

Module 1 Factsheet

Overview

This module introduces the co-operative structure and attempts to answer the question ‘what is a co-operative?’ It explores the features of co-operative businesses including their legal foundation, the business models they use, and how the structure has been adapted to various stakeholders.

What is a co-operative?

The Government of Canada defines a co-operative as “a legally **incorporated** corporation that is owned by an association of persons seeking to **satisfy common needs** such as access to products or services, sale of their products or services, or employment.” There are two important features that set co-operatives apart from other forms of corporations:

- 1) **One member, one vote:** each member (i.e. shareholder) has one vote, regardless of how much they’ve invested into the co-op.
- 2) **Patronage dividends:** profits are distributed back to members based on how much they used the business, not how much they’ve invested.

A co-operative’s owners are called **members**. To become a member of a co-operative you must purchase the required number of **membership shares** set out in the co-op’s bylaws. Co-operatives can also issue **investment shares** to raise additional money from investors, but these shareholders do not have the same ownership rights (such as the right to vote or sit on the board) as members.

Types of Co-operatives

A co-operative’s “type” is determined by who its members are and how they benefit from the business. There are five common types of co-ops in Canada:

- 1) *Consumer co-op:* The most common type of co-op in Canada, consumer co-ops account for 67% of all Canadian co-ops. They are owned by the people that use their services (e.g., childcare, housing, retail).
- 2) *Producer co-op:* These co-ops are owned by producers (such as farmers, artists, or consultants) and account for 16% of co-ops in Canada.
- 3) *Worker co-op:* These co-ops are employee-owned and account for 6.5% of Canadian co-ops.
- 4) *Community service co-op:* These co-ops operate similarly to non-profit corporations. They have lower cost of membership and are open to the public. This is the model commonly used for co-ops that pursue charitable status.
- 5) *Multi-stakeholder co-op:* Owned by a combination of stakeholder groups, these co-ops account for 9% of co-ops in Canada.

Some less-common models include community investment co-ops, New Generation co-ops, and co-op federations.



Co-operative Identity

Many co-operatives operate using a set of guiding principles developed in 1996 by the International Co-operative Alliance. These seven principles include:

- 1) Voluntary and open membership
- 2) Democratic member control
- 3) Member economic participation
- 4) Autonomy and independence
- 5) Education, training, and information
- 6) Co-operation among co-operatives
- 7) Concern for community

Recommended Resources

The Government of Canada's [Information Guide on Co-operatives](#)

Co-operatives and Mutuels Canada's video [Solving Challenges Together](#)

