Co-operative Employee Partnership Program

Description

In one sense, the Co-operative Employee Partnership Program is a very specialized business development program arising from a complex partnership among Nova Scotia's Department of Community Services, individual co-operatives, the Credit Union Central of Nova Scotia, the Regional Cooperative Development Center (RCDC), other provincial departments and other co-op actors. However, while its structure in Nova Scotia depends upon provincial government assistance, the general principle does not require government partnership. So the model is presented here as a CED tool that could be deployed anywhere. Essentially it involves the sponsorship by a successful co-op of a totally new business that is organized, manned, and owned primarily by former social assistance recipients or other job-needy residents.

In the Nova Scotia model, the sponsoring co-op identifies a business opportunity, gets the feasibility determined by an outside consultant and the Credit Union Central (as an in-kind contribution to the enterprise), and gets referred to it a cadre of potential owners who have been screened by the Department of Community Services. The sponsoring co-op also offers initial management services to the new venture (at a fee capped at 10 percent of sales, as well as some profit-sharing as agreed to by the new venture's board).

The Department of Community Services provides each worker-owner with an equity of $20,000, repayable from the venture's earnings. If the business requires more equity than that, it will be organized as a joint venture with other equity holders. RCDC manages the entire process and makes the final decision on implementing the new business.

The sponsoring co-op maintains the managerial contract with the new business until the workers have repaid their equity allowance to the Department of Community Services; it may continue managing thereafter but only upon a new agreement with the now full-fledged owners of the new co-op. Another critical and on-going support to the business is an initial training program in operations and management for the workers and thereafter an annual supplement of 50 hours of training for each worker.

The basic elements of this business creation process are:

- a highly experienced business/sponsor (a successful co-op) that fully vets the new business opportunity and agrees to manage it in its early stages at a reasonable cost;
- a financing scheme that offers equity to workers, on a repayable basis;
- a careful screening and training program; and

- effective co-ordination and direction of all elements to the point of launching the venture.

Benefits

The major pay-off of this inventive financing and job creation process is the employment of people who have suffered from joblessness even to the point of being on social assistance. The full array of indirect benefits accrue to the community when it is home to a new business that is so carefully launched and when previously unemployed individuals begin spending their expanded income from employment.

Major challenges

To use this technique for job creation requires partners who are willing to make a substantial contribution to job creation. That implies that leadership and collaboration is at a high level in the whole process. A somewhat similar business development approach was invented in 1978 with social assistance capitalization by the municipality of Halifax, under sustained and innovative leadership and collaboration. (See Community-Owned Venture Development.) This history, as well as that of the Co-op Partnership Program, definitely demonstrates that leadership is the prime element in this ambitious sort of activity.

Some practical steps

1. Gather together a set of representatives of organizations which can contribute to one or more of the basic elements, as cited above.
2. If it turns out that potential contributions to all elements are not included (for example, there is no organization ready to provide the initial capital), the next task will be to recruit such an organization, using the commitments of all the other partners as the basic argument for joining up.
3. The potential co-op business and its sponsor should be selected and the process of vetting it begun.
4. As the venture is determined to be in fact a good bet, then the potential owners can be selected and introduced to the venture idea and the opportunity for employment.
5. The training of the new owners is conducted, and the various financial and legal decisions taken.
6. The venture itself is launched under the management of the sponsor, while training continues.

Resource organizations & contacts

Diane Fitzgerald is the key person for this model. She is at the Nova Scotia Cooperative Council, P.O. Box 1872, Truro, NS B2N 6C7 (tel.: 902-893-8966; fax: 902-895-0109). The

Council is now heading up this program and producing other such projects, because the Regional Cooperative Development Center is no longer active in the field.

Publications

*Case Study: "Co-operativism at Its Best." An introduction to CEPP, the self-employment program in Nova Scotia that counters chronic joblessness by integrating government money with the entrepreneurial and community spirit of regional co-ops.