



Conversion to Cooperatives Project

Year 1

Mapping the Potential for Converting Workplaces and Community Spaces to Cooperatives

www.coopconvert.ca

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The Conversions to Cooperatives Project

A SSHRC
Partnership
Development
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University of Toronto's Centre for Learning, Social Economy, & Work (CLSEW)

Université de Sherbrooke's Institut de recherche et d'éducation pour les coopératives et les mutuelles (IRECUS)

Co-operatives and Mutuals Canada (CMC)

Also working with CWCF and Co-operativesFirst on cases, practices, policies

Create research | Mobilize knowledge |
Influence policy | Empower workers & communities

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The Canadian SME-Succession Crisis

1.17 million SMEs, 500,000 boomer owners plan to retire in coming years, only between 9-25% have succession plan. Will affect thousands of jobs. Conversions to cooperatives could be a very viable solution. No solid policies or enabling environments in place, however.

How, When, Why, & Who of Conversions in Canada

Canada has had some successful experiences of BCCs through the leadership of local community developers and co-operative sector federations. But mostly falls under the radar for SME owners, unions, workers, policy makers.

Some Conversions to Coops Currently Existing in Canada

-  Quebec ambulance sector
-  CQCM and campsite initiatives in QC
-  Various sawmills and pulp and paper interests in BC
-  Careforce Health Services in Nova Scotia
-  Battle River Railway
-  Aron Theatre
-  Acadia Cinema
-  Glitter Bean Café (Halifax)
-  Yellowknife Glass Recyclers (Yukon)
-  Kootenay Bakery (Nelson)
-  Indigenous business interests in Saskatchewan

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Objective 1 To identify the necessary enabling environments for BCCs in Canada via a mixed-methods approach (SSHRC Insight goals).

Objective 2 To build capacity for BCCs in partnership with Co-operatives and Mutuels Canada and the co-op sector (SSHRC Connection goals).

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Objective 1 To identify the necessary enabling environments for BCCs in Canada via a mixed-methods approach (SSHRC Insight goals).

1. An international scan of BCC experiences and enabling environments
2. A current Canada-wide data set
3. A survey of retiring SME owners
4. In-depth, semi-structured interviews.
5. Multiple embedded and contextual case studies

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Objective 2 To build capacity for BCCs in partnership with Co-operatives and Mutuals Canada and the co-op sector (SSHRC Connection goals).

- Community cafés with key stakeholders and the general public.
- Presentations to business leaders and provincial government units regarding the conversion option.
- Regular fact sheet-style summaries of the research (in English and French).
- How-to guides in English and French.
- Research dissemination and educational/capacity-building website, social media initiatives, and regular webinars (in English and French)
- Encouraging the formation of a policy committee
- Edited book(s), refereed journal articles, conference presentations, and teaching case studies.
- Building on a national and international network of researchers and co-operative sector developers

Building on Previous International Research by Project Lead Prof. Marcelo Vieta

- Marcelo Vieta's 2020 book: [Workers' Self-Management in Argentina: Contesting Neoliberalism by Occupying Companies, Creating Cooperatives, and Recuperating Autogestion](#)

(Historical Materialism Series, Brill/Haymarket Book) (on research conducted between 2005 present)

- [The Italian Road to Recuperating Enterprises and the Legge Marcora Framework: Italy's Worker Buyouts in Times of Crisis](#)

Research Report No. 016|14, EURICSE.

European Research Institute on Cooperative and Social Enterprises (Euricse),
Federazione Trentina, Legacoop, y Cooperazione Finanza Impresa (2013-2016)

Three Types of Conversions

- **Labour-conflict conversions** (Argentina, Brazil, Uruguay, parts of Europe).
 - Emerge from some sort of conflict between capital's overseers (owners/managers/the state) and workers.
- **Negotiated conversions** (Italy, France, Spain, Quebec).
 - Emerge from negotiations between workers/unions, the cooperative sector, the state, and, in some cases, owners/managers. They are guided by clear laws and regulations, with support from the state and the cooperative or union movement. They can also be succession projects as in France, Spain, Italy, US, and some Canadian cases.
- **Partial conversions, not led by workers or not leading to complete workplace democracy**
 - **Conversions/transfers from or by the state to workers' control**
 - From state-owned enterprises or nationalized entities (Cuba, Venezuela).
 - From expropriations of private enterprises by the state to workers' control (Venezuela, and early years of the Russian, Chinese, and Cuban revolutions).
 - **Employee share ownership plan (ESOPs)** (US, UK, Canada). Not usually coops (and not fully recuperated to workers' control) since workers co-own but do not have administrative rights.
 - **Worker shareholder cooperatives** (Quebec), some French SCOPs, Spain's *sociedades laborales*
 - **Management buyouts or conversions**

Is There a Canadian Model of Conversions?

- Likely a combination of the above, but not necessarily leading to worker coops but multiple coop types, & also ESOPs (i.e., Nanaimo Forest Products, Algoma, etc.)
- Although contextual, more likely to occur by these factors:
 1. Firms that are experiencing crisis and that need committed purchasers who will make a go of it (employees)
 2. In labor-intensive sectors (low capitalization needs), but not necessarily only so (consider Mondragon, and many examples in Argentina and Brazil)
 3. With strong inter-firm sense of solidarity and community networks
 4. Where workers' have a strong geographic and sectorial situatedness
 5. With strong bonds among staff in intra-firm social networks
 6. With some sort of stable enabling environments
- One need in Canada is for strong policy and enabling environments, as in Europe (Spain, France, Italy).
- Our research, in collaboration with the CMC, CWCF, Co-opsFirst, is working on this.

How Conversions Happen in Canada...

1. Create a **steering committee** comprised of interested parties
2. Complete a **feasibility analysis** – given the type of business, is it possible to convert to a cooperative?
3. Sign a joint commitment letter with the employees indicating the intention to convert the business to a cooperative business
4. Develop a **conversion plan** together with interested parties
5. **Get expert training and advice** - connect with a co-op advisor such as CQCM, CCIF, Co-operativesFirst, CoopZone, or the Canadian Worker Cooperative Federation
6. **Determine business value** via a qualified valuator
7. Develop a preliminary financing plan – how will the employees buy the business?
8. Develop a **cooperative business plan** – what will the new business model look like?
9. Develop a **succession plan** that transfers responsibility over time – longer succession plans allow for transfer of knowledge and expertise
10. Develop a relevant training plan to transfer knowledge and owner expertise
11. Incorporate as a cooperative (provincially, nationally, or both)
12. Develop a **cooperative governance** plan, bylaws, and train leadership skills
13. Provide **ongoing training** throughout the conversion process

How Conversions Happen in Canada...

The resources available in Canada (a “hodge-podge” approach)

-  CWCF's Tenacity Works
-  Canadian Cooperative Investment Fund (CMC initiated)
-  Community Bonds via RRSPs and TFSAs
-  Social Impact Bonds, if applicable
-  Regional Community Economic Development funds from Federal and Provincial governments
-  Workers' savings
-  Credit Union micro loans and other community investment vehicles
-  Usual business funding – must build a sound business case, hard to get for workers

Meanwhile, in Quebec...

- “Reprenneur d’entreprise” – related to “recuperation of firms” in Latin America
- Conseil québécois de la coopération et de la mutualité (CQCM – publishes guides regarding the conversion of enterprises.
www.cqcm.coop/site/assets/files/1435/avantages_de_la_cooperation_pour_cedant.pdf
- Réseau de la coopération du travail du Québec (Réseau COOP).
- Coopérative de développement régional du Québec. www.reseau.coop/
- Centre de transfert d’entreprise du Québec (CTEQ). www.ctequbec.com/
- Investissement Québec and the Caisse d’économie solidaire – indirect involvement, financing solutions for conversions to coops.

What Needs to Be Done to Bolster and Consolidate Canada's BCC Ecosystem?

- A national framework for conversions to coops (as in Spain, France, Italy).
- An advantageous regulatory environment (taxation, formation, and transition rules) (as in Spain, France, Italy).
- Could fall into a broader social and solidarity law of some sort (as in QC, Spain, France, Belgium, Italy, etc.).
- Promotion targeted to business owners.
- Easier access to professional technical assistance (legal, accounting and developmental) (Italy's CFI, for eg.).
- Access to capital (Italy's state/coop sector Legge Marcora model, for eg., or US's new Work Act - \$500 million in soft loans for ESOPs and worker coops).
- A strong federation/association for mutual support and aftercare (as with Europe's coop confederations, for eg., or US's new act including \$45 million to expand employee ownership centres).
- Access to ongoing business advisory and support services (Italy's CFI, for eg.).

Source: Employee-Owned Co-operative Business Succession Program (by the Canadian Worker Co-operative Federation (CWCF): 2018) and CoopConvert Project

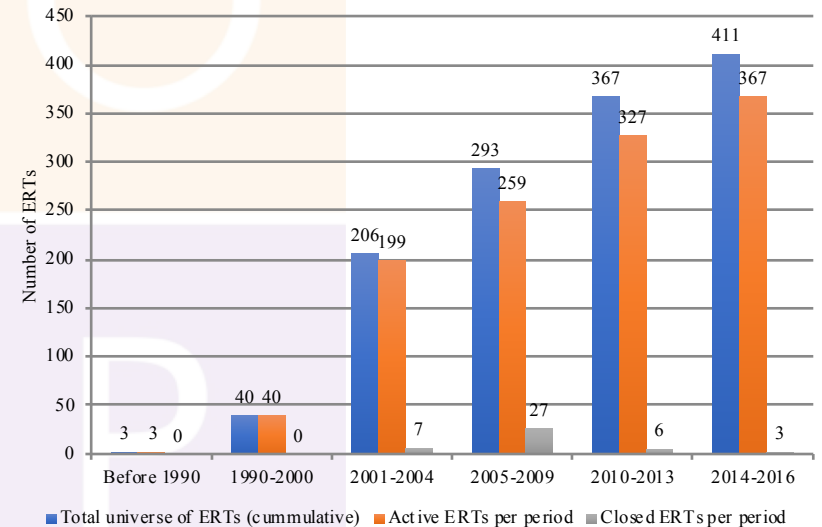
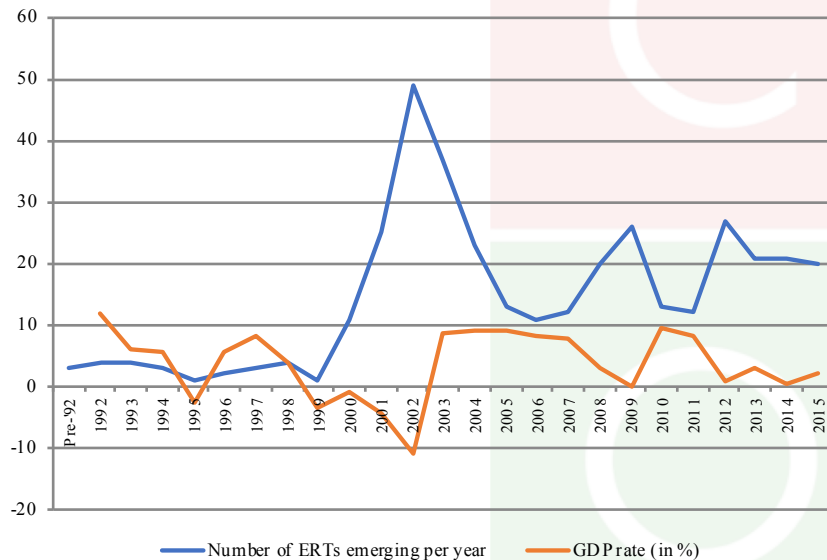
A Labour-Conflict Conversion Model

Argentina's *empresas recuperadas por sus trabajadores*
(worker-recuperated enterprises, or ERTs)



A Labour-Conflict Conversion Model

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A Negotiated Conversion Model

Italy's "Legge Marcora" Worker Buyouts "Legge Marcora" (L. 49/1985)

Workers

- Non-state employees have right of first refusal to buy companies in crisis.
- Workers can fund the worker buyout (WBO) in part through their savings, work credits and / or advances from their unemployment insurance.

The cooperative movement

- Assists in capitalizing the WBO and consolidating the new cooperative by financing shares or loans through the "fondo mutualistico," a cooperative development mutual fund composed of 3% of yearly net income of all Italian cooperatives and most of the assets of dissolved cooperatives.
- Financial investors made up of second-tier coops, other social economy businesses, or other legal persons can invest in and become temporary members of the financed worker cooperative

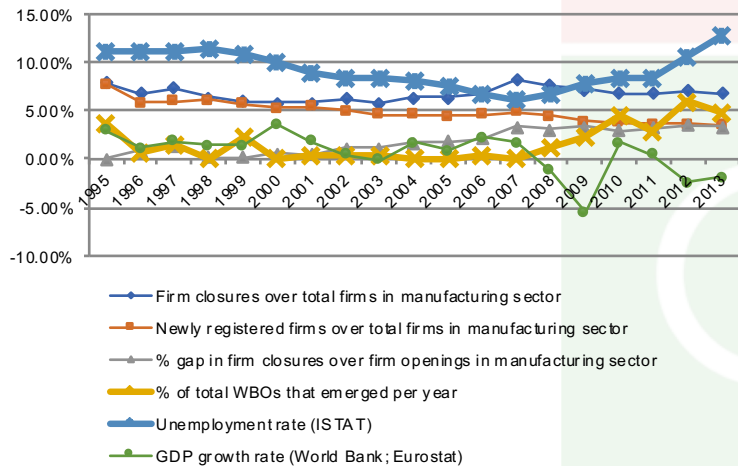
The Italian state

- The Italian state invests in the workers' purchase of the company and the improvement of the machines. Through two funds: soft loans (Foncooper) and venture/share capital (Special Fund). The state investment must be proportional to the capital contributions of the workers (1:1)

Italy's Worker Buyouts

We found the emergence of “WBO clusters” in the “Made in Italy” regions with industrial districts of SMEs in the centre and northeast of Italy.

- Between Parma and Bologna
- Region of Lombardy
- Province of Florence
- Province of Ancona
- Region of Veneto
- Province of Rome
- Most recently: In Sicily and Campania (from transfer of mafia-confiscated businesses)



Three Types of Italian BCCs

WBOs emerging from firms in crisis
(negotiated ERTs)

- Scalvenzi (Brescia, Lombardia)
- Art Lining (Reggio Emilia, Emilia-Romagna)
- Infissi Design (Reggio, Emilia, Emilia-Romagna)
- D&C Modelleria (Padova, Veneto)
- Fenix Pharma (Roma)
- Ceramica Idealscala (Pordenone, Friuli-Venezia Giulia)

WBOs emerging without
company crisis (negotiated ERTs)

- Arbizzi (Reggio Emilia, Emilia Romagna)
- Calcestruzzi Ericina Libera (Trapani, Sicilia)





Non-WBO worker-led takeovers of
companies in crisis and in situations
of conflict (labour-conflict ERTs)

- Ri-Mafflow (Milano, Lombardia)
- Officine Zero (Roma)

Advantages of BCCs: For Owners (1)

- By selling to employees—“those that know well the enterprise”—exiting owners may be able to attain the desired and best price for the firm.
- In the absence of a new business owner, employees might be the only stakeholders able to “retain the know-how,...markets” and value of the firm after the owner’s departure from the business.
- Selling to employees prevents the firm from falling into the hands of competitors.
- There is a positive “emotional dimension” to knowing that jobs will be maintained by the employees that the owner knows.

Advantages of BCCs: For Owners (2)

-  A more gradual and smooth business transition might be guaranteed with a WBO with “less negative consequences that can preserve” the “history and identity” of the firm.
-  Employees are already familiar with the business, customers, and the “functioning of the enterprise.”
-  “Collaboration with clients, banks, and suppliers is not interrupted.”
-  The development and sustainability of the territory is potentially maintained, preventing the “desertification of some regions” from a business’s closure or move.

Source: CECOP-CICOPA Europe (2013) and CoopConvert Project

Advantages of BCCs: For Workers and Communities

- Jobs are saved.
- Capital and businesses stay local.
- The worker cooperative business form can strengthen the “financial stability of the enterprise” since “worker members are motivated by the cooperative results.”
- Workers intimately connected to local communities and are less likely to sell off or close the business.
- Worker coops ride out moments of crisis much better.
- Coop federations & other institutional organizations (as in Italy, France, and Spain, Quebec, etc.) provide additional business support structures and financial mechanisms that worker-owners can tap into, giving them further competitive advantage.

Much added value for workers and communities

Growing Evidence of Worker Ownership & Control: More Locally Rooted Businesses, Happier Workers

- Workers in worker-managed firms do invest in the long-run (i.e., the longevity of LMFs in Spain, Italy, Argentina, the Mondragon coops, etc.).
- Argentina's ERTs; French and Italian ERTs; Spain's sociedades laborales; Mondragon; and the Yugoslavian model show that capital-intensive sectors can also be run very successfully by workers (Horvat, 1982; Vanek, 1970, 1975; Vieta, 2019/2020).
- LMFs are as productive—and sometimes more productive—than capital-managed firms when all factors of production held equal (Dow, 2003; Howard, 2000; Vanek, 1977).
- Democracy in the workplace does not have to trump productivity (Borzaga, Depedri, & Tortia, 2010; Cornforth, 1983; Dow, 2003; Estrin & Jones, 1992; Vieta, 2019/2020).
- Efficiency needs to be reassessed with new values, where pro-social factors become efficiently achieved, not just profits (Borzaga, Depedri, & Tortia, 2010; Borzaga & Galera, 2012; Vieta, 2018).
- Worker happiness and well-being indicators are much higher in LMFs. Healthier workers means better products, more productivity, less crises, and healthier communities (Oakeshott, 1990; Borzaga & Tortia, 2009; Erdal, 2000; Pérotin, 2006, 2012; Wilkinson & Pickett, 2011).



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