

RECOMMENDATIONS FOR THE 2018 FEDERAL BUDGET



Pre-Budget Submission to the
House of Commons Standing Committee on Finance
by the
Canadian Community Economic Development Network

August 4, 2017

Acknowledgements

This brief was prepared by the
Canadian Community Economic Development Network
for the
House of Commons Standing Committee on Finance

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The Canadian Community Economic Development Network

The Canadian CED Network is a national association of community organizations, co-operatives, credit unions, foundations, municipalities and citizens working to enhance the social, economic and environmental conditions of Canada's communities. We have members in all regions of Canada, including urban, rural, northern and Aboriginal community settings.

Community Economic Development is citizen-led action to enhance the social and economic conditions of their communities on an integrated and inclusive basis, reducing poverty, unemployment and social disadvantage by building assets and creating opportunities. What distinguishes CED is its understanding of the interconnectedness of social, economic and environmental issues, and a philosophy that the solutions which tend to be most effective for the complex problems communities face are those that involve and are driven by the people who are directly affected.

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Executive Summary

Canada is seen as an international leader because as a country we understand the interconnection and mutuality of our economy, our environment and the social well being of all our peoples. Canada truly represents the emerging worldview that economic capital is only one component of a healthy community. Domestic productivity and international competitiveness must be measured through the lens of working toward achieving the Sustainable Development Goals.

Thus Canada stands to benefit from maintaining a productive international competitive advantage by working in the context of the evolving models of a sustainable economy -- focusing on community economic development, including strengthening social enterprise capacity, increasing access to social finance and enhancing access to markets through social procurement.

Our recommendations focus on how the government can implement the measures it has already committed to undertaking in ways that will maximize their impact and value for communities.

- **Making Canadian Businesses More Productive and Competitive**

- *Improved Business Development*

- i. Expand the capacity and access to existing small and medium enterprise services through the Canadian Business Network.
- ii. Support the creation of innovation incubators and labs on priority social issues.
- iii. Provide a supportive regulatory framework giving charities and non-profits more flexibility to pursue business models.
- iv. Support innovation networks and communities of practice to connect relevant stakeholders across sectors.
- v. Adapt Québec's program for OLTIS (*organisations de liaison et de transfert en innovation sociale*) to create pan-Canadian social innovation knowledge transfer centres.

- *Improved Access to Markets and Capital*

- i. Contribute to the capitalization of tailored, demand-designed investment funds.
- ii. Support market access initiatives such as the Social Enterprise Ecosystem project.

- **Helping Canadians Be More Productive**

- *Social Purchasing*

- i. Implement social value weighting in all federal RFPs and contracts.
- ii. Include community benefit agreements in federal development projects.
- iii. Implement a Living Wage requirement on government contracts.

- *Employment and Skills Training*

- i. Reintroduce in the new agreements the intention and spirit of the former Labour Market Agreements, which were effective in supporting the labour market participation of groups that are under-represented in Canada's labour force.

- ii. Amend the funding formula for the Labour Market Development Agreements to ensure that LMDA allocations are distributed equitably and rationally.
- iii. Eliminate the Canada Job Grant program, or ensuring that it does not impact funding intended to support vulnerable Canadians. This program has mainly served as an upskilling fund.
- iv. Establish a portable account, financed by contributions from workers, employers and the federal government, for Canadians to draw upon to pay for lifetime learning and job retraining.

Making Canadian Business More Productive and Competitive

In a global community of ever-increasing competitiveness, Canada stands to lose our place internationally if we continue to pursue fragmented and siloed development strategies or if we limit our focus to the economy. Many countries are aggressively moving towards the United Nation's Sustainable Development Goals and are leading in social enterprise and social innovation. Competitiveness is better understood as creating a successful place where people want to live and where there are opportunities for all. The flip side is a drag on our competitiveness – political polarization, growing inequality, extremism and reduced social cohesion fuelled by divisive political movements that follow.

As such Budget 2018 should work to support social enterprises, cooperatives and CED initiatives, thereby strengthening the competitiveness of our communities while increasing the productivity of our economy.

Business Development - Enhancing the Supply and Variety Services

Community enterprises operated by non-profits, co-operatives, and micro-enterprises established by or dedicated to supporting marginalized individuals and communities create wealth and respond to the needs of rural and urban communities. Contrary to popular misconceptions, community enterprises have a higher survival rate than traditional small- to medium-enterprises while offering a positive financial and social return on investment.

Although more than 90% of the federal small and medium enterprise (SME) support programs are allowed under legislation and regulations to serve non-profits and hybrid business models (ie. social enterprises), access to those programs is typically limited by current practices, culture and mandates. Investments to modernize federal SME business support programs and create additional tailored development services would level the playing field for these innovative and emerging business models.

Recommendations:

- Expand the capacity and access to existing small and medium enterprise services through the Canadian Business Network and other federal business development programs to enhance business supports and readiness for investment by social enterprises and co-operatives. This should be coupled with awareness-raising efforts for government officials to ensure a level playing field for alternative forms of incorporation.
- Support the creation of innovation incubators and labs on priority social issues (such as community renewable energy, population aging, social inclusion) to accelerate social innovation and the creation of social enterprises and cooperatives focused on social impact across Canada.
- Provide a supportive regulatory framework giving charities and non-profits more flexibility to pursue business models that generate both social and financial impacts. This should involve

clarifying and updating Canada Revenue Agency guidance, and redesigning the Income Tax regime and other regulatory issues.

- Support innovation networks and communities of practice to connect relevant stakeholders across sectors, such as through the Social Enterprise Ecosystem initiative being led by the Canadian CED Network, the Chantier de l'économie sociale, the Social Enterprise Institute and Buy Social Canada.
- Adapt Québec's program for OLTIS (*organisations de liaison et de transfert en innovation sociale*) to create pan-Canadian social innovation knowledge transfer centres such as the [TIESS](#).

Access to Markets and Capital - Increasing the Supply of Social Finance and Intermediary Tools

In pursuit of prosperity and social impact, social enterprises, co-operatives and CED initiatives need access to markets and capital as any other for-profit business would. The differing context between these incorporation types means investment funds should be tailored to the specific needs of each.

Recommendations

- Contribute to the capitalization of tailored, demand-designed investment funds such as the Co-operative Investment Fund proposed by Co-operatives and Mutuels Canada, the non-profit social enterprise investment fund proposed by the Social Enterprise Council of Canada, and the social finance fund of funds proposed by the National Impact Investment Practitioners Table.
- Support market access initiatives such as the Social Enterprise Ecosystem for Canada project that would create a pan-Canadian online directory and e-commerce platform for social enterprises, building on the success of the Québec-based [Commerce solidaire](#).

Helping Canadians Be More Productive

One of the greatest ways Canadians can contribute to our country's productivity is through participation in the labour market. Unfortunately, this is easier said than done for many Canadians who face barriers to employment, such as low education levels, involvement with the criminal justice system, newcomers or addictions. Social enterprises and community economic development initiatives provide tailored job and training opportunities to people facing barriers to employment. By supporting social enterprise and CED, the federal government can increase labour market participation for our most vulnerable, and strengthen our economy.

Social Purchasing - Growing Demand for Social Enterprise Services

Procurement is a powerful and underutilized tool of government. Better accounting for the social, environmental and economic impact of government spending through social value weighting, will increase benefits to vulnerable communities and individuals, creating accessible education and job opportunities for communities traditionally at the margins or excluded from the economy.

Initiatives such as [Buy Social Canada](#), *L'économie sociale, j'achète*, ECPAR and the Toronto Community Benefits Network are leading Canadian examples of this rapidly emerging practice.

As documented in the 2015 House of Commons Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities report on Social Finance, CED initiatives have a proven track record for engaging vulnerable populations in the workforce to enhance Canada's productivity,

investing in community infrastructure, and creating new opportunities for local investment by community members.

Community Benefits Agreements are a practical tool for CED initiatives to engage with development projects and create local opportunities. Bill C-344, currently before the House of Commons, gives the Minister of Public Works and Government Services the authority to require an assessment of community benefits from bidders on federal contracts. This model is a valuable first step, building on the experience of other jurisdictions.

Budget 2018 should build upon the Prime Minister's mandate letter to the Minister of Public Services and Procurement by implementing social purchasing pilots, thereby leveraging existing spending to increase productivity.

Recommendations

- Implement social value weighting in all federal RFPs and contracts.
- Include community benefit agreements in federal development projects.
- Implement a Living Wage requirement for all contractors, including their subcontractors, on government contracts.

Employment and Skills Training

Employment and skills training programs provide opportunities for individuals who are under-represented in the workforce, or who experience barriers to employment, to move beyond social assistance or low-wage employment and establish sustained ties to the labour market. We commend the Government of Canada for its commitment to boosting support for skills training for all Canadians through increased funding and a significant reform of the Labour Market Transfer Agreements. The following recommendations are to ensure that vulnerable and underrepresented Canadians are not left behind in these new agreements.

Recommendations

- Reintroducing in the new agreements the intention and spirit of the former Labour Market Agreements, which were effective in supporting the labour market participation of groups that are under-represented in Canada's labour force.
- Amending the funding formula for the Labour Market Development Agreements to ensure that LMDA allocations are distributed equitably and rationally.
 - *For example, in 2015 Alberta was allocated the lowest amount of funding per unemployed person of all provinces through the LMDA: \$739. The provincial average was \$1848. (https://mowatcentre.ca/wp-content/uploads/publications/123_back_to_work.pdf)*
- Eliminating the Canada Job Grant program, or ensuring that it does not impact funding intended to support vulnerable Canadians. This program has mainly served as an upskilling fund.
 - *For example, as of August 2015, 99% of Alberta's Canada Job Grant program funding had been used to support individuals who are already employed. Numbers were similar in several provinces.*
- Establishing a portable account, financed by contributions from workers, employers and the federal government, for Canadians to draw upon to pay for lifetime learning and job retraining.