

**CHANTIER
DE L'ÉCONOMIE SOCIALE**

Productivity and Innovation through Collective Entrepreneurship

Brief presented by the Chantier de l'économie sociale
for the 2018 pre-budget consultations

House of Commons Standing Committee on Finance
Government of Canada

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Introduction

The Chantier de l'économie sociale (hereafter the Chantier) thanks the government for the opportunity to submit our budget recommendations.

The Chantier works with a wide range of partners to promote and develop collective entrepreneurship in Quebec. It is recognized in the Social Economy Act (2013) as a primary interlocutor of the Government of Quebec in this field.¹ There are currently more than 7,000 collective enterprises in Quebec, which employ more than 210,000 people and generate revenue of more than \$40 billion, which is equal to the combined GDP contribution of the aeronautics, mining and construction sectors. The social economy covers activities in all sectors, including finance, technology, culture, personal services, educational services, employment services and sustainable development.

As the social economy practices and ecosystem of organizations that support them in Quebec are recognized internationally, the Chantier regularly networks with practitioners in Canada and internationally to share lessons learned from here and draw inspiration from others' best practices. Because of this expertise, the Chantier is consulted by several international institutions, including the OECD and the International Labour Organization (ILO), and sits on the Global Social Economy Forum (GSEF) and the United Nations Inter-Agency Task Force on Social and Solidarity Economy (<http://unsse.org/>). The co-founder and board member of the Chantier sits on the federal government's Social Innovation and Social Finance Committee, and we closely follow its work.

With its 20 years of experience, the Chantier has seen that social innovations² can lead to major economic development. Whether by deploying and managing infrastructure, ensuring local services are adapted to the needs of communities or proposing ways to produce and deliver goods and services more productively and equitably, the social economy has shown its ability to be a driving economic force while responding adequately and sustainably to collective needs.

The OECD recognizes innovation as an important driver of long-term economic growth. Specifically, social innovation makes it possible to do things differently and find new solutions to today's challenges and enhance the potential of our communities. These innovations contribute to Canada's prosperity by laying the groundwork for undertaking new activities and resolving otherwise costly problems and by ensuring sustainable and inclusive growth.³ **Given the challenges of our time and its myriad inequalities and imbalances (social,**

¹ The Chantier brings together social economy organizations from diverse backgrounds. Its board of directors can be consulted here: <http://www.chantier.qc.ca/?module=document&uid=868>.

² The Réseau Québécois de l'innovation sociale (RQIS) defines social innovation as "a new idea, approach or intervention, a new service, a new product or a new law, a new type of organization that offers more adequate and lasting solutions than existing ones to a well-defined social need, a solution that has been embraced by an institution, an organisation or a community and that leads to measurable benefits for the community at large and not only for certain individuals. The range of a social innovation is transforming and systemic. It continues, through its inherent creativity, to create a break with the status quo." (2011)

³ See All on Board: Making Inclusive Growth Happen, OECD, May 2014, <http://www.oecd.org/inclusive-growth/All-on-Board-Making-Inclusive-Growth-Happen.pdf>.

environmental, economic, etc.), the most promising form of innovation is thinking about the redistribution of wealth and the impact of growth, placing social innovation at the heart of the economy.

Throughout the country, networks, organizations, collective enterprises, local communities and individuals are working to stimulate social innovation. These initiatives are common in the social economy, which, by definition, is made up of enterprises that are rooted in their community and that seek positive collective benefits for all. Unfortunately, collective enterprises are excluded from the majority of government support for innovation because of their legal status. That is why it is essential to develop or adapt business support programs and measures to ensure equitable access to co-operative and non-profit enterprises. While firmly integrating social innovation in innovation strategy is essential to becoming a leader in inclusive innovation, building on the strengths of **collective entrepreneurship** is an effective way to achieve this.

We wish to contribute to the current budgetary consultations in order to support forms of innovation that foster individual and collective growth and economic growth that benefits all Canadians. We are therefore submitting a series of recommendations to the House of Commons Standing Committee on Finance that focus on support for social innovation and the development of collective enterprises.

Supporting social innovation

Given the strategic importance of social innovation from an inclusive growth perspective, the Chantier de l'économie sociale has seven recommendations concerning support for social innovation.

1. Implement the recommendations of the Comité consultative sur l'innovation sociale et la finance sociale and fund budgetary measures to do so

2. Support and strengthen strategic networks and infrastructure

- Set aside 25% of funding to social innovation **incubators and accelerators**
- Support the development of a Canadian network of a multi-party **social innovation strategic infrastructure** that benefits the community by promoting cross-sectoral collaboration by financially supporting **intermediary organizations at the local level** (provincial and sub-regional) whose mandate is to bring together a range of partners to promote and develop social innovation. These organizations include the Chantier de l'économie sociale, Pôles d'économie sociale au Québec, and Réseau canadien de développement économique communautaire.

3. Adopt a funding strategy to support the start-up, development and scale-up of social innovations

- Create a **fund to support social innovation** and build on proximity and processes (governance, links to the local community) in order to ensure concrete and productive results. This fund could be used by existing organizations or as seed capital to create funds dedicated to specific issues or sectors.

- Include in the strategy the possibility of mobilizing private and public capital for social innovations in the area of economics.
- Instill a culture of **innovation in program design and delivery**, as set out in the mandate letter to the President of the Treasury Board, setting aside 5% of each department's budget to innovation development.
- Recognize and support **social innovation among First Nations** by promoting their inclusion and adapting funding strategies to their reality

4. **Encourage higher education institutions to fund social innovation**

- Support projects that rely on **integrated approaches to social innovation**
- Support efforts to **engage young people**, for example through internships, student-collective enterprise twinning programs and grants.
- Support **initiatives to share best practices** based on the Quebec government's OLTIS (organisations de liaison et de transfert en innovation sociale) program.

5. **Promote collaboration among enterprises and R&D stakeholders to square social, cultural, economic and environmental objectives**

- Support the development of **cross-sectoral thematic clusters** on key social issues (e.g., aging, green energy, social inclusion, food security, dropping out of school) to increase social innovations and create social enterprises
- Support collaborative projects and initiatives that reach out to First Nations

6. **Promote market access and scale-up in the deployment of social innovations**

- Support **initiatives to promote and market products and services with major social impact**
- Implement **purchasing policies within the public service** and federal institutions that recognize and support social innovation practices.

7. **Position Canada on the international stage in social innovation**

- **Actively participate** in supporting international initiatives within the framework of the United Nations and the OECD, among others, in order to help reach the 2030 sustainable development goals
- Support the **participation of Canadian organizations and institutions in international networks** (OECD, the United Nations Task Force on Social and Solidarity Economy, GSEF)

Supporting the development of collective enterprises

Given the essential contribution of collective enterprises to the Canadian economy and their key role in social innovation, the Chantier de l'économie sociale has four recommendations concerning specific support for collective enterprises.

1. **Recognize the central role of collective entrepreneurship in the emergence of social innovations and create a fair tax and regulatory environment**

- **Adapt the tax and regulatory framework governing charities and not-for-profit organizations** to take account of innovations in the field of social economy, social finance and the prevention of poverty through collective action.
- **Make tax tools and programs for SMEs available to collective enterprises** by taking into account their specificity and their role in improving the quality of life of Canadians (collective sharing of gains, social, cultural or environmental, collective control)
- **Create a branch within the government** responsible for coordinating this work across the various departments and reporting on results.

2. Promote collective social infrastructure

- Support **collective housing** as a lever to ensure accessibility, sustainability and quality solutions to the lack of housing
- Support **early childhood and elderly care services** where benefits are reinvested in the mission and where users have a decisive role in management, including performance appraisals and resource allocation.

3. Combine the digital age and social inclusion

- Financially support collective enterprises in all sectors that want to transition into the **digital age**
- Support **community-based digital R&D** through creation, networking and capacity building of **FabLabs**
- Support the development of **collaborative tools and open source software**, thereby increasing Canada's heritage in digital assets
- Support collective enterprises in the digital sector in developing cooperative, collaborative platforms so as to **position Canada as a leader in a collaborative economy that respects workers and serves citizens**

4. Support the creation of collective enterprises as a solution to maintaining jobs in all communities

- **Encourage job retention through incentives for entrepreneurial succession**, starting with a tax incentive for SME owners to sell their business based on a cooperative or not-for profit model as a solution to business succession planning.⁴ The permanence and stability of these organizations as compared with SMEs make them a sound instrument for maintaining quality jobs across Canada.

⁴ In the United States, employee ownership is encouraged through a tax measure by which an SME owner who sells at least 30% of their shares to a cooperative or an ESOP (Employee Stock Ownership Plan) may be indefinitely exempted from capital gains tax, provided that they reinvest the same amount in eligible US companies.