Some members were sympathetic to the broader goals of the co-op movement, while others referred to this in interviews as “Marxist”, “socialist” and undesirable, or were simply ambivalent about the cooperative movement. Nevertheless, the co-op continues its membership in the larger co-op movement structures and does use the services of other types of cooperatives, for example for housing insurance.

Gittel and Vidal (1998) posited that consensus organizing builds social capital, enhancing both stronger internal ties and capacity in low-income communities and building bridges between residents of low-income communities and the larger communities in which they are positioned. Associations such as CHFC and CHASEO provide educational opportunities for co-op members to enhance their skills and knowledge, provide opportunities for members living on low incomes, recent immigrants and refugees, people with disabilities and racialized groups to take on key leadership and decision-making roles within the co-op housing movement, and engage in the political mobilization of co-op housing members during and between elections, as I discussed earlier. These associations can help co-op members engage in the political process, members who might otherwise have never known how to approach decision-makers, lacked the resources to do so convincingly, or not had the skills, confidence or motivation to do so. As such, co-op housing associations act as mediating structures between co-op members, the majority of whom are people living on low incomes, and political structures. As Braun and Caster (2004: 55) argue: “Mediating structures are the framework of civil society which, according to German social scientist Ursula Nothelle-Wildfeuer, can be characterized as the transition from a ‘looking-on society’ to a join-in society”.

Although the CHFC and CHASEO were moderately visible in the co-op, depending on whether the coordinator posted or distributed materials produced by these organizations, the International Co-operative Alliance (ICA) and Co-operatives and Mutuals Canada (CMC, Canada’s co-operative apex federation) was completely invisible. Although some members may have felt a sense of inclusion to the co-op housing movement, this did not necessarily extend to the wider national and international cooperative movement.

## 2.7 Principle 7: Community

ICA principle:

*Concern for Community:* Co-operatives work for the sustainable development of their communities through policies approved by their members.

CHFC principle:

Co-ops meet members' needs in ways that build lasting communities within and beyond each co-op.

Today's urban Canadian housing co-ops include a huge diversity of members. They have no common economic, social, or cultural needs. Some members need paid work, more paid work, or better paid work. Others already have well-paying jobs. Some may be seniors or others in need of neighbourly help, some are sociable individuals, while others do not want to become too close to neighbours. Increasingly, urban co-ops are becoming communities of geographic proximity ("communities-of-place"), rather than communities of people with anything in common other than their address. The co-op housing movement makes an effort to promote diversity and inclusive community development, but due to lack of funds or lack of interest, not all co-ops challenge oppression and internalized oppression. The study found a degree of internalized oppression in the operation at the co-op, as I discussed earlier, particularly by current or former people on incomes low enough to receive subsidies against other members on lower incomes who do not receive subsidies.

The co-op under study was indeed a community in itself, in the sense that a village is a community: neighbours help each other but also gossip and become engaged in conflict. Villagers may enforce social norms even when these may oppress other villagers. The challenge for co-ops is how to build on all the positive aspects of community, while softening the sharp edges of community. If they meet this challenge they would indeed be a model for the world to emulate.

Significant limitations of time and money were factors that undermined community-building efforts. Beginning before the study period and continuing throughout the study, the co-op reduced the hours for the co-op coordinator. In 1993, the co-op had a full-time coordinator. In the late '90s, her hours and benefits were reduced, and she eventually resigned to take another job. At the time of this study, the co-op had a part-time coordinator with a range of duties, including bookkeeping and increasingly complex administrative paperwork. At the same time as the administrative burden increased for social housing providers under the new reporting requirements of the *Social Housing Reform Act* (SHRA), the co-op's budget suffered and the coordinator's hours (and therefore her pay) were further reduced. I noted all of the job postings for coordinators in Ottawa co-ops during the course of this study. The majority emphasized financial and administrative skills. Coordinating volunteer participation is rarely a feature of the co-op coordinator's job description. Co-ops seemed to recognize that finance and administration are necessary skills but failed to recognize that volunteer coordination and motivation, or community building, are also vital skills to have.

Nevertheless, the majority of co-op members interviewed in this study felt a strong sense of belonging to the co-op community and were able to provide concrete examples of how living in the co-op had benefitted them. For example, a member who had become disabled and housebound had members volunteer to clean his apartment, run errands for him and buy him groceries as he had to wait three months with no income while his disability claim was processed. Once he started receiving an income, he trusted another member enough to give her his bankcard and pass code so she could withdraw funds for him. Another member who had no family in Canada was appreciative that another member volunteered to drive her to medical appointments when she was undergoing cancer diagnosis and treatments, and stay with her to support her.

In this sense, the co-op housing movement and this co-op in particular had a beneficial effect on the members from marginalized groups (people living on low incomes, refugees, recent immigrants, people with physical or mental illnesses) who did integrate into the diverse community and took on leadership roles. There were also many instances of the co-op promoting social inclusion, as I have documented in this article. However, this was not universally true for all members.

### **3. Conclusion**

“Social inclusion is based on notions of belonging, acceptance and recognition and entails the realization of full and equal participation in economic, social, cultural and political institutions. It is about recognizing and valuing diversity; it is about engendering feelings of belonging by increasing social equality and the participation of diverse and disadvantaged populations” (York Institute for Health Research, 2015).

Social inclusion and degrees of strong social capital were in evidence in the Ottawa housing co-operative case study. Co-op members from very different backgrounds participated in the board of directors, co-op committees and activities, including people living on low incomes, immigrants and refugees, people of diverse racial, ethnic and religious backgrounds, people of various ages, sexual identities and abilities. Moreover, this co-op had had two presidents who were women from racial minority backgrounds, several presidents from sexual identity minority communities, and at least two who were immigrants to Canada. The board of directors was diverse throughout the study period particularly in terms of income, gender, sexual identity and geopolitical origin.

Some housing co-ops are founded and managed by and for specific groups, whose members work together. The three most common types of housing co-ops Canada focusing on specific groups are those that serve ethno-racial or linguistic group (e.g. Aboriginal, Vietnamese, Francophone) and seniors. There are also at least two women’s co-ops that the author is aware of. Some housing co-ops were specifically founded to serve the Gay, Lesbian, Bisexual, Transgender, Queer (GLBTQ) community. It can be empowering for people who are a minority or otherwise marginalized within the larger society to get together and create and manage something worthwhile like a cooperative, in which they feel

comfortable as part of a majority. However, and as was highlighted in this article, these co-ops do not necessarily function better due to the greater homogeneity, as personal conflicts still exist.

This study confirmed that co-op housing has a number of tangible benefits for its members, including reducing the depth of poverty, physical and material help, emotional help, social integration, safer communities, organizational experience, skills-building, networking, a conduit to participation in the wider community, and political mobilization and lobbying.

The study also showed, however, that not all members experience the same benefits, particularly those with poor social skills, poor conflict resolution skills, and certain manifestations of mental illness. All of these are not only barriers in integrating well into co-ops, but they are also barriers for positive integration into broader society and the workplace. This is one of the challenges facing the Ontario cooperative housing movement. Another is the legal framework in which it is forced to operate, which prevents it from fully living up to the ICA principles, and the lack of resources to completely fulfill its own goals.

The ICA principles of voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, cooperation among cooperatives, and concern for community have enormous potential for social inclusion and in unleashing the full potential of “the cooperative advantage for community development,” as I have alluded throughout this paper. The policy and fiscal environment of Ontario housing co-ops, however, limits them in many ways from fully reaching this potential, in addition to member capacity for conflict resolution and constructive communication.

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# Realizing the Cooperative Advantage at the Atkinson Housing Co-operative: The Role of Community Development to Improve Public Housing

## ABSTRACT

The cooperative model has become a reliable option to correct or soften the alienating features and dominance of private and public orientations to individual and social development. Proponents advocate that greater cooperation can build stronger communities that foster social cohesion and inclusion. On April 1st, 2003 the Alexandra Park Housing Project became Canada's first public housing project to convert into a housing cooperative, now known as the Atkinson Housing Co-operative. The conversion means that the residents will not only have the opportunity to develop policies that directly affect their lives but they will also be able to decide how to implement such policies reflecting a community development focus of solidarity and agency. The purpose of this paper is to describe the central role that community development had on the outcome of converting public housing to cooperative housing. In this paper I explore community development activities that transfer the principles and values of cooperation into organizational and community settings as the primary means to discover the "cooperative advantage".

## KEY-WORDS

COMMUNITY DEVELOPMENT; PUBLIC HOUSING; NON-MARKET HOUSING; COOPERATIVE HOUSING; SOCIAL EXCLUSION; SOLIDARITY; AGENCY

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## **1. Introduction**

The cooperative model has become a reliable option to correct or soften the alienating features and dominance of private and public orientations to individual and social development (Birchall, 2003). Proponents advocate that greater cooperation can build stronger communities that foster social cohesion and inclusion (Fairbairn, 2006). Efforts to broaden the reach of the model can be found across all sectors of society, including health and education. Within the housing sector cooperatives have flourished because of the focus of community development methods that support affordable housing provision that can lead to economic self-sufficiency (Ley, 1993). The success of the model in the housing sector has resulted in advocates trying to adapt it into contexts that were once the purview of the public and private sectors (Sousa and Quarter, 2004; Sousa, 2013). One such example occurred in downtown Toronto, Canada where an experiment in community-based control challenged the stigma imposed on public housing residents and properties.

On April 1st, 2003 the Alexandra Park Housing Project became Canada's first public housing project to convert into a housing cooperative, now known as the Atkinson Housing Co-operative. Similar efforts to transform public housing have occurred in the US and in UK (Kobel and Cavell, 1995; Rohe, 1995; Miceli, Sazama and Sirmas, 1998), but Atkinson was initiated by residents committed to improving the safety and security conditions of their community, and represents the first successful attempt in Canada (Sousa, 2013). A cooperative resource group and a supportive government bureaucracy worked with the community by building on the activist tradition as the means for the residents to take control of the housing property through community-based initiative and advocacy.

The purpose of this paper is to describe the central role that community development had on the outcome of converting public housing to cooperative housing. In this paper I explore how community development activities that focus on principles and values of cooperation can be the primary means to discover the "cooperative advantage" for disadvantaged communities. Including the introduction there are six sections in this paper. In the second section I explore the relationship between the cooperative model and community development. The third section is a brief overview of housing policy in Canada as it relates to non-market housing, of which public housing is a part. In the fourth section I describe the process that occurred in Alexandra Park to convert into the Atkinson Housing Co-operative. In the fifth section I present an analysis of the conversion by exploring the challenges of governance, member engagement and developing a cooperative identity. The final section provides statements intended to encourage the reader to take what has been learned from the experience of the Atkinson Housing Co-operative as an opportunity to revisit and reform what are often considered sacrosanct public services.

There were three primary sources of information that contributed to this research. The information illustrates a general pattern of the challenges and rewards that the community has faced since 2003. The first source relied on reviewing existing literature on the Atkinson Housing

Co-operative. As this conversion is the first of its kind in Canada there has been much written about the actual conversion, and this material provided the context for this paper. A second source of information was nine interviews that occurred over 10 years with members of the Atkinson Co-operative, government officials and bureaucrats, and proponents of cooperative housing. The final method used was a review of documents collected between 2003 and 2012. The documents included meeting minutes (including the board and general members meetings), and the organization's annual financial audited reports. The documents provided the opportunity to understand the impact that community development practices was having on the cooperative's development.

## **2. Cooperation and community development**

MacPherson (2015) states that understanding the historical traditions of the cooperative movement requires an appreciation of the locations and contexts where they have occurred. While trying come to agreement on the historical lineage of the movement is futile, there is a consensus that the Rochdale pioneering effort to ensure that common people have the means and opportunities to control their social and economic fates has become the basis under which cooperatives function in modern times (Fairbairn, 1994). The Rochdale experiment was the first effort to formalize a set of principles intended to guide individual and group actions associated with organizing business practices that reflect cooperation; that is, cooperative business practices are intended to serve the best interests of the members of a community. As described elsewhere in this special issue, the principles serve as a guide to collectively shape an organization's identity as a cooperative.

The cooperative organization can be seen as part of a broader movement aimed at improving the economic and social conditions of those facing the negative outcomes of an economic system that prioritized profit over people (MacPherson, 1979). What makes a cooperative unique is the importance of equality and equity on an organization's business practices (MacPherson, 2015). For example, a consumer cooperative may provide seemingly typical goods and services, but the business will do so according to a set of principles that are considered socially ethical and sustainable. A further example is the provision of housing that is affordable to individuals of different incomes. One way that cooperatives have applied their principles has been the adoption of practices that reflect a community development ethos, which aligns with the ideals of cooperation espoused by the Rochdale pioneers (Watkins, 1986; International Co-operative Alliance, 2015).

There are numerous ways to understand community development (CD). Kretzmann and McKnight (1996) view CD as a process or a set of activities, both of which share the objective of reaching the goal of changing conditions facing a particular community. Green and Haines (2002: viii) provide a practical way of explaining community development: "a planned effort to produce assets that increase the capacity of residents to improve their quality of life. These assets may include several forms of community capital: physical, human, social, financial and environmental". What

is important to take from these descriptions is that a community possesses assets that are often a primary source that helps shape the potential for community improvement.

While the aforementioned explanations of community development is satisfactory, they refer to what Bhattacharyya (2004) calls methods or tactics. In other words, they do not account for what viewpoint or perspective is being applied when undertaking community development activities. It is thus also important to consider perspective as many CD practices can unwittingly perpetuate conditions that are more characteristic of private sector business practices in how workers and supporters are treated. Bhattacharyya (2004) captures the idea of perspective in the belief that in order for a community development process to succeed, the methods and tactics must focus on supporting solidarity within a group and foster a sense of agency within individuals. According to Bhattacharyya (2004) solidarity refers to a shared identity and norms, while agency refers to the view that humans are autonomous and have the capacity to produce and reproduce a set of “actions that reflect their meaning systems”. For the purposes of this paper a community development perspective refers to a way of seeing or a particular point of view that supports a person’s capacity to make decisions that affect their community and those actions that promote solidarity and that strengthens a community. For a community development perspective to be in place, one views identified assets as those that reflect a social value that are functional for a community rather than an individual or private business. However, the value and function can vary from one person to another or from one group to another.

A key characteristic of a community development process is to organize existing and recognized potential assets that can contribute to a community’s wellbeing. However, among cooperatives a tension can emerge, as some believe that the business practices should take precedence in order to meet a social need, while other cooperatives believe that the two cannot be separated. The tension stems from the fact that there are different forms of cooperatives across different sectors of the economy (e.g. agricultural or housing). Cooperative developers face the challenge of providing the necessary technical training while instilling the cooperative values of equity, mutuality, and democracy. Regardless of the tension there is common agreement that any effort to apply the cooperative model must meet the social needs of its members while ensuring that the business structure is robust. Organizations that have followed the lead of the Rochdale pioneers have demonstrated that it is possible to balance this tension in the retail sector (Fairbairn, 1994), but when the cooperative exists to solely meet a dire social need (e.g. affordable housing) community development can take on a greater level of importance.

Community development is practiced in many different ways, and the determination of the approach should reflect how the needs of a particular community could be met (Henderson and Vercseg, 2010). For instance, supporting a social enterprise can assist a community’s desire of improving the level of citizen engagement by strengthening the local economy or addressing systemic social exclusion. In this instance members of a community must become aware of the issues that contributed to the problems and that supporting a local business can begin to redress

challenging issues. For instance, supporting a social enterprise that is run by local volunteers can instill a sense of solidarity among different people. A sense of solidarity can foster conditions for developing a greater sense of attachment to the community or develop an understanding of the contributors of social exclusion (Wilkinson, 1996).

For this paper I view CD as a process that involves a set of activities intended to strengthen or build a set of skills that reflect a communitarian set of values of reciprocity and self-reliance that can lead to a sense of belonging. As will be shown, the Atkinson conversion involved meeting the residents' desire to improve their community as well accounting for a variety of interests from different stakeholders (Sousa, 2013). In effect, the aim was to build a sense of agency among the residents so they could make decisions that reflect their community's needs and were able to do so by building a sense of solidarity across groups. Thus, for all individuals associated with the conversion process there was a strongly held belief that the process was able to succeed because the community development activities reflected a mindset that emphasized solidarity and agency as the means to prepare the residents to become property managers and stewards of the community.

### **3. Non-market housing in Canada**

Exploring options to providing affordable housing for lower income individuals and families has become a priority for governments and housing providers around the world. Governments in North America, Europe and Australia have attempted a variety of approaches to addressing this challenge, including: building and managing housing properties (referred to as public or social housing), supporting non-profit organizations through direct funding or loan guarantees (also referred to as social housing), or offering subsidies to the private sector to provide affordable units within their properties (as seen in vouchers). All of these approaches share the common perspective that supporting non-market options can lead to making housing affordable. In this paper I focus on the first two approaches, which is normally referred to as non-market housing. Non-market housing refers to dwellings that are not bought or sold in the private market and are financed by government or a non-profit sponsoring organization, and by the rental revenue. This housing is for use only, and once a tenant moves on, the rights of tenancy are transferred to others, without any market exchange (Dreier and Hulchanski, 1993). A major advantage of non-market housing over private-market rentals is that housing charges or rents rise only to meet increased operating costs.

Public housing—that is, housing administered directly by a government agency or housing authority—was the initial model of non-market housing in both Canada (Rose, 1980) and the US (Vale, 2002) and has become the primary means to offset the private sector's inconsistent ability to provide housing to low-income individuals and families. In Canada the federal government formed

partnerships with provincial and municipal governments to provide financing and land in order to develop public housing (Rose, 1980; Carter, 1997). The partnerships resulted in governments having a stake in owning and directly managing housing projects of varying scales across Canada (Rose, 1980).

By the 1960s, governments in Canada and the US realized that larger public housing projects were not feasible as they were too expensive to build and maintain (Rose, 1980; Sewell, 1994). Most importantly, many of the larger public housing projects received negative publicity and became known as urban ghettos with above-average rates of crime and other social problems (Sewell, 1994; Prince, 1998). The *National Housing Act* in Canada, which is the legislation regulating housing policy and practices, was amended in 1973 to encourage the production of other forms of affordable housing (Rose, 1980; Van Dyk, 1995). With the changes to the legislation, the federal government opted to limit its involvement to managing the housing properties (that is, public housing), and chose to partner with non-profit housing providers—cooperative and non-profit organizations—as the principal means to develop and administer social housing (Smith, 1995; Carter, 1997).

The new partnerships created two new and distinct non-market housing models under the category of social housing—cooperative and non-profit housing—that share the characteristics of resident involvement in how their community is managed, which in turn gives them a sense of ownership. These organizations were predominantly community based, and had specific knowledge of their community's needs, which is more conducive to community building. As a result of these changes, hundreds of relatively smaller social housing communities were built across the country. However, the social and physical conditions of the public housing stock have deteriorated over the years. In essence, as will be shown below, the conversion of Alexandra Park to Atkinson Housing Co-operative is a response to this social deterioration, which has led to a reconsideration of how a sense of community is understood within public housing projects (Silver, 2011).

The Atkinson conversion started in the early 1990s when, under the influence of neo-conservative policies, the different levels governments in Canada began to reconsider their role in providing affordable housing (Sousa and Quarter, 2004). For instance, in 1993, the federal government withdrew from financing social housing and downloaded the responsibility to the provinces (Van Dyk, 1995; Carroll and Jones, 2000). Following the 1995 election in Ontario, the Conservative government placed a freeze on building new social housing (even cancelling contracts) and started to change existing policies, a change that was intended to encourage the involvement of the private sector to satisfy the need for social housing (Ontario, 2000). It is ironic that the Atkinson conversion was able to proceed during the mid 1990s since there was much hostility by the Ontario provincial government to non-market housing. However, the Atkinson conversion was appealing because it demonstrated a reduced role for government in public housing while building a sense of community in what was seen as a problematic area of the city (Sousa, 2013).

#### **4. Becoming the Atkinson Housing Cooperative**

The Alexandra Park Housing project opened in 1968 in a vibrant and diverse area of downtown Toronto, where different ethno-cultural groups have settled for decades. The original residential conditions where Alexandra Park was built was described as “slums,” and the new development was part of the city’s urban renewal plans—referred to at the time as “slum clearance” (Social Planning Council of Metropolitan Toronto, 1970). It was believed that building a public housing project was the solution to the many social problems endemic to the area as it would raise the residential profile by providing low-income housing as well as reducing the industrial presence of the area. The intention was to create a property that resembled a “European garden city” with a series of pedestrian walkways that would foster community interaction; however, the unintended result was a maze like design that cut the property off from the surrounding neighbourhood (Sousa, 2013).

The Alexandra Park Housing project was one of the larger housing projects within the Canadian public housing system. Larger public housing projects are often depicted as dangerous and impoverished by media and residents themselves. The negative perception implies that there is a deficit of community, the cause of which is often attributed to resident apathy and lack of any financial stake in maintaining the property. There is strong evidence that the perceived absence or deficit in community is the result of government policies and practices that disenfranchise an already vulnerable population (Epp, 1996). Regardless of the negative perceptions and the stigma perpetuated by media accounts, residents of Alexandra Park overcame the negative perceptions by becoming leaders in establishing conditions that foster community-based control (Sousa, 2013).

The development has a total of 410 units in two apartment buildings and townhouses of varying sizes. The community is very diverse in terms of citizenship and ethnicity, with a substantial number of residents belonging to a visible minority group. There are approximately 35 different languages spoken within the community, and the five largest non-English language groups (including, Vietnamese, Spanish, Chinese, Portuguese and Somali) have traditionally accounted for over 50 per cent of the households.

A residents’ association was established in 1969 because of a feeling that the local housing authority was neglecting the community’s needs. The Alexandra Park Residents’ Association (APRA) played a key leadership and advocacy role in raising concerns to the local housing authority about the challenging social and physical conditions facing many residents. The association was comprised of resident volunteers who were elected by the residents to the board of directors, and there was an active committee structure. The board of directors of APRA established strong ties to government officials and to groups outside the community. The association enjoyed many successes. For example, when there was no official space for them to meet to discuss key business issues they successfully lobbied the local housing authority to build a community centre, which opened in 1978. The centre is a point of pride for the community and was a focal point in the pursuit of becoming a housing cooperative. To this day, the community centre continues to operate programs and events for children and adults mainly organized by the residents, and is a hub for social gatherings and

volunteer engagement. In spite of the significant level of activism and resident engagement, the community continued to face similar social problems found in other public housing projects, including drug activity and vandalism. While some of the criminal activity was carried out by some residents, the majority were perpetrated by individuals from outside the community. These individuals took advantage of the project's design and of the community's negative image that created a perception of Alexandra Park as crime ridden, rather than vibrant and active.

In 1990 the residents mobilized in response to increasing drug activity and government neglect. Active residents were accused of being vigilantes, but according to the former president of the residents' association, the residents were protecting their community: "These are not vigilantes. This is a concern by community people who want to raise their families. They don't want their children involved in drugs. We want a safe and quiet environment. Living in Metro housing is enough, so we don't need these problems. We do not have any vigilante gangs here. We have a concerned community who want to live in a safe environment. It is only normal to protect yourself, but we are not out for retaliation. The reaction is to defend" (Hawton, 1990).

In addition to the security problems, the residents declared the poor response time to maintenance requests and a general lack of respect by the local housing authority as symptomatic of a systematic neglect of their community. The absence of a sustainable maintenance and security plan by the local housing authority and the police service became the impetus for the residents to seek control of the management responsibilities. The residents' action boosted a feeling of safety among the residents and provoked the local housing authority and the police service into action. Another outcome of increased resident self-determination was the local awareness that the residents' themselves could foster change through collective action.

#### *4.1 Converting into a cooperative*

The conversion of Alexandra Park has shown that combining a core group of committed residents with broader support can result in community change, which is particularly difficult in a setting that was not intended to be a long-term community. In this section I provide a brief account of the conversion process, which lasted over 10 years. Over that time there were sporadic periods of activity and inactivity. Since this conversion was the first of its kind in Canada, according to a source in the housing cooperative sector, "*There was no blueprint. Every step had to be created based on existing conversion experiences... while being sensitive to the uniqueness of public housing*". What became crucial for the process to proceed was the need to identify and build key local assets and not solely rely on previous experiences in a prescriptive manner. A key asset was the residents' association, led by Sonny Atkinson.

The residents' association proceeded to work with a cooperative housing sector resource person to develop a work plan to convert the Alexandra Park housing project into a housing cooperative (White, 1996). The plan consisted of three parallel processes: formally determining the community

support by a referendum; extensive and at times prolonged community development activities; and establishing the legal agreements for the conversion to proceed. The plan had support from both the cooperative sector and from the different levels of government (in principle). The cooperative housing sector supported the community's action because the conversion held out great potential to increase the amount of cooperative housing and to empower a marginalized population. Provincial and municipal politicians supported the plan because they held out hope that a resident-controlled community would be an innovative way to address the complex problems found in public housing projects. However, moving the plan from conception to implementation created unanticipated challenges. In fact, dealing with unforeseen obstacles and great uncertainty became an integral part of the conversion process and associated community development activities.

The initial step in the conversion process was to hold a referendum in order to determine the overall community support for the initiative. During the lead-up to the referendum essential technical and education assistance came from the cooperative housing sector. Tom Clement, executive director of the Co-operative Housing Federation of Toronto (CHFT, an umbrella organization for housing cooperatives in Toronto), described their involvement as providing information about what it means to live as a cooperative. Following the community development activities that lasted six months, on April 22, 1995, the residents' association held a referendum on the question: "Do you support Alexandra Park becoming a housing cooperative?" The result of the community work showed strong support for the conversion proposal, with 72 per cent of the 65 per cent eligible households voting in favour (Sousa, 2013). The result gave the leadership a strong mandate to become a housing cooperative. According to Tom Clement, the vote also served as a mandate for the CHFT to become involved: "*The main area was to make sure that people had the information. We spent a lot of time door knocking, putting out newsletters in multiple languages. I know the ballot that people voted on was in over five languages. We made great efforts to make sure that people had that information not just as a flyer on their door but somebody there to talk to*" (personal communication, 6 March 2007).

As described above, Sonny Atkinson was the leader most closely associated with the call for increased resident involvement at Alexandra Park. In 1997 the community decided to have a contest with the dual propose of maintaining momentum for the conversion as well as finding a new name for the community. The community decided to honour Sonny's contribution by naming the cooperative the Atkinson Housing Co-operative.

Following the referendum victory the residents' association and the CHFT created a business plan that outlined how the new cooperative would function (Atkinson Housing Co-operative, 1996). The business plan was also intended to demonstrate to the housing agency that the community was serious about becoming a cooperative, which meant managing a public asset with accountability and transparency. The Atkinson Housing Co-operative was incorporated in 1997, but establishing a system of governance that was accountable was the greater challenge. One other area of ongoing concern was the lack of financial resources to ensure that the conversion process

would succeed. Although all levels of government supported the initiative in principle, they did not provide financial resources for community development activities. Despite the lack of financial resources, the CHFT and the residents' association decided to raise the necessary funds to support the conversion.

Following the 1995 referendum there were numerous delays for control to be transferred to the Atkinson Housing Co-operative, delays that would impact the momentum of the conversion process. There were significant changes in the community as well as changes in government policy regarding social housing. For instance, the leader, Sonny Atkinson passed away in 1998, which meant that he was never able to witness the increased resident involvement and local control he passionately sought. Sonny's passing left a leadership vacuum for many years after. Although there were efforts to recruit and prepare new leaders, many felt that they could not live up to the stature of Sonny (Sousa, 2013). As a result community support started to erode and historic tensions reemerged. Furthermore, new conflicts among the residents started to arise, a point that I return to below. Consequently, there was real risk that the conversion might not reach completion, as the residents started to believe that becoming a cooperative would not result in an improved community. The community faced the challenge by developing different types of leaders that understood the needs of the community both historically and presently. Fortunately, a new group of committed members emerged as leaders to see the conversion process through to completion, and Atkinson was eventually officially incorporated as a cooperative (Sousa, 2013).

In 1998 the new board of directors of Atkinson and the CHFT started to meet regularly with government representatives in order to develop a working plan that would specify the process of transferring management responsibilities. Since it was almost three years after the referendum, the government was reticent and insisted on further proof that the community was ready to become a housing cooperative. Therefore, in the late fall of 1998 the Atkinson board of directors and the CHFT held a second referendum, referred to as a community vote, and the ballots were translated into 19 languages. There was a total of 268 votes received, representing 65 per cent of the households, and, this time, 79 per cent of those voting were in favour, a 4 per cent increase over the first referendum. According to the CHFT, 45.5 percent of the votes were submitted in a language other than English (Sousa, 2013).

After the second vote, the board of directors and the CHFT renewed their efforts with increased vigour to get government representatives to demonstrate support for the conversion. A working group of primary stakeholders was established in 1999 with two purposes: to determine the legal steps required to take the different stakeholders through the conversion process; and to construct an operating agreement laying out the management responsibilities that the community would have once the conversion was completed. The working group met for over four years, and over that period the government continued to introduce obstacles and concerns about the community's ability to manage the property. As a result, the cooperative board felt that the discussions appeared to be more a round of negotiations and less of a working group. One key concern that emerged from

both residents and government representatives was related to the level of preparedness of the board to take on management responsibilities. The cooperative board and the CHFT deemed that further community development activities were necessary in order to alleviate these concerns. Despite the lack of funds, in 1999 the cooperative board and the CHFT initiated a comprehensive community development program and accelerated the membership recruitment drive<sup>1</sup>. The program had the following goals:

1. educate the community about cooperative living;
2. raise awareness of the on-going conversion process;
3. maintain momentum for the conversion to occur; and
4. recruit new members.

The community development plan targeted the major language groups by holding individual meetings for each of the six groups and producing newsletters in the six major languages and distributing them to each of the households. Overall, the community development program was quite successful (CHFT, 2002). At the time of transferring management responsibilities in 2003, 80 per cent of households were members of the cooperative, which is consistent with the results of the second vote<sup>2</sup>.

## 5. Managing a public housing cooperative

The Atkinson Housing Co-operative is considered to be a hybrid model of social housing (Sousa and Quarter, 2004) because it is different from most housing cooperatives in a few fundamental ways. First, there is no income mixing so all members and non-members alike pay the housing charge on a rent-g geared-to-income basis. Second, the government housing agency, the Toronto Community Housing Corporation,<sup>3</sup> has final approval over the cooperative's operating and capital budgets, thereby limiting the actual amount of control the members have in a vital area of decision-making. Third, the cooperative must provide a series of reports to Toronto Community Housing, demonstrating their capacity to properly manage the property. Despite these differences, there are also enough similarities to other housing cooperatives that the Atkinson Co-operative is considered to be a housing cooperative. In the next sections I describe three areas that demonstrate this

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<sup>1</sup> Although the housing agency had maintained that no funds would be available, they provided token resources at the latter stages of the conversion process, which added to the effectiveness of the different activities.

<sup>2</sup> Those residents who have chosen not to become members remain in the community as tenants of the cooperative and will be protected under government legislation referred to as the *Tenant Protection Act*.

<sup>3</sup> As of 2001, the Ontario government downloaded housing to the municipalities. There have been three different government housing agencies in Toronto, Metro Toronto Housing Authority, Metro Toronto Housing Corporation, and Toronto Community Housing. The current agency in the municipality of Toronto is the Toronto Community Housing Corporation (TCHC), which oversees the agreement with the Atkinson Housing Co-operative.

hybrid arrangement: the relationship to the government housing agency; member involvement in governance; and developing a cooperative identity.

### *5.1 Relationship to the Toronto Community Housing Corporation*

The original proposal in the conversion business plan was to lease the property from the government (Atkinson Housing Co-operative, 1996). However, an operating agreement was considered more appropriate since it was the best way to account for different stakeholder interests in the conversion and in support of the community (Sousa, 2013). The operating agreement was created according to four principles: first, the community needs to have a resource group (e.g., Co-operative Housing Federation of Toronto) with which it associates itself, thereby providing the community with credibility. The motive behind this first principle was the recognition that public housing residents may not immediately be capable of operating a housing property, and the expertise of the resource group ensures that Atkinson Co-operative operates in an accountable and transparent fashion.

The second principle establishes the rent maximums, or the rent cap, paid by members whose level of income allows them to pay closer to market rent. Since the completion of the conversion The Toronto Community Housing Corporation (TCHC) establishes the rent cap, and it still retains control of that responsibility. Since the Atkinson Co-operative cannot establish the rent cap, a key motivator of community building—that is setting rents—is beyond the control of the community. It is still too early to ascertain the impact of this principle, but given past practices in public housing, when the rent cap matches market levels residents prefer to leave the community to rent in the private sector, thereby ensuring that members may not be financially motivated to remain in the community. The third principle is that new tenants come from an existing centralized waiting list, and they are required to become a member of the Atkinson Housing Co-operative. Using a centralized waiting list is the standard for all government assisted housing properties in Ontario, including cooperatives and non-profits. The challenge with the implementation of this principle is that the cooperative cannot determine the potential of future members to support the community's development.

The fourth principle specifies that the operating budget is to be negotiated with TCHC on an annual basis. The Atkinson operating budget makes a distinction between operating and fixed costs. Operating costs, for example, on staffing and on maintenance, are controlled by the cooperative. However, the fixed costs (i.e., realty taxes and utilities) are beyond the control of the cooperative. The process of creating and approving the budget is similar to that of other housing cooperatives and involves the finance committee working with property management to establish a draft budget that goes to the Atkinson board of directors and then to the membership for final approval. But unlike other housing cooperatives, Atkinson must obtain approval for the budget from TCHC.

Once approved, the cooperative makes a monthly payment to TCHC to pay the fixed costs. While this extra step is an added burden, all housing cooperatives in Ontario who receive government subsidies for rents must submit their budget to their municipal housing agency. However, in the case of Atkinson, the TCHC has the power to reject the budget while other cooperatives submit their budgets to ensure that the subsidies are used to pay the housing charges. This is an important distinction and reflects a lack of confidence on the part of government in self-management by public housing residents.

The operating agreement also clarifies the sources of revenue that Atkinson Co-operative can access. The Atkinson Housing Co-operative has access to the same sources of revenue as other cooperatives, but because Atkinson's members are all low-income and have their rent adjusted to their income, revenue from the housing charges can vary from month to month. In this regard, Atkinson differs from other housing cooperatives where there is, unlike at Atkinson, normally an income mix and the revenues tend to be more stable since they come from three sources: housing charges, rent subsidies for members with low incomes, and small fees associated with parking and laundry. Nevertheless, the expectation is that Atkinson Co-operative will meet monthly revenue benchmarks set by the provincial Ministry of Municipal Affairs and Housing.

It is common practice for housing cooperatives to have a capital reserve fund for rehabilitation and maintenance work on the property. The fund is replenished annually from four sources of revenue: the housing charges, a government bridge subsidy, any operating surplus, and miscellaneous sources of revenue. Atkinson Co-operative, on the other hand, operates like other public housing projects in that there is no capital reserve and the TCHC establishes and funds the capital priorities given that Atkinson is a public asset<sup>4</sup>. Not having a reserve fund limits their ability to make improvements deemed necessary by the residents. The Atkinson property is over 30 years old and requires a significant amount of repairs, but the new organization is expected to maintain and to maximize the existing life expectancy of the property. According to Sousa (2013) the main reason that Atkinson cannot have a reserve fund is because it is still within the government's public housing portfolio. Allowing Atkinson to have its own reserve fund was deemed to be inequitable when considered across all public housing projects. In order to fund major capital improvements, Atkinson members are strongly encouraged to take part in participatory budgeting practices organized by TCHC. As a relatively recent innovation in the Canadian context, participatory budgeting allows for the input of tenants in public housing into establishing TCHC's budgeting priorities (Foroughi and McCollum, 2013). In effect, participating in the participatory budgeting is in addition to the process that the cooperative has for creating its own budget, which is not an expectation for other housing cooperatives. Capital expenditures have been an ongoing challenge for the community because

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<sup>4</sup> There is one additional source of revenue for Atkinson in lieu of a capital reserve fund. Atkinson can retain a portion of the surplus funds from the operating budget in the community to be used for capital repairs. To date there has been no budget surplus.

it must still rely on TCHC to fund capital improvements, who in turn must consider the dire conditions facing a long neglected public housing system.

A concern expressed by both the residents and the government representatives during the conversion process was whether the board of directors could become familiar with the intricacies of managing a multi-million dollar property. In general, the concern was whether public housing residents could be responsible enough to maintain the property and protect the interests of the residents and of a public asset. Residents of public housing projects do not always have access to non-formal education and training opportunities in how to manage a housing community. Before the conversion to the Atkinson Co-operative, the residents' association was able to run different programs and organize in the community since they had charitable status that allowed them to raise funds for those initiatives. In fact, the residents' association was able to rely on government agencies, non-profit organizations, and third party funders, such as independent foundations, to provide management training. The funders and local agencies wanted the community to be successful, and they viewed their role as promoting community development and inclusive values. The residents' association has also received invaluable support from other outside resources to establish business systems that are accountable and transparent. However, management training for the Atkinson cooperative was much more difficult to access beyond CHFT. Formally, municipal representatives do not see themselves as directly involved in Atkinson Co-operative.

Over the past ten years the emphasis on education and training has focused on the board of directors and on the membership at large. The operating agreement stipulates that a third party organization will provide education workshops and community development initiatives at Atkinson over an extended period of time. CHFT was formally named as the third party and the costs would be borne from the cooperative operating budget. These education opportunities include: training of board of directors, literacy programs to enable residents to read the cooperative's documents, race relations to help members become more understanding and sensitive to the needs found in a diverse community, and basic to advanced computer training courses. The CHFT has been integral to ensuring that the cooperative board of directors has established proper business practices. These four principles served as guidelines for the final agreement between the Atkinson Housing Co-operative and the City of Toronto, and it can now serve as a template for other public housing projects that wish to convert into a cooperative.

### *5.2 Member involvement in governance*

Like other cooperatives, the members of Atkinson create and implement by-laws that set out the conditions for living and participating in the community's system of governance and the rights and responsibilities of the membership. The process of establishing these by-laws involves the membership through committees and at community meetings. According to a source at the CHFT, two by-laws had to be in place prior to the completion of the conversion. The first was the

organizational by-law (which was approved by the membership in November 1999) that outlines the rules for membership, elections procedures, and evictions, among other things, thereby ensuring that the cooperative has a document outlining an elections process and an accountability structure. Shortly after the organizational by-law was passed an occupancy by-law was developed and passed by the members. The occupancy by-law is similar to a lease in that it outlines the standards under which individual members are able to reside in the cooperative. Other by-laws have since been created by the co-ops different committees, including conflict of interest, spending, maintenance improvement, parking, rent arrears, and rent subsidy by-laws.

While, as I have been describing, there are some differences between Atkinson and most housing cooperatives in Ontario, the system of governance at Atkinson conforms to the norms for other housing cooperatives. The board of directors is the legal authority for the cooperative and is responsible for developing and approving any by-laws or legal agreements. Hence, the board makes all major policy decisions and seeks approval from the general membership. And while the board of directors is elected by the membership, the lack of knowledge and experience of many members has always been a challenge for the board's effective functioning and renewal. At the time of the conversion the CHFT and the board of directors determined that one way to overcome these experience-based and other challenges was to add three non-residents appointed by the board for two-year terms. These individuals were expected to have experience in managing a cooperative housing property. While the membership approved this arrangement and many believed that it added one more layer of accountability, the board decided that they no longer required these external members and concluded with this process in 2005. There was initial concern that removing the external members would result in a loss of crucial independent viewpoints of experienced housing practitioners. Upon review of the financial audits and meeting minutes, however, the property management company has provided the necessary direction and advice to enable to board members to make decisions that are in the best interests of the community.

In addition to a democratically elected board of directors, the community has a strong committee structure that provides opportunities for all members to participate in decision-making. There have, for instance, been committees for maintenance and finance, parking and security, member education, landscaping, and revitalization. The committees have been effective in engaging members of the community in decision-making and in advising the board of directors. For each committee, a board member serves as a liaison thereby ensuring that there is a clear line of communication between the board and the various committees. The board liaison reports on the work by the committee and brings forward its recommendations. The committee's role is formal and, where necessary, the liaison requests a motion or that a letter is written regarding some issue.

Despite numerous challenges and the inexperience of the membership in self-governance, the organizational structure is transparent and accountable and the governance has been relatively effective. Some key indicators of the governance's effectiveness have been: an increase in community consultation, more residents voicing concerns in a constructive manner, and increased awareness of

the role of the committees in the community. As described above, one of the key assets of Alexandra Park, the forerunner to the Atkinson Housing Co-operative, was an established tradition of resident participation. However, the election of the Atkinson board and its related committee structure represented an increased level of responsibility. Under the new management structure the leadership had to be more aware of community issues and become skilled at resolving them.

The membership of the Atkinson Housing Co-operative has been quite stable over time, which is one reason that the community was considered as a prime candidate to become a cooperative (Metro Toronto Housing Corporation, 2001). The cooperative membership is quite diverse and changes in its membership base are representative of the general diversity in public housing in Toronto. While ethno-cultural diversity has always been a characteristic of the neighbourhood in which Atkinson is situated, the ethno-cultural diversity within the cooperative has become more pronounced in recent years. The level of ethno-cultural diversity has created different challenges for the community leadership. For instance, divisions along ethno-cultural and even religious lines have emerged over the years, and they are most noticeable during board elections (Sousa, 2013). One contributing factor to the divisions has been a perceived lack of transparency, where information sent across groups is not always consistent and clear and often provided in a few languages: *“It has a long way to go here. I think we are reaching there [sic]. It’s that if we could communicate more to the people that do not speak English. When they sent those flyers, they should print [them] in different languages... Spanish to people who speaks Spanish, so that everybody can communicate with each other and be more active”* (Sarah, personal communication, 25 October 2005).

A persistent challenge, then, has been to deal with the perceived divisions that some base on factors such as race, ethnicity, gender or age. One member who moved into the community in 2005 feels there is an urgent need to deal with ethnic diversity as an issue within the community: *“So far, I just moved here eight months ago. From what I saw, we just, you, me the neighbours, it’s very good. You did call to invite us to events. I really really enjoyed it. It’s good. And I wish all the people in this block would be so friendly. It may be because their languages are different. Some of them pass and say hello, some of them don’t talk. They look like I saw and meet people in the community when I go to the meeting. It’s just like everybody is one people”* (Willow, personal communication, 25 October 2005).

According to some residents there has been a notable increase in the representation of single ethno-cultural groups on the board of directors, which has given some residents the impression that particular individual groups are aiming to take greater control of the community. Some fear that such dominance will lead to a perception that some groups are more favoured over others, which is suggested by one member of the cooperative: *“As a board member, shouldn’t they say ‘Hi, welcome? Can I help you with anything? You need anything?’ I do not agree that 80 per cent is one race, 20 per cent is mixed basically with a little of this, a little of that. It should be all diverse. But it’s got nothing to do with your nationality. It’s got to do with who’s voting”* (Sarah, personal communication, 25 October 2005).

While there is a perception of the dominance of certain groups, after researching evidence based on observations and meeting minutes, the election results are simply illustrative of the fact that some ethno-cultural groups are more active in the community than others. There is a lack of evidence, beyond the anecdotal, that any one ethno-cultural group is attempting to gain greater control of the community for their own purpose. Nevertheless, ongoing efforts to increase ethnic and language representation on the board of directors have been successful. At the present time the cooperative's board of directors is closer to being representative of the ethno-cultural diversity of the community than ever before.

### *5.3 Developing a cooperative identity*

It is essential when transitioning toward community-based control that the members identify with being part of a collective and relating with one's neighbours by being able to make decisions that reflect a sense of collective responsibility. Undoubtedly, the idiosyncratic nature of the cooperative model presents unique challenges for community developers at Atkinson, but an integral strength of its cooperative form has been to foster a culture based on active engagement and a strong connection to place. However, an ongoing challenge for many involved with the Atkinson Co-operative is to determine whether a cooperative identity has been formed among the broader membership. According to one long-time member: "*When it was public housing, it was like... you don't really know about what was going on. Nothing was kind of about to you; no information was about like to your face. With [the] co-op, they seems like they try to get everybody to be part of it, whereas the other is kind of working solely on their own*" (Ahmed, personal communication, 25 November 2006).

Others do not really see the difference in becoming a cooperative: "*It doesn't look like co-ops. From what I have seen co-ops look like... This looks like project housing to me. I haven't seen no changes except for the name; that's the only differences: before it was natural housing, now it's a co-op*" (Gary, personal communication, 25 November 2006).

It is important to understand whether and how the members are experiencing the changes. Some individual members reveal some confusion of what it actually means to live in a cooperative. Part of the confusion can be attributed to growing pains, which can be part of establishing a cooperative identity. Some members have expressed concern that there is an absence of visible improvements in how the community is being managed. Realistically, the changes are not always immediately visible. The outcome of the decision-making process can take a long time to see because years of neglect have forced the members to take control of a situation that requires learning new skills and making priorities that at times does not directly involve community building.

Indeed there have been ongoing efforts to demonstrate the efficacy of local decision-making in the cooperative. For instance, the annual election of the board of directors provide member with an opportunity to understand board governance and how the directors serve as stewards of the community and must work with the government housing agency to develop rules that serve both

interests. All positions are contested annually and new people are elected while others are reelected. People are not always happy with the result but it is nevertheless democracy in action. When asked about the leadership, one cooperative resource person stated: *“It’s just that the only thing is that we don’t really see their achievement. We ask people to come and tell us about their concerns and they are listened to. I knew that in this neighbourhood we have a lot of different talents, say, people who are good at sewing, people who are good at painting, so if we can be involved in that and maybe work together, we can even make a lot of better changes for sure”* (Sarah, personal communication, 25 October 2005).

The active committee structure is another place where the broader membership can be involved in decision-making, an option that was not available under government management. The social committee holds a variety of events that bring people together and some members want to see more involvement in them from the broader membership. According to one member: *“Another thing that I truly believe is that if you want to live in Atkinson co-op, a question should be on that lease. What committee do you want to belong to? In other co-ops, every member who lives there is supposed to put extra amount of volunteer hours and if you do that, everybody gets together, we could do fund raising, we can get [a] new central bill, we can get programs for our kids”* (Elliot, personal communication, 26 July 2006).

One particular committee, which has proven to be vital, is the security committee. They work with local police to develop feasible solutions to ongoing criminal activity. For example, the installation of new security cameras resulted in reduced drug dealing. However, there is a recognition of limits to outside interventions and that solutions must come from within the Atkinson community but with some outside assistance, as well. As described by one member: *“A lot of people say that in neighbourhoods like this, there should be cops sitting right in the middle to make sure that everything goes smooth. But no, it has nothing to do with the cops. Honestly, I don’t think cops make anything better. It takes each and every one of the people here to make things better. If they all come collectively, they will come up with something. I see meetings being held in the little community centre right there. I see the older people trying to do something. Maybe some young guys try to do something different, try to make a better place to live. But unfortunately, it doesn’t just take people from here, because financially, you don’t have the resources. Therefore, we need the government stepping in, helping us out, giving us a hand from this type of situation”* (Sarah, personal communication, 25 October 2005).

Overall, the tradition of individuals caring about the community has, over the years, become entrenched at Atkinson. Regardless of any differences, it has been observed that members care and are willing to do what it takes to make the community successful. One relatively new member who moved in 2005 remarks with the following: *“I don’t think we are fully functioning properly. We have a lot of potential. This is our first step. This is our great challenge.... Unfortunately if we fail to run the co-op, it means our doors are closed. Legally you have made [a] paper establishment. Now how do you execute, implement this establishment. If we fail, it would be their loss. It means you failed. We have to fight and combine the community. And I think other point of view is better for the progress. If somebody has other point of view, other than your point of view, it means it’s improving”* (Elliot, personal communication, 26 July 2006).

There is, thus, a broad recognition among many at Atkinson that they have the power to make the community healthy and strong. The members want to live in a safer community and—by being a cooperative—many of them feel it is possible. Informally, individual members are exploring innovative ways to improve the community. However, this is in tension with some members who feel that there should be more obvious indications that the property is now a cooperative: “*That’s the thing. We are still dealing with the same issues. Nothing’s changed. We are not a community. It depends on where you live. Ok, we are friends; everyone sticks together, but the whole place itself, we are not a co-op. We are far from it. We live in a project. They do have an understanding what a co-op is, even then they have no sense about what a co-op is supposed to look like and doing. We are co-op? Sure doesn’t feel like a co-op because it looks like a co-op. People don’t like the co-op because it’s a project, and that’s the sadness of it*” (Elliot, personal communication, 26 July 2006).

As a response to these tensions, the Toronto Community Housing Corporation stepped in. Derek Ballentyne, the corporation’s former chief executive officer, describes Atkinson’s potential influence on TCHC’s efforts to improve the public housing stock: “*Atkinson was really an interesting model for us because before we were prepared to really think about self-management models Atkinson was an opportunity to actually do something. And the community has been working hard. There has been a good community capacity to take on those responsibilities. So in a sense it was a great opportunity as a test case of what can happen*” (personal communication, 26 February 2004).

As expressed by Ballentyne, the Atkinson conversion departed from approaches taken by previous housing authorities by expressing a commitment to community building strategies intended to result in healthier public housing projects. Furthermore, he suggests that despite its challenges and tensions, Atkinson will influence the development of future strategies when the goal is some form of community-based control, and becoming a cooperative is one approach.

Although Atkinson had strong external support, it was limited to the level of policy. Before and after the conversion process ended, there has been a dearth of resources provided for capital repairs and capacity building activities. As a result, too much reliance was placed on the expectation that resident volunteers would be able to simultaneously operate a multi-million dollar corporation and develop a sense of community, which has, as I have been documenting, come with some challenges.

Should it, then, be surprising that public housing residents were ultimately able to accomplish this conversion? Should it be surprising that public housing residents are so committed to managing their community and that they can learn the necessary skills to do so? According to David Miller, former mayor of the City of Toronto, government support and local control are not mutually exclusive. Converting into a cooperative—according to Miller—can begin to dispel many of the myths associated with living in public housing. “*People who live in public housing live there for affordability issues. They need money, but just because you are poor [it] doesn’t mean you don’t have the same ability, values and strengths as people who could afford their own apartments or houses. So I think one of the successes by Atkinson and one of the reasons that we have co-ops is because it engages people’s strengths. People want to have a real say over whether their lives are affected*” (David Miller, personal communication, 16 May 2005).

As evidenced in the words of Atkinson's community members in the previous pages, instilling a cooperative identity will take time, yet it is also clear that the residents of Atkinson desire to live in a community that they can be proud of, where inclusiveness is the practice rather than an ideal. There is still work to be done, but the sentiment expressed by the members of Atkinson is that solutions begin with their involvement, which was not an option when it was a government housing project.

The road to becoming a cooperative took over ten years and along the way it was vital for people to feel they belonged to a cohesive community and that their participation could result in something meaningful. It is too early to determine how successful the new cooperative has been. The key to evaluating Atkinson's success rests with recognizing that its members have demonstrated some of the seven cooperative principles shared across the cooperative movement<sup>5</sup>. The roots are without doubt in place and we will, 15 years after it become a cooperative, most likely continue to see the development of a healthier and safer community that is democratic and inclusive.

## 6. Looking ahead

The primary purpose of the transition of the Alexandra Park housing project into a cooperative was to give the residents an opportunity develop and implement local solutions to complex social problems in a democratic and sustainable way. The Atkinson Housing Co-operative represents an innovative response to calls by residents and housing activists to improve public housing through cooperation. A community development perspective was central to the completion of the conversion process and to ongoing efforts to manage a complex organization. Converting into a cooperative was the preferred route for the Atkinson community. But it has since also been realized that the responsibilities that come with being a cooperative are not always easy and that it will take time and commitment to witness the realization of a healthier community.

There is much hope and praise for the Atkinson Co-operative and many communities will learn from the experience. Atkinson exemplifies that solutions to improving public housing are possible when applying a community development approach that reflects a community's assets as the basis to implement local initiatives. The members themselves have taken on a task that requires a commitment to learning new skills, and the Atkinson experience has shown that there is no shortage of human and social capital to contribute to the success of the new entity. There is, moreover, a strong belief within and outside the community that Atkinson will prevail collectively. Elliott, the member of the co-op who joined in 2005, offers us the following final hopeful statement: "*The whole community, everybody gets together as a community. It doesn't matter what kind of obstacles are showing up in your way, if you stand together as a community you can move those obstacles. Like they say, you can move that mountain. And if you stand together as a community, work together as a community,*

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<sup>5</sup> See International Co-operative Alliance (2015).

*work with everything you have, the board, committees, TCHC, if you work with all these organizations, you can move that mountain. There is nothing that you cannot move in this community”* (personal communication, 19 April 2006).

As a cooperative the members have the social and structural means to ensure that change is possible and sustainable; that is, change can happen through actions developed collectively and in solidarity. In essence, the Atkinson case is a clear example of how community development practices are integral to realizing the cooperative advantage.

By becoming a cooperative the members of Atkinson have benefited from greater control over the decision-making process by developing and implementing policies that directly benefit individual families and the health of their community. An important final question is whether this experiment can be replicated to other public housing properties? I do believe it is possible to take what was experienced at Atkinson into other communities. The Atkinson experience also offers an opportunity to revisit how a public service can best serve a community through local control over decision-making. However, a bottom-up community development approach should not take on prescriptive strategies. Rather, methods and tactics for community development must adapt to a particular community context. What is transferable is the lesson that development practices must support an individual’s agency, and also foster a sense of solidarity across groups and individuals.

I conclude this article on a personal note. As a former resident, it has been a privilege to document and interpret the transformation of my community in this paper and in other publications. I will always have fond memories of the exciting and frustrating work that went into creating the Atkinson Housing Co-operative. It is my hope that other communities can learn from the Atkinson experience by being aware of the challenges and appreciating the potential for living in a healthier community through attaining community-based control.

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## Argentina's Worker-Recuperated Enterprises, 2010-2013: A Synthesis of Recent Empirical Findings

**ABSTRACT**

Argentina's *empresas recuperadas por sus trabajadores* (worker-recuperated enterprises, ERTs) are formerly investor- or privately-owned businesses in crisis ultimately taken over and re-opened by their employees, most commonly as worker cooperatives. Since 2002, the Programa Facultad Abierta (Open Faculty Program) of the Faculty of Philosophy and Literature at the University of Buenos Aires has carried out a series of national studies of Argentina's ERTs. The aim of this article is to present the conclusions of the fourth survey of Argentina's ERTs carried out by the Facultad Abierta. This survey focused on ERTs that emerged between March 2010 and December 2013, providing the most complete and up-to-date database of the characteristics of Argentina's ERTs, and showing evidence of a wave of new worker-recuperated enterprises emerging in the post-crisis years, especially since 2010. The key findings presented in this article include: the political economic reasons for the emergence of ERTs; the characteristics of the growing ERT movement today as compared to earlier ERTs; the nature of the conflicts and issues leading to the creation of Argentina's new ERTs; a critical analysis of new legal frameworks for ERT firms, comparing and contrasting them to older legal outlets for their formation; and the involvement of unions with Argentina's ERTs.

**KEY-WORDS**

WORKER-RECUPERATED ENTERPRISES; WORKER-RECOVERED COMPANIES; WORKER BUYOUTS; BUSINESS CONVERSIONS TO COOPERATIVES; LEGAL PROCESSES; UNIONS; LABOUR MOVEMENTS; ARGENTINA

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## 1. Introduction

Argentina's *empresas recuperadas por sus trabajadores* (worker-recuperated enterprises, ERTs) are formerly investor or privately-owned businesses that were in trouble, had declared or were on the verge of declaring bankruptcy, and that are ultimately taken over and re-opened by their employees, most commonly as worker cooperatives. Usually these takeovers occur during conflicts between workers and owners or management. Beginning in the mid-to-late 1990s and into the early 2000s, ERTs would emerge as direct responses by workers to the worst effects of neoliberal structural reforms on small and medium-sized firms in Argentina and the subsequent rising tide of precarious work and unemployment. In recent years, ERTs have continued to grow as a consolidated and established response to business bankruptcy or succession issues, both saving jobs and strengthening local community economies in the process. In short, ERTs have been emerging as “bottom-up” and worker-led responses specifically to the ongoing crisis of capitalism as lived out on shop floors. As a phenomenon, they have also lasted much longer than previous waves of workplace recuperations and occupations in the country; have, despite their small numbers, influenced the reform of labour, business, and bankruptcy legislation; and have inspired new visions for social change and more egalitarian forms of work and productive life.

Since 2002, the Programa Facultad Abierta<sup>1</sup> (Open Faculty Program) of the Faculty of Philosophy and Literature at the University of Buenos Aires has carried out a series of national studies of Argentina's ERTs (Ruggeri, Martínez and Trincherro, 2005; Ruggeri, 2010; Ruggeri, 2014)<sup>2</sup>. The purpose of these studies has been to construct the most complete picture of the universe of worker-recuperated enterprises in Argentina<sup>3</sup>. To do so, a large number of ERTs throughout the country were visited by our trained researchers and data were collected using a comprehensive survey protocol that was broadened over the years. This has allowed us to build a database that includes not only general information about the organizational, demographic, geographic, and sectoral characteristics of Argentina's ERTs, but also other related data covering themes such as:

- the development of the conflicts that led to workers recuperating their firms;
- how these conflicts were impacted by contemporaneous legislation and judicial decisions;
- the challenges to and advances made by workers' experiences of creating and sustaining an ERT;
- the various intricacies of self-managing production;

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<sup>1</sup> See the program website at: <http://www.recuperadasdoc.com.ar/>

<sup>2</sup> The first survey took place between 2002 and 2003, sampling 59 ERT cases. The second survey sampled 72 cases in 2004. The third study was finalized in early 2010 and sampled 85 ERTs. Analyses and details of these earlier studies can be found at: <http://www.recuperadasdoc.com.ar/sitiosinteres.html#>

<sup>3</sup> Andrés Ruggeri is the director of the Programa Facultad Abierta and has led these national studies since 2002. Since 2006, Marcelo Vieta has been collaborating with Andrés Ruggeri and the Programa Facultad Abierta in research activism, co-writing, and conference organizing on the themes of Argentina's ERTs, *autogestión*, and worker cooperatives as a part of the “workers' economy.”

- ERTs' technological characteristics;
- how these firms are administered;
- ERTs' relationship with the state and unions;
- how social welfare and workers' benefits are impacted; and
- new production and business activities taken on after the conversion of the firm.

The nature of our research program has allowed us to organize data longitudinally—over a ten-year period—and study the development of the ERT movement from the crisis years at the turn of the millennium throughout the period of the political and economic recovery of Argentina. In particular, the research has allowed us to account for how ERTs have situated themselves and consolidated over time from a new to an established reality within Argentina's broader workers' struggles and labour movements.

The aim of this article is to present the conclusions of our fourth survey of Argentina's worker-recuperated enterprises (Ruggeri, 2014). This fourth survey focuses on ERTs that emerged between March 2010 (end of the third survey) to December 2013 (end of the fourth survey). As a result of our latest survey, we have collected the most complete and up-to-date database of the characteristics of Argentina's ERTs, showing evidence of a wave of new worker-recuperated enterprises that have been emerging in the post-crisis years, especially since 2010.

## 2. Some conceptual definitions

ERTs refer to companies that produce goods or services and that have at some point gone through the process of converting from private management to collective management by the original enterprise's former employees. In the conversion process, workers take charge of the economic activity of the enterprise under self-management. Generally, these enterprises (usually sole-proprietorships, family businesses, partnerships, or firms owned by a small group of investors) were abandoned by their owners and their employees experienced some form of lockout. The workers' primary motivations in taking over the firm, re-opening it, or keeping it open and productive is to save their jobs (Ruggeri, Martinez and Trincherro, 2005; Ruggeri, 2010). The legal form used in the vast majority of ERT cases in Argentina is the worker cooperative, which has proven to be the most appropriate business form for workers' collective self-management in the country, given its legally recognized model and the simplicity of starting a cooperative<sup>4</sup>. Rather than the legal business type that ERTs take on, however, the fundamental feature to be considered when characterizing an ERT is *the collective form of self-management* that workers adopt, known as *autogestión* in Spanish (Vieta, 2012, 2014b). This is how ERT workers themselves define their firms—a self-managed enterprise

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<sup>4</sup> Over 95 per cent of worker-recuperated firms in Argentina, as in other countries in Latin America, are converted to worker cooperatives (Ruggeri, 2010; Vieta, 2014a).

(*empresa autogestionada*) (Vieta, 2014b). The worker cooperative form, nevertheless, does facilitate in many ways the ultimate desire for self-management of ERT workers and is, without doubt, the dominant business type in the universe of ERTs in Argentina (Ruggeri, Martinez and Trincherro, 2005; Vieta, 2009, 2014a).

This definition differentiates ERTs from other worker buyouts or social and solidarity economy organizations that do not emerge from previous experiences of conflict or economic exploitation. This definition also does not tie the existence of ERTs specifically to any pre-given legal form or legal process. Indeed, the main distinguishing feature of ERTs is the recuperation of practices of self-management by workers themselves.

The ERT phenomenon is not exclusive to the crisis that Argentina faced in 2001 and 2002, which is almost universally associated with the emergence of Argentina's ERTs (although the first ERTs predate this period). Workplace takeovers and recuperations by workers have occurred periodically in capitalist economies, and are found in the origin of the cooperative movement itself at the beginning of the nineteenth century (Miranda Lorenzo, 2011; Parker et al., 2014; Vieta, 2014b). In Argentina, workplace takeovers have emerged historically during key periods of political turmoil, market failure, or as labour bargaining tactics during times of particular tensions between employers, workers and their representatives, and the state (Munck, Falcón and Galitelli, 1987; Ruggeri, 2009; Wyczykier, 2009; Atzeni, 2010; Atzeni and Vieta, 2013). The first record of a recuperated business in the country dates back to the 1950s (James, 1988; Ranis, 1992; Brennan, 1994) while the oldest ERT in the more recent neoliberal era dates back to 1992 (Ruggeri, 2010). Argentina's contemporary ERTs, however, while linked to the militant past of the labour movement and popular sectors, mark a somewhat unique moment in the history of the country's labour struggles.

Today's ERTs distinguish themselves and have drawn particular attention because of how they have addressed the failure of the neoliberal system. As a testament to their global influence, the concept and practices of *empresas recuperadas* have since been adopted in other Latin American countries such as Brazil, Uruguay and Venezuela (Ruggeri, 2009; Wyczykier, 2009; Atzeni and Vieta, 2013). ERT-type conversions have been emerging outside of the region, as well, given the international character of the neoliberal crisis that has extended into the self-described "developed world," sparking "Argentina-style" occupations of factories and workplaces in countries such as Turkey, Greece, Spain, Italy, France, and the US. The Argentine movement of worker-recuperated enterprises, however, remains the largest and most widespread within the neoliberal era.

It is worth remarking that when we state that the ERT movement continues to grow in Argentina, we are referring to a two-folded process: on the one hand, most of the older ERTs—those that emerged in the 1990s, throughout the crisis of 2001, and in the years immediately following; what we call ERTs' "first era"—continue to exist and mature as worker cooperatives. On the other hand, new ERTs have been appearing in more recent years in what we call ERTs' "second" and "third eras". In previous studies we detailed this dual growth (Ruggeri, 2010; Vieta, 2013). In

this paper we observe that the increase in the number of new ERTs in recent years has been almost as significant as those that emerged from first era's neoliberal crisis.

### 3. Argentina's *empresas recuperadas*' first and second eras

In this section we briefly review the highlights of the first two ERT eras between the early 1990s and our third survey in 2010.

ERTs' first era is what we term the period beginning with the emergence of the first ERTs in the early 1990s, continuing with their surge in the crisis years of 2001 and 2002, and ending in early-to-mid 2004 with the relative re-composition of the Argentine economy. According to Ruggeri (2010) around 140 ERT-based worker cooperatives would emerge during the first era. At that time ERTs started to emerge as a direct response to the negative effects of Argentina's neoliberal turn on the country's small and medium-sized firms and its working people (Vieta, 2010, 2012, 2013). Strategies and tactics of workplace takeovers and conversions into worker cooperatives started to be articulated and formalized by the merger of contemporaneous practices of anti-neoliberal and anti-establishment social movements with workers' collective memories of the historical Argentine labour tactics of shop floor occupations, militant rank-and-file unionism, and organized labour's public marches and general strikes (Ranis, 1992; Brennan, 1994; Vieta, 2013). These anti-establishment actions by the social movements of the time were characterized, most famously, by the *piquetero*'s (unemployed workers) tactics of blocking roads other popular protests (Almeyra, 2004; Belmartino, 2005; Palomino, 2005; Sitrin, 2006).

Throughout this first era, ERT protagonists and their most important political organizations and lobby groups—the National Movement of Recuperated Enterprises (Movimiento Nacional de Empresas Recuperadas, MNER) and the National Movement of Worker-Recuperated Factories (Movimiento Nacional de Fabricas Recuperadas por sus Trabajadores, MNFRT)—prioritized political mobilization, solidarity with other social justice movements, and struggles to legitimate workplace takeovers with the political-judicial system and the broader Argentine public. This was also the period when the process of the state expropriating bankrupted firms as “public goods” and ceding them to workers was articulated, in no small part due to the political and lobbying efforts of MNER, MNFRT, and other ERT workers and representatives. The strategy of expropriation of troubled companies, which we discuss later in this article, would eventually go on to save or create thousands of jobs and hundreds of businesses (Magnani, 2003; Fajn and Rebón, 2005; Ruggeri, Martinez and Trincherro, 2005; Ranis, 2006; Rebón, 2007; Aiziczon, 2009; Vieta and Ruggeri, 2009).

ERTs would continue to emerge as Argentina's economy improved due to the combination of Presidents Néstor Kirchner's (2003-2007) and Cristina Fernandez de Kirchner's (2007-2015) more heterodox nationalist economic policies together with the rise of world agricultural commodity

prices between 2004 and 2010 (Arroyo, 2006; Levy Yeyati and Valenzuela, 2007; Aiziczon, 2009; Felder and Patroni, 2011). In this more stable economic period in Argentina—ERTs' second era—new *empresas recuperadas* would emerge specifically as worker-led responses to *micro*-economic crises at the point of production. Most noticeably, these second era ERTs contrasted with the first era because they were less suffused by popular indignation towards the severe macro-economic crises of the late 1990s and early 2000s and the neoliberal system that undergirded it.

During the second era, ERT protagonists learned about the processes of workplace recuperations and conversions from the pioneering struggles and support of first era ERTs. Besides receiving much sympathetic media coverage during the first era, by the time the second era began ERT strategies of recuperations and self-management were discussed widely amongst social and political movements and parties of the left, social justice groups, cooperative associations and federations, organized labour, and researchers. These discussions would then migrate into workplaces in trouble across the country. This is also the case with more recent third era ERTs.

Second era ERTs faced new sets of challenges as they consolidated their production processes within their worker cooperatives, such as:

- securing organizational stability;
- gaining market share;
- fixing or replacing depreciated machinery;
- re-skilling workers;
- recuperating workers' social security benefits lost with the failure of the previous firms;
- educating ERT workers in the values of cooperativism;
- forging economic networks of solidarity with other ERTs or traditional cooperatives; and
- lobbying for the reform of bankruptcy, expropriation, social security, and cooperative legislation that could improve the competitive advantage of these firms and, more generally, the long-term wellbeing of its workers.

Many of these issues are still present and being struggled over today.

These struggles and challenges were directly taken up by the second era's three prominent ERT organizations: the National Association of Self-Managed Workers (Asociación Nacional de Trabajadores Autogestionados, ANTA), the Argentine Federation of Self-Managed Worker Cooperatives (Federación Argentina de Cooperativas de Trabajo Autogestionado, FACTA), and the National Confederation of Worker Cooperatives (Confederación Nacional de Cooperativas de Trabajo, CNCT). ANTA, for instance, had been active during the second era in the project of reforming national cooperative law that would see workers' pension plans and other social security guarantees carry over into a new ERT worker cooperative, a struggle which still continues today. These new struggles, directly engaging the state regarding the reform of applicable laws, were also exemplified in 2011 with the lobbying efforts of the CNCT, FACTA, and other ERT protagonists that would eventually see Argentina's national congress approving a crucial reform of national bankruptcy legislation (*Ley de Concursos y Quiebras*). Discussed in further detail shortly, this reform offers some guarantees to employees willing to take over failing firms but not without some paradoxical results, as we will show.

Finally, second era ERTs were also distinguished from first era ERTs in that the movement managed to institutionalize the conversion process. Overall, together with traditional business norms of declaring bankruptcy or “restructuring” a firm, the process of starting up a worker cooperative from the ashes of a failed sole-proprietorship or investor-owned firm has now become a possibility increasingly recognized by Argentina’s courts, legislation, and political establishment; this is perhaps the greatest contribution of second era ERTs. This has meant, in practice, that the conversion of companies into worker co-ops in Argentina is now one more legal option available to failing firms in the country (Rebón, 2007; Wyczykier, 2009; Ranis, 2014; Ruggeri, 2014; Vieta, 2014a).

In the following sections of this article we explore the empirical details of Argentina’s newest third era ERTs. While the third era of ERTs continues many of the gains of the second era, it has also brought with it new challenges.

#### **4. General panorama of Argentina’s *empresas recuperadas* in the third era**

Data from our fourth ERT survey, completed in December 2013, show that in Argentina there are 311 ERTs, located throughout the country employing 13,462 workers (Table 1). Of this total, 63 cases can be called “new worker-recuperated enterprises” as they were created between March 2010 and December 2013 (Table 4). Out of these 63 new ERTs, 41 appeared between 2012 and 2013.

As Table 1 shows, ERTs are present in 19 out of 23 provinces in Argentina and in the Autonomous City of Buenos Aires<sup>5</sup>. Their concentration is particularly high in the City of Buenos Aires and Greater Buenos Aires<sup>6</sup>. Besides the relevant quantitative growth in ERTs since our 2010 survey, today we observe a more equitable distribution of ERTs across the national territory than in previous surveys. Moreover, in some of the provinces we see a significant growth in ERTs, while in others, like Mendoza, which has had since the early 2000s a well established and influential group of ERTs, no changes are observed<sup>7</sup>.

Furthermore, we observe that the concentration of first and second era ERTs in the metropolitan area of Buenos Aires has undergone a steady decline in numbers. While ERTs still continue to be highly concentrated in Buenos Aires and its metropolitan area—as a result of the historical economic and industrial development of Argentina—proportionally in recent years the growth in number of ERT cases in the rest of the country has been much more significant.

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<sup>5</sup> The City of Buenos Aires is a non-provincial, autonomous political entity within the Argentine federal system.

<sup>6</sup> Greater Buenos Aires is the area of the Province of Buenos Aires that includes the surrounding municipalities outside the City of Buenos Aires.

<sup>7</sup> See the report of the third survey at: [http://www.recuperadasdoc.com.ar/Informes%20relevamientos/informe\\_Tercer\\_Relevamiento\\_2010.pdf](http://www.recuperadasdoc.com.ar/Informes%20relevamientos/informe_Tercer_Relevamiento_2010.pdf).

**Table 1. Total number of ERT cases by number of workers and by province (up to December 2013)**

<i>Region</i>	<i>ERT cases</i>	<i>ERTs by province (percentage)</i>	<i>Workers (number)</i>	<i>Workers (percentage)</i>
CABA <sup>1</sup>	59	18.97	1,902	14.13
GBA <sup>2</sup>	98	31.51	4,406	32.73
Rest of Buenos Aires province	46	14.79	1,726	12.82
Chaco	9	2.89	343	2.55
Corrientes	5	1.61	454	3.37
Entre Rios	5	1.61	328	2.44
Santa Fe	26	8.36	1,191	8.85
Chubut	3	0.96	45	0.33
Córdoba	14	4.50	1,003	7.45
La Pampa	5	1.61	157	1.17
La Rioja	4	1.29	133	0.99
Mendoza	7	2.25	173	1.29
Neuquén	6	1.93	837	6.22
Rio Negro	8	2.57	256	1.90
San Juan	2	0.64	39	0.29
Tierra del Fuego	1	0.32	30	0.22
Catamarca	1	0.32	27	0.20
Jujuy	2	0.64	80	0.59
Misiones	4	1.29	93	0.69
San Luis	5	1.61	232	1.72
Tucumán	1	0.32	7	0.05
<i>Total</i>	<i>311</i>	<i>100.00</i>	<i>13,462</i>	<i>100.00</i>

<sup>1</sup> Ciudad Autónoma de Buenos Aires (Autonomous City of Buenos Aires).

<sup>2</sup> Gran Buenos Aires (Greater Buenos Aires).

If we distribute the information by Argentina's main regions (Table 2), we observe a clear concentration of ERTs in the region of the Pampas (rest of the province of Buenos Aires outside of Metropolitan Buenos Aires Area (AMBA), plus the provinces of Sante Fe, Córdoba, Entre Rios, and La Pampa). If we group the AMBA and the Pampa regions, we find that it is home to 81.35 per cent of the nation's ERTs.

**Table 2. Total distribution of ERTs by regions (up to December 2013)**

<i>Region</i>	<i>ERTs (number)</i>	<i>ERTs (percentage)</i>
AMBA <sup>1</sup>	157	50.48
Pampas <sup>2</sup>	96	30.87
Northeast <sup>3</sup>	18	5.79
Northwest <sup>4</sup>	8	2.57
Cuyo <sup>5</sup>	14	4.50
Patagonia <sup>6</sup>	18	5.79
<i>Total</i>	<i>311</i>	<i>100.00</i>

<sup>1</sup> Area Metropolitana de Buenos Aires (Metropolitan Area of Buenos Aires), including the City of Buenos Aires and surrounding municipalities in the Province of Buenos Aires.

<sup>2</sup> Province of Buenos Aires (beyond AMBA), and provinces of La Pampa, Santa Fe, Entre Ríos, and Córdoba.

<sup>3</sup> Provinces of Misiones, Corrientes, and Chaco (while the province of Formosa is part of the Northeast region of the country, there are no registered ERTs in this province).

<sup>4</sup> Provinces of Catamarca, Jujuy, La Rioja, and Tucumán (while the provinces of Salta and Santiago del Estero are part of the Northwest region of the country, there are no registered ERTs in these provinces).

<sup>5</sup> Provinces of San Juan, San Luis, and Mendoza.

<sup>6</sup> Provinces of Neuquén, Río Negro, Chubut, and Tierra del Fuego (while the province of Santa Cruz is part of the Patagonia region of the country, there are no registered ERTs in this province).

Looking at the distribution of ERTs by economic sector in Table 3, we notice that, while the metallurgical sector includes the largest concentration of ERTs, its importance in relation to the universe of Argentine ERTs has decreased (compare Table 3 with Table 4). This trend was already identified in 2010 (Ruggeri, 2010) and in the third era of the movement we observe a continued diversification of economic sectors containing ERTs. In recent years this has been transforming the ERT movement into one that is less industrial, now comprising more evenly all of the country's urban economic sectors, including the services sector.

**Table 3. Total ERTs by economic sector and number of workers (up to December 2013)**

<i>Sector</i>	<i>ERTs (number)</i>	<i>ERTs (percentage)</i>	<i>Workers per sector (number)</i>
Metallurgy	62	19.94	2,937
Printing & graphics	31	9.97	879
Textiles	26	8.36	1070
Restaurants	16	5.14	328
Glass	7	2.25	327
Chemicals	8	2.57	197
Plastic	5	1.61	95
Meat	22	7.07	2,041
Shipbuilders	2	0.64	62
Food processing	40	12.86	1,036
Construction	17	5.47	938
Leather	6	1.93	380
Health	11	3.54	517
Education	7	2.25	215
Hotels	5	1.61	233
Woodworking	8	2.57	146
Fuel	4	1.29	77
Pulp & paper	2	0.64	71
Shoemaking	5	1.61	601
Transportation	7	2.25	720
Logistics & maintenance	6	1.93	154
Media	6	1.93	244
Rubber	1	0.32	13
Retail	3	0.96	109
Mining	1	0.32	13
Others	3	0.96	59
<i>Total</i>	<i>311</i>	<i>100.00</i>	<i>13,462</i>

Finally, the panorama at the end of 2013 shows that Argentina's ERTs are, by number of workers, still primarily, as with our first and second era data, small and medium-sized enterprises (SMEs). This is in line with ERTs elsewhere, such as in Brazil, Uruguay, and Italy (Chedid Henriques, 2013; Vieta, Depedri and Carrano, 2015). While the average number of workers per ERT varies by industry and province, ERTs in Argentina, as with our previous surveys, have approximately 44 workers per firm<sup>8</sup>.

#### *4.1 The new empresas recuperadas (2010-2013)*

If we use the same criteria as we did in the previous section on ERTs that emerged between 2010-2013, we find new dimensions to the movement, now showing a greater level of regional and economic sector diversity. This confirms the trend for new Argentine ERTs in recent years emerging in non-industrial and more heterogeneous sectors generally. Focusing solely on new cases of ERTs in Table 4, the percentage of ERTs that are new industrial enterprises shrinks to 44 per cent, and we find that metallurgical ERTs recuperated since 2010 are now in the minority (only six cases, or 9.5 per cent of new ERTs). Instead, with 11 ERT cases, print shops are now the most numerous among new ERTs, one more than food processing. Restaurants (where the influence of the chain of five worker-recuperated restaurants in the City of Buenos Aires is notable) and textiles are the other two outstanding sectors populated by new ERTs.

The 63 new worker-recuperated enterprises that formed in the third era contradict the commonly held assumption that the ERT phenomenon in Argentina was limited to the crisis of 2001 and the years immediately following it. If we disaggregate the 63 new ERTs cases year-by-year (Figure 1), we note an important growth of new ERTs in 2012 with 23 cases, and 17 cases in 2013. That is, these two years witnessed the creation of 40 of the 63 new ERTs, comparable to the prior peak of new ERTs between 2008 and 2009 (44 new cases). Both periods coincide with two recent situations of economic crises resonating in Argentina, together with the declining of GDP (bottom line in Figure 1): specifically the outbreak of the so-called "subprime crisis" in the US in 2008-2009 and the expansion of the recession primarily to the European Union in 2012-2013. In order to find a period with similar numbers of new ERTs we have to go back to 2004, which is to say, the beginning of the country's economic recovery after the crisis of the neoliberal model of December 2001.

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<sup>8</sup> The average number of workers per ERT, according to our survey, is 43.84. This is comparable, for instance, with Italy's ERTs an average of around 40 workers (Vieta, Depedri and Carrano, 2015).

**Table 4. Total of new ERT cases and number of workers per economic sector (2010-2013)**

<i>Sector</i>	<i>ERTs (number)</i>	<i>ERTs (percentage)</i>	<i>Workers per sector (percentage)</i>
Metallurgy	6	9.52	715
Printing & graphics	11	17.46	305
Textiles	9	14.29	480
Restaurants	9	14.29	226
Glass	1	1.59	20
Meat	5	7.94	192
Food processing	10	15.87	384
Construction	5	7.94	134
Health	1	1.59	18
Education	1	1.59	58
Woodworking	1	1.59	18
Pulp and paper	1	1.59	13
Shoemaking	1	1.59	18
Media	1	1.59	34
Retail	1	1.59	29
<i>Total</i>	<i>63</i>	<i>100.00</i>	<i>2,644</i>

As supported by the broader literature on the emergence of labour-managed firms (Ben-Ner, 1988; Estrin, 1989; Dow, 2003; Vieta, Depedri and Carrano, 2015) it is noteworthy to point out that macro-economic downturns seem to strongly influence the formation of worker-recuperated enterprises in Argentina. A simple non linear comparison in Figure 1 between the rate of growth and decline of Argentina's GDP and the curve of new ERT cases shows an inverse relationship of notable symmetry: the greater the crisis, the more ERTs emerge; the greater the stability and growth, the fewer new ERTs. As already stated, the biggest wave of ERT cases occurred at the height of the economic crisis in Argentina between 2001 and 2003. As the macro-economic situation stabilized in the country, the curve of new ERTs diminishes until it levels out at around 10 new cases per year between 2005 and 2007. With the US sub-prime crisis in 2008-2009, the GDP rate dips to

less than 1 per cent growth for the first time in Argentina's post-crisis period and, concurrently, the curve of new ERTs begins to rise again. Between 2010 and 2011, the number of new ERTs returns to pre-2008 levels, while as the Argentine GDP fell again in 2012 and 2013, there was once again an increase in new cases of ERTs<sup>9</sup>. Besides the numbers, what increasingly changed by the second and third era of ERTs is the mix of ERTs by economic sector; new ERTs are not as concentrated in industrial sectors as they were during the first era and now include a more heterogeneous mix of firms found in all of Argentina's urban-based economic sectors.

**Figure 1. Relationship between the Argentine GDP rate and business recoveries per year, (2000-2013)**



Source: Created by the authors, based on data from Argentina's national statistics agency INDEC and our fourth survey of ERTs in Argentina.

We can further extend the analysis by taking into account the Argentine political economy in recent years. For instance, the decline in the percentage of ERTs in the metallurgical industry and other industrial sectors was in part due to the post-crisis process of reindustrialization over the last decade. This combined with the return of the bargaining power of labour and, in particular, the general strengthening of the national metalworkers union (Unión Obrera Metalúrgica, UOM) during the same period, afforded workers other outlets for protecting jobs besides taking over their firms.

<sup>9</sup> Vieta (2015) and Vieta, Depedri and Carrano (2015) have observed similar ERT growth rates linked to the ebbs and flows of the GDP and other socio-economic indicators in Italy.

These union-based outlets had been greatly diminished during the neoliberal years (1990s and early 2000s). On the other hand, the rise of ERTs in other economic sectors in recent years, such as restaurants, food processing, and textiles, correlates with the deterioration of working conditions and economic circumstances in those sectors, where unsavoury business practices, outsourcing, and labour precariousness are still the order of the day. As such, it is precisely in these sectors where we currently find the greatest number of new ERTs. In other economic sectors, such as in printing and graphics, growth in ERTs is related to the influence of new union policies that seek to support the formation of new worker co-ops, that promote the ERT solution as a way to keep workers in the union, and that is helping build a cooperative-based printing and graphics sector with continuing ties to its unions (see last section of this article).

Regarding the geographic distribution of new ERTs in Table 5, for the first time since the beginning of the ERT movement, we also observe a greater presence of ERTs beyond the City of and Greater Buenos Aires. ERTs created in 2010-2013 are now distributed across 14 provinces plus the City of Buenos Aires. If we look at the distribution by region, we observe that since 2010 the greatest concentration of new ERTs is still in the Metropolitan Buenos Aires Area (38.1 per cent) and the Pampas region (36.5 per cent), which encompasses the bulk of the urban-based economic activity in the country. However, only 24 (38.1 per cent) of the country's new ERTs are located in the City of Buenos Aires (CABA) and Greater Buenos Aires (GBA), compared to 39 new cases throughout the rest of the country (61.9 per cent), even though, as Table 1 reminds us, the number of ERT workers in the city of Buenos Aires and its metropolitan area continue to make up 46.9 per cent of the total ERT-based workforce. Moreover, and as a testament to the expansion of the movement, there has been a comparative growth in occurrences of new ERTs in regions that, until now, had had low numbers of ERTs, like the Northeast (especially the provinces of Chaco and Misiones, totalling 6.4 per cent of new ERTs) or in the Patagonia region (in the provinces of Neuquén, Rio Negro and Chubut, totalling 8 per cent of new ERTs).

**Table 5. Distribution of new ERTs by province (2010-2013)**

<i>Region</i>	<i>ERT cases (number)</i>	<i>ERTs by province (percentage)</i>
CABA <sup>1</sup>	15	23.81
GBA <sup>2</sup>	9	14.29
Rest of Buenos Aires province	11	17.46
Chaco	1	1.59
Entre Ríos	1	1.59
Santa Fe	5	7.94
Chubut	1	1.59
Córdoba	5	7.94
La Pampa	1	1.59
La Rioja	1	1.59
Neuquén	1	1.59
Río Negro	3	4.76
Catamarca	1	1.59
Jujuy	1	1.59
Misiones	3	4.76
San Luis	4	6.35
<i>Total</i>	<i>63</i>	<i>100.00</i>

<sup>1</sup> Ciudad Autónoma de Buenos Aires (Autonomous City of Buenos Aires).

<sup>2</sup> Gran Buenos Aires (Greater Buenos Aires).

## **5. Conflict and legal framework of Argentina's *empresas recuperadas***

### *5.1 The nature the conflicts leading to the creation of ERTs (2010-2013)*

As we have pointed out, the conflictive origins of Argentina's ERTs is the characteristic that has garnered the most media, political, and even research attention, making this the best-known phase of the process of forming an ERT (Vieta and Ruggeri, 2009; Ruggeri, 2010, 2014; Vieta, 2010,

2012, 2013). This is not without some merit. It is worthwhile to reiterate that every workplace recuperation process means some sort of conflict between workers and owners, together with, at times, the added presence of management, bankruptcy court officials and judges, and other state actors. This is the case also when there is no occupation of the establishment by workers or any related social mobilizations. Indeed, with Argentina's ERTs, conflict often mediates the conversion of a firm into a self-managed workplace. In the transitional stage between the old capitalist firm and the new worker self-managed one, an inevitable tipping point emerges when workers realize that their jobs are at risk and when the preservation of these jobs becomes the key point of struggle. The transition of firms from private to collective management, even with ERTs that emerge in the best possible scenarios<sup>10</sup>, continues to create concerns and fears amongst workers regarding the security of their jobs or their ultimate ability to self-manage a business. Workers must inevitably change their mindset from being wage-labourers to self-managed workers, which includes the not so clear task of figuring out how to collectively manage a business that has been traditionally concentrated in the capitalist economic system with owners or "specialist" administrators/managers. These anxieties are exacerbated when the transition to workers' control is preceded by unmistakable signals heralding the closure of a firm, most usually taking shape in Argentina when previous owners have problems paying wages, when businesses experience a decrease in the rate and volume of work, with the disappearance or lack of maintenance of machines, and other signs that the business is in crisis.

In this regard, the new ERT cases that emerged in 2010-2013 are not much different from earlier cases. Some of the reasons motivating workers to consider taking over and self-managing their firms have remained quite consistent over time: unpaid wages, lockouts and firings, owners' asset stripping their businesses (called in Argentina *vaciamiento*, literally the emptying of a firm's assets), the sale or neglect of machinery and facilities, or bankruptcy negotiations. Usually, the motivators for taking over a firm for workers are related to a conjunction of these factors that contribute, to a lesser or greater extent, to the eventual closure of the establishment (at times under fraudulent circumstances). Workers' main motivators for taking over a failing firm were related to problems with wages payment or the total absence of pay over an extended period of time, which occurred in more than 80 per cent of the 2012-2013 sample of cases (31 ERTs), and *vaciamiento*, which occurred with 60 per cent of the 2012-2013 sample of cases (25 ERTs)<sup>11</sup>. Nevertheless, there are some particular variations in workers' motivations to create ERTs today when compared to the two previous eras. In the third era, relatively few workers were actually fired or locked out prior to closure or the commencement of the takeover, two circumstances which were more common in the first era. By way of comparison, in our 2010 survey we observed that all of the motivators for creating an ERT combined quite proportionally. In our 2004 survey, on the other hand, still within

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<sup>10</sup> For example, in the case of the owner of a family business who agrees to transfer it to its employees because of the inability to keep it going or due to succession issues where there are no heirs to take over the firm.

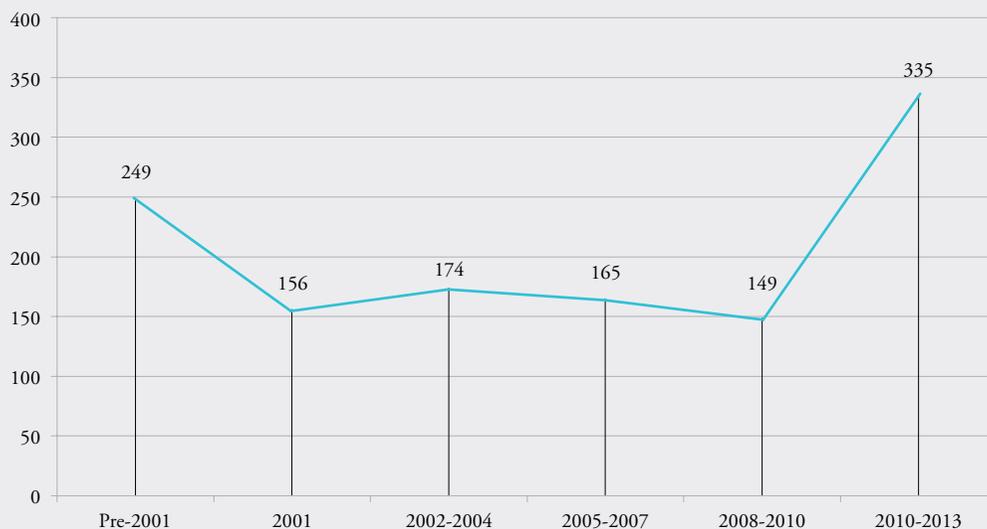
<sup>11</sup> Multiple answers were permitted for this survey question.

the effects of the 2001-2002 crisis, the lack of wage payment was the least-mentioned reason for creating an ERT, while firings and lockouts (and thus direct threat of job loss) the most mentioned reason. On the whole, and despite some variations over time, Argentina's ERTs are particular workplace conversion processes ensconced in prolonged and by now predictable conflicts that guide the beginning of the process of recuperating workplaces by employees.

In the third era, the rate of ERT experiences that have had to resort to the direct occupations of firms or other forms of direct action protest by employees remains almost unchanged from the previous era. In our latest survey, 61 per cent of ERTs said they had resorted to occupations or protests of different kinds, compared to 62 per cent in 2010. Of these, nearly 60 per cent were occupations of the firm, and the rest were other forms of direct action including encampments usually at the front doors of the firm, most often combined with community rallies, solidarity marches, strikes, and other measures. At the same time, the rate of repression of occupations and workers' protests decreased in this latest era compared to the numbers from 2010. Compared to the 50 per cent of ERTs who stated in our 2010 survey that its workers had suffered some type of repressive measures (for instance, forced evictions or attempted evictions), this data drops to 37 per cent of the newest ERTs. However, it is to be highlighted that this percentage corresponds to state repression attempts (generally ordered by judges), which do not always succeed (usually due to the pressure exerted on the state or local police authorities from supporting local community groups, workers from other ERTs or social movement protagonists, or from sympathetic media coverage). A further 20 per cent of experiences with repression are "private" eviction attempts or intimidation by returning owners through verbal threats or physical violence by security personnel, or even from hired and armed thugs (*matones*) who try to expel or intimidate workers, presumably paid by the owners or other beneficiaries of the auction of the business's assets. The increase in these situations, which we had already noted in previous surveys, continues to raise the alarm about ERT workers' ongoing difficulties, the risks they face in creating an ERT, and the continued lack of solid institutional protection for workers.

Figure 2 illustrates one of the most relevant and novel findings regarding Argentina's ERTs' third era: the considerable increase in the duration of the conflict period that workers must go through to recuperate a firm. That is, the average number of days of conflict that workers must endure to recuperate a firm has increased with Argentina's newest ERTs. In the 2010 survey, we noted that, counting from the outbreak of conflict or the occupation of the firm to the beginning of workers' self-management as an ERT, the number of days of conflict and occupation during the second era had decreased in relation to the average period of conflict before 2001. Between 2001 and 2010, the length of time of these conflicts had stabilized to around four-five months. Data from our fourth survey, however, shows that the average period of conflict per ERT has increased considerably, now more than doubling the immediately previous period, as can be seen in Figure 2.

Figure 2. Average days of occupation/conflict



The extended duration of conflict periods for workers struggling to create an ERT in recent years increases the resoluteness required by a workers' collective willing to save their workplace and deepens the challenges they must face. First, the workplace usually remains closed during the period of conflict, or partly closed at best. Occasionally workers do manage to start some kind of informal activity during the period of occupation and resistance, but these are often a far cry from the usual levels of activity that they are accustomed to or that is needed to sustain the business. More concretely for the lives of workers in struggle, this extended period of conflict draws out the time they do not receive regular income and compounds the hardships that they and their families must continue to confront. Second, extended periods of conflict also makes it increasingly hard to restart production when and if workers regain control of the business, making it particularly difficult to gather necessary resources and continue to mobilize support. Third, the extension of periods of conflict increases the challenges faced by more technologically complex industrial plants, especially since machines remain unused and their maintenance neglected. Fourth, extended periods of conflict make it harder to rebuild value chains, retain or secure new customers and providers, or reintegrate competitively into the market. In sum, rather than a "heroic struggle" from the point of view of working-class militancy, pragmatically the excessive duration of conflicts is a serious hurdle for the successful recuperation and conversion of a business, adding significantly to the difficulties that worker-recuperated businesses already bring with them. An average of 11 months of conflict for the newest ERTs is no small detail to overcome and can become a strong disincentive for ERT formation and the future of workers' self-management.

If we connect these challenges with others related to ERTs' legal issues, we find several clues as to why this extended situation of conflict is occurring with Argentina's newest ERTs.

## 5.2 The reform of Argentina's bankruptcy law and its consequences

One event that caused great expectation amongst ERT protagonists in early 2010 was the impending approval of the reform of Argentina's national bankruptcy law (*Ley de Concursos y Quiebras*). This had been one of the first demands of MNER from its beginning in 2002. The bankruptcy law that was in effect until 2011, Law 24.522, dated back to 1995 and was built on the foundations of Law 22.917, approved by the military dictatorship in 1983. Carrying over the spirit of the preceding regulation, Law 24.522 maintained a marked neoliberal imprint on Argentine businesses, facilitating the disposal of assets while disfavoured workers. The law primarily enabled the quick disposal of inventory and assets to pay creditors, especially banks, while ultimately neglecting to consider workers' unpaid wages or severance, for instance, and overlooked more broadly the social and economic costs of closing a business. It also facilitated successive bankruptcies (reducing the time in which the same enterprise could again declare bankruptcy to a year), and eliminated asset stripping (*vaciamiento*) as an economic crime. It was essentially a law of business liquidation and, for that reason, the primary way to carry out the practice of asset stripping that precedes the large majority of cases leading to the creation of an ERT. Under the auspices of Law 24.522, the mission of judges and trustees intervening in bankruptcies was thus the quick liquidation of inventory and assets without taking into account the loss of jobs or the greater impact to a local community that the loss of productive entities (in many cases still in operational condition) would bring.

Because of this, ERT protagonists quickly identified Law 24.522 as an enemy of their most basic interests. In 2002, in the thick of the socio-economic crisis that was engulfing the country at the time, an earlier reform to Argentina's bankruptcy law, Law 25.563, was approved by the National Congress, introducing new changes in the procedural aspects of bankruptcy that lengthened the period of negotiation between debtors and creditors before reaching a resolution. Most directly related to the eventual creation of an ERT, this earlier reform envisaged the "extraordinary" recourse of giving "productive continuity" to a worker cooperative formed by employees of the failing firm as "caretakers" of the goods and assets of the business.

In June 2011, after being approved almost unanimously in both houses of Argentina's National Congress, a new reform to the *Ley de Concursos y Quiebras*, Law 26.684, entered into force, introducing more important changes to the country's bankruptcy proceedings, especially for cases of businesses in the process of being recuperated by ex-employees. The driver of this reform was the prioritization of "productive continuity" over the liquidation of assets. This was no longer to be an "extraordinary" recourse; ceding the business to its employees is now a possibility that the judge *must* take into consideration when certain requirements are met. Under Law 26.684, priority is given for workers to carry on the operation of the business when they are organized as a cooperative, both during the negotiation and the actual bankruptcy phases. This is enabled through the mechanism of "wage compensation" claims (or labour credits) that can be used for buying out the firm, which are essentially wages, overtime pay, and severance owed to workers. In this way, business debts owed to employees can serve as capital for the new worker cooperative to purchase

the business. In short, Law 26.684 stipulates that when debts to workers (via unpaid wages, salaries, and severance) are equivalent to the capital of the business, the bankruptcy judge can proceed to direct the adjudication of the proceedings in favour of the ex-employees' buyout of the firm<sup>12</sup>.

While a promising reform, there were, however, several objections presented by ERT workers and their legal representatives with regard to its operational application. First, it was pointed out that bestowing to bankruptcy judges and court trustees the fundamental decision of whether or not to cede the firm to employees gives the courts too much arbitrary discretion. Their concern was that the margin for ideologically based decisions by court officials, ostensibly linked to the "technical merits" of the viability of the new business as a worker cooperative, does not require them to clarify the actual criteria used for their evaluations of the cooperative's business viability. Moreover, there is no independent consultative public body or ombudsperson in place that could give an alternative opinion on the case based, for instance, on the precedence set by prior experiences of ERTs or cooperatives. A second objection focused on the requirement that before a conversion takes place a cooperative must be formed by two thirds of the firm's employees. In fact, it might be difficult to reach this number and thus the possibilities of conversion can be blocked due to, for instance, the departure of administrative personnel, or those workers who do not agree with the proposal to form an ERT, or those who have found jobs elsewhere. Finally, as has been the case in numerous conversion attempts, workers' claims on outstanding company debts can fall short of compensating for the value of the bankruptcy, which again ultimately means that the workers either cannot take over the firm or end up being responsible for part of the former owners' debts. These early objections have been confirmed in actual experience since Law 26.684 entered into force, foreshadowing some of the new challenges faced by workers today wanting to carry out a workplace conversion.

Before assessing the actual outcomes of Law 26.684 for the new ERTs surveyed between 2010 and 2013 (two thirds of which had begun the recuperation process after the new bankruptcy law came into effect), we must first take a step back to explain the various legal processes that nascent ERTs have resorted to in light of the lack of a unified national policy for business conversions in Argentina. In doing so we will be able to more clearly see the paradoxical results of Law 26.684.

In the first place, we can see that there has been a notable decline in the application of the law of expropriation in the newest ERT cases since 2010<sup>13</sup>. Up to 2010, 63 per cent of the surveyed

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<sup>12</sup> The new *Ley de Concursos y Quiebras* also enables the involvement of workers in *negotiating* bankruptcy proceedings and conversions, stipulates that workers should be the first to be paid back any bankruptcy-related debts owed, and essentially provisions a "right of first refusal" for employees to buyout bankrupted companies.

<sup>13</sup> A savvy and pragmatic legal strategy developed early on in the ERT movement by some of its first leaders was to turn to constitutional law and its provisions for expropriation, also termed "eminent domain" in the US and other jurisdictions (Ranis, 2006, 2014). After forming the cooperative and securing the temporary control of the plant under usufruct from the presiding bankruptcy judge, ERTs began to seek and lobby for the *expropriation* of the firm by the state on behalf of the cooperative as a "public good." The appropriation of this law by ERT protagonists and lawyers has subsequently become a vitally important tool on a worker cooperative's path of securing the control of a failing business because it puts closure to further bankruptcy proceedings, legally eradicates the possibility of forced eviction and the auctioning off of the recuperated company's assets, and gives the worker co-op complete control of the plant, including its machinery, inventory, trademarks, buildings, and client base (Vieta, 2012, 2013).

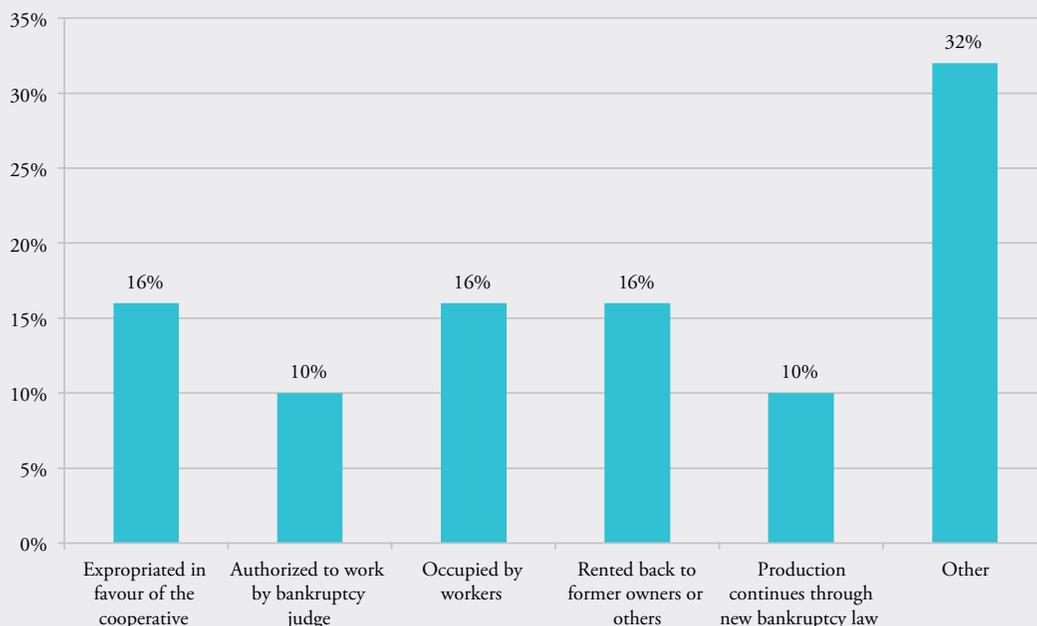
ERTs had been expropriated by the state on behalf of its workers. Of this group, 19 per cent had won “definitive expropriation,” while the rest were granted “temporary expropriation” (which grants ERT’s workers a period of time to work out remaining legal issues). To clarify, the “definitive expropriation” laws generally corresponded to cooperatives in Buenos Aires affected by Law 1529/04 which opened up the passing of case-by-case expropriation bills by the city legislature. In the majority of these ERTs, however, “definitive expropriation” was not applied, mainly due to the head of the city government Mauricio Macri’s systematic vetoing of its use. The percentage of ERTs denied definitive expropriation in recent years has been significant, prolonging the legal uncertainty for many of them. This scenario has resulted in a legal landscape pockmarked by a wide range of often ad hoc resolutions to the legal situations of new ERTs, including: temporary and definitive expropriation by regional governments on behalf of an ERT; ERTs with expropriation laws in process but as yet unresolved; ERTs granted operational continuity but without expropriation in sight; outright purchases of ERTs by workers at auction (a form of worker buyout); ERTs that have emerged by workers swapping owed severance or pay for machinery and other assets; concessions, agreements, and co-ownership schemes with managers or the original owners of the firm; rentals of the property; or other sundry forms of legal schemes.

As such, the context of the ERTs legal situation changed dramatically between 2010 and 2013. Before 2010, the main legal solution for ERTs was either temporary or definitive expropriation. Since 2010, however, ERTs’ legal situations in relation to the control and especially final ownership of the business have become more complex and diverse, as detailed in Figure 3. Scarcely 16 per cent of the newest ERTs are now able to obtain an expropriation law in their favour, while a similar number of ERTs remain under worker occupation without any legal progress or, more worrisome for the ERT movement, have even been rented back or otherwise returned to previous owners. An even smaller percentage (10 per cent) is in a situation where workers have successfully been able to rely on favourable provisions under the new bankruptcy law (and these are even fewer cases if we consider them against the total universe of ERTs). At the same time, we now find a wide variety of legal situations that fall under the “other” category, including the list of legal scenarios presented in the preceding paragraph.

This disparity allows us to assess the less-than-optimal and paradoxical effects of the bankruptcy law reforms of 2011. The anaemic use of Law 26.684 for facilitating the establishment and consolidation of new ERTs underscores the challenges anticipated by its critics within the ERT movement. Data explicitly shows that the expected hopes for the new bankruptcy law—that all or the large majority of new recuperations would be channelled through it—has not come to pass. On the contrary, as Figure 3 shows, only 10 per cent have been able to use its mechanisms to move along workers’ recuperation processes. Moreover, even considering that a similar percentage in our survey of ERTs that have been “authorized to work by the bankruptcy judge” are in a position to use this law, there still remains a very large number of cases, after the promulgation of Law 26.684, where, for varied reasons, it cannot or will not be used by the presiding bankruptcy judge. The introduction

of Law 26.684 has, thus, paradoxically had an opposite effect from what was intended by its authors and promoters, adding new challenges for workers intending to form an ERT, such as prolonging the periods of conflict and having to find ad hoc legal solutions. Indeed, a large majority of new ERTs—80-90 per cent—present a miscellany of legal situations where the bankruptcy law reform seems to actually have *blocked* the usual path of expropriation used previous to the introduction of Law 26.684. Considering this, we see that not only are fewer expropriation laws now passed, but there is also a similar number of ERT cases that have not even opted to try to find an expropriation solution. However, it may not be appropriate to completely attribute the decline in the approval of expropriation laws to the reform of the bankruptcy law, since the tendency towards the decrease in expropriations was already observed in the previous survey. The introduction of law 26.684 privileged it over expropriation, giving legislators who would otherwise have approved expropriation bills, as well as workers, the impression that, with this reform, the legal problems of worker-recuperated businesses could be resolved and that it was no longer necessary to go through expropriation. The reality, on the contrary, shows that since Law 26.684 entered into force, the legal precariousness of ERTs has increased.

**Figure 3. The legal situation of the new ERTs (2010-2013)**



Finally, when we correlate the increased average length of time in resolving the conflicts that workers must go through before securing a firm under their control (from four-five months in ERTs' second era to an average of 11 months currently) with the confusing assortment of hard

to secure legal tools for resolving the conflict, we can conclude the following: bankruptcy court officials presiding over conflicts engaged in by workers who aspire to convert the firm into an ERT now have at their discretion the ability to place workers in a situation of further vulnerability and dependence due to the particular whims or apathy of judges and bankruptcy court trustees. Moreover, rather than pursuing laws of expropriation (which come with much precedence from ERTs' first and second eras), the pursuit of bankruptcy law solutions are actually, in many cases that are presided over by ideologically insensitive bankruptcy judges, extending the length of conflict and uncertainty for workers seeking out a conversion solution and thus prolonging the time it takes to secure, consolidate, and stabilize a new ERT.

### *5.3 Empresas recuperadas and Argentina's unions*

A significant issue emerged from our third survey in 2010 covering the second era of ERTs was that the presence of unions, both in the pre-existing firm and in the subsequent ERT, tended to be strikingly high. The third survey showed that a union was present in 90 per cent of all ERTs and that most of Argentina's ERTs emerge from unionized workplaces. Historically, however, the presence of unions have not been uniformly favourable or unfavourable to ERT workers; union representation in ERT workplaces show diverse characteristics in relation to the history of the particular unions, the kinds of activity traditionally engaged in by the union, the composition and characteristic of its leadership, and the particular operational policies in place and regards a workplace's union members. These factors also affect the relationships that are established between unions and an ERT's workers once the cooperative is established, defining widely varying positions unions take vis-à-vis ERTs: from support and assistance for workers during the recovery process, to opposition to workplace takeovers, to being complicit with management, to undermining workers' own struggles against asset stripping and during their period of occupation of the firm. Sectors where unions have had a mostly positive role to play in supporting ERT workers include the printing and graphics, restaurant, metallurgical, ceramics, and textile sectors.

After 2010 we continue to see the important presence of unions in the printing and graphics sector, especially in the City of Buenos Aires. Despite not originally supporting workers' recuperations of firms during ERTs' first era, the printers' union, Buenos Aires Printing Federation (Federación Gráfica Bonaerense), would eventually change course, transforming into one of the principle promoters of ERTs. Over the past decade the Buenos Aires Printing Federation has provided important assistance and legal advice to ERT workers during conflicts and occupations. Moreover, it is important to highlight that the majority of ERTs in this sector also maintain important links to each other, such as with the Cooperative Printers' Network (Red Gráfica Cooperativa), a second-degree cooperative made up of ERTs and non-ERT co-op print shops that engages in shared production and lobbying efforts and that has gained the strong endorsement of the Buenos Aires Printing Federation. Similar support is offered by the Print Workers' Union in the province

of Cordoba (Unión Obrera Gráfica Cordobesa), which has also had an active role in supporting workers during occupations or encampments at businesses in conflict, while also participating in solidarity marches in front of bankruptcy courts while judges preside over ERT cases, or in front of legislatures during sittings where expropriation cases are being decided. Even when workers are unable to pay their union dues, both unions have maintained full rights for ERT workers, including health insurance benefits (which unions manage for their members in Argentina).

The Argentine metalworkers union (UOM) has also been a strong promoter of ERTs and has been present in conversion processes since ERTs' early days, especially in some of its local branches such as in the southern suburbs of Buenos Aires (e.g., UOM Quilmes). While the metallurgical sector has included the largest group of ERTs since the first era, there have been proportionately less metal shops converted to ERTs during the current third era, as we have already mentioned. Still, it is important to note the impetus that UOM Quilmes has given to the development of the National Metallurgical Cooperative Network (Red Metalúrgica Nacional Cooperativa) in May 2012, a second-degree cooperative association that unites cooperative businesses with the recovered metallurgical businesses of Argentina, following the model of the printers' network.

ERTs in the textile sector have also witnessed the presence of its various unions, although with more mixed results. The presence of various unions within each textile-based ERT follows the broader and historical pattern of the development of this sector in Argentina. Textile unions that are active in ERTs include the Worker Union of Clothing and Related Industries (Sindicato Obrero de la Industria del Vesido y Afines), Union of Employees of Textile and Related Industries (Sindicato de Empleados Textiles de la Industria y Afines), and the Textile Workers' Association (Asociación Obrera Textil). In the textile ERT cases we surveyed, we were able to observe different stances taken by each union—some more supportive, some less so—regarding workers' conflicts with management and owners, occupations, and the actual conversion of the enterprise.

Finally, it is also worth noting the important role that the restaurant and tourism union (Unión de Trabajadores del Turismo, Hoteleros y Gastronómicos) has played in the recent recuperation of six restaurants in Buenos Aires. Interestingly, while five of the six new ERT restaurants surveyed originally belonged to the same business group, a separate cooperative was created for each establishment.

In a way, the process of creating an ERT and their ultimate uptake of self-management has placed unions in an awkward position (Clark and Antivero, 2009). The traditional union model has been challenged in recognizing and representing workers from worker-recuperated and controlled businesses. Traditionally, unions represent wage labourers that are in a dependent relationship to employers and that encompass different forms of struggles that pit workers against owners and management, especially in bargaining for salaries and working conditions. In ERTs' first era Argentine unions that have traditionally played a strong role not only in sector-wide bargaining in the country but also in the working lives and culture of the country's working class and on shop floors simply did not know what to do with cases of ERTs where "the boss" was removed from the

equation. From one perspective, the existence of ERTs can be seen to question the traditional role of union organizations, particularly given that ERT workers stop having dependent relationships with an employer when workers themselves decide collectively how to run and manage their shop. Indeed, in an ERT, the boss disappears while the worker-subject—employees' identities as *workers*—remains<sup>14</sup>.

Thus, while many of the country's unions initially distanced themselves from or were indifferent to ERTs, most ERT workers continued to identify with their unions and working-class identities and have themselves often mobilized to bring their unions more fully into an ERT's shop floor. In addition, the increased proliferation of ERTs throughout the national territory, their longevity, and the impact they have had on the country's workers within and outside of the ERT movement has in recent years led to a notable change of attitude amongst unions regards ERTs. While certainly not all Argentine unions actively support ERTs, recent years have witnessed a much greater acceptance of and participation by unions in the process of creating new ERTs, in helping ERT workers secure pensions and other benefits lost during the struggle to create a new worker cooperative, and generally in the working lives of ERT workers. In a way, the processes of ERT creation and workers' self-management we have been analyzing throughout this paper has had an important impact within the broader labour movement in Argentina, pushing some unions with members that are actively engaged with ERTs to rethink their roles in supporting them and how to respond to the phenomena.

## 6. Final words

Argentina's *empresas recuperadas* emerged in the 1990s as a worker-led solution to neoliberal crisis. Not only did they save jobs and productive entities in the face of soaring bankruptcies and unemployment, but in the process they also helped restore and revive chronically depleted neighbourhoods and surrounding communities (Vieta, 2014a). ERTs, continue to emerge in Argentina and in recent years they have inspired the rise of ERT experiences in other countries, such as in Brazil, Uruguay, Spain, France, Italy, Greece, Turkey, and the US. ERTs, as methods of new worker cooperative creation, have become viable, locally based responses for community economic revival and job security, especially during times of macro-economic difficulties often caused by situations of international crises and austerity. In Argentina the ERT movement continues to grow and to consolidate as a viable and long-term method of creating new worker cooperatives. ERTs have become, in short, an established and institutionalized solution to business closures and unemployment.

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<sup>14</sup> The role of unions in creating and supporting worker cooperatives has historical precedence. In North America, the Knights of Labour were active in promoting worker co-ops in the decades spanning the late 19th and early 20th centuries, for instance. In Italy today, unions play an active role in business conversions to cooperatives and in the continuous support of workers and their labour rights once they are a part of a cooperative. And in recent years, the Basque's Mondragón has partnered with the United Steelworkers to attempt to create new worker cooperatives in the US.

The period this article focuses on—2010-2013, or ERTs' third era—also shows a new diversification of ERTs in relation to their activities and their geographic distribution. What was noteworthy from our study, and in contrast to the previous two ERT eras, is the comparative decrease of ERTs in industrial sectors in Argentina and the emergence of new ERTs in the service sector and other sectors marked by contingent and less secure forms of work. That is, an expansion has occurred in the ERT movement in economic sectors where job precariousness and subcontracting persist, such as in the restaurant and textile sectors. Of note too is the stronger and more supportive role of unions in the ERT movement today, particularly when compared to earlier periods of ERT emergence. Future research could take up the task of exploring the similarities and differences between these new service sector ERTs and older ERTs in the industrial sector in comparative case study work that might look at how these new worker cooperatives are re-structured, as well as the specific role of unions in securing social benefits, building networks, and stabilizing production processes.

The consolidation of Argentina's ERTs, however, is not reflected at the legal level. Our findings show that Argentina's new bankruptcy law—approved in 2011 with much promise for facilitating the conversion of troubled firms into worker co-ops—is not, as was initially intended, operating as the facilitator of business recuperations by workers. Rather, it seems to be prolonging the period of legal limbo and conflict for workers of nascent ERTs. In a nutshell, it seems that while the legal solutions available to ERTs appear to have expanded since the bankruptcy law reforms of 2011, the new bankruptcy law itself, left to the ideological discretion of court officials, has paradoxically created what has proven to be a false hope for many new ERTs as many of the legal challenges faced by these nascent worker cooperatives have not, in practice, been resolved. Further comparative case study research into the specificities of these recent challenges for emerging ERTs would also go a long way to better understanding their workers' new struggles and might serve to assist ERT protagonists and their representatives in advocating for further reforms to pertinent laws and policies in Argentina.

Since they first emerged in the 1990s, Argentina's ERT movement has become the most illustrative case of worker-recuperated firms in Latin America today. This is because it is the largest movement of workplace conversions, spans across most economic sectors and provinces of the country, and has resolutely survived and expanded over the past two decades as a direct result of workers' tenacity, social innovation, and effort. In spite of the many challenges they still face, the longevity of ERTs as well as their constant and robust expansion are testimonies to the resilience, agency, and innovative capacities of workers to successfully self-manage productive entities and their working lives, both within and beyond moments of macro-economic crises and shop floor conflict.

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# Renewable Energy Cooperatives: A Review of Demonstrated Impacts and Limitations

## ABSTRACT

Energy sectors of most industrialized countries are marked by a long history of state and corporate-owned and highly centralized energy generation (mostly from fossil-based sources) and distribution. Although technological developments and pressures from social/ecological movements resulted in an increased uptake of renewable energy (RE) technologies since the early 1990s, the application of these technologies have since predominantly taken place through large-scale projects owned by corporate actors. In response, an increasing number of individuals and community groups have been forming renewable energy cooperatives (RE co-ops) in recent years to provide bottom-up and collective solutions to their local needs and global environmental issues. The goal of this literature review is to summarize the demonstrated impacts of RE co-ops in the economic, social and environmental realms. Thereby, their impact on community development and role in accelerating the transition towards a sustainable energy sector is assessed. Findings of this review show that successful RE co-ops generated positive outcomes for their members and the wider community while accelerating the social and perceptual dimensions of the global energy transition. However, it has also been revealed that RE co-ops' success in generating positive impacts is often limited by various community-specific factors and by financial and perceptual barriers to their emergence and development.

## KEY-WORDS

COOPERATIVES; COMMUNITY DEVELOPMENT; RENEWABLE ENERGY; COMMUNITY ENERGY; SUSTAINABILITY

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## 1. Introduction

Energy sectors of most industrialized countries are marked by a long history of state-owned and highly centralized energy generation (mostly from fossil-based sources) and distribution. With the introduction of neoliberal policies in the early 1990s, many national energy markets in Europe, North America, and elsewhere were deregulated and privatized to allow for the involvement of corporate actors (van der Horst, 2008). It was also during this period that, through technological developments and pressures from social-ecological movements, policies supporting the uptake of renewable energy (RE) technologies were being introduced in numerous industrialized countries. Since then, energy markets have been mostly dominated by corporate actors that possess the necessary financial capacity and experience in developing large-scale RE projects (Mori 2013; Huybrechts and Mertens, 2014). However, the transition away from fossil-based fuels towards a sustainable energy sector requires not only a technological and political transformation, but also a social and behavioural one (Murphy, 2008). This multi-dimensional transition would be accelerated through the direct participation of individuals in the electricity sector as proactive agents of change rather than “end-of-wire” recipients of electricity from a centralized system (Devine-Wright, 2007). Towards this end, an increasing number of individuals and community groups have been forming renewable energy cooperatives (RE co-ops) to provide bottom-up and collective solutions to their local needs and global environmental issues. In Germany alone, 656 RE co-ops have been established between 2005 and 2013 (DGRV, 2013a), while citizens in the UK established over 30 of their own between 2008 and 2012 (Willis and Willis, 2012). The REScoop.eu<sup>1</sup> network reports that as of early 2014, approximately 3,000 RE co-ops were estimated across Europe while almost 80 per cent of these being located in Germany and Denmark (Huybrechts and Mertens, 2014). That being said, the proportion of RE generated by RE co-ops in industrialized countries still remains minimal due to various financial and perceptual barriers (Lipp, Lapierre-Fortin and McMurtry, 2012; Huybrechts and Mertens, 2014).

In this light, the purpose of this literature review is fourfold: (i) to summarize the demonstrated economic, social and environmental impacts of RE co-ops; (ii) to identify community-specific factors that influence the development and outcomes of cooperatively owned RE projects; (iii) to identify financial, policy-related and perceptual barriers to RE co-ops’ emergence and development; and (iv) to identify aspects of RE co-ops that require further inquiry through research.

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<sup>1</sup> REScoop.eu is the Federation of Groups and Cooperatives of Citizens for Renewable Energy in Europe: <http://rescoop.eu/>

## 2. Framework for the review

### 2.1 Renewable Energy cooperatives (RE co-ops)

Cooperatives have long been involved in the energy sector through various business activities including energy generation (not necessarily RE), sales and distribution, and provision of energy services (ILO, 2013; Mori 2013; Huybrechts and Mertens, 2014). In most national jurisdictions where they are found, these usually take the form of user or consumer cooperatives (Birchall, 2010). This paper will solely focus on cooperatives whose primary business is the generation of renewable energy in the form of electricity and/or heat. These cooperatives will be referred to as RE co-ops throughout the paper.

### 2.2 Community energy

RE co-ops are considered to be part of the broader field of “community energy” (CE), for which there is a growing interest from the academia, public sector and civil society. CE is a diverse and dynamic field that lacks an unequivocal definition (Walker and Devine-Wright, 2008; Seyfang, Park and Smith, 2012). CE projects are developed under various legal structures such as community trusts, not-for-profit organizations, charities, and RE co-ops (Walker, 2008; Hoggett, 2010; Seyfang, Park and Smith, 2012). The legal structure impacts a RE project’s: (a) *processes*, or how and by whom the project is developed and run; and (b) *outcomes*, or how the economic and social costs, benefits and risks of a project are spatially and socially distributed (Walker and Devine-Wright, 2008). In an attempt to overcome CE’s challenge of definition, Walker and Devine-Wright (2008) argue that RE projects that are only developed and run through an open and participatory *process* and that entail local and collective *outcomes* can be legitimately classified as community-owned. In this regard, with participatory decision-making *processes* and collective *outcomes* embedded in their business model, RE co-ops epitomize “community” ownership of RE projects. The “RE co-op advantage” in stimulating community development will be discussed in detail in Section 4.

Despite not having collective ownership and management embedded in their business models, other CE legal structures may share similar attributes to RE co-ops such as local-scale generation, open and participatory *processes*, and collective *outcomes*. Despite its sole focus on RE co-ops, this article will present some of the demonstrated impacts of other CE ownership structures that share these attributes with RE co-ops. With this, the author’s goal is to underline the potential of RE co-ops in generating similar outcomes rather than attributing other ownership models’ impacts to RE co-ops.

### 2.3 Defining community

The flexibility of CE's boundaries derives from the self-defined nature of communities, which can be brought together by various determinants such as geography, identity, interest and process (Dalby and Mackenzie, 1997; Rogers et al., 2008; van der Horst, 2008; Hoggett, 2010). In his review of literature on RE co-ops, the author of this paper identified a contrast in the *processes* and *outcomes* of RE projects developed and owned by "communities-of-location" versus "communities-of-interest". Communities-of-location are geographically-bound communities that are also referred to as "communities-of-place" or "communities-of-geography". RE co-ops formed by communities-of-location often focus on generating electricity and/or heat for local consumption and/or addressing local economic, social and/or environmental needs. In contrast, communities-of-interest are not bound by geographic boundaries and are formed by individuals that are "assembled around a topic of common interest" (Henri and Pudelko, 2003: 478). Several RE co-ops from Germany (DGRV, 2013b), the UK (Willis and Willis, 2012) and Ontario, Canada (Community Power Fund, 2013) allow individuals that are not in geographic proximity of their project sites to become members. In this light, the membership base of these RE co-ops can be argued to be form a community that shares an economic and/or environmental interest instead of a geographic location. As will be discussed in Section 3.4.2, the type of community that forms the RE co-op impacts the *processes* and *outcomes*, and therefore the community development impact of cooperatively owned RE projects.

### 2.4 Data collecting

RE co-ops have been subject to a very limited number of academic studies. The more common methods in studying these organizations have been surveys and reports published by government agencies, cooperative associations and not-for-profit organizations in various jurisdictions. Findings from both academic and grey literature were reviewed and will be presented under four subsections in this paper:

- Economic impacts (Section 3.1): how does cooperative ownership of RE projects impact individual and collective economic well-being?
- Social impacts (Section 3.2): how do cooperatively owned RE projects impact social cohesion and community empowerment?
- Environmental/behavioural impacts (Section 3.3): how do RE co-ops impact public perception of and action towards local and global energy and climate-related issues?
- Factors affecting RE co-ops' impacts on communities (Section 3.4): what internal and external factors impact RE co-ops' development and subsequent generation of *outcomes*?

Prior to presenting the review's findings, it is important to note that resources published by support organizations are inclined to highlight RE co-ops' positive impacts and may tend to overlook their potential negative ones. Moreover, only a very limited body of research looks into the

experiences of RE co-ops that failed to generate positive outcomes (Walker et al., 2010; Huybrechts and Mertens, 2014). Consequently, this literature review predominantly features positive impacts of RE co-ops. Notwithstanding, the author recognizes that these projects' success in generating positive impacts can be affected by numerous community-specific factors, which will be highlighted throughout Section 3.

### 3. Findings

#### 3.1 Economic impacts

##### 3.1.1 Economic impact on shareholders

The cooperative business structure enables individuals to share the costs, risks and responsibilities of capital-intensive RE projects that they may be individually unable to undertake (Cato et al., 2008). Once these RE projects become operational, members also share the economic rewards of generated electricity and/or heat. Existing literature points out that these economic rewards were realized through: (i) energy sales to the grid, (ii) consumption of generated energy by members, (iii) a combination of sales and member consumption, and (iv) generation of additional economic opportunities.

Firstly, economic rewards can be in the form of a stream of revenue if the generated electricity is sold on the market. This type of revenue generation is especially significant for RE co-ops in jurisdictions where feed-in-tariffs (FITs), or long-term electricity sales contracts for renewable energy, are in effect. Since the introduction of the first FIT law in 1991 in Germany<sup>2</sup>, 136,000 citizens invested a total amount of 426 million euro in RE co-ops, which on average provided a 3.99 per cent return on these investments (DGRV, 2013a). In addition, the introduction of FITs in the UK (Willis and Willis, 2012), Denmark (DTI, 2004) and Ontario, Canada (FCPC, 2013) resulted in an increase in the number RE co-ops.

Secondly, the literature points out that numerous RE co-ops have been established by communities-of-location in responding to their own electricity and/or heat consumption needs (DTI, 2004; DGRV, 2013b). For instance, combined heat and power (CHP) plants have been installed by RE co-ops in Denmark, Sweden (DTI, 2004) and Germany (DGRV, 2013b) to simultaneously provide electricity and heat for the use of the local community.

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<sup>2</sup> The *Gesetz über die Einspeisung von Strom aus erneuerbaren Energien in das öffentliche Netz* (BGBl. I S. 2633), or *Stromeinspeisungsgesetz* in short, was passed on December 7, 1990 and became effective as of January 1, 1991.

Thirdly, several RE co-ops from Germany (DGRV, 2013b) and Denmark (MacArthur, 2010) enabled their members to simultaneously realize revenues and cost savings through involvement in both energy sales and local consumption. Although this paper solely focuses on cooperatives that are in the business of generating electricity and/or heat, it is worth mentioning here that some RE co-ops in Germany expanded from energy generation to buying and managing their local grid, which led to costs savings for their members through the elimination of the middle layers of power suppliers (DGRV, 2013b).

The fourth type of economic reward realized by RE co-ops is the generation of additional income for their members. For instance, besides generating heat and electricity for local consumption, farmer-led RE cooperatives in Germany (DGRV, 2013b), Austria (Schreuer and Weismeier-Sammer, 2010), Finland (Peltola, 2007) and Sweden (DTI, 2004) generated additional income for farmer members through buying their manure, livestock and other biological sources for energy generation purposes. Furthermore, farmer members received the processed manure back as an improved fertilizer (DTI, 2004; ILO, 2013).

It is important to note however that the above-listed economic benefits of RE co-ops are only available to those who are willing and financially able to invest in them (Walker, 2008). Although the minimum investment required to become a shareholder varies among RE co-ops, certain community members may not have the financial means to meet the requirements. Furthermore, existing research almost exclusively focuses on the experiences of RE co-ops from countries and communities with strong economic capabilities. While some policy reports and case studies of the use of RE in low-income communities have been produced (Agyeman and Evans, 2003; Center for Social Inclusion, 2010; Toroitich, 2012; World Resources Institute, 2013; Clean Energy Group, 2014), further in-depth research is required to identify strategies that could enable low-income communities and community members to participate in RE generation through cooperatives.

### *3.1.2 Local economic impacts*

Existing research points out that successful RE projects owned by communities-of-location have the potential to help keep the economic benefits of renewable energy generation in the local economy. A study conducted in Iowa, US (Galluzzo, 2005) revealed that financial resources that remain in the host community are five-fold for small-scale wind projects owned by the local community compared to large-scale wind projects owned by out-of-state companies. This figure was calculated considering direct (i.e., on-site employment), indirect (i.e., business activity that results from the project), and induced (i.e., change in wealth and income of community members resulting from the project) economic effects (ibid.). Furthermore, Lantz (2009) compared the employment creation impact of RE projects owned by communities-of-location to hypothetical corporate projects developed by out-of-area organizations. The findings pointed at varying outcomes across projects, but the general pattern revealed that community-owned projects' impact on employment creation is 1.1 to 1.3 times higher during construction period, and 1.1 to 2.8 times higher during

the period of operations (ibid.). Here, it is worth mentioning that the abovementioned findings reveal the potential economic impacts of RE projects developed and owned by communities-of-interest. Consequently, these findings may not necessarily represent the economic potential of RE co-ops developed by communities-of-location. Furthermore, numerous cultural, social, economic and political factors impact the ability of RE projects owned by communities-of-location to generate positive local economic outcomes. These factors will be discussed further in detail in Section 3.4.2.

Whether developed by communities-of-location or communities-of-interest, RE cooperatives seem to be inclined to work in collaboration and/or partner with various stakeholders. RE co-ops have previously developed joint projects with local utility companies (DTI, 2004; Gervitz and Lipp, 2015; Duguid, 2007), schools (Willis and Willis, 2012), local businesses (DGRV, 2013b), government agencies (DGRV, 2013b), not-for-profit organizations (Willis and Willis, 2012), and other cooperatives (DTI, 2004). These partnerships enable the distribution of RE projects' economic benefits throughout the local economy and can also pave the way for future collaborations and partnerships. In addition, the democratic decision-making processes inherent in the cooperative business model enable co-op members to collectively decide how to spend surplus funds. In several cases, RE co-ops have invested their surplus funds in other community development activities (Hoggett, 2010; Community Power Fund, 2013; DGRV, 2013b). A developer of the River Bain Hydro Co-operative in the UK, for instance, stressed that, as members of the co-operative are also members of the local community, they would all benefit from investing in other programs that would enhance community life (Willis and Willis, 2012).

### *3.2 Social impacts*

The democratic ownership and management structures of cooperatives have been linked to fostering social cohesion among its members (MacPherson, 2003; Fairbairn, 2006). The literature on RE co-ops reveals that this positive social outcome has also been generated by RE co-ops in various jurisdictions (Duguid, 2007; Willis and Willis, 2012; DGRV, 2013b). For instance, a member of Valley Wind Co-operative in England claimed to feel “a strong sense of community” through involvement in the project (Willis and Willis, 2012: 12). Meanwhile, members of *Energiegenossenschaft Lieberhausen eG* from Germany report that while “in the old days the tone was one of heated debate and dispute—these days, decisions are reached far more quickly” (DGRV, 2013b: 12). This change in member attitudes towards collective decision-making processes supports existing literature that identifies cooperatives as organizations where various types of learning takes place for members (MacPherson, 2003; Vieta, 2014; Webb and Cheney, 2014).

Another reported social impact of RE co-ops is the creation of new linkages within communities—both of location and of interest (DTI, 2004; Willis and Willis, 2012; DGRV, 2013b). As mentioned in Section 3.1.2, it is common for RE co-op projects to bring together multiple stakeholders through joint ownership and professional service contracts (DTI, 2004). In Denmark, for instance, Hashøj Biogas Co-operative provided gas for the local CHP plant owned

by Hashøj Kraftvarmeforsyning Co-operative. The relationship between Hashøj Biogas and Hashøj Kraftvarmeforsyning demonstrates RE co-ops' potential to improve linkages between the urban and rural residents of geographic proximity. This relationship brought together and benefited the entire community through generating revenue for rural residents and electricity and heat for the urban residents (ibid.).

Existing research points out that RE co-ops can also increase communities' confidence, interest and capacity to take collective positive action. For example, a survey undertaken by Co-operatives UK revealed that RE co-op members involved in project development experienced an increased confidence in finding collective responses to local issues over the long term (Willis and Willis, 2012), the "empowering impact of raising funds from within the community and not some big company from somewhere else" (ibid.: 26).

However, RE co-ops, despite their democratic ownership and governance structure, do not automatically entail the generation of positive social outcomes. The nature of the *process* and *outcome* of community-owned energy projects seem to be a significant determinant of their social impact (Gross, 2007; Walker et al., 2010). Walker et al. (2010) compared the experiences of Moel Maelogan in Wales and Gamblesby in England, two rural communities of similar economic backgrounds that developed RE projects labelled as "community-owned." The wind project in Moel Maelogan was owned cooperatively by three local farmers that did not show an effort to involve other members of the local community in decision-making processes, and later expanded the project and sold it to an out-of-community electricity company. The result was diminished trust and increased social friction among the residents of Moel Maelogan. Differently, residents of Gamblesby planned, fundraised for and installed a ground source heat pump for their previously unusable village hall. The planning process was open to all residents and encouraged their participation, and the revival of the village hall generated shared positive outcomes for the entire community. Consequently, residents of Gamblesby mentioned experiencing an increased trust and connection to other residents, and enhanced confidence in developing community-owned projects. Similarly, Huybrechts and Mertens (2014) highlight two instances from UK and Belgium where RE co-ops served to further widen pre-existing social divides within communities. In these cases, the RE co-ops were linked to a specific political or ideological position, "typically with the local Green Party" (ibid.: 204) and faced strong opposition from individuals with different political tendencies.

These varied experiences demonstrate that, despite their perceived potential in enhancing social cohesion, RE co-ops may also generate social friction between shareholders and other community members who may feel that they are bearing the costs without benefiting from the project. Further research is required to look into the experiences of RE co-ops that failed to generate positive social outcomes.

### *3.3 Environmental impacts*

#### *3.3.1 Cultivating a culture of conservation*

Perhaps the most widely acknowledged environmental benefit of renewable energy technologies is their minimal greenhouse gas emissions throughout their life cycle in comparison to fossil fuels (World Energy Council, 2004). Notwithstanding this, in achieving and sustaining the transition away from traditional methods and sources of electricity, expansion of renewable power supply must be accompanied by a curtailing of demand for electricity (Roseland and Connelly, 2005). The current scheme of centralized global electricity production from traditional sources creates a spatial, and consequently psychological, distance between energy generation and use (Pasqualetti, 1999), which results in a lack of public awareness about the economic, social, environmental and personal impacts of electricity generation and use (Warren and McFadyen, 2010). In response, RE co-ops could help reduce the spatial, social and psychological detachment of the public from energy systems via community ownership, and thereby transform “end-of-wire” consumers to “energy citizens” or “prosumers” (i.e., producers and consumers). There is a growing body of literature identifying prosumers as being inclined to take individual and collective action towards energy conservation (Stern et al. 1999; Devine-Wright, 2007; Sioshansi, 2013; Nowak, Rychwalska and Szamrej, 2014; Reid, Ellsworth-Krebs and McCauley, 2014). Furthermore, the reduction of the geographic and psychological distance between electricity generation and consumption helps individuals gain an “elevated awareness of consequences, ascription of personal responsibility and personal norms that Stern et al. (1999) identified as psychological determinants of pro-environmental behaviour” (Devine-Wright, 2007: 73).

Furthermore, Huybrechts and Mertens (2014) argue that RE co-ops distinguish themselves from mainstream electricity corporations through directly promoting energy conservation. They point out that several RE co-ops from various parts of the world included in their missions and implemented methods to help their members reduce their consumption. That being said, the qualitative and quantitative impacts of RE co-ops on their members’ energy consumption behaviours deserve further attention and inquiry through research.

#### *3.3.2 Public perception of renewable energy*

A significant obstacle in the way of the expansion of clean power supply is the negative public perception towards certain renewable energy projects. Mostly over-simplified as the not-in-my-backyard (NIMBY) movement, community members worldwide are opposing renewable—mostly wind energy developments—not only due to the resulting noise and negative visual impacts on the landscape, but also a lack of community consultation process by project developers and perceived economic injustices (Rogers et al., 2008; Walker et al.,

2010; Warren and McFadyen, 2010; Huybrechts and Mertens, 2014). If decisions regarding a project are made through closed and mostly institutional processes, and the outcomes of the project benefit a limited number of individuals and/or organizations that are distant to the host community, community members may feel that the project is being imposed upon them and that its disadvantages outweigh the advantages (Gross 2007; Pahl 2007; van der Horst 2008). In contrast, RE co-ops from various jurisdictions have shown that public acceptance of RE projects is enhanced and the public can become supportive of renewable energy initiatives when included in the deliberation process. For instance, the residents of Zschadraß in eastern Germany, where a wind energy project is owned cooperatively by the community, have been consistently more positive towards renewable energy compared to the residents of the nearby town of Nossen, where a private developer owns a renewable energy project (Musall and Kuik, 2011). When one hundred residents from both communities were asked about their attitudes towards an increased use of wind energy in their community, positive responses received from Zschadraß were over triple of those received from Nossen.

Similarly, plans for a commercial, developer-owned wind farm near Seeheim-Jugenheim in western Germany faced a high level of adversity from the local residents and media. When the developers of the project and the local energy cooperative agreed to joint ownership of the project, local residents' perceptions changed drastically and 230 residents from the region, almost half being from the direct vicinity of the site, invested in the WindSTARK1 project (DGRV, 2013b: 9). The experience of Valley Wind Co-operative (VWC) in Huddersfield, England serves as another testimony to the potential of RE co-ops for increasing public acceptance of RE. Prior to marketing their project, the founders of the VWC conducted an initial survey, which revealed that 82 per cent of people were in favour of wind energy development in the area. Subsequently, they conducted a second survey after declaring that the project was going to be cooperatively owned and noticed an increase of 7 per cent in community members supporting the project (Willis and Willis, 2012).

It is important however not to assume the automatic success of RE co-ops in increasing public acceptance of RE. In certain cases, RE co-ops even served to reinforce opposition to RE facilities, as the cooperative was "associated with a particular ideological stream, typically with the local Green Party" (Huybrechts and Mertens, 2014: 204). Consequently, these RE co-ops faced strong opposition from individuals with different political tendencies and caused the further widening of pre-existing social divides. Overall, as Huybrechts and Mertens (2014) argue, RE co-ops that are comprised of pluralistic groups of individuals seem to be more likely to improve the public perception of RE.

### *3.4 Factors affecting RE co-ops' impacts on communities*

#### *3.4.1. Barriers to RE co-ops' emergence*

In order for RE co-ops to realize the economic, social and environmental outcomes mentioned in Sections 3.1, 3.2 and 3.3, they first need to overcome various barriers to their market entry. One of the most significant barriers faced by RE co-ops is access to capital, especially during their start-up phase (Huybrechts and Mertens, 2014: 206). The lack of sufficient resources in initial phases translates into limited access to paid services from staff and professional consultants (Seyfang, Park and Smith, 2012), and reliance on the work of a dedicated group of volunteers with key financial, legal and technical skills (van der Horst, 2008; Walker, 2008; Willis and Willis, 2012; Community Power Fund, 2013; DGRV, 2013b). Furthermore, RE co-ops may seem less attractive to financial lenders and investors that are primarily looking for profit maximization (Huybrechts and Mertens, 2014). Consequently, RE co-ops could end up having to raise a significant portion of their project equity from their members, which could lead to under-capitalization in the capital-intensive RE sector. In the face of this challenge, several RE co-ops have entered into joint venture agreements with public entities, other community-based organizations and corporate actors (Duguid, 2007; Willis and Willis, 2012; DGRV, 2013b; Huybrechts and Mertens, 2014). Further research would help in developing a stronger understanding of the power relations inherent in joint ventures, how they compare and contrast between national and regional jurisdictions and how these impact RE co-ops' independence and impact.

Furthermore, other factors that have been identified as preventing RE co-ops from entering the energy market include: limited access to locations for RE facilities (Schreuer and Weismeier-Sammer, 2010; Huybrechts and Mertens, 2014), limited access to the electricity grid (Lipp, Lapierre-Fortin and McMurtry, 2012; Huybrechts and Mertens, 2014) and lack of available support mechanisms for project development and financing (DTI, 2004; Walker, 2008; Seyfang et al., 2012; Community Power Fund, 2013). Consequently, a supportive political landscape is considered by an extensive body of literature to be a deciding factor in the successful development of RE co-ops (DTI, 2004; Walker, 2008; Walker and Devine-Wright, 2008; Lipp, Lapierre-Fortin and McMurtry, 2012; Seyfang, Park and Smith, 2012; Willis and Willis, 2012).

A survey conducted in Thirlmere, England (Rogers et al., 2008) revealed that communities could also face perceptual barriers in setting up their own RE projects. While Thirlmere residents widely supported local renewable energy generation, they showed a lower desire for active involvement in potential projects due to the perceived difficulty of setting up a community-owned energy project among local residents, and a lack of confidence in the community's ability to lead the project (ibid.). Authors of the study link this reluctance to the long history of centralized control of energy policy and planning in the UK, which led individuals towards a tendency to expect leadership from outside agencies, uncertainty about the roles and responsibilities of different parties in a community-owned

RE project and a lack of confidence in assuming such responsibilities (ibid.). Furthermore, low levels of awareness among the general public, politicians, the financial sector and other potential partners in regards to the cooperative model are also identified as constraining the emergence of RE co-ops (Huybrechts and Mertens, 2014).

### *3.4.2 Type of community forming the RE co-op*

The distinction between RE projects developed by communities-of-location (i.e., geographically bound communities, also called “communities-of-place” or “communities-of-geography”) versus communities-of-interest (i.e., communities bound by various groups with similar interests) has previously been introduced in Section 2.3. Within communities-of-location, existing levels of trust (Rogers et al., 2008; Walker et al., 2010), familiarity with co-operatives (DTI, 2004; Willis and Willis, 2012), and a history of cooperation and successful community projects (DTI, 2004; Walker et al., 2010; Willis and Willis, 2012; DGRV, 2013b) are recognized as local factors affecting successful project implementation by RE co-ops. Existing studies also highlight that the impacts of RE projects developed by communities-of-location are felt and shared directly at the local level (DTI, 2004; Willis and Willis 2012; DGRV, 2013b), which can lead to an increased participation, involvement and a sense of connection to the project. In contrast, communities-of-interest usually establish cooperatives to attract investment from a wider population driven by economic and/or environmental motives. Although these projects could play an important role in expanding the reach of RE co-ops to a greater number of individuals, they could also result in a widened geographic and psychological distancing between members, the broader public and decision-making processes (DTI, 2004). This increased risk of distancing can also reduce public participation and involvement, and thereby water down the social and behavioural impacts of RE co-ops.

## **4. Conclusion**

Overall, the findings in this literature review show that successful RE co-ops generate positive economic, social and environmental outcomes while accelerating the social and psychological dimensions of the global transition towards clean energy sources. In the economic sphere, RE co-ops allow individuals to share the costs, risks and responsibilities of capital-intensive RE projects, and thereby enable them to become active participants in a sector historically dominated by state and corporate actors. Besides generating economic benefits for their members in the form of energy savings and/or dividend payments, successful RE co-ops manage to uplift local economies through: (i) providing employment opportunities; (ii) partnering with other local organizations; and (iii) creating additional business opportunities. In the social sphere, RE co-ops provide a platform for individuals to collectively develop and work towards achieving common goals through democratic

decision-making and resource pooling. Finally, in the environmental front, successful RE co-ops contribute to the imperative transition towards a sustainable energy sector through nurturing a culture of conservation and increasing public acceptance of RE projects.

However, RE co-ops' success in generating positive impacts is often limited by their lack of access to capital during the critical start-up phase and a resulting over-reliance on supportive policy environments. RE co-ops' success is also constrained by numerous community-specific factors such as: (i) the type of community developing the project (i.e. community-of-interest versus community-of-location); (ii) existing levels of trust within a community; and (iii) a community's past experience in undertaking community development initiatives. Without the participation of a pluralistic group of individuals and ensuring of collective decision-making *processes* and equitable *outcomes*, these three factors could potentially lead to the further widening of social gaps within communities. Furthermore, as discussed in Section 3.4.1, RE co-ops face two main perceptual barriers: (i) on the part of communities, a lack of individual and collective confidence in undertaking successful RE projects; and (ii) external to communities, low levels of awareness among the general public, politicians, the financial sector and other potential project partners.

This literature review also identified the need for further research to provide insight into the experiences of RE co-ops that failed to produce positive economic, social and environmental outcomes; to identify methods that could support their proliferation in communities with various economic capabilities; and to assess their qualitative and quantitative impact on members' awareness and behaviours in regards to energy conservation.

According to the *Achieving better community development model (ABCD)* developed by the Scottish Community Development Centre (SCDC), the *process* of developing community projects needs to involve community organizing, participation and involvement from the part of the citizenry, which brings about personal and community empowerment (Barr and Hashagen, quoted in Ledwith, 2011: 81-83). This empowerment would then result in community action to undertake projects aimed at enhancing some or all of the social, economic, environmental, educational, political and cultural dimensions of community life. RE co-ops, with participatory *processes* and shared *outcomes* embedded in their business structure, provide a platform for communities to collectively develop energy solutions according to their needs and assets. The true advantage of the RE co-op model for community development rests in its long-lasting impact on personal and community empowerment: when successful, RE co-ops build individual and collective confidence, interest and capacity in taking positive action towards "more sustainable, liveable and equitable" community and planet (ibid.: 83). In this regard, it is imperative for social movements and policy-makers across the world to learn from the experiences of existing RE co-ops and to provide the necessary support for their future proliferation.

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# Indigenous Cooperatives in Canada: The Complex Relationship Between Cooperatives, Community Economic Development, Colonization, and Culture

**ABSTRACT**

This paper describes the intersection of the cooperative movement and Indigenous communities in Canada. The paper brings a lens of nation and race to an analysis of the cooperative movement in Canada, a perspective that has received limited attention in published literature. Cooperatives have had a dual role in Indigenous communities. The history of Indigenous cooperative development in Canada is inseparable from historical government colonization policies. In the current context, cooperatives have been utilized by Indigenous communities as a tool for economic and social development. Indigenous cooperatives demonstrate innovative combinations of “quadruple bottom line” business approaches, including financial, social, environmental and cultural goals. The extraordinary growth of Indigenous cooperatives in Canada, particularly in Inuit communities in the North, has also been supported by government policy implementation including financial and technical management support. A pan-Arctic comparison of government policies affecting development of cooperatives is provided as counter examples against the hypothesis of “cultural fit” between cooperatives and Indigenous communities. Ultimately, cooperatives are explained as an organizational form that can be co-opted for colonization or decolonization, capitalism or socialism, settler or Indigenous communities for their own specific purposes

**KEY-WORDS**

INDIGENOUS; COOPERATIVES; QUADRUPLE BOTTOM LINE; COMMUNITY ECONOMIC DEVELOPMENT; COLONIZATION; CULTURE; CANADA

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## 1. Introduction

This paper describes historical and current developments of the cooperative movement in the context of Indigenous<sup>1</sup> communities in Canada. The cooperative movement for the purposes of this paper is narrowly defined as the group of organizations formally registered with Canadian federal or provincial governments as a cooperative business. It is acknowledged that in the broader context of the social economy, based on the framework involving the interaction between public sector, private sector, and social economy as described in Quarter, Mook and Armstrong (2009), there are a larger number of Indigenous organizations that exhibit characteristics of cooperatives, but are not formally registered as cooperatives. For example, Indigenous drumming and singing groups, artists collectives and some band-owned businesses (Anderson, Dana and Dana, 2006; Tulk, 2007; Johnstone, 2008) exhibit group based ownership and operation principles similar to cooperatives, but are not incorporated as such.

Formal cooperatives have had a dual role in Indigenous communities and allude to the broader ambivalence of the cooperative model for economic organizing. On the one hand, in the historical context after European settlement, formal cooperatives were a tool of colonization, assimilation of Indigenous labour, and consolidation of European settler control over land and resources. In a similar vein, Mordhorst (2014) critically examines the constructed narrative of the cooperative as a symbol of the virtue of social equality. Vieta (2010), however, explains that, while some cooperatives have been co-opted by the state and capitalocentric interests in different jurisdictions in different time periods, there has been a “new cooperativism” emerging in recent years. Closely linked to the newest social movements against neoliberal values and practices, the new cooperativism is neither tied to state nor capitalocentric interests but strives to move beyond them for an alternative form of community development. On the other hand, and indicative of the cooperative nature of many traditional modes of communal life, Curl (2012: 5) reminds us that “[t]he First North Americans to practice collectivity, cooperation and communalism were, of course, Indigenous”. In the context of contemporary Indigenous communities, cooperatives and cooperative type organizational structures have also been utilized by Indigenous communities as agents of decolonization, self-determination and revitalization of communal Indigenous ways of being.

Grounded in this “dual-nature” understanding of the cooperative form, the narrative that cooperatives in Canada have *always* been a form of socially inclusive organization is questioned in this paper through the lenses of class, nation and race. The paper first posits that the Canadian federal and provincial governments have played integral roles in the development of cooperatives in Indigenous communities; initially as a tool of colonization, and subsequently as a form of local economic development. A “current state” snapshot of Indigenous cooperatives in Canada is then

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<sup>1</sup> The internationally prevalent term “Indigenous” is utilized in the place of literature references to Aboriginal, Indian, and Native, unless a verbatim reference is required.

provided, focusing on differences between its provinces and territories that are a result of government policy. The paper then details cooperative development in Saskatchewan and Nunavut, the province and territory with the highest number of cooperatives per capita respectively. The current state of Indigenous cooperatives is explained in terms of historical development through the lens of nation and race. Here, the paper begins to fill in the gaps in the cooperative studies and economic development literature pointed out by MacPherson (2009) regards the under-researched lessons of northern Canadian and Indigenous cooperative movements. The paper ultimately suggests that the “cooperative difference” for Indigenous communities in Canada has been the ability to utilize cooperatives differently than the purposes for which they were designed by European settlers. Despite their colonial histories, some Indigenous communities have been able to utilize cooperatives as organizational structures that provide an additional tool in a diversified community toolkit to achieve holistic community goals. To explain this beneficial combination of Indigenous and Western knowledge, Mi’kmaw Elder Albert Marshall describes “two-eyed seeing”: “it refers to learning to see from one eye with the strengths of Indigenous knowledges and ways of knowing, and from the other eye with the strengths of Western knowledges and ways of knowing ... and learning to use both these eyes together, for the benefit of all” (Marshall, 2004: par. 2).

The focus of this paper, then, is to critically examine the interaction between Indigenous communities and the cooperative movement in Canada. The history of Canada is deeply situated in the relationship between Indigenous and non-Indigenous communities. The organizational history of sectors such as cooperatives is thus inextricably linked to the evolving relationship between Indigenous and non-Indigenous communities. As described by Lendsay and Wuttunee (1999: 89), Canada is at a crossroads and the relationship between Indigenous and non-Indigenous communities must be moved through conscious effort from one of “displacement and assimilation” to “negotiation and renewal”. This crossroads has been signaled most recently by the process and final report of the Truth and Reconciliation Commission of Canada, released during the final days of this writing<sup>2</sup>. The cooperative movement worldwide has also evolved over time to become more inclusive, as illustrated by the most recent version of the cooperative principles adopted by the International Co-operative Alliance in 1995 (ICA, n.d.). At the same time, the cooperative movement in Canada is often described without reference to the role cooperatives have played in the evolving relationship between Indigenous and non-Indigenous communities. It is essential, then, for the cooperative movement in Canada to learn from a broader history so that both positive and negative lessons of the past are reflected in future development. A conclusion of the paper is that even though the cooperative movement in Canada was firmly rooted in colonial practices, contemporary cooperatives have been re-appropriated by Indigenous communities for developing unique forms of cooperatives that are involved in the resurgence of the cultural and economic

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<sup>2</sup> See the summary of the final report at: [http://www.trc.ca/websites/trcinstitution/File/2015/Exec\\_Summary\\_2015\\_06\\_25\\_web\\_o.pdf](http://www.trc.ca/websites/trcinstitution/File/2015/Exec_Summary_2015_06_25_web_o.pdf)

independence of Indigenous people. Canada has thus a pivotal role in the development of the cooperative movement, not only within its own borders, but also as lessons for the implementation of cooperatives in other countries with historically marginalized Indigenous populations.

This paper raises some difficult but pertinent questions for the cooperative movement in Canada, particularly since the primary discourse of how cooperatives have engaged with Indigenous communities remains grounded in mostly class-based reasoning absent of considerations of race and nationality. A socio-economic class based argument utilizes a narrative that Indigenous communities are currently socio-economically disadvantaged, and that cooperatives are a solution for the socio-economic issues faced by Indigenous communities by providing a route to economic development that would bring Indigenous communities on par with the rest of Canadian society. In the Canadian cooperative literature, however, there is limited questioning of how we have arrived at the current state. How did Indigenous communities become economically disadvantaged? Who benefited and gained, and who continues to benefit from the displacement and cultural genocide of Indigenous communities? Were cooperatives an organizational structure that had a role in the displacement of Indigenous communities? Do cooperatives based on Indigenous knowledge have a different value system than cooperatives based on a European knowledge base? In order to work through these difficult questions in relation to Indigenous communities and cooperatives in Canada, this paper utilizes three theoretical frameworks: (i) “settler colonialism” as described by Wolfe (2006) and Veracini (2011); (ii) “Indigenous entrepreneurship” (Dana, 2007) and the closely related concept of “quadruple bottom line” organizations (Scrimgeour and Iremonger, 2004), where Indigenous cooperatives demonstrate unique combinations of economic, social, environmental and *cultural* goals; and (iii) the cooperative principles adopted by the International Co-operative Alliance, particularly the inclusion of “race” as an explicit criterion for the first cooperative principle “voluntary and open membership” (ICA, n.d.).

## **2. Canada’s Indigenous communities and cooperatives: A “current state” snapshot**

### *2.1 Canada’s Indigenous communities*

Indigenous communities in Canada, often referred to as Aboriginal communities, consist of First Nations, Métis, and Inuit groups. The Indigenous population forms approximately four per cent of the total population of Canada, with First Nations having the highest population, followed by Métis and Inuit (Statistics Canada, 2011). The geographical distribution of Indigenous people in Canada is also relevant to the study of the cooperative movement. Although the province of Ontario has the highest Indigenous population in absolute numbers, the Indigenous population forms only two per cent of the provinces’ total population. Indigenous populations form a higher percentage of the territorial populations of Nunavut (86 per cent), Northwest Territories (52 per cent), and the Yukon (23 per cent), as summarized in Table 1 (also see Statistics Canada, 2011).

**Table 1. Population of Indigenous people and total number of cooperatives by province and territory in Canada**

<i>Province or Territory</i>	<i>Population count (in thousands)*</i>	<i>Population count (percentage)*</i>	<i>Number of cooperatives**</i>
Newfoundland and Labrador	36	7.1	69
Prince Edward Island	2	1.6	105
Nova Scotia	34	3.7	314
New Brunswick	23	3.1	166
Quebec	142	1.8	2,881
Ontario	301	2.4	1,689
Manitoba	196	16.7	369
Saskatchewan	158	15.6	975
Alberta	221	6.2	684
British Columbia	232	5.4	566
Yukon	8	23.1	8
Northwest Territories	21	51.9	9
Nunavut	27	86.3	24
<i>Canada</i>	<i>1,401</i>	<i>4.3</i>	<i>7,865</i>

Source: \*Statistics Canada (2011); \*\*Industry Canada (2015).

Note: The total number of incorporated cooperatives includes non-Indigenous and Indigenous cooperatives.

As explained in the remaining pages, the experience of colonization in the subsequent development of formal cooperatives in Canada has been different for each province and territory. For example, formal cooperative structures were incorporated in Canada's northern territories a number of years later than the establishment of cooperative organizational structures in Canada's southern provinces. At the same time, however, the emergence of cooperatives per capita has been highest among Inuit communities in the territory of Nunavut (Belhadji, 2001; Hammond Ketilson and MacPherson, 2001).

## 2.2 Indigenous cooperatives

The term “Indigenous cooperative” is difficult to define. This is the case because a cooperative can be located in and owned by an Indigenous community, or owned by Indigenous individuals within a non-Indigenous community, or have a primarily Indigenous membership but be managed by non-Indigenous individuals. Hammond Ketilson and MacPherson (2001) completed an in-depth review of Indigenous cooperatives in Canada in the early 2000s, including 13 case studies, and included formally incorporated cooperatives that were located in predominantly Indigenous communities, if the membership base was predominantly indigenous, or if the co-op was owned and/or controlled by Indigenous people. Other studies of Indigenous cooperatives in Canada can be found in broader histories of cooperatives (MacPherson, 1979; Belhadji, 2001; Fairbairn, 2004, 2009; Gibson, Kobluk, and Gould, 2005; Findlay, 2006), including cooperatives in the Arctic (Iglauer, 2000); provincial accounts of cooperatives in Saskatchewan (Fairbairn, 2007), the Yukon (Lionais and Hardy, 2015), and northern Quebec (Tulugak and Murdoch, 2007); and in the history of American cooperatives (Curl, 2012) and of cooperatives in the British Empire (Rhodes, 2012). Case studies of Indigenous co-ops in Canada have included: Great Bear Co-op and Neechi Foods (Findlay and Wuttunee, 2007); Neechi Foods (Loxley, 2002); Northern Saskatchewan fisheries cooperatives and Buffalo Narrows Sawmill Co-operative (Quiring, 2002); Arctic Co-operatives Limited (Mitchell, 1996; Quarter, Mook & Armstrong, 2009); SEED Winnipeg (Craig and Hamilton, 2014); Northern Saskatchewan Trappers Association Cooperative (Pattison and Findlay, 2010); prison cooperatives (Harris and McLeod Rogers, 2014); and Inuit cooperatives (Stopp, 2014). The general consensus among these studies has been to define Indigenous cooperatives as formally incorporated cooperatives where the majority of members are Indigenous.

In agreement with Hammond Ketilson and MacPherson (2001), an Indigenous cooperative for the purpose of this paper is defined as an organization that is formally incorporated as a cooperative with mostly Indigenous membership. In further agreement with Anderson’s (2011) definition of Indigenous entrepreneurship, in this paper an Indigenous co-op is an organization that additionally implements Indigenous *values* in its long-term strategy and day-to-day operations. As described by Dana (2007), Indigenous entrepreneurship is not simply identifying Indigenous individuals who are entrepreneurs. Similarly, Indigenous cooperatives are not simply cooperatives whose members or leadership is Indigenous. The main characteristics of Indigenous cooperatives, rather, can be identified by the presence of four interrelated dimensions: economic, social, environmental, and *cultural* goals, i.e. the “quadruple bottom line” discussed in greater detail in the theory section.

Formally incorporated Indigenous cooperatives have been described as possessing organizational structures that resemble Indigenous forms of the economic sharing of production and resource distribution (Torgerson, 1981). At the same time, formally incorporated cooperatives in Canada are based on Eurocentric structures that can have narrower goals compared to the broader Indigenous values described by Anderson (2011), which not only include economic and social but also environmental and cultural goals. Wuttunee (2006) describes how Indigenous values are not static

but change over time, incorporating hybrid Western and Indigenous approaches when appropriate. Indigenous communities in Canada have thus integrated into their communities cooperatives and cooperative-like structures as one type of organizational tool in a broad toolkit of organizational tools to manage production and distribution of goods and services.

The first formally incorporated Indigenous cooperative in Canada was established in the province of Saskatchewan in 1945, involving the fishing industry (Belhadji, 2001). The first Inuit cooperatives started at Kangirsualujuaq, Quebec and Killiniq Island, Nunavut (formerly Northwest Territories) in 1959, with significant government assistance (Macpherson, 2009). Belhadji (2001) calculated that by the last years of the 20th century there were 33 cooperatives per 100,000 Canadians, whereas there were 35 cooperatives per 100,000 Indigenous people, thus relatively the same per capita presence. Most significantly, however, Belhadji (2001) calculated there were 144 cooperatives per 100,000 inhabitants of the Northwest Territories<sup>3</sup>, which had a high population of Inuit and Dene communities. Therefore, *on a per capita basis*, the former Northwest Territories had a fourfold implementation of cooperatives compared to the Canadian average.

The form of Indigenous cooperatives in the Canadian North has also been found to be qualitatively different from cooperatives in the South. Northern cooperatives owned by Inuit groups are involved in multiple activities including retail stores, hotels, fuel depots, Cable TV connections, hardware supplies, and arts and crafts (Belhadji, 2001; MacPherson, 2009). In some northern communities, the cooperative is the major and only supplier of goods, as opposed to southern cooperatives owned by First Nations or Métis groups, which tend to be more single purpose organizations. Belhadji (2001) reports that the employment of individuals by cooperatives in six Inuit communities studied was more than 10 per cent of the total community employment. Therefore, we can postulate that cooperatives have become a major socio-economic influence in Inuit communities, although there does not seem to be a direct correlation between a high percentage of Indigenous people in a province or territory and a higher prevalence of cooperatives. Possible causal factors for cooperative development include government policy and historical colonial aims towards Indigenous communities, which is outlined in subsequent sections of the paper.

### 3. Theoretical considerations

This section outlines three strands of theory related to the interaction of Indigenous communities and the cooperative movement in Canada: (i) “settler colonialism” (a structural relationship between Indigenous and non-Indigenous communities which included cooperatives as an instrument of colonization), (ii) “quadruple bottom line principles” (an Indigenous strategy of maintaining balance between economic, social, environment and cultural goals within communities

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<sup>3</sup> The Northwest Territories at the time of the Belhadji study included the territory which is now Nunavut.

and community organizations and closely related to “Indigenous entrepreneurship”), and (iii) the International Cooperative Principles and the background to the development of those principles as they relate to Indigenous communities. In reviewing the third theoretical strand particular emphasis is placed on the first cooperative principle of “voluntary and open membership” while attempting to include the notion of “race” as an additional explicit criterion.

### *3.1 Colonialism and settler colonialism*

Veracini (2011) describes both “colonialism” and “settler colonialism” as forms of domination. For our purposes, colonialism involves domination of Indigenous communities as required labour in a colony until the resources of interest are depleted. Settler colonialism, on the other hand, requires removal of Indigenous people from their land and the establishment of sovereignty by settlers who remain. The Canadian historical experience has included both colonialism and settler colonialism at different times and different places. For instance, the Inuit experience with colonialism unfolded for economic purposes when their labour was required in a harsh environment or when the re-settlement of Inuit communities was coerced or forced mostly for Canadian sovereignty issues in otherwise unpopulated regions of the Far North (Tester and Kulchyski, 1994). Differently, Indigenous communities in the prairies and other parts of southern Canada mostly experienced forms of settler colonialism where the policy and objective was to remove Indigenous communities by force and simultaneously subjugate Indigenous culture and knowledge in order to provide land for European settlers. The themes of colonialism and settler colonialism are revisited later in the paper in relation to the role of cooperatives in building the British Empire.

Settler colonialism, the experience of subjugation of the majority of Canada’s Indigenous people, is a structure rather than merely a historic event (Wolfe, 2006). Settler colonialism continues to manifest itself in different ways in the present. Wherever there is oppression there is always resistance and there are a number of different forms of Indigenous resistance to settler colonialism. One form of Indigenous resistance has been called “Indigenous entrepreneurship” (Anderson, Dana and Dana, 2006; Anderson, 2011). Indigenous entrepreneurship can be described as a process of not only changing economic dynamics but also more broadly the relationships between Indigenous and non-Indigenous communities. As described by Anderson (2011), Indigenous entrepreneurship has multiple goals in addition to economic self-sufficiency, including land ownership and use, and strengthening socio-economic circumstances and revitalization of traditional culture. This relates directly to the use of cooperatives for local, Indigenous development or subjugation; as an organizational structure, co-ops can either suppress local forms of entrepreneurship if they are imposed through top-down government policy, or express community values in an entrepreneurial form if they are built bottom-up from the grassroots. Thus, cooperatives developed *for* Indigenous communities by federal and provincial governments can be seen as grounded in settler colonialist values and purposes. Cooperatives that have been developed *by* Indigenous communities, in

contrast, express Indigenous entrepreneurship and often enable expression of Indigenous economic, social, environmental and cultural values.

### *3.2 The quadruple bottom line and indigenous entrepreneurship*

As colonialism and settler colonialism were imposed as structures throughout the British Empire, in conjunction with a separation of Indigenous people from their land, a specialist form of enterprise that pursued primarily economic goals would emerge in Canada hand-in-hand with the evolution of its capitalist system. One of the major consequences of the combination of capitalism and colonization would be the proliferation of strictly economic organizations that divorced themselves from social, environmental or cultural goals<sup>4</sup>. Indigenous entrepreneurial responses to this separation of organizational functions include more holistic reintegration and innovative combinations of social, environmental and cultural goals with economic goals, which can be exemplary for other social economy organizations across the world (Beavon, Voyageur and Newhouse, 2005).

Dana (2007) proposes that Indigenous entrepreneurship has multiple goals in addition to economic self-sufficiency, including protecting land ownership and use, strengthening socio-economic circumstances, and revitalizing traditional culture. These characteristics of Indigenous entrepreneurship differentiate it from mainstream entrepreneurship and are mirrored in the Indigenous community economic development literature. According to Anderson (2011: 339-340), Indigenous entrepreneurship for Aboriginal economic development has the following purposes:

1. Ending dependency through economic self sufficiency
2. Controlling activities on traditional lands
3. Improving the socioeconomic circumstances of Aboriginal people
4. Strengthening traditional culture, values and languages.

Similarly, and deploying a different bottom-up and community based research approach for identifying measures of Indigenous community well-being, Orr and Weir (2013: 139) conclude that well-being indicators identified by community members can be grouped into the following four themes:

1. Economic
2. Environmental
3. Social
4. Cultural/Spiritual.

Related to these indicators, Weir (2007: 48) describes the ideals of Indigenous entrepreneurship as follows: “it will be the socially, culturally, and environmentally responsible entrepreneurs that add

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<sup>4</sup> The gendered separation of organizations in public service, for example, has been described by the influential book *Bureau Men, Settlement Women: Constructing Public Administration in the Progressive Era* (Stivers, 2002).

to and strengthen sustainable Aboriginal governance and financial independence within and among Aboriginal and non-Aboriginal individuals, organizations and communities in Canada through their business pursuits”.

And Giovannini (2015) describes the importance of culture as an integral part of all new Indigenous organizations in the Chiapas region of Mexico, including cooperatives, as part of implementation of the philosophy of *buen vivir* (good living).

Finally, a multi-jurisdictional study on “Arctic Social Indicators” developed by the Nordic Council of Ministers (TeamNord, 2014: 17), which includes Canada’s northern territories and regions, has grouped similar indicators under the following six groupings:

1. Health and Population
2. Material Wellbeing
3. Education
4. Cultural Wellbeing
5. Contact with Nature
6. Fate Control.

Anderson’s, Orr and Weir’s, and TeamNord’s categories clearly touch on the broader quadruple bottom line categories of social, financial, cultural and environmental considerations for Indigenous entrepreneurship. They underscore how quadruple bottom line indicators are important across multiple jurisdictions where Indigenous communities are prominent. Scrimgeour and Iremonger (2004), for instance, outline the use of quadruple bottom lines for Maori social enterprise in New Zealand, involving integrated economic, social, environmental and cultural goals. Dalziel, Matunga and Saunders (2006) explain that since 2002, the quadruple bottom line approach has been adopted in the formal devolution of responsibility to local authorities in New Zealand, which has a significant Indigenous population. And Corntassel (2008) describes “sustainable self determination” as the holistic integration of cultural and environmental values and how economic, social, cultural and environmental values are not separable from a holistic worldview for Indigenous communities.

In sum, from community-based measures in Canada, to social indicators for Arctic development policy in the countries of the Far North, to formalized government procurement requirements in New Zealand, the essential components of Indigenous entrepreneurship and community economic development is the quadruple bottom line of financial, social, environmental and cultural goals. Quadruple bottom line organizations can be seen as long-term responses to colonialism via holistically bringing together again organizational functions that were separated through colonialism. With a better understanding of the quadruple bottom line philosophy of Indigenous communities we can now compare it to the cooperative principles.

### 3.3 The international cooperative principles and Indigenous cooperatives

A number of authors have discussed the commonalities between the cooperative principles adopted by the International Co-operative Alliance (ICA) and Indigenous values (e.g., Craig and Hamilton, 2014; Harris and McLeod 2014). While potentially compatible, we must however proceed cautiously and critically when conflating the two. I suggest three points for consideration.

First, the cooperative principles are very broad and necessarily had to be so in order to resonate with a plurality of world cultures. The argument for a strong relationship between cooperative principles and Indigenous values and culture, however, would be more convincing if there were more formal references to how (and if) Indigenous values were incorporated consciously into the development of the cooperative principles rather than a *post hoc analysis* fitting Indigenous values to previously developed (and Eurocentric) cooperative principles. As an example from a different context, there are documented references of Indigenous (i.e., Iroquois Confederacy) influences on the US constitution<sup>5</sup>. Another example would be the Quechua Indigenous concept of *buen vivir* and how it has been formally incorporated into the national constitutions of Bolivia and Ecuador (Gudynas, 2011). Giovannini (2015) also assesses the conscious incorporation of *buen vivir* into Indigenous organizations in the Chiapas region of Mexico. Without a body of evidence referencing at least some Indigenous origins of to the ICA principles, the ICA principles can be seen to be, rather, firmly based on Eurocentric origins and values. As confirmed by MacPherson (2012), the cooperative principles do have a “values inheritance” which are decidedly Eurocentric and he proactively questions the translation of Eurocentric cooperative values to Indigenous contexts. Further, MacPherson concludes that efforts to encourage the development of cooperatives among Indigenous communities have not been examined adequately.

It must be underscored that the fact that the cooperative principles have Eurocentric origins is not problematic in itself. For Indigenous communities, problematic issues arise when they are implemented for justifying cooperatives as vehicles for local development when other organizational forms based on Indigenous knowledge and principles are simultaneously devalued, discounted, suppressed, or not even considered as foundations for Indigenous cooperative organizations. This has been historically in evidence in Papua New Guinea, for instance, in the context of colonialism where institutions such as cooperatives which were established to facilitate temporary extraction of resources by non-permanent European settlers declined after the colonizers left (Mugambwa, 2005).

Second, the development of the ICA's cooperative principles was a contested process, particularly around the inclusion of race and gender in the first principle, “voluntary and open membership”. The discussion of race, colour, caste, nationality, culture, and language as a cause of

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<sup>5</sup> For instance, the US Senate's resolution 331, from the 100th Congress in 1988, acknowledges “the confederation of the original thirteen colonies into one republic was influenced ... by the Iroquois Confederacy, as were many of the democratic principles which were incorporated into the constitution itself” (Indian Country Today Media Networks, 2012).

conflict in the development of the cooperative principles has been documented in the *Report of the ICA Commission on Co-operative Principles (1966)* (International Co-operative Information Centre, 2015a). Macpherson (2012: 119) specifically discusses race as a contested space of discussion in the revision of cooperative principles and states that “[s]imilarly, the idea that race should not count was not always easily accepted in places where it demonstrably and historically did”. Moreover, in a chapter on Indigenous people and their communities in the document *Coops & the Implementation of UN Agenda 21* particularly discusses the incompatibility between Aboriginal culture and cooperative principles in the context of fragile ecosystems in Australia (International Co-operative Information Centre, 2015b). To the credit of the ICA, in addition to incorporating gender, social, racial, political or religious discrimination in voluntary and open membership the ICA has set a priority aim on auto-determination, applying the UN declaration regarding the rights and well-being of Indigenous people (International Co-operative Information Centre, 2015c).

In Canada, other major social economy apex organizations have specifically tried to directly address Indigenous issues in their policies. The Canadian Community Economic Development Network (CCEDNet), an apex organization representing cooperatives and other social enterprises, has, for instance, recommended adoption of a resolution approving the recommendations of the Royal Commission on Aboriginal Peoples. And the apex Canadian cooperative organization, Cooperatives and Mutuals Canada, has also highlighted and financially supported development of Indigenous cooperatives.

Third, cooperatives continue to have a troubled relationship with race in practice. For instance, in highly racially segregated cities such as New York, predominantly white housing cooperatives continue to exclude primarily black applicants as evidenced by published court cases (Malpeli, 1999; Lattman and Haughney, 2011; Yaniv, 2012). According to one columnist, increasing the number of housing cooperatives potentially leads to increased discrimination based on race (Peterson, 1990). These discriminatory housing cooperatives could be seen as following all the international cooperative principles and yet still discriminating based on race. Zitcer (2015) similarly describes exclusivity in food cooperatives in Philadelphia based on race and class distinctions. And Gordon Nembhard (2014) has convincingly shown the historical separation of Black and White cooperatives in the US, and the intentional suppression of Black cooperatives including the use of deadly violence and destruction of property. The US, in particular, has continuing issues with race, and cooperatives reflect this situation as do other organizational structures. In the field of international development related to cooperatives, Burke (2010: 30) is highly critical of cooperative development in an Indigenous community in Brazil, describing how the cooperative “made indigenous people more vulnerable and dependent, failed to promote participatory development, masked the effects of unfavourable state policies, and perpetuated discriminatory distinctions among indigenous people”.

In Canada, we need to challenge the notion that cooperatives are and have always been socially inclusive organizations by learning from the discriminatory experiences in other jurisdictions.

These three critical points of reflection dovetail into key issues faced by Indigenous cooperatives in Canada. However, *the* key differences between the ICA principles and Indigenous entrepreneurship in the context of Canada have been the absence of explicit cultural and environmental considerations in the cooperative principles, while Indigenous entrepreneurship as described earlier does include these two crucial elements. While the first principle of “voluntary and open membership” can be interpreted as implicitly including cultural diversity, its weakness for Indigenous cooperatives is that it does not explicitly refer to culture. As explained through quadruple bottom line theory, culture is a salient feature of Indigenous socio-economic organizations, is related to individual and group identity, and has been a major site of oppression in settler colonialism. And, equally, while the last ICA principle, “concern for community,” explicitly refers to “sustainable development,” it does not mention members’ relationship to land, an additional vital notion for Indigenous people. Indigenous people’s relationship to the interlinked communities of humans, flora and fauna is centrally mediated through relationship to land, and is different from non-Indigenous conceptualization of environmental sustainability (Trask, 1991). Therefore, a significant gap exists between Indigenous and non-Indigenous concepts of relationship to land and sustainable development in the ICA principles. In sum, the differences between Indigenous entrepreneurship and cooperative principles are significant in terms of the importance of placed on culture and relationship to land and should be considered as vital additions to future iterations of the ICA’s cooperative principles.

#### **4. Historical considerations**

##### *4.1 Cooperatives as an instrument of the British Empire*

As has been suggested so far, historically cooperatives are not separable from colonial empire building activities. Pollet and Develtere (2004), for example, outline how colonial officers of different colonizing nations created hundreds of cooperatives in almost every country under colonial control. As opposed to the voluntary and open cooperative membership principles today, membership in these colonial cooperatives was often not free but compulsory (Pollet and Develtere, 2004). In the thoroughly researched book, *Empire and Cooperation: How the British Empire Used Cooperatives in its Development Strategies 1900-1970*, Rhodes (2012) shows how the British Empire was diverse in ideology and therefore enabled both capitalist and socialist organizational forms as part of its development strategies in its colonies. Cooperatives in particular were a more socialist, labour oriented form of organization instrumental in establishing trade across the British Empire, from North America to Africa to Asia, and were thus an instrument of economic development for the broader colonial project of empire building. It is important to establish, however, that it is not the organizational form of cooperatives that is inherently colonial, but rather that cooperatives were utilized as an instrument of colonialism. On the other hand, as this paper will show in the

case studies, the cooperative form of organization has also been utilized as an effective tool of decolonization by Indigenous communities in the contemporary context.

An early conclusion by Rhodes (2012) is that in the growth of early British cooperatives involved in international trade, moral issues including the exploitation of Indigenous people in the colonies were secondary to the imperatives of trade. British and colonial cooperatives might have had different structures and different class-based rationales from other businesses, but they were primarily businesses that engaged in trade as an integral part of the British Empire's trading system. Hence, the primary imperative of trade of early British colonial cooperatives is in clear contrast with the contemporary definition of cooperatives as social economy businesses that balance social goals with financial goals (Quarter, Mook and Armstrong, 2009).

Moreover, the benefits and advantages of early cooperatives in North America accrued to European settlers and non-Indigenous communities (Fairbairn, 2004). Rhodes (2012) has further argued that across the British Empire the relationship between European settler-led cooperatives and non-Europeans was not one of simple exclusion of membership, it was primarily an oppressive relationship of ethnicity and race. Cooperative sugar factories in Barbados, for example, relied on indentured labour from India working on West Indian sugar plantations. In Canada Scottish and Finnish immigrants setup cooperatives as ethnic groups (MacPherson, 1979). Although these early Canadian cooperatives set up along ethnic lines were intended to strengthen each community's power and economic position versus the mainly British-born elite, they also excluded Indigenous communities (Fairbairn, 2009). Therefore cooperatives were being utilized simultaneously to counter and to implement different forms of ethno-racial oppression. The early British cooperatives, particularly those involved with international trade, did not thus have social equity motivations that included racial diversity, and intentionally were not inclusive of racially different Indigenous people in the British colonies.

Rhodes (2012) also describes how the International Co-operative Alliance was initially built by the British liberal elite. Key members of the British liberal elite who were influential to the overall cooperative movement included Henry Wolff, who was heavily influenced by German cooperative thought and who directly influenced Alphonse Desjardins in setting up cooperative credit in Quebec, and Sir Albert Henry George Grey, 4th Earl Grey (governor general of Canada from 1904 to 1911 and previously administrator of Rhodesia between 1896 and 1898). These and other British liberal elites who led the diffusion of the European cooperative movement from continent to continent also brought along with them colonial and racist belief systems which led to either outright exclusion, often coerced, or restricted labour use of Indigenous populations by cooperatives. Earl Grey, as one example, had Christian beliefs that extended to virtues of cooperative production for poorer sections of society both in Britain and for White colonial settlers, virtues that, however, did not extend to local Indigenous populations whom he considered to be "savages".

And most pertinent to this study, Rhodes (2012) points out how early British cooperatives included vertical integration of consumer oriented wholesale societies in Britain with producer

cooperatives in its dominions and colonies<sup>6</sup>. While these vertically integrated cooperatives performed an important function in meeting local demands for low-priced food (since local British agriculture had an inability to feed Great Britain's growing population) they also had devastating effects on Indigenous populations. Trading patterns established with Canada, Australia, New Zealand, and South Africa required increasing development of land for farmland, which required clearing Indigenous people from their land. Therefore, although British consumer cooperatives in imperial times were successful in keeping the price of imported food low enough to meet the demands of member consumers throughout Great Britain, the social and economic costs to Indigenous populations in the colonies were extremely high. While environmentalists today, including many associated with the cooperative movement, encourage consumers to consider not only the nominal purchase cost but also the social and environmental costs of uneven North-South value chains and excess carbon emissions utilized in growing and transporting food, the cooperative-promoting socialists of the British Empire did not encourage British consumers and cooperative members to consider the social costs of food and consumer goods imported from the colonies (MacPherson, 2007).

#### *4.2. Omissions and revisions in the history of the cooperative movement in Canada*

The original inhabitants of North America were the first people on the continent to implement collective, cooperative and communal practices (Curl, 2012). In Canada, the first organizations with European cooperative characteristics, emerging at first in the historical and political economic context of settler colonialism described thus far, were set up in English Canada in the mid 1800s and early 1900s (Macpherson, 1979). As Fairbairn (2004) outlines in his essay *History of Cooperatives*, formal co-ops were an integral part of the process of colonization in Canada and what was to become the Continental US. Initially, formal cooperatives were an economic class-based response by newly arrived European immigrants to monopolies established by the ruling class and political elites. Thus, initial formal cooperative development in Canada and in most of North America was not inclusive of nor intended for the benefit of Indigenous communities (Fairbairn, 2004). And while Indigenous communities had been practicing cooperative forms of organization for centuries before European contact, the first *incorporated* Indigenous cooperative in Canada would only emerge in the province of Saskatchewan in 1945. This paper argues an analysis of cooperative history in Canada solely based on class dynamics detached from race dynamics is therefore insufficient, for explaining the development of Indigenous cooperatives.

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<sup>6</sup> Similarly, MacPherson (2007: 224) describes the colonial origins of cooperatives involved in food trading: "More commonly, though, organized co-operative movements outside Europe were started through the direct action of imperial and colonial governments. Such imperial powers as the United Kingdom, France, and Germany generally encouraged the formation of co-operatives for many reasons. In some instances, they wanted to develop colonial economies, especially for the export of staple commodities, like sugar, tea, cacao, and grains: creating marketing co-operatives was often a very useful way to do so".

The mainstream cooperative movement narrative in Canada tends to focus on a linear, Eurocentric sequence of events that is eviscerated from the broader context of the relationship between Indigenous and settler communities including the colonization of North America. It situates the first documented formal Canadian cooperative as a fire insurance organization established in 1852 in Nova Scotia and the first co-op store in Stellarton, Nova Scotia in 1861. Cooperative creameries and fruit-growers co-ops established by farmers to free them from exploitative middlemen in the 1890s then generally follows, with the addition of the first Knights of Labour worker cooperatives in the late 1800s and early 1900s, the emergence of Desjardin's *caisse populaire* in Quebec, and later on by the 1930s the Antigonish movement's co-op stores and its fishery and mining sector co-ops (MacPherson, 2009). Usually as a footnote, the first Indigenous cooperatives in Canada are included as having been incorporated in the province of Saskatchewan in 1945, involving the fishing industry, while the first Inuit cooperatives are pointed out as having started in Kangirsualujaq, Quebec and Killiniq Island, now Nunavut, in 1959, with significant government assistance.

The history of cooperatives in Canada presented as such is incomplete, however, without the historical context of concurrent colonization activities. When we add in the historical context of simultaneous colonial projects, the history of cooperatives in Canada can be seen to fit, in its founding stages at least, with the larger colonial project. Two additional historical dimensions relevant to the intersection of Indigenous people and cooperatives in Canada must thus be brought into the historical record—nation and race. Their consideration offers an alternative history of cooperative development in Canada.

While the economic, class-related struggles of European settlers marking the establishment of formal cooperatives across the prairies was occurring, a more lethal form of race warfare was simultaneously taking place in the reduction of land use and food sources for Indigenous communities. On the whole, the population of Indigenous communities in the prairies was greatly reduced due to epidemics from diseases brought by Europeans, such as smallpox. The major epidemics, recorded in 1780, 1819, 1838 and 1869, caused half of the population to die during each epidemic (Stonechild, 2014). The reduction of the Indigenous population through disease was not effective, however, in removing communities from use of land required by settlers. Stonechild (2014) provides a description of how the Saskatchewan region had been inhabited by Indigenous people since 9000 BCE, as determined by archaeological evidence of hunters using spears to hunt buffalo. The buffalo which roamed through a large area of the Canadian and American prairies provided the primary needs of the plains First Nations, including meat for food, hides for shelter and clothing, and bones for tools. In *The Destruction of the Bison*, Isenberg (2000) explains the human-led decline of the North American bison population from an estimated 30 million in the year 1800 to fewer than 1000 by the late 1800s. It was during this manufactured food crisis for Indigenous communities that the original treaties were negotiated across Saskatchewan between 1869 and 1907. Therefore, at the same time that cooperatives were being utilized to secure land usage and food for a growing number of European settlers, Indigenous communities were being

simultaneously decimated through multilevel strategies including reduction of their food sources and traditional lands to clear “new” land for the settlers<sup>7</sup>. Thus, it is no exaggeration to claim that the first cooperatives established by settlers on traditional Indigenous lands were simultaneously instruments of class liberation and eventual nation-building for European settlers and instruments of oppression for Indigenous communities, limiting economic opportunities for Indigenous communities and displacing the cultural knowledge of Indigenous populations in the process.

## **5. Canada’s Indigenous cooperatives: Contexts and case studies**

This section begins to fill in the alternative history and contemporary situation of Indigenous cooperatives in Canada. Since Saskatchewan was the province where the first incorporated Indigenous cooperative was established, this section details Saskatchewan government policies regards cooperatives and its historical relationship with Indigenous communities.

### *5.1 Settler and Indigenous relationships in the province of Saskatchewan*

As described by Fairbairn (2009), Saskatchewan’s formal cooperatives started with European settlement paralleling similar developments in Australia, Kenya and South Africa, where British Empire colonization activities were integrated with cooperative development. In Canada, the British and subsequently Canadian governments created the possibility of Eurocentric cooperatives by introducing legislation, market economies, and cleared land for thousands of settlers with European experience and ideas. To further develop a nationally focused economy, Canadian governments historically provided agricultural cooperatives with subsidies for seed and machinery, assisted in the shipment of livestock, and provided market intelligence (Rhodes, 2012). By the 1920s, the province of Saskatchewan had formed a cooperative branch and in the 1940s established Canada’s first Department of Co-operatives. These historical developments enabled Saskatchewan to be the province with the highest number of cooperatives per capita today.

Fairbairn (2009) astutely observes that settlers who came to Saskatchewan, however, did not necessarily come with an initial desire to create cooperative communities. Settlers found what Indigenous communities had known for thousands of years: that it takes cooperation to deal with the prairie geography, climate and sparse population. Settlers did not have existing community mechanisms for cooperation as the Indigenous communities did, and the settlers had to build cooperative mechanisms and organizations in a non-linear process that involved both successes and failures (Fairbairn, 2009).

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<sup>7</sup> The settlement of North American prairies that went hand-in-hand with removal of Indigenous populations from the land has been described in chilling detail by Daschuk (2013) in the book *Clearing the Plains: Disease, Politics of Starvation, and the Loss of Aboriginal Life*.

### 5.1.1 Indigenous food systems and the Saskatchewan agricultural economy

In the book *Lost Harvests*, Carter (1990) details the experience of Indigenous farmers on the prairies. Carter is careful to point out how not all Indigenous people were farmers. Additional forms of obtaining food such as hunting and fishing were prevalent, but a significant proportion of Indigenous people on the prairies had long-term farming experience. Indigenous farming practices were often related to nomadic practices that involved moving with the seasons and food sources, and were environmentally sustainable by leaving minimal long-term impact on land. Prior to European contact, 75 per cent of food consumed by Indigenous communities on the prairies consisted of agricultural products including Indian corn, maize, beans and squash. Indigenous knowledge of local agriculture included: awareness of vegetation in the local environment; when and how to harvest it; patterns of rainfall, snow and frost, and the seasonal availability of water; and knowledge of soil varieties and suitability of different crops. However, Indigenous knowledge of local conditions was not utilized in Eurocentric cooperatives, and Indigenous communities on the prairies were prevented in many ways from developing their own formal organizations utilizing Indigenous knowledge. Indeed, given the food crisis manufactured by the slaughter of the buffalo and restrictions on land use, Indigenous knowledge of local agriculture could have alleviated conditions of poverty and starvation in the mid-to-late 1800s.

The government of Canada implemented discriminatory farming policies for Indigenous communities for two purposes. The primary purpose was to restrict the use of land by Indigenous communities to small areas in order to open up land for settlers (Carter, 1990). The secondary purpose was to create experienced farm labour to be utilized on a temporary basis on settler farms when required rather than as permanent full-fledged members of producer organizations set up by settlers, including cooperatives. At the same time, reserves were set up in geographical locations that would not interfere with European settlement of land, and often this meant reserves were setup on land areas not suitable for farming (Carter, 1990). Moreover, railway lines and other forms of transportation were often distant from reserves, preventing Indigenous farmers from selling surpluses to markets, which was vastly different from the access to transportation provided to European settler farmers. Therefore, at the macro-economic level, government policy was not supportive of Indigenous farming as a form of economic development. As a result, most Indigenous communities resisted by maintaining their way of life involving hunting and fishing, rather than permanent agriculture.

Meanwhile, successive governments failed to fulfil treaty promises of agricultural equipment and land and only minimal agricultural supports were provided, which served to maintain restrictions on use of land by Indigenous communities. At the micro-economic level, local government appointed "Indian agents" implemented a restrictive "pass system" to limit the movement of Indigenous farmers to leave the reserve and sell goods and services. In the market based agricultural economy that was developed by the early 1900s, Indigenous farmers were seen as competitors by settlers rather than

collaborators, and thus were also not seen as possible cooperative members. Consequently, the Canadian agricultural cooperatives that became firmly established by the early 1900s were enabled by government policies which also negatively affected Indigenous communities, essentially removing Indigenous communities from land in order to enable free and cheap land and limit competition for settler farmers. At the local level, cooperatives enabled settler farmers to jointly market and purchase required goods, but purposefully excluded Indigenous farmers from participating in these organizations as full-fledged producer members. Government policy interaction with Indigenous agriculture, therefore, was markedly different from policies towards settler agriculture. Whereas settler farmers were being encouraged to cultivate more land, use their surpluses to feed the rest of the continent and to export additional surpluses to other parts of the Empire, Indigenous farmers were being restricted to use less land, and grow food for local consumption but not for export.

Given this colonial history of the cooperative movement, this paper argues that the euphemistic slogan used by the cooperative movement in the early 1900s, “Each for all and all for each” (MacPherson, 1979), is incomplete without a deeper analysis through the lens of race. The government policies and conditions that enabled European settler cooperatives to grow during the early 1900s were only one side of the same coin that involved corresponding enclosure of Indigenous land and already-established traditional communitarian and cultural ways of life<sup>8</sup>. Historically, therefore, the incorporation of the first Indigenous cooperatives in Saskatchewan in 1945 must also be seen in the light of settler colonialism and government intentions of assimilating Indigenous communities, rather as a part an Indigenous community-led movement.

But the more recent history of Indigenous cooperatives has seen a resurgence of Indigenous culture and knowledge today. In order to more fully account for this relationship, new developments, and as an extension of cooperative history as filtered by the traditionally missing dimensions of nation and race, in what follows I present two different case studies of Indigenous co-ops—a top-down, government initiated cooperative at Kinoosao, and the second more recent case study of a bottom-up Indigenous community-led cooperative, namely the Northern Saskatchewan Trappers Association Cooperative (NSTAC).

### *5.1.2 Case study 1: Kinoosao Cooperative<sup>9</sup>*

Saskatchewan is known as “Canada’s cooperative province” since it has the highest number of cooperatives per capita (Fairbairn, 2007). Saskatchewan’s cooperative economy was based on the

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<sup>8</sup> Compounding the hardships lived by Indigenous communities in Saskatchewan (as in the rest of Canada), governments and churches played a major role in establishing residential schools, such as Regina Indian Industrial School in 1890 which involved removing children from their families and training them as labor for settler enterprises (Stonechild, 2014). The legacy of residential schools with last residential school being closed in Saskatchewan, in Duck Lake, in 1996 continues to affect Indigenous communities today (Truth and Reconciliation Commission Canada, 2015).

<sup>9</sup> Summarized from the thesis by Quiring (2006).

agricultural cooperatives setup by European settlers. The Co-operative Commonwealth Federation (CCF) party led government of Saskatchewan between 1944 and 1964 and was particularly instrumental in enabling cooperatives, and developing the first incorporated Indigenous cooperative in Canada. The CCF Government of Saskatchewan and the leadership of Tommy Douglas is well known in Canada for its socially progressive policies, the most famous being Medicare. In social economy circles, the CCF Government of Saskatchewan is also known as a progressive supporter of the cooperative movement. The CCF Government of Saskatchewan is less well known for its assimilationist policies implemented on Indigenous communities (Quiring, 2002). This major policy inconsistency is based on philosophies of socialism and of European dominance which assumed that Indigenous people would be better off if they were assimilated into Euro-Canadian society. Successive CCF governments were opposed to fulfilling Indigenous rights as laid out in treaties and even federal Canadian legislation such as the *Indian Act*. To implement a policy of assimilation for Indigenous communities, some of which maintained a seminomadic lifestyle, the CCF founded new villages in newly cleared areas of the Boreal forest in northern Saskatchewan. Instead of enabling Indigenous community-based, organic pattern of settlement, the CCF concentrated education, health, and social services in fewer and larger Indigenous settlements. This provided the government with the ability to limit service provision costs under the guise of efficiency and effective monitoring and regulation of Indigenous communities.

Quiring (2006) describes a specific example of cooperative development in Northern Saskatchewan that is illustrative of this top-down, government-led approach. In the 1950s, the CCF established a brand new village of Kinoosao to assimilate the Indigenous population around Reindeer Lake and for commercial exploitation of the lake's fish stock. A fish processing plant, school, and a post office were set up by the provincial government at Kinoosao, subsequently becoming popularly known as "Co-op Point". The fish processing plant required both labour from the local Indigenous population and fish supplies, which required legislation limiting sales of fish to the province. The province of Saskatchewan and the non-Indigenous settlers organized the fishing operations and fish processing plant on cooperative principles. A top-down government-driven initiative from the beginning, the operations failed to involve any substantial consultation with the local Indigenous communities. The pattern of setting up towns, with stores, government offices and fish processing plants was repeated in a number of Northern Saskatchewan locations (Quiring, 2006). While the CCF government had a socialist agenda, the establishment of these government-led towns serves to demonstrate that a socialist agenda does not necessarily mean class liberation for all and that racial oppressions have continued to exist hand-in-hand with progressive policies. A combination of legislation, directed investment, and cooperatives were utilized by the province of Saskatchewan to settle Indigenous communities and replace Indigenous practices and food economies in both agriculture and fishing. And, in the process, cooperatives were a "cornerstone" strategy for the development of Northern Saskatchewan by the CCF. Moreover, just as cooperatives were integral to the British Empire and global colonization, they were important to Canada's federal

and provincial governments in local colonization of Indigenous communities. As a result of top-down government policy implementation rather than grassroots community development, by 1975 the highest number of Indigenous cooperatives was located in the Prairie provinces (Mitchell, 1996).

### 5.1.3 Case study 2: Northern Saskatchewan Trappers Association Cooperative (NSTAC)<sup>10</sup>

In a contrasting case study to Kinoosao, the Northern Saskatchewan Trappers Association Cooperative (NSTAC) was incorporated in 2007 as a non-profit cooperative established by Indigenous trappers in northern Saskatchewan, although the organization existed for fifty years prior to incorporation as a non-profit. The NSTAC enables cooperative socio-economic activities among Indigenous individuals who are geographically separated by large distances, and that from different socio-historic backgrounds. Trapping is a traditional Indigenous activity related to livelihood and is treated by NSTAC members not as a form of resource extraction but, rather, as a form of stewardship of the land, implementing sustainable practices over multiple generations. The cooperative structure enables the practice of traditional Indigenous governance within a formal organizational structure. Most significantly, the NSTAC has ensured as a main objective the transfer of Indigenous knowledge and culture from one generation to the next through further involvement in the local school curriculum: “Trapper education is an important goal of the NSTAC on many levels. It serves as a way of decolonizing education by providing a place of indigenous science and knowledge in the school curriculum” (Pattison and Findlay, 2010: 33).

In addition to increasing the use of Indigenous knowledge in schools, the NSTAC has enabled continuity of cultural knowledge through families working together. The NSTAC also enables Aboriginal women to take part in providing family livelihood. In short, the NSTAC demonstrates quadruple bottom line organizational characteristics by combining social, financial, environmental, and cultural goals.

The effect of government policy has not been consistently positive with NSTAC, however. NSTAC incorporated as a cooperative to increase its legitimacy in the eyes of external stakeholders, which includes the Saskatchewan provincial government as a major funder. Moreover, the Canadian federal government signed an *Agreement on International Humane Trapping Standards* (AIHTS) with European countries to enable continued access for animal fur based products for European markets. The cost of new traps that meet the AIHTS requirements was three to four times the cost of the older traps, and was identified as the most pressing issue for NSTAC when Pattison and Findlay’s (2010) research project was completed. Although the federal government signed the agreement, no corresponding financial support was provided to NSTAC to mitigate the higher cost of the new required traps. Therefore, NSTAC not only provides an example of successful integration of Indigenous knowledge in a cooperative organization, it also demonstrates the continued tensions with changing government policy and even international market pressures.

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<sup>10</sup> Summarized from the cases study published by Pattison and Findlay (2010).

## **6. Cooperative development in the Canada's North**

The history of colonization and cooperative development in Canada's North was different from the history of cooperative development in the Prairies and East Coast. As the Inuit communities were nomadic and moved with the seasons and resource availability, the government followed a policy of coerced settlement of Inuit populations in northern Canada. Forced re-settlement of traditionally nomadic Inuit communities enabled establishment of sovereignty over land and resources through permanent habitation in the harsh climates of the Arctic and subarctic regions; centralization of health, education and other government services provision; and ultimately development of the Inuit as labour in a wage economy rather than a traditional sustainable subsistence economy. Tester and Kulchyski (1994) documented the hardships brought on by the forced migration of 19 Inuit families between 1953 and 1955, from Inukjuak (Port Harrison) and from Pond Inlet to Grise Fiord and to Resolute Bay, 1,200 kilometres away. In the process, the Inuit were left to fend for themselves in an unfamiliar ecosystem with different wildlife and different day and night cycles than they were used to. Some Inuit families eventually survived by their own ingenuity while the government achieved its goal of permanent settlements in the northernmost reaches of the country, but at an extremely high human cost of shortened life expectancy and permanent physical and psychological damage. MacPherson (2009) describes the setup of cooperatives in Grise Fiord and Resolute Bay as being of particular interest to the Canadian government in achieving its goals of territorial sovereignty. Tester and Kulchyski (1994) indicate that the Canadian government initially setup stores in settlements involving relocated Inuit but, unable to keep them adequately supplied, later converted them into cooperatives. Thus, the Canadian government first created a dependent population, and then handed over the responsibility for basic needs, in the form of cooperatives, back to the Indigenous population when the operation became financially unsustainable. On August 18, 2010, the Government of Canada formally apologized for the forced relocation of Inuit between 1953 and 1955.

Tester and Kulchyski (1994) describe the settlement process as part of "totalization" where the state becomes the central agent for all social relations between Indigenous and non-Indigenous people. The setup of cooperatives by the government played an important role in the establishment of social relations between the government and Inuit communities. MacPherson (2009: 61) succinctly describes and sums up the development of cooperatives in the North: "The government of Canada was particularly interested in establishing permanent communities (in the North) because it was concerned about sovereignty issues. The development of cooperatives can also be seen at least partly as a way that the federal government encouraged southern forms of stability in the Arctic regions. That is why the government, often working with priests and police officers, helped establish co-ops in nearly all the Arctic communities".

### *6.1 Long term effects of settlement policies in Canada's North*

The government's policy of Inuit settlement has had a number of long-term effects. Tester and Kulchyski (1994) indicate that over time the government imperative for investing heavily in cooperatives in Inuit communities, while they may have had liberal social, economic, and political values, were still colonial in function and failed to consider Indigenous values. Mitchell (1996) describes how Arctic cooperatives created hierarchical income-based class structures within Indigenous societies, which were less hierarchical before wage-based economies were imposed on them. The resulting increase in hierarchical class formation within Inuit communities is in opposition to the intentional roots of the European cooperative movement, which was to be a counterbalance to class hierarchy and where the intention of the cooperative movement was to reduce class differences in economic opportunity.

The witnesses of the Qikiqtani Truth Commission (2010)<sup>11</sup> provide further evidence of the overall effects of colonization and transformation to a waged economy for the Inuit, indicating that overall, the Inuit have been worse off in settlements, facing new forms of poverty and new issues of physical and mental health. Similarly, the Arctic Social Indicators from the broad ranging study across different countries in the Arctic indicate that for Arctic Indigenous populations: "Access to a waged job and its benefits was frequently less valuable than was time to spend on the land, harvesting country foods and materials, even when wages would cover more commodities" (Larsen, 2010: 12).

More significantly, there has been a movement to shift the focus of what is important for measuring quality of life in the Arctic by both Arctic people and outside experts. As explained when discussing the quadruple bottom line (Section 3.2), the most recent iteration of the Arctic Social Indicators includes the additional measures of health and population, material wellbeing, education, cultural wellbeing, which are measures based on feedback from Arctic Indigenous communities themselves (TeamNord, 2014).

The example of Indigenous cooperative development in the Yukon provides an example of differential government policies for cooperative development in Canada's North. The Yukon became a territory of Canada in 1898, and has an Indigenous population that consists of 23 per cent of the total population. Canadian federal government policy, starting from the legendary Klondike Gold rush of 1898 has been to enable private investment in the Yukon in extractive non-renewable resource industries, focusing on oil, gas and minerals. The resource development industries with high capital requirements have not been amenable to cooperative development. Historically, the resource development sector is more amenable to investor-owned private businesses rather than community-centred or cooperative businesses. A robust cooperative sector has thus not been part of government

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<sup>11</sup> Formed in 2007 by the Qikiqtani Inuit Association in order "to create a more accurate history of the decisions and events that affected Inuit living in the Baffin Region from 1950-1975, and to document their impact on Inuit life" (see <http://www.qtccommission.com/>).

policy for the Yukon and Indigenous economic development has not received significant support in the territory. Lionais and Hardy (2015) completed one of the few published research projects on cooperatives in the Yukon, and concluded that although a number of attempts had been made to grow a cooperative sector, the factors necessary for a robust cooperative sector—government support, cooperative advocacy, financing, and Indigenous self-determination—were not present in the Yukon as they have been in the Northwest Territories and Nunavut. The relative failure of the cooperative movement in the Yukon compared to the rapid growth of the cooperative movement in the Northwest Territories and Nunavut demonstrates the differential effects that government policy can have on the growth of cooperatives. In short, the territorial government of the Yukon did not need cooperative development projects to settle Indigenous populations and assert control and sovereignty; this was accomplished by the economic projects of the Gold Rush and subsequent infrastructural projects.

More recently, and in contrast to the Yukon, Nunavut was separated officially from the Northwest Territories on April 1, 1999, via the *Nunavut Act* and the *Nunavut Land Claims Agreement Act*. This historic land claims agreement has enabled Indigenous control of local organizations including cooperatives. As an example of how indigenous communities have re-appropriated cooperative organizations to meet their quadruple bottom line needs, the following section describes the Arctic Co-operatives Limited case study. It illustrates clearly how Indigenous communities in Canada have been able to, despite their troubled history with the cooperative movement, transform cooperatives into organizations that supply local needs as well as provide community economic development through exports.

### 6.2 Case study 3: Arctic Co-operatives Limited

Arctic Co-operatives Limited (ACL) provides an example of a network of cooperatives that now serve Indigenous economic interests through Indigenous control and management. ACL is a federation of 32 community-based cooperative business enterprises that are located in Canada's three territories, Nunavut, Northwest Territories and Yukon, and in northern Manitoba. The 32 Inuit and Dene co-ops in the ACL network operate a broad range of businesses including retail facilities, hotels, cable operations, construction, outfitting, arts and crafts production and property rentals (Arctic Co-operatives Limited, 2015). Incorporated as the ACL in 1981 with the merger of the older Canadian Arctic Producers Co-operative Limited and the Canadian Arctic Co-operative Federation Limited (established in 1972), the ACL cooperative network had combined revenues of approximately 187.6 million CAD in 2014, employing 1,000 individuals (Arctic Co-operatives Limited, n.d.). Following the historical Nunavut land claims agreement in 1999, cooperatives in Canada's newest territory have become an additional organizational tool for enabling Indigenous goals of self-determination. Throughout the North today, the cooperatives which were originally setup by Canadian governments to settle Indigenous populations are now utilized for locally based

economic development. This transformation of a historically oppositional force for Inuit self-determination and well-being has, in recent, been transformed into an unexpected advantage by the Indigenous people of Canada's North, described as a "judo strategy" by Yoffie and Kwak (2001). The change in goals are demonstrated in the current objectives of the ACL, including:

- To improve the economic well-being of Co-op members by providing the highest long-term return for arts and crafts through the promotion and marketing of member produced products at the wholesale and retail levels.
- To provide merchandise services in a most economical and efficient way ... and improve ... market share by providing top quality products and services to their member/owners and their communities.
- To improve the understanding and effectiveness of the Co-op Movement, by providing Co-operative training and education programs to inform Co-op members, their elected officials and their employees of their roles and responsibilities.
- To promote the orderly growth and financial success of the Co-operative Movement through the development and implementation of policies and practices that will generate adequate levels of earnings, members' equity and other financial strengths to enable the Co-op Movement to improve the economic well being of their member owners.
- To provide an environment to promote the recruitment, development and training of northern people in employment and management positions within the Co-operative Movement ...
- To provide an environment for our human resources that will enable them to achieve their personal objectives while working to maximize their potential and meeting the economic and social objectives of the organization ...
- To represent the Co-operative Movement of Canada's north with government, aboriginal organizations and other agencies.
- To conduct our affairs in an environmentally and socially responsible manner, ensuring compliance with the law and with due recognition given to the unique cultures and customs of Canada's north (Arctic Co-operatives Limited, n.d.).

These objectives demonstrate a clear quadruple bottom line focus on financial, social, environmental and cultural goals of most relevance to Inuit and Dene Indigenous communities in the North via the ACL network. Moreover, ACL demonstrates that cooperatives can be and are being increasingly utilized contemporaneously in Canada as tools of self-determination rather than colonization. In the case of ACL, Indigenous co-ops did not replace existing cooperatives. Rather, existing cooperatives management and control was taken over by Indigenous communities and over time the mission, vision, goals and operational structures were aligned to reflect Indigenous values.

## 7. Conclusion

This paper has reviewed the historical arc of the cooperative movement in Canada and its intersection with Indigenous communities. It is intended to provide a broader theoretical and historical context of British, Canadian and provincial government policies that enabled and at times restricted the development of Indigenous cooperatives. The role of cooperatives in Canada, and particularly the role of the federal government in supporting or restricting the cooperative movement as a whole, remains a contested discussion. A formal report of the *Status of Cooperatives in Canada* by the Special Committee on Cooperatives (Richards, 2012) included different and opposing viewpoints on the role of the federal government from members of parliament for the government and for the opposition. One conclusion of the paper is that although early cooperatives were firmly integrated with colonial projects, contemporary cooperatives that are community led have enabled Indigenous communities to develop organizational forms that reflect Indigenous values. The first comprehensive study of Indigenous cooperatives in Canada by Hammond Ketilson and MacPherson (2001) began to suggest that there is a cooperative advantage in community development for Indigenous communities. The study concluded that cooperatives do provide suitable organizational structures for achieving some of the goals associated with Indigenous self-determination. At the same time, the Hammond Ketilson and MacPherson study pointed out that the knowledge base and value system that is important to the development of Indigenous cooperatives in Canada is different from the Eurocentric knowledge base that is described in the historical development of cooperatives based on the history of colonialism by and industrialization of European countries and the subsequent and related development of cooperatives in North America. It is the uniqueness of Indigenous values when compared to Eurocentric value systems, especially the formers' focus on culture that grounded the subjugation of Indigenous knowledge during the development of the cooperative movement in Canada.

Academic literature on social economy organizations serving Indigenous communities often caters to a "deficit" point of view rather than an "asset-based" approach (Battiste and Henderson, 2000). The main trajectory of academic literature on the social economy and social innovation assumes a Eurocentric characteristic of economic growth, while social innovation from Indigenous communities is implicitly assumed to have an imitative character. In other words, the *useful* social innovation is assumed to be of the Eurocentric variety, while simultaneously existing Indigenous knowledge is presumed to be of significantly lesser value or at best an imitation of Eurocentric knowledge and innovation. Common notions of the history of Canada's cooperative movement evolve from a Eurocentric lineage in German, Nordic, English and Irish co-ops. What is required, as argued throughout this article, especially for effective bottom-up cooperatives, is a new theory of cooperative development that combines Eurocentric and Indigenous knowledge. After all, Indigenous communities have been practicing sustainable collective, cooperative and communal forms of socio-economic organizing for thousands of years. It would serve the Canadian cooperative

movement well to understand this history not only for the continuing and inclusive development of the movement in the country, but also in its leadership role as an international cooperative developer. In so called “developing” countries with Indigenous populations, Canada’s approach to developing cooperatives needs to take up local Indigenous knowledge and local Indigenous knowledge from Canada could serve as the bridge with its own Indigenous people’s inclusion of self determination, cultural integrity and relationship to nature. While the cooperative movement tends to be bullish with regard to the cooperative advantage, it also needs to ensure that cooperative solutions to complex problems are deeply aware of and examined through the lenses of oppression, including class, race, and gender, in order to ensure that a cooperative solution to a problem for one group of people does not adversely impact another group of people.

Battiste and Henderson (2000: 87) convincingly argue that there is a high level of “benefit the Western world can derive from [Indigenous] knowledge and heritage”. The authors explain how important Indigenous knowledge is to the survival of our world, in terms of the relationship with nature and community well-being. In the face of the myriad environmental, social, and economic problems we are facing on a global scale, Indigenous knowledge and cooperative practices could provide a number of solutions that have sustained Indigenous communities over thousands of years. In combining European-based cooperative principles with Indigenous values, Indigenous communities have been developing cooperatives with quadruple bottom line characteristics, integrating financial, social, environmental and cultural values that are demonstrative to cooperatives across different contexts. Indeed, our understanding of cooperatives and their fit with sustainable community development can be positively enriched and broadened by a better understanding of the knowledge base of Indigenous cooperativism and entrepreneurship. At the same time, increased awareness among cooperative and community development practitioners of the troubled history of cooperatives in the lives of Indigenous people can help prevent repeating some of the historical injustices outlined in this paper.

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# Cooperatives and Civil Society: Potential for Local Cooperative Development in Croatia

## ABSTRACT

In the post-2012 International Year of Cooperatives era for the global cooperative movement, the International Co-operative Alliance (ICA) has drafted the *Blueprint for a Co-operative Decade* (ICA, 2012), envisaging fast growth of the cooperative enterprise form in coming years. With evidence pointing to the importance of cooperatives for local economic development, how can the vision of the Blueprint be realized on the ground, and what shape would cooperative growth take in a local economy? This paper addresses the issue of cooperative development and growth in the context of the Croatian post-socialist transition economy marked by an unstable economic and institutional environment and exposed to a host of international programs providing support and direction to its institutional change. In particular, we examine the impact on cooperative development of policies and frameworks supporting civil society organizations and social enterprises. Connecting the country's cooperative development to the space of civil society organizations, we argue, may be the best chance Croatia's cooperatives have to materialize the kind of growth envisioned by the Blueprint. However, even if the local cooperative movement capitalizes on the growing reach of civil society and support for social enterprises, this does not automatically imply that cooperatives will be able to make a real transformational difference on the ground. There is a trap lurking on this path—cooperatives and social enterprises may remain driven by other interests and dependent on external incentives, or ultimately give a new lease on life to the neoliberal institutional framework thriving on self-interest rather than enabling participatory community development.

## KEY-WORDS

COOPERATIVE DEVELOPMENT; CIVIL SOCIETY; SOCIAL ENTERPRISE; POST-SOCIALIST TRANSITION ECONOMY; CROATIA

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## **1. Introduction**

Cooperatives have had a key impact on regional development in some of the most industrialised regions of the European Union (EU). They have become a model for the self-employed and the liberal professions, have grown significantly in public services and new sectors, as well as succeeded in labour integration of disadvantaged persons. The cooperative model has also been a springboard for social innovation (European Parliament, 2013). In light of this, cooperatives have played a key role in the EU in economic and sustainable social development.

Croatia's economy has also included cooperatives during its turbulent history of changing political and economic regimes (Golja and Novkovic, 2014). Judging by the history of co-op development in the region, periods of success were driven by local needs and marked by the right type of supporting institutions. In particular, those institutions included the legal framework under the rule of Austria-Hungary in the 19th and 20th century, and particularly supportive capitalization methods—more precisely, an agrarian bank instituted by the local government. Although these developments were enabled by a colonial power at the end of the 19th century, local development needs and supportive policies were actually fuelling the decision-making and purpose of cooperatives at the time, particularly in rural areas.

The country's current quest for local and regional economic solutions to multinational corporate dominance and widespread unemployment does not yet fully realize the potential of the cooperative model. This paper therefore explores the pre-conditions for the advancement of cooperatives in Croatia today, coupled with cooperative-led local economic development, as a by-product of the fast growth of associations and other civil society organizations. The spread of civil society organizations (CSOs) took off under the auspices of international donor organizations, but is also due to policy shifts under various pressures from the EU and the more recent access to the European Social Fund after Croatia joined the EU in 2013. In the maze of small, disconnected projects aimed at anything from modernization of school curricula to the integration of marginalized populations into the labour force, one can also find some cooperative development projects. But how are cooperatives being developed in Croatia? Are they genuine cooperatives adhering to the internationally recognized values and principles of cooperation (ICA, 1995), or are they a product of the opportunity to cash in on the massive influx of European funds? And what is the likelihood that these cooperatives and other forms of social enterprise will in fact result in long-lasting local development with stable jobs and stable communities?

The argument we make in this article is threefold: first, we establish the general relationship between cooperatives and civil society or social movements; next, we illustrate the push in the Croatian economy for the development of social enterprises that comes from pressures of the EU ensuing change in government policy; and lastly, we examine the agents of cooperative development to illustrate the difference between Croatian cooperatives attached to new social movements and other cooperatives whose members are capitalizing on the policy push and incentives rather than

forming around common issues of interest to members. Using literature review and secondary data collection and analysis, we argue that genuine cooperative development in Croatia that results in local community development is more likely to coalesce around causes of civil society organizations and social movements rather than in existing policy frameworks directed to cooperatives at the national or the EU level. However, policies indicative of a developmental state, if adopted, could provide the right type of incentives for local development built on cooperative values and solidarity. We question, ultimately, whether the current socio-political climate in Croatia lends itself to such a shift.

The paper is organized as follows: in Section 2 we examine the positive relationship between cooperatives and social movements/civil society organizations in developed capitalist economies, and look at the causes of a relatively less successful relationship in developing countries. Section 3 presents a discussion of the origins of the explosion of civil society organizations in post-socialist Croatia and its supporting institutional environment, while Section 4 outlines the Croatian strategy for the development of civil society and social enterprises in the next decade, which, we argue, could provide fertile ground for cooperative development. Section 5 is a critical reflection on the genuineness of cooperative growth and implications for regional socio-economic development. Section 6 concludes.

## **2. Cooperatives and the civil society**

“‘[C]ivil society’ is used to highlight the role of associational life—interest groups, social movements, grassroots organizations, and so on—in occupying or creating social spaces beyond the full control of the state apparatus. This ‘self-organizing’ or ‘autonomous’ quality of civil society is said to allow associational life to act as both a staging ground for opposition to the (always potentially, if not actually, authoritarian or predatory) state and the basis for mobilizing plural, popular agencies as an alternative site of politics in an evolving democratic society” (Kamal Pasha and Blaney, 1998: 420).

Generally speaking, civil society organizations (CSOs) in democratic societies thrive under the capitalist system founded on individualism (Kamal Pasha and Blaney, 1998; Lypschutz, 2006). The impetus for the development of CSOs typically arises with social and economic injustice, reflected in large social inequalities and marginalization often fuelled by unfair factor income distribution<sup>1</sup>, but also political activism. Paradoxically, while some CSOs form in opposition to state institutions, they need a supportive state in order to thrive (Kamal Pasha and Blaney, 1998). In the post-socialist transition economies in Eastern Europe, the push for the development of civil society was seen by outsiders and international development agencies as a necessary condition and a foundation of new democracies.

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<sup>1</sup> Income distributed between capital and labour inputs in production.

Cooperatives have been connected to various social movements throughout their history of development in capitalist systems. They emerged as economic vehicles in support of various civil society needs and demands, such as farmers' movements, women's movements, and workers' movements in the 19th and 20th century and, more recently, fair trade movements or environmental movements, among other (Gijssels and Develtere, 2008). Initial cooperative developments in the UK and elsewhere in the West were driven by a quest for social change, rather than being merely about creating new business. In general, there is ample evidence that successful cooperatives are linked to social movements, and/or are themselves a movement deeply connected to social justice issues.

While not everyone agrees that cooperatives form a social movement, and not all cooperative members believe they do, their entrenchment in community with a shared purpose and values proves to be the key to their longevity and success as cooperatives. Evidence of cooperative degeneration (Fulton and Hueth, 2009; Herman and Sousa, 2012) suggests it is often caused by lack of member engagement and inappropriate—*isomorphic*<sup>2</sup>—managerial decisions under market competition. Cooperatives that emerge stronger out of crises typically do so by returning to their origins and tapping into social movements their members care about<sup>3</sup>. Gijssels and Develtere (2008) discuss the return of large cooperative banks in Europe to their cooperative roots through the closeness of their members and leadership to social movements, but also under external pressures demanding social responsibility and ethical business practices that further enforce re-examination of cooperative values.

While all associational life based on voluntary participation requires some degree of individual action, not all CSOs are movements. Develtere (1992) describes social movements as social phenomena resting on three pillars: a joint belief or cause (ideology), member-mobilization and participation in a common action (*praxis*), and some form of organization.

In that sense, cooperatives as organizations can be viewed as an extended arm of a social movement with shared values (see also Duguid, Tarhan, and Vieta, 2015). Cooperatives defined as purely an organizational form are premised on a joint economic interest and are missing the common bond (values) and engagement components that they share with other social movements (Develtere, 1992). This connection with other social movements is at the same time the key cause of a wide range and diversity of cooperative organizational forms. Further, rootedness in particular forms of social action and shared interest may also be the cause for separation from other such movements, and a source of difficulty in exercising the principles of open membership and inter-cooperation. Develtere posits that cooperative movements are either central or peripheral in their linkages to other movements. When cooperation is

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<sup>2</sup> Di Maggio and Powell (1983).

<sup>3</sup> See for example the story about the revival of the Desjardins movement through democratic deliberations, in Sanchez Bajo and Roelants (2011). See also Fairbairn (2001) for a discussion about the links between cooperatives and new social movements.

the central value, it attracts a variety of groups sharing similar values and principles; when peripheral, it falls subordinate to the main cause of group action.

In a setting of a developing country, with marked dependency on external funding, institutional frameworks are often set to support a cooperative *sector*, rather than a cooperative *movement* (Develtere, 1992). In other words, local cooperative members may not relate to the values of cooperation (i.e. “cooperativism” that implicates transformative social change based on solidarity), but nevertheless carry out a cooperative business because its development is supported by international donor agencies. The issue is subtly different, but with a similar outcome in mature cooperative systems—they can dwindle when cooperation succumbs to market pressures and becomes a technocratic regime (“business like any other”), or they can be rejuvenated with the return to the development<sup>4</sup> and support of the wider cooperative movement (Diamantopoulos, 2013).

Cases in point for healthy cooperative-centred regional development are, among others, the economies of Mondragon in the Basque region of Spain, Emilia Romagna in Italy, and the province of Quebec in Canada. While the former two flourished on the internal building of networks and clusters, Quebec’s success included policies of developmental state and civil society organizations with a shared interest and vision. Cooperative development in Quebec became synonymous with territorial development and a solidarity economy in need of local job creation, community development and joint prosperity.

### 3. Cooperatives and the civil society in Croatia

The early beginnings of cooperativism in Croatia at the end of the 19th and early 20th centuries can be linked to farmers’ movements. These movements gained support in the right kinds of colonial institutions, namely the Austro-Hungarian cooperative law, followed by the indigenous policies and institutions supporting rural development—an agricultural bank and a legal framework conducive to cooperative development and the development of cooperative federations (Golja and Novkovic, 2014). Besides this, the connection to Catholic social doctrine (Ellerman, 1982) was strong in the coastal areas of Croatia and the islands in the late 19th and early 20th century, providing leadership and further social support for cooperative development.

Forty years of self-managed socialism removed the link to “civil society”, as the state implemented legal protection of various social welfare provisions; labour rights and benefits were particularly important. Cooperatives under the post-1974 socialist self-management served as associations for self-employed farmers, artists or tradespersons, allowing them cost savings for supplies or easier access to markets, but it was also a vehicle for their integration into the system of “associated labour” and providing access to social welfare services to the self-employed (Golja

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<sup>4</sup> This developmental regime includes education, networks, and community development (Diamantopoulos, 2013).

and Novkovic, 2014). While cooperatives were associations of members sharing an economic interest, CSOs in Croatia within the Yugoslav socialist state promoted collectivism and were limited to cultural and social civic engagement<sup>5</sup>.

### 3.1. Institutional developments

The development of civil society organizations in post-socialist Croatia in the early 1990s was initially linked to the anti-war movement, to be replaced by non-governmental organizations (NGOs) dealing with displacement of refugees and other social issues that were the outcomes of the civil war (1991-1995). While the war slowed down the development of the civil society (Bezovan, Zrinscek and Vucec, 2005), it also invited massive intervention by foreign humanitarian organizations, engaging the local population in humanitarian efforts and evoking solidarity. This contributed to the rise of citizens' self-organization through various associations. However, at the same time, international agencies and philanthropies (UNDP, The Soros Foundation, USAID, SIDA-Sweden, MANTRA-The Netherlands, and others) were providing support for development of civil society organizations under the prevailing doctrine of the required bottom-up social change in support of post-socialist economic and political transitions to capitalism and political multi-party democracy.

During the 1990s the political environment was highly unfavourable towards CSOs, perceived to be mostly about political activism and opposition to the governing party. The right-wing government at the time accused CSOs of supporting the enemies of the new state (Bezovan and Ivanovic, 2009). Adoption of the *Law on Associations* in 1997, and a challenge of its constitutionality filed by a group of CSOs that led to changes of the law three years later, could be considered a turning point in the development of indigenous civil society in post-war Croatia (ibid.). Apart from defining the criteria for forming an association, the law regulated the transformation of the old "social organizations" (*društvene organizacije*) into associations, including privatization of their assets.

The process was highly politically charged and marked by external intervention with a massive inflow of funds that sparked competition for funding between local recipient CSOs and social groups, rather than assisting in the development of home-grown forms of self-help organizations. Foreign NGOs became places of employment and building the grants-application-writing capacities for the young English speaking elite that continued on developing their own CSOs in the early 2000s (Stubbs, 2007).

The government Office for relations with the non-profit sector was established in 1998 (the Office) under international pressure (Bezovan and Ivanovic 2009). The political climate changed after the 1999 elections, with a newly elected government advocating for the democratization of

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<sup>5</sup> Political engagement was scrutinized under the single-party political system. Social organizations (*društvene organizacije*) were mostly active in the provision of cultural services and needs of ethnic minority groups, sports clubs, youth organizations, women's organizations, and the like.

society (Bezovan, Zrinscek and Vugec, 2005) and calling for a more meaningful role for the Office whose initial function was merely to coordinate disbursements of donor funds to the civil sector. This role was expanded in 2001 to include creation of partnerships with the non-profit sector (Rosandic and Varga, 2012).

The National Foundation for Civil Society Development was established four years later (Government of the Republic of Croatia Official Gazette, 173/03) with the basic purpose of promoting and developing civil society in the Republic of Croatia<sup>6</sup>. It is the leading public institution for cooperation, linking and financing CSOs in Croatia. Government attitudes toward CSOs were slowly changing in the early 2000s, to a large extent due to external political pressures.

### 3.2. Policy toward civil society organizations

The most recent policy developments toward civil society organizations are reflected in the document *Strategy for Development of Civil Society in Croatia 2006-2012* (Government of Croatia, 2012) (from now on *Strategy for CS Development*), where the Croatian government explicitly states that it is “decentralizing and de-institutionalizing the provision of social services it cannot afford to offer, or is unable to provide equitably in different regions of the country” (ibid.: 42). In order to facilitate this process, and as a direction for its social policy, the Croatian government is providing support for the development of CSOs, expecting them to fill the gaps in the delivery of social programs. The document also refers to challenges imposed by the lack of access of remote communities to ongoing EU funded projects, clearly indicating that its strategy for local development rests on the external funding of capacity building programs.

The *Strategy for CS Development* specifically points to the economic role of CSOs in local social and economic development. In particular, their role is twofold—on the one hand they provide social services, and on the other they are seen as initiators of social innovations and agents for social entrepreneurship. While acknowledging that social enterprises are still an underdeveloped type of organization in Croatia, the *Strategy for CS Development* defines them as grassroots organizations whose mandate is to provide social benefits, and includes various legal forms such as associations, foundations, private businesses, and cooperatives. Social entrepreneurship is seen to address social problems using the business approach. Moreover, social enterprises are defined as democratically governed (although, in practice, not all are), built on solidarity, and mindful of the needs for sustainable development. The document further identifies obstacles for the spread of social entrepreneurship in Croatia, mainly reflecting a lack of understanding of this business model and

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<sup>6</sup> The key roles of the National Foundation are: (a) encouraging citizens to action, involvement and participation in community development; (b) building capacity of the civil society; (c) development of cross-sectoral cooperation and cooperation between civil society organisations; (d) increasing public influence and visibility of the work of civil society organisations; (e) development of social entrepreneurship and employment in the non-profit sector; and (f) increased role for CSOs in framing public policy (Nacionalna Zaklada za Razvoj Civilnog Društva, 2014).

of its potential for social and economic development<sup>7</sup>. It also outlines policy proposals to increase the visibility and impact of social enterprises<sup>8</sup>.

### 3.3. Civil society and economic development

In the economic development literature CSOs are perceived as an important part of the fabric of a fledgling democracy. They are also seen to be the agents for social capital development, but are less successful in providing employment, activating production and providing financial services (Veltmeyer, 2007). CSOs are typically funded by memberships, donations and government programs, but in recent years they are increasingly resorting to self-finance through various economic activities. Such efforts have been given support by international development agencies, as well as governments under severe fiscal constraints. While this type of activity on a small scale is not new for Croatia's CSOs, formation of social enterprises by communities and civil society is a more recent phenomenon, and one that looks a lot like the process of "europeanization", or in some cases "anglosaxonization", of entrepreneurial forms brought to bear by the withdrawal of the welfare state in Europe and elsewhere. Indigenous forms of industrial enterprise that rested on collective action and provided for community development have been replaced by oligarchic tendencies in the appropriation of profits and socialization of costs, creating social externalities that are now supposed to be addressed by social enterprises.

In the process of accession Croatia has harmonized its legislation with the EU and accepted social entrepreneurship as part of sustainability strategy for its civil society (Rosandic and Varga, 2012). The understanding of the concept of social enterprise includes the cooperative organizational form, thereby opening the doors for industrial democracy and the transformational character of the cooperative model. While the tide has turned towards a more supportive environment for social enterprise development under the harmonization with EU policies, it is not yet evident that cooperatives are taking centre stage in this effort. This gap presents an opportunity for cooperative growth and cooperative-led development, particularly in the new and emerging industries connected to the local economy such as renewable energy, homecare, organic food and ethical production, consumption, and finance.

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<sup>7</sup> In all, one is left with the impression that the official document is a translation of EU documents, and it does not ring true to the local realities, sensibilities, or history and traditions.

<sup>8</sup> The understanding of social entrepreneurship and policy gaps outlined in the CS Strategy carried into the newly developed *Strategy for Development of Social Entrepreneurship in Croatia 2015-2020* framework, funded predominantly by the EU Social Fund, in which social entrepreneurship is further defined to be based on the principles of social, environmental and economic sustainability and whose surplus revenue is in large part invested for the benefit of the community.

#### 4. Cooperatives and civil society organizations

Under the changing and supportive institutional frameworks, the number of registered associations in Croatia (including various types of social enterprises and cooperatives) has grown from 12,000 in 1990 to around 50,000 in 2013 (Government of Croatia, 2013) of which 21,300 were also registered as non-profit organizations. Table 1 illustrates the numbers of CSOs, their revenue sources and employment in 2012. While donations and membership fees formed more than 50 per cent of their funding, and an additional 15 per cent came from government programs, civil society organizations generated 20 percent of their revenues by engaging in market activities in 2012, and the number has been rising. Taken together, these figures begin to measure the size of the CSO sector in the country.

**Table 1. The size of the CSO sector in Croatia. Revenue by source (in million EUR) and employment, 2012**

Number of registered associations	49,004
Total revenue (mil. EUR)	654
Revenue generated from the sales of products and services	130.3 (19.9%)
Revenue generated from membership fees	66.5 (10.1%)
Revenue from the special regulations (sport, culture, humanitarian activities etc.)	102 (15.6%)
Revenue from the assets	18.5 (2.8%)
Donations	286.7 (43.8%)
Other	50 (7.6%)
Number of employees	9,757

Source: Government of Croatia (2013)

CSOs carry out different roles in Croatian society—some are activist groups, while others provide social services or participate in the co-construction of policy. In other words, the relationship between CSOs and the Croatian government can be either conflicting or collaborative, but they are seen to carry independent functions to replace the government, supplement it, or assume an adversarial position and attempt to correct government actions. To this we can add their integration role, since in many instances CSOs and local governments engage as partners in collaborative community development projects.

Besides their traditional roles in education, charitable functions, or cultural and sports activities, new associations arose in recent years as a response to new societal challenges, most notably the environmental movement, but also the ethical consumers' movement. Some associations support local and organic agriculture, or attract members with a shared interest in the support of multi-functionality of local agriculture such as the development of olive growing and promotion of agro-

tourism, or the return to traditional livestock grazing techniques. With Croatia's accession to the EU, the opportunity presented itself to draw on European funds to form social enterprises as a tool for job creation and/or addressing social marginalization. Some incumbent CSOs in Croatia had by then built capacity and the ability to access European funds, extending their activities to the development of social enterprises. In practice, this development has taken on various strategies. For instance, CSOs are often the founding members of social enterprises, or in other instances, members of a CSO are the founding members of social cooperatives.

When it comes to building cooperative development capacity, the Croatian cooperative movement includes a few regional and sector associations supported by the Center for Cooperative Entrepreneurship<sup>9</sup>, a government agency tasked with the registry of cooperatives, cooperative development, and member education. These institutions are for the most part under-resourced, self-directed and locally oriented, without adequate capability or a tangible strategy for regional development and widening of cooperative networks. They mainly use their capacity for the registry of co-ops, overseeing the regulatory framework, and the drafting of the new law, while also lobbying for the preservation of cooperative property under constant threat in a hostile post-socialist climate (Bateman and Malekovic, 2003; Golja and Novkovic, 2014). Producer federations support trade shows and similar networking events for their existing members, but a concerted effort to link into new spaces for development does not yet seem to be their focus. The Center for Cooperative Entrepreneurship has also been partnering with CSOs in various employment reintegration projects.

New cooperative growth is therefore connecting to local movements and needs, or new sectors of the economy. Most new cooperatives are multi-stakeholder types, since the law does not discriminate between different types of members (Golja and Novkovic, 2014). New areas of cooperative expansion arising from the activity of CSOs, individuals, and local governments belong mostly to the renewable energy sector, ethical banking, ethical and local consumption, and agro-business, although social cooperatives are also on the rise<sup>10</sup>. There is a mix of initiatives for cooperative start-ups connected to social movements and activities of CSOs. Some initiatives engage a wide scope of community organizations, while in others CSOs play the developer role. An emerging pattern has been that CSOs engage other stakeholders to establish cooperatives as an extended arm for their activities that are also in the interest of the wider local community.

*Renewable energy cooperatives:* These cooperatives have been developing since 2011 as multi-stakeholder co-ops whose members are individuals, associations, local organizations and businesses,

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<sup>9</sup> The Croatian Cooperative Federation (HSZ) was established in 2002 as a democratically governed body serving the cooperative sector. Membership was mandatory for all cooperatives. It became the Center for Cooperative Entrepreneurship in 2014 within the Ministry of SMEs and Entrepreneurship. The agency is also one of the national actors responsible for the execution of social enterprise development strategy.

<sup>10</sup> The presence of social cooperatives is evident in the activities of CSOs mainly in workforce reintegration of marginalised groups. However, a large proportion of social cooperatives are veterans' cooperatives, not all of them legitimate (see Golja and Novkovic, 2014).

and in some cases municipal governments. The first renewable energy cooperative was established on Krk island by 19 members—local organizations and a utility company, governments and individuals with a mission to rid the island of carbon-based energy sources. This is a consumer cooperative that is signing up new solar energy users. Since then, a UNDP renewable energy program supported the development of renewable energy co-ops in partnership with local development agencies and the civil society, including Krk Island Energy Cooperative. Different cooperative models have been utilized including consumer co-ops, supplier cooperatives, and community cooperatives. Financing methods include donor funds, membership fees, as well as crowd funding sources.

*Ethical finance cooperatives:* A campaign to establish the first ethical bank in Croatia resulted in the incorporation of a cooperative for ethical finance in 2013. The cooperative is the sole owner of the bank, to be incorporated in 2015. This was a community solution of the 105 founding members to overcome legal obstacles to democratic governance of a financial institution. The role of the cooperative is to raise the necessary capital, to provide democratic governance and ensure ethical policies and projects at the bank. The project is coordinated by a group of social entrepreneurs, although the founding members of the cooperative include a diverse group of individuals, civil society organizations, cooperatives, and other businesses and stakeholders. The bank will follow in the footsteps of other European ethical banks, and it has mobilized civil society in favour of banking on values unlike any other project in recent years.

*Ethical and local consumption cooperatives:* Solidarity purchasing groups are changing food distribution channels by building local economies through direct purchase from local producers. This movement has been enabled by the ongoing support for civil society from international donors and the Croatian government, particularly those striving to secure development of sustainable communities. Solidarity purchasing consumer groups have been formalizing their status in some areas by forming consumer cooperatives, or multi-stakeholder cooperatives which include producers. This type of cooperative has been difficult to conceptualize in the Croatian context where consumer cooperatives have not been present in the past and resources for their development are scarce. CSOs often partner in such ventures offering technical support, but co-op development support is wanting. Therefore, these groups tend to retain association status, or when they form a cooperative, the founding members may strive to maintain closed membership and thereby create quasi-cooperatives<sup>11</sup>. The cooperative potential to serve as a vehicle for local development based on equality and equity may be jeopardized in those cases.

*Agribusiness cooperatives:* The purpose of these cooperatives is the promotion of local and rural development based on the multi-functionality of agriculture and movements to return to indigenous crops and agricultural systems. They are typically initiated by local actors—governments, businesses, individuals and civil society organizations who become founding members of the cooperative.

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<sup>11</sup> “Social entrepreneurs” wishing to take advantage of recent incentives for cooperative development and capitalize on increasing demand for solidarity trade often limit membership to the legal minimum of seven founding members, thereby violating the ICA’s open membership principle and forming what can be called “quasi-cooperatives.”

Examples include olive oil producers<sup>12</sup>, goat cheese makers, or micro-wineries with related agro-tourism services that are renewing and developing rural communities. Municipal governments are often a stakeholder in these cooperative ventures, providing evidence of the emergence of a developmental state at the local level, or at the minimum a trend of co-creation of institutions for community development with civil society.

*Social cooperatives:* Social cooperatives have been on the rise in the past decade. Under the Instrument for Pre-Accession Assistance (IPA) program for accession to the EU, the Croatian government developed a strategy for social inclusion and reintegration of marginalized people into the labour market. Cooperatives have entered this new space alongside other forms of social enterprise. In the majority of cases these cooperatives are an extension of activity for members of CSOs dealing with social integration. For example, Neos in Osijek is a social cooperative securing service jobs for former drug addicts that was established by the members of Neovisnost, an association whose mission is to combat drug addiction. Cooperative Humana Nova in Cakovec employs disabled and older women and was established by members of the Autonomous Centre ACT, a consulting group devoted to education and capacity building for civil society, including the development of social enterprises (CEDRA, n.d.). Whether they employ women, people over 50, particular ethnic groups, former addicts or people with disabilities, social cooperatives are an economic arm in the work of CSOs in those areas.

## 5. A reflection on cooperative growth in Croatia

More than half of Croatia's 1,200 cooperatives in 2013 operated in agriculture (472), fisheries (41), or food industry (202) (HSZ, 2014). Many are traditional cooperatives that also form the majority membership in regional and sector cooperative federations. The national cooperative federation formed in 2002 (see above) was a mandated institution turned in 2014 into the Center for Cooperative Entrepreneurship, the government agency for co-op development. While it is an important resource, this agency cannot replace a voluntary equivalent of a federation typical in countries with developed cooperative movements. However, it is critical that the cooperative sector secures government resources and institutional support and in that sense the transformation of the Center is an important and potentially positive development.

A new cooperativism (see Vieta 2010), on the other hand, is growing as a by-product of the engagement of civil society in new emerging areas occupied by social enterprises. While the cooperative

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<sup>12</sup> An example is Poljoprivredna Zadruga Vodnjan (<http://www.pz-vodnjan.hr>) whose founding members were members of the Association Agroturist (<http://www.agroturist-vodnjan.hr>) including local olive growers and the municipal government. The mandate of the association is the promotion of agriculture in the region. The cooperative produces its brand of olive oil as a joint product of regional olive growers, promotes olive growing and sells seedlings of indigenous sorts of olive trees. The cooperative is the vehicle for regional economic development.

development role is assumed by CSOs often as an extension of their work on particular socio-economic issues, some of them have also become hubs for growth of social enterprises. As key institutions for bottom-up development recognized by the international community, CSOs gained access to donor agencies and their programs. Therefore, they facilitated development of cooperatives for job integration of marginalized individuals and engaged in start-ups of social cooperatives. One such NGO is Slap, the Association for Creative Development<sup>13</sup>, with a mandate to create meaningful employment for ecological production and sustainable communities. It is engaged in the promotion and growth of democratic social enterprises and serves as a networked resource centre providing funds, education and expertise to fledgling social enterprises. Slap helped set up a national network of support centres (CEDRA) bringing together 80 organisations from across the country, and providing education, research and business consulting for social enterprises contributing to local development (Spear, 2014).

However, there are potential drawbacks with this approach to cooperative development with marginal engagement of cooperative institutions, let alone a movement. Civil society organizations support development of social enterprises and play their part in the national strategy to unload on to communities the traditional role for government in the provision of social services and public goods. Stubbs (2007: 222) has suggested that “like Rome, civil society cannot be built in a day” and that there may be opportunistic developments among social enterprises morphing from “‘social movements’ to ‘organizations’ as the dominant form of collective action, pointing to the increasing importance of ‘modern’ NGOs which emphasise issue-specific interventions and pragmatic strategies with a strong employment focus, rather than the establishment of a new democratic counter-culture” (Bagic, quoted in Stubbs, 2007: 220).

This statement also applies to cooperatives. The cooperative sector may grow fast if the right incentives are put in place, but the cooperative movement will need a lot more time to become a home-grown collective solution to some of the economic issues Croatia is facing today. The emergence of quasi-cooperatives in Croatia in the past was connected to managerial oligarchy (Bateman and Malekovic, 2003). New quasi-cooperatives emerge as a result of the opportunistic behaviours of “social entrepreneurs” and is evident in their prolonged existence with the minimum number of members required by law, and the closed membership practices of many new cooperatives.

Today, a strategic approach to cooperative growth in Croatia is still lacking. It is not clear who might take this on under the current institutional environment, unless the cooperative sector organizes into a network for this purpose<sup>14</sup>. Although included in social enterprise development,

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<sup>13</sup> See: [www.slap.hr](http://www.slap.hr)

<sup>14</sup> Quebec’s experience is an example of fast co-op centred regional development with state and CSO support. Describing Quebec’s regeneration of the cooperative movement Diamantopoulos (2013) credits their network of second-tier regional development cooperatives for their fast growth and co-op lead regional development. These cooperatives brought delegates from established and emerging cooperatives together to develop more cooperatives in their regions. They reached out to civil society to stimulate and support new cooperatives, and pooled community, sector and public resources for this purpose (also see Duguid, Tarhan and Vieta, 2015).

cooperatives can do better by impacting the economic model and addressing the source of new post-socialist marginalization. Some obstacles to a fast emergence of a national federation in Croatia assuming a leadership role, besides questions of local post-war politics<sup>15</sup> and lack of capacity, are evident. First, traditional cooperatives are far removed from the new emerging ones and from the movements that inspire them, yet without a collaborative effort between the old and the new it will be impossible to create a meaningful national federation. There may be an opportunity for collaboration between the existing sector and/or regional federations; however new cooperatives have been much closer to their founding agencies than to the existing cooperative movement. Second, foreign injection of capital is the main enabler of co-op growth in new sectors—how resilient they will be after the pullout of this support remains to be seen. And, third, new cooperative development is tied to social movements that are not connected into cooperative networks. Often, their leaders do not see the advantage of making such connections, particularly when traditional cooperatives are “technocratic” and driven by managerial decision making.

## 6. Conclusion

Cooperative enterprises as part of a movement can be engines of regional development. Coupled with the right type of institutional support, cooperative regions can thrive over multiple generations. The advantage of cooperative economies has been evident in the provision of job security, equitable income distribution, and positive social externalities (Erdal, 2014). However, fast growth of the cooperative form of enterprise envisioned by the ICA’s *Blueprint for the Co-operative Decade* may be facing some obstacles.

Exploring developments in Croatia’s transition to capitalism in the past 25 years we note that cooperative development today is mostly initiated within sectors connected to new social movements and funded by external funds and agencies as social enterprises. Fast growth of civil society organizations has transformed them into agents of social development and support structures of social enterprises, but it has also created fragmentation, competition for limited funds between CSOs, and a lack of transparency within this sector.

Such developments present both an opportunity and a threat for the cooperative movement. The opportunity is to tap into these spaces and new movements to strategically leverage cooperative communities. The threat lies in the possibility that cooperatives will become an integral part of the by now established neoliberal socio-economic fabric, replacing government as the provider of social services, rather than as agents of transformative processes in the economy.

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<sup>15</sup> The fastest growing type of cooperatives in Croatia is veteran’s cooperatives. They are promoted and financially supported by the Ministry of veterans affairs, and although some function well, many are quasi-cooperatives. Their fast growth presents an impediment to the overall objectives of a cooperative federation, since they are not removed from the post-war politics and veterans’ entitlements (see Golja and Novkovic, 2014).

Leadership in the cooperative movement in Croatia is in a vacuum. The national federation has been transformed into the government-mandated Center for Cooperative Entrepreneurship, while the sector has not yet re-organized. While the Center may be able to draw resources from the state and influence or help co-create government strategy in relation to cooperative development, the cooperative movement needs to connect to newly emerging social movements and CSOs to form networks for regional development. Otherwise, the vision of the Blueprint may remain a distant aspiration.

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