

# Canadian Co-operative and Credit Union Movement In Canada: The Unfolding Story

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As co-operatives become increasingly recognised as a form of enterprise, there are opportunities as well as challenges in embodying the co-operative principles and values in the contemporary business world. The Canadian co-operative movement is an unfolding story with diverse perspectives, promises and challenges. Through an interview with Ms Patrice Pratt, a long-time practitioner, board member and activist in the Canadian and international co-operative/credit union movement, this piece explores the practice of principle number seven, innovative co-operative models of banking, the role of education, the relationship of the Canadian co-operative movement with other social movements, the recent unification of the English and French co-operative sectors and the priorities and the challenges of the movement.

## Introduction

As co-operatives become increasingly recognised as a form of enterprise, there are opportunities as well as challenges in embodying the co-op principles and values in the contemporary business world. The Canadian co-operative movement is an unfolding story with diverse perspectives, promises and challenges. In this last piece, Patrice Pratt, an active protagonist in shaping that story, shares with us her reflections on current developments and the future of the sector. For almost 30 years she has been an influential voice in organisations working toward social inclusion, co-operation and innovation. Her presence in the co-operative and credit union movement has been fundamental in encouraging the practice of principle number seven: concern for community.

Her background in sociology together with her engagement with the labour movement and numerous health and social development community organisations has served as a foundation for contributing toward the innovations of the co-operative sector. In the interview you will learn about her important work as board member and board chair for Vancity (officially, the Vancouver City Savings Credit Union), working along with its CEO Tamara Vrooman in a successful model of banking that builds and strengthens communities. She also reflects on what many of us believe is one of the most important developments in the Canadian co-operative sector: the unification of the English and French sectors.

Ana Maria: Patrice, you have done quite a number of things, from labour organisations, Health and Social Development, Disability Foundation, to public utilities and politics and credit unions and more. That family of connections speaks to me about your concern not just for credit unions or a particular humanitarian foundation but also for the well-being of communities and their members. Could you give me an overview of the co-operative organisations and the capacities you have been involved in?

Patrice: Well one place the values that I grew up with took me was into the trade union movement, to represent people who were unrepresented and to help people who were fighting the establishment and the world. What I found there was people got together when they needed each other, when they needed help, when they couldn't do it on their own. I was involved with the British Columbia Government & Service Employees Union for 27 years, 20 years on the executive leadership team. That wasn't just a local involvement. It brought me into relationship with sister organisations across the country and around the world.

It was natural for me to become involved in politics and I became deeply engaged with the social democratic party here in British Columbia, the New Democratic

Party. I was party president during the time the party was governing the province in the 1990s. I was also Vice-President of the federal party and involved with Socialist International.

During this time I was a member of several co-ops, like Mountain Equipment and a consumer co-op in Burnaby and also of Vancity Credit Union. But I was crazy busy and I wasn't really aware of the co-operative movement and how it fit into my social agenda till later on when I got more thoroughly involved with Vancity.

Vancity is a large organisation — the largest community credit union in Canada — but with some big differences. I started to see the possibilities there and I got elected to the Board of Directors in 2005 and stayed there almost a decade. I was elected Chair for four consecutive years and was really involved! In 2011 that took me to a directorship with Central1 Credit Union, the central financial facility looking after more than 140 credit unions in British Columbia and Ontario.

Then I was nominated from that organisation, Central1, to sit on the Canadian Co-operative Association Board of Directors. At that time, they were in the midst of looking at uniting the Francophone and Anglophone Co-operative Centrals in Canada. I had worked with the CCA because they had a body called the International Program Committee working with co-operatives in 18 countries around the world as a means of alleviating poverty. I'm now chair of that.

The unification of the Francophone and Anglophone centrals has just taken place — the new organisation is called Co-operatives and Mutuals Canada — and I became part of the Transition Committee dealing with issues of governance and so on. I served then on the founding board and am now chairing the nominating committee of the new body.

Ana Maria: This unification sounds like a major development. Could you tell us a bit more about it and what it means for the Canadian co-op scene?

Patrice: Well, Quebec has quite a distinct place in our country. It's not just a different language — French — but a different legal system, separate pension plans and a lot of different traditions, including traditions in the co-op sector. It has a deep feeling of history and culture that it needs to protect. Everybody knows about the strains in our confederation and the talk about Quebec separating from the rest of Canada surfaced again in the last provincial election.

Having the two organisations that represent the co-operative sector in those two parts of Canada, sitting in the same room and talking, is big. As I said, I say to my friends, "Canada couldn't do it. But the co-op movement has done it!" I think that says a lot about who we are and what our values are and how we can speak to each other and see what really counts.

So we're united, I think, in many ways. We're united now in our representation to government. We're united internationally. We'll be more effective on the worldwide scene. We can be an example there. We'll be more effective from coast to coast to coast in Canada and I think contributing to the unification of Francophone and Anglophone.

Ana Maria: Say more about the benefits you see in this unification.

Patrice: Well, our central co-operative bodies go to Ottawa and meet on Parliament Hill with the ministers about matters that concern us. But in the past we've gone separately. The Desjardins organisation — the biggest financial services co-op in Canada when you take into account insurance and all the rest — and some very large co-ops and mutuals in Canada were part of the Francophone organisation. We'd make our presentations and often they were similar but not the same.

We're far better off when we go as one group, speaking with one voice. And then there's just the obvious fact that you don't have to run two separate offices, have two separate administrations, when you can join your work in all aspects of what you're doing.

Another huge accomplishment — and this came from the two groups lobbying strongly and at the same time — was the shift last year of responsibility for co-operatives in Canada from the Ministry of Agriculture to Industry Canada.

The beginnings of the co-op movement in Canada were especially rooted in the agricultural sector. On the prairies, it was the big grain marketing co-ops. You could see why we were in the Ministry of Agriculture. But the times have changed. Agricultural co-ops are still important, but when you add a credit union like Vancity, worth 20 billion, multi-billion dollar consumer co-ops like Mountain Equipment Co-op and the Desjardins Group at more than 200 billion, the Ministry of Agriculture is no longer such a good fit. Among other things, it doesn't recognise the co-operative model as a business model in the way that it should. So we're now in Industry Canada and better off there I think.

Ana Maria: Of course this has been a long process.

Patrice: Years.

Ana Maria: If you have to tell this story to a generation to come, what would you say was the biggest lesson for you from the process?

Patrice: The biggest lesson was because I don't speak French. I'm very unilingual and it's kind of embarrassing sometimes. But I came to see we are all the same when we get past the language. When you hear what people say, we have common views about what co-operatives are. We have common views about the value of co-operatives as a business model. We know that co-operatives are going to save the world!

So when you think about things at a high enough level, there really isn't disagreement that matters. There are the fussy little daily things. We use different terms for things. The Francophones have different ways of electing people. There were issues as to how much money each of us was bringing in. Their organisation was a collaborative of all the Provincial Francophone organisations. They didn't have members in the same way we had. They didn't do international work. These differences were the ones that people were focusing on. But when you rise above these, you say "There are differences, you know, but here's what we have in common", You find common ground and work out from there to where you all agree and then you work on those other details.

Ana Maria: Let's go back to your own involvement in the co-op organisations. You said that beside Vancity you have been involved before in a consumers co-op and others in a different capacity. Can you tell us a little bit about that?

Patrice: I have to say again that my involvement in these other places was not monumental at first. I attended meetings and I voted, but not much beyond that. When I talk about my co-operative movement involvement that would be what I was doing at the Canadian Co-operative Association. As part of that organisation I went to Ghana, working with credit unions, primarily organisations there and going from city to city where poverty was unbelievable. I did travel around Ghana. I also went to Bogota, Colombia and saw the way co-operatives go in after war, after people have been killed, after a primary industry that they were using to survive had been wiped out and their families surrounded by the drug trade, etcetera.

Then they used co-operatives — often there would be a fledgling co-operative or the CCA helped them form one — to farm cacao and other products. I could see them retaining their dignity. They sent their kids to school. They had food to eat.

So my involvement in co-ops tends to be international because I wasn't that involved here in Canada, except for credit unions that got a ton of my time. I was also on Stabilization Central Credit Union, an organisation that helps credit unions that are facing special challenges. I worked with the BC Co-operative Association. So it would have been at that level and not grassroots. Had I grown up on the prairies, I bet I'd be a different — I'd be telling you a different story!

Ana Maria: So, maybe you could give our readers a bit of a landscape. What is happening with the credit unions in Canada? Who are the major players and what are the biggest questions, challenges and achievements for that sector?

Patrice: There are huge challenges for the credit union movement in Canada. First of all, let me talk about British Columbia, which I know very well because of my involvement with Vancity. Vancity is 68 years old now, founded in 1946. At that time, there were 400 credit unions in British Columbia. Today there are 40. That's a huge change.

One factor was that because of a trade agreement with Alberta, the province next to us, our provincial government increased the deposit guarantee from \$100,000 to unlimited and that put big pressure on small credit unions. It opened the door for business deposits. That wasn't necessarily a benefit for the average member, but it had the effect of focusing a telescope from the province's financial regulator on credit unions and there have been increasing amounts of risks, checklists and mind-numbing detail that add burdens particularly for small credit unions. And then you find small credit unions in rural areas where sometimes they're the only financial institution; but their membership is aging and the younger folks aren't necessarily joining credit unions. That's not a problem Vancity is having, by the way.

Of course the financial crisis with asset-backed commercial paper gave credit unions and banks around the world serious problems. Credit unions weren't hit as hard as some other financial institutions, but they still felt it. Interest income went way down. And of course regulators do some more regulating to avoid issues faced in the last crisis, so more safeguards have been put in place that make us ask, "How should we do things better in the future?"

Those are some of the factors that can put small and medium credit unions in some jeopardy.

One other thing that's happened is that since last year, credit unions in Canada have the ability to become federal co-operative banks. Some credit unions have been working on that for years. I was on the board of directors recently when Vancity made the decision not to go federal. We believe that to keep to the principles of what a credit union is about, you need community; you need deep community. You have to know your members and we're not sure we can do that while spreading ourselves across the country. Other credit unions have different views.

I think another challenge we face is to maintain our difference, our concern for communities and for people, not just the bottom line. All this service that credit unions have given to their members over the years — the banks are mimicking that, though basically they still operate the way they operate. They get into small loans and microcredit. I have nothing against microcredit — it can be a great tool — but it's only one tool. And if you lend people anything from five dollars to five

million and they don't have a way to pay it off, you can really be damaging them. What we really want to do is put our arms around the whole person and say, "How can we be of service, how can we help with your decisions and what's the best we can do in your situation?"

People cannot get out of poverty unless they have a range of basic financial services. That's behind what Vancity is doing in Vancouver's Downtown East Side, where there is a lot of poverty. Vancity partnered with a community services organisation to open Pigeon Park Savings, a place where low-income folks, some of them homeless, can get affordable banking services geared to their needs.

Ana Maria: I'd like to know how you think this fits into the bigger picture. You were on the Board for Vancity for almost ten years and were its chair for four of those years. Tell us how you see Vancity as a force in the Canadian financial service sector?

Patrice: Well, let me start with Vancity's membership in something called the Global Alliance for Banking on Values. It's a network of about 25 financial institutions in 18 or so countries around the world. The Global Alliance has a whole different view of redefining wealth and serving community and community impact. So we basically say that we should use our capital to bring people out of poverty.

Global Alliance banks bank in the traditional way. People deposit. You make loans. But they don't get involved in derivatives and hedging and all the things that brought down financial institutions in the last crisis. In other words, the Global Alliance institutions actually did not suffer in that crisis. They actually have better balance sheets than the traditional banks that get involved in those other kinds of financial dealing. So profit matters and growth matters. But then it's what we do with that profit and it's how we measure our impact. We're just saying it isn't the almighty bottom line quarterly and what we give back to our shareholders. We've been profitable at Vancity, but we reinvest that in our communities and with our 500,000 members. We take a long-term view. We work with patient capital. We look at building community. We measure outcomes differently.

Ana Maria: I heard you say one day that you and some others on the board of Vancity think that the credit union should actually make less money. That sounds quite radical. What do you mean?

Patrice: Well, we're not afraid to say that profit matters, because we have to stay in business and we have to have profits to do the good we want to do. But there's a difference between us and what we call "the profit-seeking enterprises". Our profit serves our members. Of course we have to use some of the standard financial indicators to measure our performance. We have to satisfy the regulators like everybody else. But we're also asking how our community profits. That means we have different criteria than regular financial institutions. We like to think our capital is more patient and sometimes we might make less interest because we place loans where others won't. We also look seriously at non-profits and we don't look in the standard way at what collateral they have for a loan. We look at the knowledge base, who the people are and what work they are doing. We ask whether it fits with our building community.

I must say that working people and people who are community members pay back — we have a loan loss ratio that's very low. So when you take a chance on someone, (a) they're grateful and (b) they're substantial community people.

The point is, we have different criteria when we lend than regular financial institutions. So it's not exactly about not making money. I'd better phrase that in a better way. It's about how you count your profit and how you seek to gain that profit. We could be doing commercial loans for giant high rises in downtown

Vancouver here. But that's not where we're focused. When you make a loan to some small community organisation, or some co-operative — our staff are working with co-operatives all the time — it might not be as profitable in dollars, but it will change the community. So it will make our members richer, our 500,000 members richer and not just in dollars.

Ana Maria: You mentioned that Vancity is not having the same challenges in recruiting, that some other credit unions are having. Can you tell us more about that?

Patrice: Well, first of all, we added just over 28,000 new members in 2013, 70,000 over the last three years. We think that's partly a response to our values expressed in "Make Good Money". People see "good" in all its senses. For example, a portion of the profits from our credit card goes to our "enviroFUND" programme, which makes grants to local sustainability projects. The focus for 2014, for instance, is on our local food systems.

Vancity is a "living wage employer". An independent body came up with the amount they figure is the minimum hourly rate that you need to get by in a given community. In Vancouver, it turns out to be almost double the minimum wage that is legislated for British Columbia. We pay all of our employees at least that living wage, including cleaners, security people and all the rest. And we're working with our suppliers to get them to meet the standard too.

I think things like this attract young people. They respond to a statement of values and to ways that they can see you are trying to live up to them.

Ana Maria: So co-ops and credit unions claim to be guided by a set of principles and you would say people respond to this, especially when they can see co-operatives and credit unions trying live up to their principles, being different in the marketplace. But members and observers sometimes point to examples of "mission drift," where co-ops or credit unions start to look like any other businesses. Have you any thoughts on where or how or why this happens?

Patrice: I think mission drift happens in a variety of ways. First of all, there's the plain old fact of competition. It's very hard when you're surrounded by people that are dog-eat-dog, where you don't have time to think before you make every decision: "What would our members think? How would this help or affect or serve our members?" You can start to think "We'll do that. Maybe it's not that great, but we can make this much money".

Vancity tells our financial service reps, "Do not ever put members into a plan or a savings account or something that won't be good for them, despite the fact that might make extra profit for Vancity. Work for the best interest for that person standing in front of you". We want to be smart business people, but we want to serve our communities and serve our members.

Mission drift is when you forget that, when you wrap yourself in the co-operative banner to get market differential, but operate like everybody else.

One other place that generates mission drift is governance: how you elect people and what they do when they're elected. Vancity, for instance, has a vital election for the Board of Directors. We do interview candidates; and we recommend five people, on the basis of skills and gaps we have on the Board, for the three vacancies. We find the elections renew people and the Board. I know other credit unions and co-ops just recommend three candidates for three positions and there isn't the same possibility for others to run. You need to keep elections vibrant. I know co-ops and credit unions sometimes have a hard time getting people on

their boards, but this is a really important part of keeping us where we say we are.

Ana Maria: What about the role of education in all this?

Patrice: When we became members of the Global Alliance for Banking on Values, we realised that our senior management understands what that commitment means, our board talks about it all the time: community impact, understanding our co-operative roots. But we knew we had to make sure this got right to our grassroots, that our individual financial service officers, the reps that are standing in front of people, really grasp that commitment and live it out.

So we've had major educational initiatives to help that happen. We have sent a lot of our employees to a residential programme (they compete to get on it!) at the University of Bologna with Stefano Zamagni. They really get to see the co-operative model in action and hear about it from the master, as it were. We have weeklong "Immersion" courses. There's a whole section where we talk about the co-operative beginnings. We talk about Rochdale. We talk about the principles. We talk about how Vancity has said that the co-operative principles as well as social justice and environmental sustainability are the three pillars upon which we operate.

We explain to them, too, that the Board of Directors chooses the CEO. That's always a big insight, so they understand the power of the board, which is the power of the members.

There's a whole part of the course where people spend time in different parts of the organisation. So people from the technology area, who might never have seen a branch, go and spend time in a branch. People go to the call centre, which is of course open 24 hours a day and they see how we interact with our members there. They go to the bank in the Downtown Eastside I mentioned, Pigeon Park Savings, where we are trying to serve homeless people and others with real disadvantages. And they visit some of the non-profits we're supporting in various ways. New employees go first on these courses, because they're new to our organisation. But I think we're close to having a good half of our employees through the programme.

Ana Maria: I remember a year ago our Centre for Co-operative and Community-Based Economy at the University of Victoria hosted a two-day workshop on Social Enterprise and Vancity brought a large contingent to look at how co-operatives and credit unions fit into the social enterprise picture.

Patrice: Well that fits. Of course we're interested in education for our members and for the general public too. Last year we partnered with Simon Fraser University to bring in Professor Robert Reich, a big name American economist, one-time Secretary of Labor in the US. He gave a standing-room only talk about building an economy that works for everybody and it really resonated with the Vancity message.

Ana Maria: So what do you think are the major challenges for the co-operative and credit union sector in the years to come?

Patrice: Being nimble. Being on our feet. Understanding what's going on and letting ourselves be known as standing for certain things. Let me give an example. Vancity's CEO, Tamara Vrooman, has been invited to be part of a group meeting with the Pope in July to discuss how you can get an economy that does something about poverty and inequality. It shows how this credit union is recognised as values-based and people who see that want to hear how they're making it work. So we need to be visible in the way we live out our principles and

be ready to speak up about it.

Ana Maria: One of the issues that we hear a lot about is the advantages in unifying, merging and so on. But do you think there are challenges there too?

Patrice: Oh yes. You can lose your soul when you do that. You know, if you just become another big corporation you can easily just lose that values edge, become just another part of the herd.

Ana Maria: So how do you handle that when your co-op or your credit union gets big? How do you keep rooted in your community and in your values?

Patrice: Well, I think this relates to what I said earlier about why Vancity decided not to go for federal status. Vancity is saying that we are quite large at this moment, but we act small. We are big, but we give our community branches the ability to do what they need to do, to understand what's going on in that community and to feed that back.

Part of that is another initiative we're involved in right now. Here in BC, just like other places around the world, we have these things called cash stores and payday lenders. It's basically people making money off working-class or fixed income people; single moms that are trying to take care of their kids – they need a pair of shoes and they can't wait for payday; people who are just trying to keep their heads above water and having trouble doing that. So these people lend them a small amount of money at the most exorbitant interest rates. They take out one payday loan to pay off last month's payday loan from another lender and they get stuck in a downward spiral.

Vancity wants to do something about this. They're trying something called the "Fast and Fair Loan," and it's aimed partly at breaking that payday loan cycle. Vancity makes appropriate sized loans at reasonable rates, with repayment from two months to two years, no application fee and the loan can usually be processed in an hour. The aim is a loan that really helps, but people can handle. And it lets them establish a credit rating in the process. We'd love to put the payday lenders out of business!

Vancity is the biggest credit union in Canada and we don't have to do this kind of lending. It's not going to make a lot of money. We could think big and really get into commercial lending. But this is the right thing to do. It's acting small, connected with our communities.

And I have to say, you have to be a certain size to do this. You need some depth and some resources. That gives you the power. But if you have the right kind of board and stick to your principles, you can make a difference.

Ana Maria: You mentioned First Nations. Can you tell us something about the work of Vancity and co-op credit union sector in that area?

Patrice: Well, in Canada we have dark chapter in our history around what were known as the Indian Residential Schools. The schools existed from before confederation until well into the 20th century. Many First Nations children were taken from their homes and located in the schools, where they couldn't use their own languages and they were exposed to all kinds of abuse. We were trying to get the Indian out of the Indian, it was said. Many died and the damage done was terrible. We're still living with it.

We have a Truth and Reconciliation Commission in Canada meant to try and allow for some healing around that part of our history. Vancity was very keen to support this and they were co-founders and funders of "Reconciliation Canada",



an organisation that works closely with the Commission in trying to promote dialogue, trying to educate Canadians about the impact of the schools and so on.

This just represents a whole priority for Vancity. We sponsor something called the Aboriginal Mothers' Support Group. A lot of folks from the Downtown East Side that are served by Pigeon Park Savings that I've mentioned are Aboriginal and there are several other organisations there that we're supporting. We see ourselves as located in traditional Coast Salish territory and we take that seriously. We're partnered with quite a number of Aboriginal and Métis organisations to promote community development and independence.

Ana Maria: I know that the credit union/co-operative sector has been trying to connect with others who are active in social causes. Can you tell us something about what you see going on there?

Patrice: Well, that's probably why I fit right in with Vancity. The Board has developed three guiding principles that it says should run what we do: co-op principles and practices, environmental sustainability and "social justice and financial inclusion". I think you can see the social justice interest in lots of the things I've been talking about. Last year, more than half of Vancity's grants and about a third of its loans, were to individuals or groups with an interest in social justice and financial inclusion. Lots of these are Aboriginal groups, so we have an overlap there. But it supports organisations that provide legal education and action, charter challenges dealing with women's rights, lots of these initiatives that have a social justice face. Vancity has a great reputation with the non-profits.

We have many unions that support us. We are always talking to unions about good candidates for the Board. I came from labour and that's one of the plusses I had in getting on the Board. We're involved in lots of causes, where we'll unite with other organisations who are with us on that social justice pillar, working with communities, work to build just communities.

Ana Maria: It certainly seems you live out the co-op principle number seven: concern for community!

Patrice: I certainly try to.

Ana Maria: So what question would you like to see academics who are interested in co-ops taking on in their research programmes?

Patrice: Well one thing we could use is third party validators, people who aren't necessarily involved in the movement but take it seriously as a model of how business can operate.

One time I was at a roundtable meeting in Ottawa hosted by a big-name policy NGO, talking about social policy and community development. I was there as part of the Canadian Co-operative Association board and there were various academics sitting around the table. When we brought co-operatives into the conversation, nobody seemed to get it. They didn't seem to understand the model and even think of it as a part of the puzzle. We need the academics to step in here.

Stefano Zamagni from the University of Bologna, the great expert on co-operative economy who lectures all around the world, spoke a while ago at a lunch meeting you organised where all of the business schools in the lower mainland of BC were represented. That's what needs to happen. We need universities to understand that we're part of the picture. We need something like a co-operative centre in every university. The co-operative isn't necessarily the model for every

business, but it needs to be part of the picture; it needs to have some stature. We need the voices and the papers and presentations of academics to help that happen. People's eyes shouldn't glaze over when you start talking about co-operatives and taking them seriously in the academic world can help with that.

Ana Maria: Thank you, Patrice! It has been fascinating to see these things through your eyes and your experience.

Patrice: You're so welcome. I've enjoyed it too, though I had to work a bit hard!