

What is a Co-operative?

A co-operative is an enterprise that is jointly owned by the members who use its services. All members of a co-op are equal decision makers in the enterprise, using a democratic system of one-member, one-vote. In turn, all members share the benefits of co-operation, based on how much they use the co-operative's service.

Co-ops take different forms and they operate in all sectors of the economy, but a co-op is generally set up by a group of people who share a common need. By pooling their resources and working together, the members can satisfy that need through the co-operative. While they serve a wide variety of functions, co-ops generally fit one of the following four types:

- A *consumer co-op* provides products or services to its members (such as a retail co-op, housing, health-care or child-care co-op);
- A *producer co-op* processes and markets the goods or services produced by its members, and/or supplies products or services necessary to the members' professional activities (such as independent entrepreneurs, artisans, or farmers);
- A *worker co-op* provides employment for its members. In this type of co-op, the employees are the members and the owners of the enterprise.

- A *multi-stakeholder co-op* serves the needs of different stakeholder groups – such as employees, clients, and other interested individuals and organizations. This type of co-op is usually found in health, home care and other social enterprises.

Co-operatives serve both economic and social purposes. While a co-op exists to meet the common needs of its members, it also promotes the development of members through their involvement in the democratic governance of the enterprise. At the same time, the co-operative is usually undertaking local social development or economic development activities, such as creating jobs or providing goods and services that would otherwise be unavailable to the community.

Member Shares and Patronage Dividends

A co-operative's start-up capital usually comes from member shares in the co-op, and a portion of any surplus generated by the co-op may be returned to members in the form of *patronage dividends*. This type of return is different from profits earned on invested capital since it is based on how much the member uses the co-operative's service, not on the number of shares the member holds in the co-operative. Some co-operatives are structured as non-profit entities, such as housing, health- and day-care co-ops. These co-ops do not issue patronage dividends.

The Legal Status of a Co-operative

A co-operative will need to be incorporated either provincially or federally before it is a legal entity. It may be formed in accordance with a provincial co-operative statute setting out its corporate form and mode of operation; or in accordance with the *Canada Co-operatives Act* when the co-operative has a place of business in at least two provinces.

