Canadian Co-operatives and Mutuals and the COVID-19 Crisis : A Networked Response

December 2022

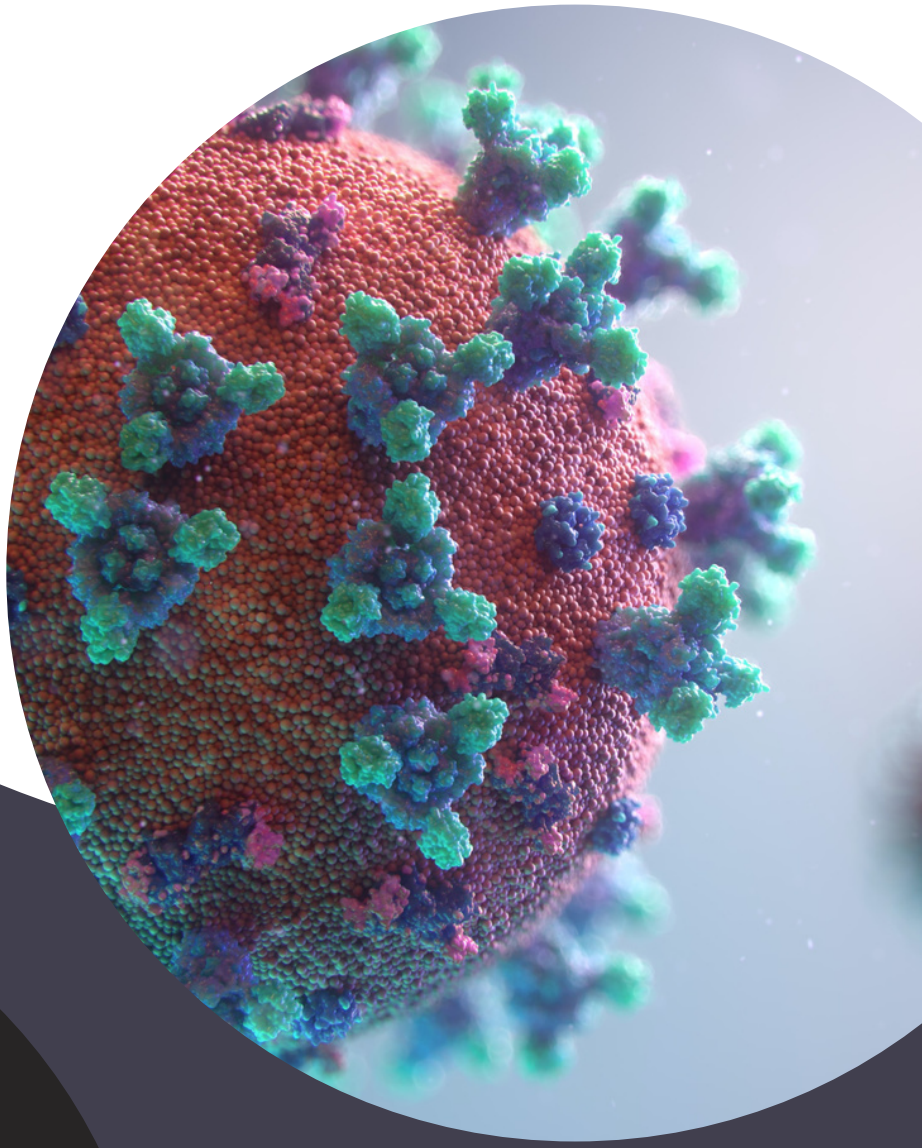

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Table of Contents

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This report was prepared for Co-operatives and Mutuals Canada as part of the project "Impact of COVID-19 on Canadian Co-operatives and Mutuals".

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Introduction

This is a summary report of the research findings about the impact of COVID-19 on Canadian co-operative and mutual enterprises (CMEs) and their response through the first 18 months of the COVID-19 pandemic (2020-2021). The objective is to provide a synthesis of the main results of a research project led by the International Center for Co-operative Management (ICCM), the Institut de recherche et d'éducation pour les coopératives et les mutuelles de l'Université de Sherbrooke (IRECUS) and the Shannon School of Business, on behalf of Co-operatives and Mutuals Canada.

The research was conducted in four distinct parts; three segments have been completed between February 2021 and August 2022[1]. The objective of the first part was to learn through a literature review how co-operatives and mutuals have weathered and responded to most recent previous crises (Merrien *et al.*, 2021). This helped to identify factors and conditions that strengthen the resilience of CMEs in various contexts. The second part documented the responses of Canadian CMEs to the COVID-19 pandemic as described by the media and research reports published between 1 March 2020 and 31 March 2021 inclusively (El-Youssef *et al.*, 2021). This review showed what specific support CMEs offered to their communities, their members, and their workers, sometimes in collaboration with other organizations, and how they adapted their products and services. Finally, a third report presented the results of a national survey responded to by 192 Canadian CMEs (Merrien, Fouquet & Charbonneau, 2022a; 2022b). This survey aimed to understand how the COVID-19 pandemic affected Canadian CMEs in the first 18 months, to learn what measures were taken to respond to the crisis and to identify the support they offered and received during this period. The whole process was complemented by key informant interviews from different provincial co-operative federations and associations across Canada.

Research points to several factors that influence the resilience of co-operatives in times of crisis, i.e., their capacities to withstand disturbances and survive (Ruiz-Marin, López-Paredes & Wainer, 2018).

[1] A report outlining the economic impact of Canadian co-operatives and mutuals prior to the COVID-19 pandemic, in 2019. See the Annexe I for an overview of the report. Subsequently, when 2020 data is available, another report will provide a comparison of the two years (2019 and 2020).

Introduction

Most of them are related to the specific structure of the co-operative model, featuring three main differentiating characteristics: people-centred businesses, joint ownership and control, and democratic governance (Novkovic & Miner, 2015; Miner & Novkovic, 2020). Other elements from the meso and macro levels (Eum, 2012), namely co-operative networks, favourable policy environment and economic trends, are also highlighted as reinforcing resilience factors. The results of our research align with these conclusions.

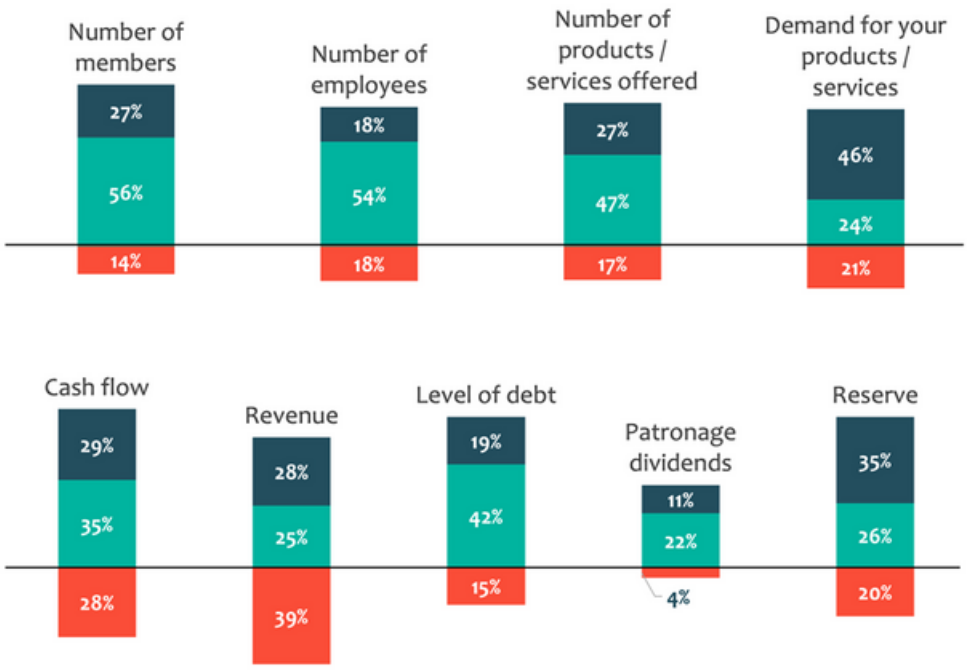
This report presents the following key findings of our research in terms of the impact of COVID-19 on Canadian co-operatives and mutuals:

- CMEs remained relatively stable during the first 18 months of the pandemic;
- CMEs have demonstrated solidarity with their stakeholders;
- Government programs and co-operative networks have strengthened the capacity of CMEs to weather the crisis.

Stability During The Crisis

CMEs share similar resilience factors at the organizational level, but do not necessarily react in the same way to crises. Nevertheless, the major findings of our research reveal that despite the pandemic, most co-operatives have reported stability when comparing the end of the fiscal year 2020 to the end of the fiscal year 2019 (Figure 1).

Figure 1. Self-reported comparison of the situation of Canadian CMEs at the end of the fiscal year 2020 to the end of the fiscal year 2019[2]



[2] Survey respondents could also indicate “Does not apply” and “Unsure”. These response choices are not included in this figure. Please note, however, that 57% of the respondents chose the “Does not apply” option when asked about patronage dividends. It could either correspond to CMEs that did not distribute patronage dividends in 2019 and 2020 or to non-profit co-operatives, such as housing co-operatives (25 out of the 35 respondents from real estate and rental and leasing sector chose that response choice).

Stability During The Crisis

More precisely, about half of the respondents to the survey reported an increase in the demand for their products and services, especially in the wholesale and retail trade sectors, healthcare and social assistance, information and cultural industries, and professional, scientific and technical services. We can hypothesize that the reasons behind this increase in the retail, healthcare and social assistance sectors come from the general increase in demand for essential products and services. Half of the respondents from the arts, entertainment and recreation sector, as well as those from the “other services – except public administration” sector, reported a decrease in demand and revenue. This decrease can likely be attributed to the fact that those services were unable to operate or with a restrained capacity due to sanitation and distancing requirements.

When comparing the results obtained through our survey to those of Canadian businesses as a whole, we find that a greater proportion of our sample of CMEs has seen an increase in revenue (30%) than Canadian businesses (17%), over similar periods (Table I)[3].

[3] There is no significant pattern among CMEs having reported increased revenue in our survey: they are found in every Canadian region and in different business sectors.

Stability During The Crisis

Table I. Impact of COVID-19 on the revenue of Canadian businesses and CMEs

Entities / Variables		Businesses with employees* (N = 1.3 M) Aug 2020/Aug 2019	Surveyed CMEs with employees (n = 155) Dec 2020/Dec 2019
Revenue	Increase	17%	30%
	No change	26%	23%
	Decrease	57%	41%

*Source: Statistics Canada, 2020a, Canadian Survey on Business Conditions: Impact of COVID-19 on businesses in Canada, third quarter 2020, https://www.northbay.ca/media/q21li2c0/2020-11-17-impact-of-covid-19-on-small-businesses-in-canada.pdf?v=637521761938700000

Similarly, the percentage of CMEs with employees that reported permanent and (or) temporary layoffs is slightly lower than the percentage of Canadian businesses with at least one layoff, even though CMEs reported on a longer period. The same observation applies to layoffs by employment size (Table II). In each case, the percentage of CMEs with permanent and (or) temporary layoffs is similar to but constantly lower than that of all Canadian businesses. Moreover, only 7% of the surveyed CMEs with employees reported permanent layoffs during the 18 first months of the pandemic. The introduction of remote work (71%) is part of several employment-related measures taken by these CMEs[4] that may explain, in part, this low level of permanent layoffs. While our sample may not be representative of the whole co-operative and mutual sector in Canada, these results reinforce our findings about CMEs' stability during the pandemic. Analysis of the complete statistics for the co-operative and mutual sector in Canada in 2020 – when they become available - should give us a more complete picture of the situation.

[4] For more information about other employment-related measures taken by CMEs, please refer to Merrien et al., (2022a).

Stability During The Crisis

Table II. Canadian businesses and CMEs with layoffs since the beginning of COVID-19, by employment size

Entities / Variables	Businesses with employees* Aug 2020/Aug 2019		Surveyed CMEs with employees August 2021/March 2020		
	N	At least 1 layoff	n	Temporary layoffs	Permanent layoffs
1-4 employees	748,804	24.6%	70	14.3%	7.1%
5-19 employees	399,959	48.5%	47	36.2%	6.4%
20-99 employees	145,299	58.4%	25	48.0%	8.0%
100 or more employees	26,145	50.5%	13	23.1%	7.7%
Total	1.3 M	36.5%	155[5]	27.1%	7.1%

*Sources: Statistics Canada. Table 33-10-0279-01 Layoffs since the start of the COVID-19 pandemic, by business characteristics; Statistics Canada. Table 33-10-0267-01 Canadian Business Counts, with employees, June 2020.

[5] 3% of the respondents indicated that their organization did both permanent and temporary layoffs.

Stability During The Crisis

Membership[6] is a distinctive characteristic of co-operatives. 83% of CMEs reported that their membership numbers either stayed the same or increased during the first 18 months of the pandemic. However, maintaining relationships with members was repeatedly named as one of the greatest challenges encountered by CMEs during this period. CMEs in our sample used different measures to maintain relationships with their members, including online training or conferences, consulting members on urgent decisions and involving members in the co-operative's activities related to COVID-19.

All responding co-operatives moved to online meetings with board members and hosted their Annual General Meeting (AGM) virtually. This was a challenge due to legal obstacles, besides technical issues. Co-operative federations and associations (CFAs) played an important role in providing support for the democratic functioning of their members. Also, as the media review identified, some CMEs chose to sustain the distribution of patronage dividends to support their members, while others voluntarily decided to suspend the distribution of patronage dividends preferring instead to lower the cost of their products and services. In CMEs, such decisions are made democratically by the members, therefore addressing members' needs as they arose during the evolving crisis.

Overall, Canadian CMEs seem to have come through the first 18 months of the COVID-19 pandemic well, with survey respondents generally reporting little negative impact on their organization. As a result, when completing the survey, respondents were very confident that their organization would still be in operation in the years to come. In fact, 96% were confident that their organization would still be in operation after 1 year and 94% after 2 years. These numbers are comparable to Canadian businesses in general, where only 5.2% reported that they were actively considering bankruptcy or closing because of the pandemic in the third quarter of 2020 (Statistic Canada, 2020a).

[6] Co-operative membership is a governance model - members jointly own and democratically control the co-operative, as it meets their common economic, social and (or) cultural needs as workers, suppliers, or consumers. Co-operative membership is sometimes confused with membership as a loyalty program which may exist in any type of business.

Stability During The Crisis

As presented above, we see that Canadian CMEs showed stability in different aspects. The resilience of co-operatives in times of crisis is often associated with their specific structure and functioning. “The centrality of user-members in co-operatives and co-operatives’ embeddedness in their community and in a global network influence positively their resilience in times of crisis” (Billiet *et al*., 2021, p.99). This also seems to have been the case for the co-operative and mutual sector in Canada during the COVID-19 crisis.

Key structural features of the co-operative and mutualist model can contribute to its resilience (Novkovic & Miner, 2015; Miner & Novkovic, 2020). As people-centred enterprises, the co-operatives’ key assets are their members, employees, and communities. CMEs are geared toward long-term goals (Ouchene, 2015), close to their community and members, with the capacity to mobilize them (Sánchez-Bajo & Roelants, 2011; Eum, 2012). As in previous crises, proximity to members and communities proved important during the pandemic. Care for workers resulted in some employment stability, regardless of the type of CME.

Joint ownership includes indivisible reserves, which provide a buffer in crises. In fact, reserves present a structural factor of resilience and longevity in co-operative enterprises (Navarra, 2016). 68% of all respondents to our survey stated that having sufficient reserves helped their organization better weather the pandemic. Our survey also finds that CMEs maintained (26%) or increased (35%) their reserve levels during the pandemic.

Democratic decision-making structures allow member engagement and mobilization. In fact, 55% of survey respondents in our study asserted that relationships with members greatly helped their organization in better weathering the pandemic. Besides, evidence points to democratic participation as a factor for faster responsiveness in the crisis.

Overall, key characteristics of the co-operative model (people-centered, jointly owned and controlled, democratically governed) seem to have contributed to the stability of Canadian CMEs during the extraordinary circumstances of COVID-19.

Solidarity With Stakeholders

The fact that CMEs are rooted in their communities is often cited as a factor in their resilience (Sánchez-Bajo & Roelants, 2011; Eum, 2012; Leclerc *et al*., 2014; Clément & Bouchard, 2008). During the COVID-19 pandemic, this anchoring also manifested itself in the form of various measures taken by CMEs to support their communities. During the first year of the pandemic, many newspaper articles reported on measures taken by CMEs to ensure the safety of their employees and the continuation of their operations. Various initiatives to ease the negative impact of this unprecedented event on different stakeholders were also reported in the newspapers. In fact, over a third of the 192 respondents to our survey indicated that their organization offered support to their community and other organizations. Below are some of the key observations made during our research.

One of the initiatives most often mentioned by the media is the establishment of funds and the offering of donations to non-profit organizations working with people living in poverty or precariousness, such as food banks, as well as to health workers and health-care systems. Special services, such as free transport and free deliveries, were also offered to vulnerable populations (e.g., elderly, immune-compromised, etc.) and those affected by the virus. Respondents to the survey confirm that donations and in-kind products and services are the main types of support they offered to their stakeholders. CMEs from different sectors of activity and of different sizes (membership and revenue) offered donations, in-kind products and services and even staff time to various community stakeholders. Even so, nearly one-third of survey respondents said they did not provide additional support to their stakeholders – whether members, employees or others – during the first 18 months of the pandemic.

The members and employees of CMEs were not left out. When asked about the support offered to their members, a third of the survey respondents mentioned technical assistance, while a quarter indicated having offered them in-kind products and services. Moreover, the media shows that Canadian financial co-operatives have been quick to offer financial relief to their members and customers, with most of them announcing financial relief measures in the early months of the pandemic. For their part, housing co-operatives reported, in our survey, delaying the payment of housing charges and not increasing rents among the actions taken to alleviate their members' financial stress.

Solidarity With Stakeholders

While less covered by the media, actions taken by CMEs to ensure employees' safety and retention were numerous. Examples of such actions are the adoption of policies for job retention, hazard pay, and financial assistance for employees who have been terminated or unable to work for various reasons. Virtual training and conferences are also among new practices adopted by CMEs, for both their employees and members.

Support From Government Policies And Co-operative Network

In times of crisis, the relationships established with stakeholders can make a difference in ensuring enterprise survival. Organizational features and actions are not enough in themselves: networks, policies or financial support are reinforcing factors of organizational resilience.

Provincial and federal governments were instrumental in helping CMEs face the impact of the pandemic. In fact, 67% of our survey respondents reported they received support from one or more of these orders of government. The percentage of respondents who affirmed they used government programs is similar in every Canadian region – varying between 50% and 60% - apart from the Quebec province, where nearly 9 out of 10 respondents (87%) say they have used such programs, and the Prairie provinces, where this proportion drops to 42%. It is not possible to say with certainty what accounts for the differences observed in Quebec and the Prairie provinces. Based on our results, however, it is possible to formulate some hypotheses regarding the greater use of government programs by CMEs in Quebec. We note that Quebec respondents came from CMEs with a larger number of employees on average and that more than half of respondents from worker co-operatives were from Quebec. Given the significant employment support provided by governments at the beginning of the COVID-19 pandemic, it is likely that the surveyed Quebec CMEs have had easier access to this government assistance to keep their employees on the payroll.

Meanwhile, 57 of the survey respondents, or 30%, reported that their organization did not use any of the government programs established in response to COVID-19. Of these 57 respondents, 24 said they did not need governmental support, while 16 specified their organization did not meet the eligibility requirements. Among the other reasons given for not having used government programs are the lack of resources to apply and the low probabilities of gaining access to the programs compared to the complexity of the application. Our results indicate that small and start-up co-operatives were more likely to be in this situation.

The survey respondents revealed insufficient government assistance in the following areas, which are not necessarily specific to the co-operative and mutual sector:

Support From Government Policies And Co-operative Network

- Financial assistance for the implementation of COVID-19 measures, especially in small- and medium-sized enterprises;
- Support for regular activities and operations (e.g., funds for development projects, employment incentives, etc.);
- Start-up assistance, especially to those not able to show a decline in revenue or that could not yet afford to pay employees, therefore being ineligible for the programs;
- Needs related to sectoral specificities (e.g., recognition of farmers' markets as essential services, support for the provision of health services in small rural communities, easier access to foreign workers, incentives to buy local, etc.)

An important factor in strengthening the resilience of CMEs in times of crisis is inter-co-operation, one of the co-operative principles. Co-operative networks have played an important role during the pandemic having provided mutual aid, training, consulting, and technical assistance, and exemplified overall solidarity.

Co-operative federations and associations (CFAs) have supported their members in various ways, from creating funds dedicated to supporting their members (half of the surveyed CFAs), to advocating to ensure that CMEs and their members are included in government relief measures, to hiring new staff to increase support to members. They helped their members deal with the challenges caused by the pandemic and navigate government programs and restrictive measures and facilitated their transition to digital governance and commerce.

Just over 85% of our survey respondents who reported having received support from a CFA said their relationship with these organizations helped them better weather the pandemic. Even some of the respondents who reported not having received such support felt still estimated that their relationship with a CFA helped them during the pandemic. Arguably, without having received direct support from CFAs, some benefits may remain through these relationships – for example, collective advantages obtained from the integration into a federative structure or from services made available free of charge.

Support From Government Policies And Co-operative Network

Many CFAs offered new programming and forged new partnerships with other associations, with co-operatives, and with the government. Therefore, they also delivered support to their members and communities, enabling primary co-operatives to do the same on the ground and emphasizing that co-operative response to a crisis is a networked response. While some well-resourced CMEs are perhaps able to take on some of the activities listed above themselves, they are most often undertaken by CFAs who do this work on behalf of their member co-operatives and the greater co-operative and mutual sector.

Concluding Remarks

This research aimed to better understand how the COVID-19 pandemic has affected the Canadian CMEs and to learn more about their responses to it. When the research was first launched, we could not imagine that the pandemic would continue for so long. Nevertheless, we were able to cover the first 18 months of the pandemic through media review and a national survey. Soon, 2020 data on CMEs will be released by Statistics Canada, which may further inform our findings. In the meantime, the following points should be noted.

When faced with a crisis, CMEs prioritize business continuity and long-term viability and focus on responding and adapting to their members' needs. They also recognize the importance of their employees and pay close attention to their well-being and safety. While other enterprises faced similar concerns and policy frameworks, the co-operative difference probably lies in the way decisions were made. One-third of the CMEs that responded to our survey report that they consulted their members on urgent decisions, and another third indicate that their members were directly involved in their activities related to COVID-19. Meanwhile, a great proportion of the respondents confirm that their organization made specific efforts to regularly inform their members about organizational status, COVID-19-related actions and government programs. This proximity to members may explain, at least partly, why very few CMEs had lost members in the first 18 months of the pandemic.

Furthermore, our results confirm that the CFAs played an important role during the pandemic, even with co-operatives that did not call on them directly. CFAs offered various types of support concerning the pandemic (information, assistance on government programs, support to digital conversion, etc.), in some cases even going so far as to assign or recruit dedicated staff for this function. Many also acted as intermediaries between the government and the co-operative movement, ensuring that the latter was not forgotten.

One area that came up frequently, both in the literature and media reviews as well as in the survey, was that of emergency funds. Government programs have been of undeniable help to many CMEs in Canada.

Concluding Remarks

That said, some smaller, younger or less well-resourced co-operatives found themselves in a position where they could not benefit from government assistance. Some may have benefited from the financial support offered by the co-operative networks. Recommendations following from our findings are that special attention should be paid to ensure: (1) that CMEs are adequately integrated into co-operative networks as soon as they are formed; and (2) that the eligibility criteria for emergency programs and funds be structured to fit the needs of CMEs. The establishment of co-operative emergency funds could also be considered to deal with future crises.

Finally, only time will tell if CMEs will have been able to survive and/or thrive despite the crisis caused by the COVID-19 pandemic. Further research will be necessary to truly understand the medium to long term impact of the pandemic on CMEs. Detailed provincial and national statistics will be required to assess the evolution of Canadian CMEs in the years to come. Research should also focus on the strategies that CMEs will develop to face future disruptive events, beyond the coping strategies put in place to deal with the emergency of the situation. In this sense, several elements should be of interest to co-operative actors and researchers, such as the characteristics and long-term strategies of CMEs that have fared best during and after the pandemic; the strategies implemented by newly founded co-operatives to survive and thrive in such difficult times; the emergence of new co-operatives as a response to societal challenges unveiled or generated by the pandemic, as well as the longer-term impact of CMEs' activities on community resilience.

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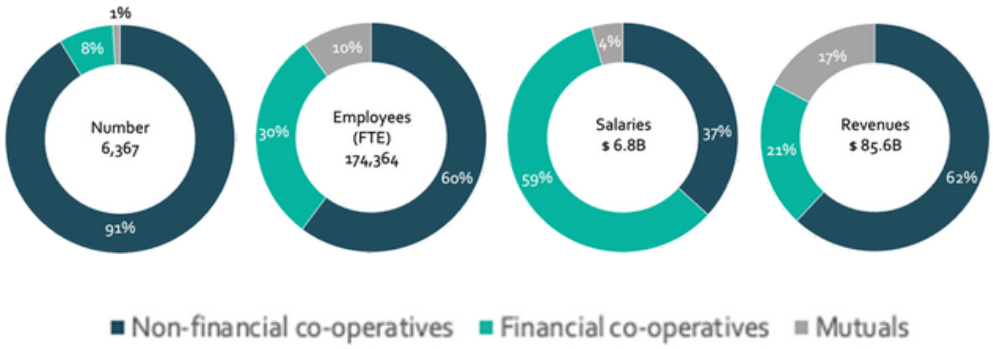
Annexe I

The Canadian co-operative and mutual sector before the COVID-19 pandemic (2019)



The Canadian co-operative and mutual sector is fairly diversified, with CMEs active in almost every industry. However, a higher concentration of CMEs is found in the real estate and rental and leasing industry (43%), the health care and social assistance industry (14%), the other services and public administration industries (9%) as well as in the finance and insurance industry (8%).

Of the 6,367 active CMEs in Canada in 2019, 5,812 were non-financial cooperatives. 64.1% of these were registered as not-for-profit organizations. Only 24 had 500 or more employees, while 3,070 had no employees (52.8%). The remaining non-financial co-operatives (46.8%) were small and medium-sized enterprises, i.e., they had between 1 and 499 employees.

An average of 234 non-financial co-operatives were created annually in Canada between 2009 and 2019.

Sources: Duguid & Karaphilis, 2022; Statistics Canada, 2021