

# THE SOCIAL ECONOMY: FINDING A WAY BETWEEN THE MARKET AND THE STATE

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**F**or many experts in the area of public policy, the social economy represents a totally new vocabulary. For some, it is simply a trendy word for more social programs. For others, it represents a new perspective on social development. I am one of these others.

The introduction of this concept in Quebec and Canada is part of an international trend that has emerged in European, Latin American and African countries. Its contribution to social innovation has been discussed in forums as diverse as the OECD and the World Social Forum. It is not associated with a specific political formation, nor is it limited to a specific geographical area. On the contrary, the social economy is a pragmatic response to the economic and social challenges of globalization. It contributes to the renewal of positive and

active citizenship locally, nationally and internationally, and to the process of redefining relations between the state, the market and civil society.

The term “social economy” refers to all forms of organizations or enterprises involved in the production of goods and services (i.e., having an economic activity) that are not private, for profit or public. This definition therefore includes some very old organizations, such as some credit unions, agricultural co-operatives, and the network of YMCAs. It also includes very new initiatives such as the many nonprofit recycling businesses that are springing up across Canada, parent-run day care centres, worker- and consumer-owned cooperatives, social enterprises offering jobs to the marginalized, community radio, community-based social tourism projects, cooperative and

nonprofit housing, and thousands of other initiatives.

The social economy has been part of the Quebec reality for over one hundred years, but it officially entered the public policy discourse only in 1996, when the Quebec government convened the “Summit on the Economy and Employment,” in which a wide range of civil society organizations — major corporations, employers’ associations, unions, municipalities, educational and cultural networks, representatives of important social and community movements, student associations and the Church — participated.

In its effort to find a way out of a 12 percent unemployment rate in the context of a crisis in public finances, the government challenged the private sector and Quebec civil society to come up with strategies that would stimulate economic renewal and job creation. In order to prepare the discussions for the 1996 summit, the government thus proposed that several working groups on employment and economic development be established — including a group on the social economy — led by actors from the private sector.

In the six-month period leading up to this event, the working group on the social economy gathered a wide range of civil society actors (including community organizations, unions, co-operatives, local development organizations) and presented an ambitious and innovative action plan to create thousands of new jobs and services through the nonprofit and co-operative sectors.

The plan presented a clear definition of the social economy; underlined its historic role in Quebec; and proposed a series of sector-by-sector strategies that would allow for new economic activity and respond to social, economic, environmental and cultural needs. The plan also identified the conditions under which the

social economy could flourish. These ranged from a formal recognition of its role, to the integration of support for collective or social entrepreneurship in local and regional development policies, to equal access to the development incentives offered to traditional enterprise, to legislative changes that would allow for the creation of co-operatives and the establishment of new training and funding tools.

The innovative approach of the social economy working group captured the imagination of summit participants. In the years following the summit, the action plan became a reality as volunteer, private and public resources across Quebec were mobilized. In the years after the summit, the initiative was co-ordinated directly through the summit’s executive committee and fell under the premier’s office. In 1999, the finance minister, also responsible for economic development, was given the social economy portfolio, and the Bureau de l’économie social was created within that ministry.

Five years later, the social economy made its way onto the federal policy agenda in the context of the

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Throne Speech in February 2004, when a parliamentary secretary to the minister of social development with a special emphasis on the social economy was named.

The first stage of the federal government’s commitment to the social economy was announced in the following budget. It committed to investing \$17 million over two years for capacity building, \$100 million for the creation of patient capital funds and \$15 million over five years for collaborative community-university research related to the

social economy. It also committed to breaking down the regulatory barriers preventing social economy enterprises from accessing small and medium-sized enterprise (SME) programs. It created the national Social Economy Roundtable, engaging civil society leaders from across Canada. Conceived as a horizontal file, diverse partners from several departments have been mobilized to carry out the initiative.

The first challenge in integrating the social economy into public policy is to agree to a common definition. This challenge is both simple and complex.

The definition adopted in Quebec reflects both the diversity of the sector and its common objectives. The social economy enterprise:

- aims to serve its members or the community, rather than simply striving for profit
- is independent of the State
- establishes a democratic decision-making process in its statutes and code of conduct, requiring that users and workers participate
- prioritizes people and work over capital in the distribution of revenue and surplus

- bases its activities on principles of participation, empowerment, and individual and collective responsibility

This definition can be traced back to the so-called “new” social economy, which emerged approximately thirty years ago. The development of this dynamic social entrepreneurship picked up speed as civil society became more and more involved in local and regional development over the past twenty years. As community activists, environmental groups, women’s



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organizations and anti-poverty groups chose the path of economic development to try to respond to social and environmental needs, social entrepreneurship was the logical next step.

In the rest of Canada, the social economy is more closely associated with a territorial approach known as community economic development (CED). It involves a wide range of practices in quest of a common goal of improving economic and social development for marginalized communities and individuals. The Canadian Community Economic Development Network has described CED “as action

by people locally to create economic opportunities and enhance social conditions in their communities on a sustainable and inclusive basis, particularly with those who are most disadvantaged. CED is a community-based and community-directed process that explicitly combines social and economic development and fosters the economic, social, ecological and cultural well being of communities.”

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Statistics are not available for the rest of Canada, though a recent survey of the voluntary sector demonstrated that over a million Canadians are now working in nonprofit organizations. This statistic is a clear illustration that the so-called “voluntary” sector is far from being simply an accumulation of volunteers but, on the contrary, represents an important part of the Canadian economy.

Over the past decade, the social economy has been at the forefront of new and innovative ways to create wealth, produce goods and deliver services, while integrating social or environmental goals into the very act of production. A growing cohort of social entrepreneurs is emerging, particularly among the youth, who are combining social goals and entrepreneurial strategies with brio.

One example is the Chantier de l'économie sociale, an organization that emerged out of the temporary working group created at the time of

And its success rate is remarkable in comparison with investment funds in more traditional enterprises.

Another example is the creation of a network of nonprofit and co-operative home care businesses across Quebec. This network of enterprises employs 6,000 people, half of whom were previously unskilled welfare recipients. By offering over 5.6 million hours of home care services to over 76,000 clients, the majority of whom are over 75 years old, these organizations have created jobs, taken pressure off public sector services, delayed institutionalization for many elderly people, reduced

1,000 jobs have been created, offering employment to many unskilled workers in communities across Quebec. These enterprises have an educational function as well as a commercial mission, responding to environmental, economic and social challenges.

The lessons learned from the Quebec experience over the past decade are numerous and pose new challenges for public policy.

The first and most fundamental issue is the need for a formal recognition of the social economy as an integral part of the socio-economic landscape of modern societies. This implies breaking with the vision of the nonprofit and co-operative sectors either as marginal or outdated realities and a realignment of this vision to acknowledge the growing strength and relevance of the sector.

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the summit in 1996. It held its first general assembly in April 1999, and elected a board of directors, which consists of 28 individuals, elected by different electoral colleges in order to represent the diverse realities of the social economy. Today, the membership and board of directors includes representatives of co-operative and nonprofit enterprises, local and community economic development networks, and the large social movements.

Among the Chantier's early innovations was the creation of a new financial instrument called the Réseau d'investissement social du Québec (RISQ). This institution, which currently has \$10 million available for investment in social economy initiatives, is the result of contributions from the public and private sectors, including the major banks, Alcan, Jean Coutu, and the Cirque du Soleil. The RISQ is administered by a board, the majority appointed by the Chantier. Over the past seven years, RISQ has made over 350 investments through modest non-guaranteed loans to co-operatives and nonprofit enterprises across Quebec.

the welfare rolls and assured access to home care services in record time to all communities across the province.

The Quebec network of 44 Centre de travail adaptés (adapted workplaces), which offer employment to productive but non-competitive individuals, is yet another case of innovation. Unique in Canada, the socio-economic mission of these nonprofit businesses is to create jobs for people living with intellectual or physical disabilities. Today they employ over 4,000 people, including approximately 3,000 disabled people. These enterprises can be found in a variety of industries including printing, packaging, manufacturing, recycling, security and office supplies, and they generate revenues of over \$135 million.

Recycling is another economic sector with a large and increasing number of social economy enterprises. Environmental activists have formed a network of "ressourceries" (recycling businesses), which works closely with municipalities across Quebec to reduce waste and find new avenues for recycling and reuse tons of material previously destined for waste sites. Over

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But this will require the design of appropriate public policy. Most importantly, we will need to break with the silo approach to development and integrate social and economic parameters into public programs to support the social economy. While social development experts are required to deal with investment issues, investment experts need to search for tools to evaluate social profitability and environmental regulators are called upon to develop initiatives to support environmental entrepreneurship.

Another challenge for policy-makers is the scope of the issue. The social economy cannot be defined simply as a program or single policy initiative; it must be integrated into a wide range of public policy initiatives, for it requires a broad series of measures to assure a proper environment for its develop-

ment. In this sense, it is no different from the private sector, which benefits from a wide range of support, including for access to capital and new markets, for networking, and for various sectoral strategies.

Public policy in support of the social economy can be classified into four major categories:

- *Territorial policy:* Social economy enterprises emerge from communities that are mobilized to promote development. Public policy that supports local communities in the creation of networks, strategic planning processes and collective projects is a primary component in support of social entrepreneurship. An example is the tripartite support for community economic development corporations in most Quebec cities. These nonprofit, citizen-based organizations have been the birthplace for some of the most original and successful social economy initiatives. Similar initiatives have developed over the years in several Canadian cities. Private sector partners have been mobilized to collaborate in these initiatives.
- *Generic tools for enterprise development:* As is the case for all SMEs, social economy enterprises must have access to suitable investment tools, adequate markets, research and development, and instruments to ensure efficient management. Many of the programs and policies that have been made available to SMEs over the past two decades require only slight adaptation to respond to the needs of social enterprises. The federal initiative to support the creation of patient capital instruments [WHAT IS A PATIENT CAPITAL INSTRUMENT?] and to open up SME pro-

grams to social economy enterprises is a good illustration of an enabling public policy.

- *Sectoral policies:* Certain economic sectors represent tremendous potential for social entrepreneurship. Social enterprises often emerge in response to needs that neither the market nor government can satisfy. By combining market resources, voluntary contributions and public support, the social economy enterprise plays an important role in structuring certain unstructured markets or responding efficiently to needs for certain types of goods and services. Policies that support the emergence or strengthening of certain economic sectors (including the environment, personal services, housing, new technologies, communications, tourism, food services and culture) are important instruments for the development of the social economy.
- *Targeted policies:* Social economy enterprises play an important role

It has become increasingly clear also that governments can no longer govern with wall-to-wall programs, not so much because they cost too much, but because they are too often inefficient. Citizens do not get good value for their dollars, and communities do not get the quality of services they deserve. Nor can charities continue to pick up the pieces where government and the market are failing, because there are just too many pieces to pick up!

in providing access to employment and certain services to marginalized groups. Rather than investing only in income programs, investing in the social economy opens up possibilities for integrating citizens who are considered unproductive into the work force. Many European countries have invested heavily in supporting the socio-economic integration of target groups (youth, the disabled, new immigrants, etc.). In some countries, the social economy is an integral

part of labour force development strategies. For example, in Italy, public purchasing has been used as a strategy to encourage social co-operatives, which in return have to hire at least 30 percent of their labour force from identified marginalized groups.

The development of the social economy have major ramifications for economic development. The very basis of the social economy — the integration of economic and social initiatives — is a clear illustration of the need to rethink the way social and economic policy has been defined over the past 60 years.

Indeed, the limits of the traditional silo approach to economic and social policy have become evident over the past decades. Despite increased wealth and economic growth, the gap between the rich and the poor has grown. Entire regions, particularly in rural communities, have been left on the margins of development. In urban areas, the situation in many poor

neighbourhoods continues to decline and threatens the development of healthy cities.

In that regard, insufficient effort has been made to redefine the parameters of social and economic development. There is still a strong tendency to see the world in a binary and simplistic way and the economy as a space where there are only two major players: the private sector, which works in the market place, creates wealth, makes our economy run and furnishes tax revenues to government; and the state, which redistributes wealth and offers

uniform public services and programs for the common good. The extensive work being done by community organizations and the products and services being produced by the nonprofit or cooperative sector are basically seen to be charitable and philanthropic, and outside the economic sphere.

But this paradigm has not only become unworkable but also offers little hope for the future. The world has changed; the economy has changed. Taylorism is a thing of the past as modes of production have been transformed. Globalization and new technologies have made flexibility and innovation the new requirements for success. These transformations have had many positive but also many negative impacts. Poverty and marginalization are affecting a larger and larger portion of our population, and our

communities and governments are hard pressed to respond to this disturbing phenomenon.

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**T**he social economy presents the need to define a new paradigm with which to approach economic and social development. It forces a broader analysis of the economy, embracing a

vision of a pluralist economy in which the public sector, the private sector and the social economy have a role to play. The contribution of the social economy to local and regional development, to the creation of jobs for marginalised groups, and to the production of efficiently delivered services is no longer in question.

Increasingly, public policy experts will be obliged to take this growing reality into account and better understand and support it for the important contribution it can make to the health and well being of Canadians. The recent policy initiatives by the Quebec and Canadian governments are only the first steps on the long road toward citizen-based economic and social renewal.

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