

Income Inequality in Canada

BRIEF SUBMITTED TO THE
STANDING COMMITTEE ON FINANCE

(APRIL 5, 2013)

Introduction

With Canada experiencing an all-time high level of poverty, an eroded social safety net due to funding cuts, and an increasing number of communities in decline because of changing economic conditions, people are seeking practical solutions to these challenges. People are choosing community-directed entrepreneurial answers.

Co-operatives are part of this bottom-up, self-help approach. They have a strong history and tradition in many parts of Canada and around the world. Indeed, the first co-operatives were started several generations ago when people endured extreme poverty as a result of the adverse effects of the industrial revolution.

The co-operative model is a unique form of organization: it is jointly owned and democratically controlled by the people who use its services; and it is an international model that is governed by a specific set of values and principles.

When resources have been devoted to raising awareness of co-operatives and providing development assistance, co-operatives have flourished in low-income communities. Two outstanding Canadian examples are housing co-operatives in the 1970s and 1980s, and co-ops in Canada's North.

The Canadian Co-operative Association policy framework has been developed to encourage and assist potential partners to work together through a concerted, long-term, and coordinated effort.

This policy framework has been created to assist governments and other organizations to understand the many benefits of co-operatives, when co-operatives are appropriate tools, and what is needed to support the development of co-operatives in low-income communities. Supportive public policy is crucial to enhance the capacity of communities to tackle the significant community problems they face.

Objectives

1. Greater use of the co-op model to expand assets in low-income communities
2. Overcoming obstacles to co-op development in low-income communities
3. Improved policies and programs within all levels of government to support development of co-operatives in low-income communities
4. Stronger partnerships among governments, the co-operative sector, and other organizations in the social economy

Benefits of Co-ops for Low-income Communities

Co-operatives expand personal and community assets. The co-operative model is a valuable and efficient tool for low-income communities, because one co-operative can accomplish many ends. First, co-operatives accomplish key social goals, such as delivering needed services or creating new jobs. Second, they help individuals increase assets. Third, they empower people through a co-operative decision-making mechanism. And finally, co-operatives contribute to overall community well being.

Benefits to Communities

Co-ops also build community assets needed by distressed and disadvantaged communities. In the asset-based community development approach⁵, as articulated by John McKnight and others, associations of community members are engines of community action, and sources of power and leadership.

The leadership and political skills of co-op members increases the overall social capital of communities. Improved relationships and linkages between community people ensures that the community is able to tackle other critical problems. Often co-op members increase their networks outside communities through federations or conferences, and these connections provide potential technical assistance, financial resources, and valuable information on what others are doing.

Keeping money in local economies creates a multiplier effect that benefits individuals, businesses, and municipalities. Co-ops contribute to this multiplier effect through:

- Controlling major economic sectors in communities or regions such as fishing, agriculture and forestry
- Maintaining important services such as garages, grocery stores and bakeries in small rural villages
- Creating employment through a series of small worker co-ops or supportive business services such as craft stores and marketing co-ops
- Meeting multiple needs and building better communities

Specific Situations or Circumstances

There are **specific situations or circumstances** where co-operatives have been excellent tools for low-income communities. We highly recommend the co-operative model to:

1. Deliver non-profit community services and give users more say and control. Examples include housing, health care, childcare, home care for seniors, and youth services.
2. Provide needed goods or services not provided by the private sector. Examples include grocery stores, laundromats, bakeries, cablevision, transportation, and financial services.
3. Create new jobs and employment where markets exist.
4. Create flexible employment for individuals who desire additional income to supplement social assistance or pension benefits. Examples include tuck shops in seniors' buildings run by psychiatric survivors, recycling services, printing companies, and small cafes.
5. Provide services for pre-existing micro businesses or small producers. Examples include craft co-ops, forestry co-ops, fish processing, and organic-food marketing.
6. Organize individuals, groups and governments to own community infrastructure and organize economic development.

Numerous other situations have fostered co-ops in low-income communities, including replicating successful co-operatives from other communities, organizing experienced laid-off workers in business ventures that use their acquired skills, and buying viable businesses owned by outside corporations or retiring owners.

Policy Support for Co-operative Development

The following assumptions and principles should govern new or revised policy development to support creation of co-operatives in low-income communities:

Assumptions

1. Individuals and communities exit poverty through a process of asset accumulation
2. Low-income communities have the capacity to improve their circumstances given adequate support, opportunity and resources
3. Co-operatives can help governments achieve public-policy objectives related to low income communities and poverty reduction

Principles for Action

1. Community-based approaches, such as cooperative development, must complement a strong social safety net that provides adequate income, education, training, health and housing for all Canadians.
2. Development of co-operatives in low-income communities requires committed resources from government.
3. Governments, the co-operative sector and community organizations must coordinate their actions.
4. People with low incomes must be involved in the design and development of any policy, program or service that affects them.
5. Co-operative development support must be flexible to respond to unique community needs.

Priority Policy Areas

Action in the following three priority areas will significantly enhance development of co-operatives in low-income communities. These priorities for policy change were developed from Canadian Co-operative Association case-study research and regional workshops.

1. Encourage and support collective community action

People with low incomes often do not participate in community activities. A prerequisite for people pursuing the co-operative model is the ability to cooperate with others and accomplish a meaningful goal through group action. Leadership development is another crucial factor. Policies and programs must be developed to support low income people in becoming involved in self-help and local community development.

2. Create more awareness of the co-operative model

For low-income communities to start new co-operatives, they must be aware of the model as a potential tool to address their needs. Policies must be developed to elevate the co-operative model within government and provide equity with other business and non-profit organizational forms. Policies must ensure that the public, government officials, business counsellors, economic-development professionals, community developers, and other intermediaries within low-income communities are educated about the co-operative model and its many uses.

3. Increase resources for co-operative development

If low-income communities have experience in collective action and are aware of co-operatives, it is also important that adequate support exists to respond to these communities' needs for information, technical assistance and funding throughout the stages of co-operative development. Policies are needed that recognize co-operatives as both social-development and economic-development tools, provide funding for support and financing, and increase involvement from existing co-operatives and credit unions.

Recommendations for Policy and Program Action

This section outlines the Canadian Co-operative Association's recommendations for policy work that will support development of co-operatives in low-income communities in Canada.

1. Encourage and support collective community action

- Ensure that comprehensive social policies and programs are in place to provide the required foundation for low-income individuals to pursue developmental goals. This foundation includes federal programs in areas such as income support, health, housing and employment.
- Provide additional resources for outreach, animation, leadership development and organizational development in low-income, ethnic and First Nations' communities.

2. Create more awareness of the co-operative model

- Identify and remove obstacles to co-operative participation in federal programming by explicitly identifying "co-operatives" as eligible participants.
- Ensure that line departments, such as Citizenship and Immigration, Human Resources and Skills Development, and Regional Development Agencies, are aware of how co-ops can help the departments achieve their mandates.
- Promote co-operatives within horizontal federal strategies.
- Promote co-operatives as a model for local economic development, ensuring federally funded CED organizations are aware of the co-op model.

3. Increase resources for co-operative development

- Ensure adequate resources are made available to include co-operative development within broad federal initiatives that address social-development challenges such as social exclusion, poverty and homelessness.
- Explore ways to eliminate barriers to granting charitable status to co-operatives that undertake charitable activities.
- Use financial mandate, through measures such as tax credits, to encourage increased financial investment in co-operatives.
- Make funding available to worker-owned co-operatives in low-income communities.

The Next Steps

Increased use of the co-op model in low-income communities will depend on a more supportive policy context, increased resources, and the co-operation of many stakeholders. The Canadian Co-operative Association recommendations are only the beginning. The next step belongs to us all.