

Integrating Social Enterprises with a Co-operative Model
A Case Study and its Implications

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Unemployment, poverty, and disability are issues traditionally addressed by churches and charities. They are now more often dealt with by government-supported agencies. The argument of this paper is that solutions to these issues can more effectively be addressed through social enterprises and co-operatives where those with special needs are empowered to work together, and with others in the community, to find employment solutions that lift people out of poverty and assist them to become able citizens.

Common Ground Co-operative is a case in point. As a non-profit, charitable co-op, the Members have the sole purpose of supporting business enterprises. These are social enterprises that provide sustainable, long-term employment to people who have various kinds of developmental disability, intellectual challenges or autism.

Located in downtown Toronto, Common Ground is possibly the only Canadian Co-operative that has, as its main focus, support of social enterprises organized as business partnerships. In this paper I will describe how this integrated model, twelve years in development, works for more than 60 business entrepreneurs, apprentices and students, all of whom are people with disabilities who are in, or are preparing for, long-term self-employment. I believe that this Co-op model is applicable to other marginalized populations. It effectively overcomes several problems often faced in the establishment of social enterprises with people from marginalized populations.

The project began when my family obtained an innovative funding grant from the Ontario government in 1998. We used the grant to hire a part-time job coach to set up a bakery and food service business for our daughter, Cathy, and two of her friends, all of whom have developmental disabilities. Community Living Toronto, a social service agency addressing needs of people with disabilities, provided to us the free use of a kitchen in a group home. Within two or three months of opening, the business began to take off, with friends and neighbours, and the organizations they belonged to, ordering batches of cookies or sandwiches. Our three workers did the baking and food prep and then delivered the orders by Toronto Transit subways and buses. At the end of each month we paid the job coach from the grant and we divided up the business proceeds among the workers.

Our three workers were beneficiaries of the Ontario Disability Support Programme, known as ODSP. They received monthly benefits cheques. They had to report their additional income and there was a limit at that time as to how much they could earn. We considered organizing as a worker co-op. But that proved not feasible because minimum wage standards apply to worker co-ops. Even if our workers had reached that level of pay, they would have lost their government benefits, including dental and medical coverage.

We decided instead to organize as a business partnership. We registered the partnership with the Ontario government.¹ Minimum wage standards do not apply to a business partnership because it is a form of self-employment. As business partners, our workers divided the proceeds of their earnings among themselves according to the number of hours they worked. We drew up a legal Partnership Agreement and four workers signed it in December 1999. Within a few months, we had formally registered Lemon & Allspice Cookery as a Business Partnership with the Ontario government. The owners' names were those of our workers.

The Business Partnership model offered an opportunity, because it opened the way for the workers, or Business Partners, as we call them now, to begin to take responsibility for the business through regular meetings where decisions about products, suppliers, promotion, work hours, etc., could be discussed together. The Job Coach facilitated this practice and this opened the door to greater empowerment of our Business Partners. As Lemon & Allspice Cookery grew, more people who have disabilities joined the Partnership. In the year 2002, eight Partners signed a new Partnership Agreement. In 2009, more than fifty Partners signed revised Partnership Agreements in four distinct Business Partnerships: a food catering business and three snack bars.

We realized quite early on that, if the Business Partnership were to succeed, we would need a supportive body that would involve people from the wider community. We decided, in consultation with our lawyer, to establish a non-profit cooperative with the purpose of raising funds to provide services to the Business Partnership. We easily found five people from the wider community who were willing to help start the co-op. In September 2000, we had our first Board meeting and adopted the name Common Ground Co-op. We then developed a Services Agreement that became a legal contract between the Co-op and the Lemon & Allspice Cookery Business Partnership.

The services provided by the Co-op included financial management, marketing, and administration. Administration included the Board's responsibility to hire supervisory staff to oversee Job Coaches who worked *with* the Business Partners on a daily basis, not as managers but as assistants to help the Partners to run their businesses. In return, the Board has the right to charge fees to the businesses for these services. The Partners pay these fees (5% of proceeds) out of their business profits. Board officers and two reps from each Business Partnership are signatories to the Services Agreements. The Business Partners are represented on the interview committees that hire the job coaches. The Co-op Board hires the Executive Director who employs other senior staff.

¹ A Canadian business partnership exists when two or more persons, whether individuals or corporations (or a combination of both), carry on business in common with a view to profit. Each of the individual partners has ownership of the business assets, is responsible for the liabilities of the partnership, and has authority to run the business. Google: Business Partnerships in Canada – Canadian-Lawyers.ca

This basic structure has worked successfully for over twelve years and is still going strong. Today, Common Ground Co-op supports fifty-three established Partners with disabilities in long-term employment in four Business Partnerships. The Partnerships together serve hundreds of customers in various parts of the city of Toronto through catering and retail sales. The model has implications for social enterprises of many kinds, with a variety of target populations.

Ontario's Ministry of Community and Social Services began providing permanent core funding to the Co-op in 2004. The Co-op annual budget is in the range of \$500 000. The Co-op raises at least \$200 000 each year from foundations, corporations and individual donations. The Co-op maintains a Membership of 100 to 150 people. Some of the Partners and families of Partners are Members, but the majority of the Members are from the wider community. They join because they want to contribute to better employment for people with disabilities. Many of them contribute their time, money, energy and expertise to help make the project grow.

Common Ground recently has taken a step in the direction of becoming a multi-stakeholder co-operative. Beginning in 2010 Business Partners elected a voting representative to the Co-op Board of Directors, further empowering them and increasing their influence within the overall organization. The Co-op emphasizes long-term career employment and many of the Partners have worked in the Partnerships for five to ten years. For them, the businesses are their career.

Job Coaches and established Partners in each business provide initial and ongoing basic training in the food trade for beginners. Apprenticeships of three to six months are required before Partners decide whether to admit newcomers into full Partnership. Beyond the Apprenticeship Programme, a major part of the work of the Co-op has been the introduction of courses for the Business Partners in business and financial literacy, democratic processes, marketing, and community involvement. Community Colleges have partnered with the Co-op, and foundations have provided funds, to help build the community participation of the Partners and the business profile of the Partnerships.

The Common Ground Business Partnership model allows marginalized people to earn income to supplement the benefits they receive. It offers flexibility in hours and shifts worked to accommodate various health issues. The model also provides long-term employment, and overcomes the isolation factor present in many mainstream employment placements. It provides many opportunities to integrate into the community. It creates empowerment not seen in mainstream job placements. Our model allows marginalized people to work together and to take mutual responsibility for most aspects of the work they do together.

Common Ground Co-op is at the heart of an innovative model of employment for people who live on the margins of our society. To sum up, there are five essential components of the project: The ***Co-op*** provides fee-for-service support to registered ***business partnerships*** established as ***social enterprises***. It provides staff and ***educational programs***, and ***government*** has taken a major role in funding.

One additional component, very important to Common Ground, has been the *Ontario Co-op Association* (ONCoop), providing strong links to other co-ops throughout the province and beyond. (See points #4 and #5 just below.)

The Common Ground Business Partnership model can help social enterprises to be successful in meeting social needs AND in growing their businesses.

What are the advantages to social enterprises of an integrated Co-operative model?

A Co-op, or group of co-ops, that supports social enterprises can overcome some of the drawbacks of small struggling social enterprises in the following ways:

1. A Co-op can be a non-profit charitable organization. A social enterprise, registered as a business, cannot.
2. A Co-op can attract volunteers from many sectors of society. Volunteers as Members can bring expertise in banking, investment and marketing.
3. Co-op Members can bring resources for supportive services such as business planning, policy design, advocacy, information and communication.
4. Co-ops supporting social enterprises can link together to support research that will illustrate to the government how social enterprises contribute to the economy by creating employment and building social value.
5. Co-ops, meeting under a provincial Co-op umbrella
 - a) “can establish small working groups that represent to government the concerns and aspirations of the larger network of social enterprises
 - b) can develop short-term actions that demonstrate the social economy’s value to government mandates – for example, an anti-poverty focus.
 - c) **can bring the entire social economy forward to government as a public policy solution or partner.”²**

On a smaller scale...

A Co-op can support a social enterprise that brings together marginalized people to work together to earn income to supplement their government benefits. Out of its business earnings, the social enterprise can pay moderate fees to the Co-op for services they need and cannot provide themselves. A small Co-op like this can provide services as listed above and join with other like Co-ops to help create a movement.³ The Ontario Co-op

² Guy, Denyse and Jen Heneberry, “Social Economy in Practice” in J.J. McMurtry, *The Living Economy*, p. 256

³ J. J. McMurtry emphasizes the importance of creating a movement among social enterprises. “...the social economy exists to meet the human needs of those excluded from the dominant system of market capitalism.” An effective social economy is not “isolated activities plugging the gaps of the existing economic system”. It is rather “a movement toward economic and social change”. McMurtry states that it is “only by creating a movement can the social economy meet the demands posed by its definition by becoming more than the sum of individual organizations....” It must become “a movement for ethical economic practice.” We must “move away from a taxonomy approach and move toward a normative understanding focused on the life-needs of the actors within it.” The most important aspect of a movement is to prioritize “the social well-being of communities and marginalized individuals over partisan political directives or individual gain.” pp.29-30

Association has helped Common Ground Co-op to relate with other co-ops and social enterprises where mutual gains have been developed. Because Co-ops are already part of an international movement, we believe that integrating co-ops with social enterprises and with other co-ops, as we have done in a small way at Common Ground Co-op, can only help to strengthen the social enterprise movement.

Marginalized people can come together in business partnerships to create work that brings them income supplemental to government benefits. They need financial and organizational help and training to do this. Volunteers from the community or social service organizations can form a non-profit Co-op with charitable status. Because this Co-op can qualify as a job training organization, the government can provide the funding for coaching to the Co-op. The Co-op, in conjunction with the potential business Partners, hires administrative staff and Job Coaches. Coaching can be long term for some groups and interim for others.

Recent research on co-operatives, social enterprises and the economy supports integrated models like the Common Ground model.

Guy and Heneberry, discuss five key challenges for social enterprises:

- 1 Lack of expertise, knowledge and competence among social enterprise managers
- 2 Access to capital and investment
- 3 Access to expanded market opportunities
- 4 Support from an intermediary organization
- 5 Stronger links with research endeavours.⁴

Common Ground Co-op, at its best, has been able to find and utilize expertise, knowledge and competence in its selection of board members and executive director. Co-op Members are a source of ideas for new customers and expanded markets as well. Common Ground and other like co-ops can act successfully as intermediary organizations between social enterprises and community resources. Constituted as non-profit organizations helping to create employment, Common Ground and other co-ops can also access government funding. We cannot overestimate the value of the support of the Ontario Co-op Association to the growth and development of Common Ground Co-op. The OCA is our link to the co-op movement.

Kama Soles, in her excellent thesis on co-ops and disability, states, “The social model of disability addresses issues such as the under-estimation of the potential of people to add economic value to society. There has to be a different way of looking at social enterprise, that it can replace gov’t programmes but still needs funding. Social enterprise and co-ops

⁴ Guy, Denyse and Jen Heneberry, “Social Economy in Practice”, in J. J. McMurtry, *The Living Economy*, p. 243

are assets to society. Co-operatives are an excellent way to integrate people with disabilities into society.”⁵

John Restakis, in his recent book, *Humanizing the Economy* outlines six factors essential to create a social market. He goes beyond just capitalization of co-ops. He has studied the many problems faced by provincial and federal governments in delivering health care and social services to a growing and aging population. He states that these problems could be addressed effectively by shifting these government responsibilities to democratically structured civil institutions. The government would retain its role as a prime funder (but not the only funder) for these services. This is precisely what has happened in the case of Common Ground Co-op.

But, “social care organizations must have the legal ability to raise capital from among users and from civil society more generally on the basis of social investing. Within a social co-op, both users and community members would be able to purchase capital shares for the purpose of capitalizing the co-op. These shares would yield a limited return to ensure democratic control by co-op members. As social investments, these capital assets would not be taxed as income.”

There is reason to believe that if the Ontario government would allow investment in the co-op or, indeed in the Business Partnerships, that not only would Common Ground be enabled to establish additional business partnerships, but also other communities would be able to replicate our model. We have had many requests from groups wanting to replicate our model. A major grant from the Toronto Community Foundation has allowed Common Ground to begin to make an effective response to these requests.

How would capitalizing co-operatives resolve the funding pressure on a co-op like Common Ground? Most immediately it would relieve to some extent the imperative of raising funds, the endless research required in writing applications and waiting for results. Capitalization would allow more effort to go into developing new markets for the business partnerships. In fact, some capital investment might come from a few of our regular customers, who have yet to be brought into our multi-stakeholder Co-op.

John Restakis believes that “social capitalization requires the creation of a social market exchange based on the principle of reciprocity. Surpluses generated by the social market should be considered, at least in part, as social assets. All social care organizations using public funds would establish an indivisible reserve for the expansion and development of that organization and its services. The primary role of government would be to continue to provide public funds for social care services and to establish the rules of the game. In partnership with service deliverers, caregivers and users, the state would regulate and monitor service delivery, establish service standards, license service providers and enforce legal and regulatory provisions. But the government would be relieved of the oversight of day-to-day operations and programmes better developed by communities.”

⁵ Soles, Kama, “Empowerment Through Co-operation: Disability Inclusion via Multi-Stakeholder Co-operative Development.” August 2010.

Restakis states: “In principle, the co-operative method of production, unlike the capitalist, satisfies numerous human needs: for meaning, control, and social responsibility as well as quality goods and services. To make use of this built-in advantage, however, co-operatives have some serious learning to do. They must recognize how co-operatives thrive in federation, not in isolation, and how the networking of co-operatives can achieve greater scale without impairing workplace democracy. They must target the burgeoning sector of relational services (health and social services especially) where co-operative commitments to mutual aid and reciprocity leave capitalism utterly outclassed. Finally, co-operatives must explore the business models with which this Information Age is now toying: networks of small units with flat hierarchies and consumer participation in the productive process. While they often do not take the legal form of a co-operative, these experiments exemplify the spirit and purpose of co-operation.”⁶

Common Ground Co-op has broken “new ground” in a very small way. Yet it opens possibilities for others struggling to bring success to social enterprises. CGC Members can work with other co-ops, to create a stronger movement toward the implementation of the ideas presented in the research found here.

⁶ Restakis, John, *Humanizing the Economy, Co-operatives in the Age of Capital*, New Society Publishers 2010, pp. 112-14

