



# HORIZONS

P O L I C Y R E S E A R C H I N I T I A T I V E

## Social Economy Entrepreneurial Spirit in Community Service

The Government of Canada committed in 2004 to making the social economy a key part of Canada's social policy tool kit. In keeping with that commitment, some initial steps have been taken. The departments of Industry and Social Development have begun to implement the social economy initiatives set out in Budget 2004, and the Social Sciences and Humanities

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Policy Research Initiative  
56 Sparks Street, 1st Floor,  
Ottawa, ON K1A 0A3

ISSN 1487-7090  
Poste-publications - Publications Mail  
Customer no 7000274



Government  
of Canada

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Policy Research  
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Projet de recherche  
sur les politiques

# HORIZONS

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### PRODUCTION

Marissa Martin

Élisabeth Vu

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### Copy Editing and Translation by

PMF Editorial Services, Tradulitech, and Translation Bureau, Public Works and Government Services Canada

### Design and Layout by

Zsuzsanna Liko Visual Communication Inc.

The Policy Research Initiative produces *Horizons* as a liaison publication for the federal government policy research community. The primary objective of the PRI is to deepen, collect, and integrate research on crosscutting issues that are highly relevant to the Government of Canada's medium-term policy agenda. *Horizons* highlights the work of policy researchers from across federal departments, and from external experts, on issues that relate closely to PRI horizontal research projects and activities. For more information on the PRI or to consult previous issues of *Horizons*, please visit <[www.policyresearch.gc.ca](http://www.policyresearch.gc.ca)>.

All web sites referred to in this issue were confirmed as of November 30, 2005.

Any comments or questions? Requests for subscription or change of address?

E-mail: [horizons@prs-srp.gc.ca](mailto:horizons@prs-srp.gc.ca)

Phone: 613 947.1956

Fax: 613 995.6006



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## INTRODUCTION (CONTINUED)

Research Council of Canada (SSHRC) has already developed new funding opportunities to promote research on this field of activity.

Following on the Government of Canada heightened interest in the social economy, the Policy Research Initiative (PRI) teamed up with the SSHRC in September 2004 to sponsor a roundtable to discuss policy research needs for supporting the social economy. Experts addressed the topic at the PRI's December 2004 social policy conference. In July 2005, the PRI released *What We Need to Know About the Social Economy: A Guide for Policy Research*, which provides background on the social economy, identifies research issues whose examination would support the development of policies and programs, provides suggestions for how this research might be conducted, and points to some useful information sources.

This issue of *Horizons* continues the exploration of the social economy in Canada, and strives to answer the interrelated questions: why should governments be interested in the social economy, and what is the appropriate role for government in this field?

The articles in this issue are not intended to update readers on what exactly the social economy entails. Viewpoints in this regard differ, reflecting the great diversity of experience across Canada in this area. Rather, the aim is to help readers gain a better

understanding of the different guises and areas of activity of this organizational form, which borrows from market practices and principles, as well as from both the government delivery of public services approach and the community model used by non-profit organizations. Greater awareness of the principles underlying the three approaches can lead to enhanced appreciation of the potential of the social economy and understanding of its added contribution as a development management model that integrates social, economic, cultural, and environmental goals.<sup>1</sup> This appreciation and understanding will, in turn, make it easier to identify the role the Government of Canada might take on.

Louis Favreau's article provides background information on what led the Government of Quebec to adopt in 1996 a broad, inclusive definition of social economy that incorporates all co-operative and mutual aid movements as well as areas of concern to associations. Jean-Marc Fontan looks at the role of research in implementing the Quebec approach. He identifies important social economy research issues and their implications for public policy in Canada.

The contributions of Eugene Kostyra and Shauna MacKinnon complement one another, as they both explore the Manitoba government's community-based economic development (CBED) policy, revealing similarities and differences with the Quebec

approach. Comparing the CBED to the social economy, MacKinnon notes that both pursue the same goals of better social inclusion and greater socio-economic equity.

No other part of Canada has a CBED or social economy approach as fully integrated into the social or economic policy tool kit, yet, according to Alan Painter, this sector accounts for about two and a half percent of Canada's gross domestic product. The social economy in this country has grown to such an extent in recent years that its importance makes Canada stand out among developed countries.

It seems then that the field of social economy is faring well. Why, then, should governments express greater interest in it? What role should they be playing? Denis Harrisson shows how the social economy is rooted in social innovation while at the same time fuelling that innovation. He suggests that governments have a role to play in supporting the social economy for the same reasons they now support technological innovation.

David LePage provides a striking example of social innovation leading to the development of the social economy. By developing the Social Purchasing Portal, Vancouver's Fast Track to Employment team created a tool for extending a sector of the marketplace to incorporate social and environmental objectives effectively.

In a second article, Alan Painter discusses the case of the Roasted Cherry Coffee House, a social economy enterprise referred to in the Speech from the Throne, and ponders the role government should play in supporting such organizations. He suggests that the social economy is a promising approach, but that government investment decisions in this field of activity should be based on more precise goals, as well as on an organization's capacity to attain those goals effectively.

Stuart Sykes and Derek Hum contribute to the debate on the support role of the state by proposing that the various options explored include a purchase voucher-based approach whereby the social economy is supported through demand rather than supply.

Mel Evans rounds out this series of feature articles by also examining the demand side, but with emphasis on what the social economy can offer individuals at different critical moments in their lives. He builds a case for the role the social economy can play for marginalized people.

The social economy addresses different objectives at the same time, provides goods and services to people who would not otherwise have access to them, and involves communities and marginalized groups in new ways. Researchers still have much

to learn about the opportunities it offers. There are sufficient outstanding questions, insights, and research findings to support further development of literature on the role of government in the development of the social economy. Such literature should be multi-disciplinary and should consider ends as well as the means implemented to support this field of activity.



**Jean-Pierre Voyer**  
Executive Director

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### Note

- 1 Presentation by Nancy Neamtan, a specialist in Quebec social economics, at the PRI-SSHRC roundtable held in Ottawa in September 2004.

# The Government of Canada and the Social Economy

**Alfred LeBlanc**  
Industry Canada

**Allen Zeesman**  
Social Development Canada

**Janet E. Halliwell**  
Social Sciences and Humanities  
Research Council of Canada

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Alfred LeBlanc is Director General of Strategic Policy with the Policy Sector at Industry Canada.

Allen Zeesman is Director General of the Community Development and Partnerships Directorate at Social Development Canada.

Janet E. Halliwell is Executive Vice-President of the Social Sciences and Humanities Research Council of Canada.

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**Editor's Note:**  
In this article, officials from the three departments and agencies most implicated to date describe recent federal government activities and future plans regarding the social economy.

## Industry Canada Supports Social Economy Enterprise

**Alfred LeBlanc**  
Industry Canada

The 2004 Speech from the Throne committed the Government of Canada to foster the development of the social economy by creating the conditions for its success and an environment favourable to its growth. By late 2005, Cabinet had approved the Social Economy Pilot Initiative to implement targeted programs in support of projects to build community capacity for social economy activities. This pilot initiative emphasizes social economy enterprises, defined as those run like regular businesses, producing goods and services for the market economy, but managing their operations and redirecting surpluses in pursuit of social and community goals. The social and community economic development contributions of these enterprises are diverse, ranging from the employment of disadvantaged groups, to addressing local environmental challenges, to delivering training and skills development, and providing affordable housing.

The \$132 million Social Economy Pilot Initiative consists of three components.

- the two-year \$17 million Capacity Building Pilot initiative designed to enhance the capacity of organizations, communities, and social entrepreneurs to pursue and sustain social economy enterprises that contribute to the social and environmental goals of the community;
- the five-year \$100 million Patient Capital Demonstration Fund, which on a regional basis, will make loan and patient capital financing available to social

enterprises, taking into consideration their unique needs and responding to their specific start-up and growth challenges;<sup>1</sup> and

- the five-year \$15 million research fund to support research on the social economy and mobilize networks and knowledge transfer. (See below the description of the SSHRC activities by J. Halliwell.)

Implementation of the pilot initiative involves an innovative partnership of Industry Canada, Social Development Canada (SDC), and the four regional development agencies – FedNor, the Atlantic Canada Opportunities Agency, the Economic Development Agency of Canada for the Regions of Quebec, and Western Economic Diversification. The capacity-building and patient capital programs will be delivered through the four regional agencies, which conducted consultations to determine how to deliver most effectively these funding initiatives in their regions. The research fund on social economy is managed through the Social Sciences and Humanities Research Council.

As well, Industry Canada and the regional agencies have reviewed their existing small and medium-sized enterprise (SME) assistance programs to assess to what extent they are accessible by social enterprises. This review found that, for the most part, social enterprises are eligible clients of these SME-relevant non-financial and financial assistance programs. We are now exploring what actions might be taken to increase awareness among social

enterprises about Industry Canada's SME programs and services and to tailor SME-related information and services to better meet their needs.

We expect to learn a lot about social economy enterprises, as well as the most effective ways to support their

development and growth, during the pilot implementation stage. We will continue to work with the regional agencies and SDC to monitor impacts and to support SDC in the development of a broader policy framework for the social economy.

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## Note

- 1 Patient capital is a term increasingly in use among social enterprises, community organizations, and their funders. It describes forms of investment that are intended to achieve social benefits while also generating a financial return.

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## Social Development Canada Lays the Foundation for the Federal Strategy on the Social Economy

### Allen Zeesman

#### Social Development Canada

The Government of Canada is committed to helping communities help themselves. That is why the 2004 Budget allocated \$132 million to developing the social economy in Canada, and committed to improving access to small business programming for social economy enterprises. Through this investment, the federal government supports people who use their entrepreneurial skills in non-profit ventures that improve the social and environmental conditions of communities.

Social Development Canada leads the federal social economy effort. It

works with many federal departments and agencies to increase the number of tools and resources available to advance the social economy. The Department is also laying the foundation for the development of a longer-term strategy to guide the Government of Canada's work on the social economy.

To support the consultation and collaboration that are critical to the work on the social economy, the Department established the National Roundtable on the Social Economy. It promotes the dialogue and engagement of key partners, and involves

approximately 25 members representing the social economy and community economic development organizations, the co-operative, voluntary, and business sectors, and relevant federal government departments.

The Government of Canada recognizes the social economy as a new socio-economic priority and is committed to its development. Social Development Canada is moving forward with the groundwork for that vision.

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## SSHRC Connects Researchers and Social Economy Organizations

### Janet E. Halliwell

#### Social Sciences and Humanities Research Council of Canada

Thanks to a special allocation of \$15 million over five years in the 2004 federal budget, the Social Sciences and Humanities Research Council (SSHRC) of Canada established an innovative program to support research on the social economy that helps mobilize new knowledge. The program's objectives are:

- **to contribute** to defining policies, including an appropriate regulatory framework, applicable to the social economy;
- **to improve** the performance of organizations and enterprises that are important to Canada's social economy;
- **to demonstrate**, through inventories, statistics, comparative analyses, and other research outcomes, the actual and potential contribution of the social economy to Canada; and
- **to develop** Canada's international contribution to, and visibility in, areas relevant to the social economy.

Based on the SSHRC's successful Community-University Research Alliances program, the social economy initiative brings university and college-based researchers, and representatives from community-based organizations together as equal partners in the research process.

As well, the program is very much shaped by the unique regional character of Canada's social economy. To ensure different regional perspectives are represented in the research, the SSHRC adopted a Metropolis-like approach, calling for the creation of nodes (networks) to function in six different economic regions of Canada. These nodes are linked together through a national hub.

In August 2005, after intense international peer review, the SSHRC

announced grants to support the development of four regional nodes and the national hub. The national hub is, in essence, a network of networks. Led by Dr. Ian MacPherson at the University of Victoria, it provides a forum for researchers and partners from coast to coast, co-ordinates their research efforts, and helps share research findings across the country and around the world. The regional nodes carry out research on issues relevant to that region, and help train students and community researchers (see accompanying text box).

Even at this early stage in the program, strong partnerships are being forged between researchers and communities. The benefits of this new research venture now flow both ways: researchers gain insights and access to social economy

organizations, while the organizations build capacity and new ways to improve their effectiveness.

The final component of the SSHRC's social economy initiative involves small grants on issues that address the specific needs of the program's community partners. The SSHRC now works closely with the national hub and regional nodes to identify research priorities for a number of these smaller initiatives.

A second competition for regional nodes – one in Northern Canada (including northern Quebec and Labrador) and the other in Alberta/British Columbia – is ongoing.

For more information on the social economy initiative, visit the SSHRC web site at <[www.sshrc.ca](http://www.sshrc.ca)>.

### The SSHRC's Social Economy Initiative: Regional Nodes

node	led by
Atlantic Canada	Dr. Leslie H. Brown, Mount Saint Vincent University
Ontario	Dr. Jack J. Quarter, University of Toronto
Quebec	Dr. Jean-Marc Fontan, Université du Québec à Montréal
Northern Ontario, Manitoba, and Saskatchewan	Dr. Lou Hammond Ketilson, University of Saskatchewan

# Social Economy and Public Policy

## The Quebec Experience

Louis Favreau  
Université du Québec en Outaouais

### The Quebec Social Economy and its Active Cohabitation with Governments (1960-2005)

Today, recognition of the social economy in Quebec is no longer an issue. The social economy graduated to a new level by embedding itself more deeply into the Quebec public sphere for almost 10 years, beginning with the Government of Quebec's 1996 Summit on the Economy and Employment.<sup>1</sup> In Quebec, the social economy is represented by two groups:

- the Chantier de l'économie sociale, whose primary mission is to promote the social economy as an integral part of Quebec's socio-economic structure; and
- the Conseil de la coopération du Québec, whose mission is to participate in Quebec's social and economic development by fostering the full blossoming of the cooperative movement in Quebec.

The social economy is not a homogeneous block, whether in terms of its sectors of economic activity, its targeted populations, or its ways of functioning. Diversity characterizes these two groups. They of course share the same values and operating principles, but they belong to distinct families and their circumstances are often very different, in terms of the areas of activity in which they operate, their political structure, their level of organizational development, etc. (RISQ, 2004).

### *The Three Components of Quebec's Social Economy: Co-operatives, Mutual Benefit Societies, and Associations*

In most countries of the world, a number of local socio-economic activities emerged over the last two decades. This is the so-called new social economy. It has emerged primarily from mobilizations for employment and the development of new collective proximity services in both urban and rural environments.

The social mobilization that it has engendered has been particularly intense. It materialized around four types of initiatives:

- job training initiatives in associations that encourage various types of learning related to the labour market;
- proximity services development initiatives (day care and home care services, community housing);
- economic and social revitalization initiatives, bringing together, within a multiple-activity intervention process, various actors working in the same geographical area; and
- funding initiatives for the development of regions and local enterprises.

In Quebec, as elsewhere, these recent experiences often result from the interaction between an association and a co-operative or between the association movement and the co-operative movement (Perri 6 and Vidal, 1994). Depending on the case, the new social economy is relatively close to its historical components, since it shares with them the same

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Louis Favreau holds the Canada Research Chair in Community Development at the Université du Québec en Outaouais.

major characteristics that distinguish it from private and public enterprise, namely:

- enterprises that are, first and foremost, groups of individuals before they are pools of capital;
- enterprises and organizations that are jointly owned by their users and/or employees;
- enterprises whose democratic functioning is governed by the legal status accorded to them as associations, co-operatives or mutual benefit societies;
- enterprises in which the assets are jointly owned (inalienable surpluses, profits, and dividends); and
- enterprises in which one finds new actors, drawn from grass-roots and the middle class movements and who, generally, do not come from the business community.

In more general terms, the primary and fundamental meaning attributed to this type of economy is joining forces for a new type of entrepreneurship (Demoustier, 2001).

Over the last 10 years, a major research trend has been to understand the social economy by considering three families of organizations (i.e., co-operatives, mutual benefit societies, and associations), and putting them into perspective as stakeholders in the quest for solutions to the economic crises and the weakening of governments. Initially, a Francophone and Latin concept, the social economy now has links internationally (e.g., the International Centre of Research and Information on Public and Cooperative Economy, the International Labour Office), and contributes to the development of new international networks.

From an analytical perspective, this research trend has examined economic practices that combine initiative and solidarity on the basis of the following parameters.

- It uses a classification system that includes three major families of organizations rather than a single one, as is the case for the American and even Canadian non-profit sector approach, which usually only takes associations into account (Vaillancourt, 2005).
- It primarily associates the social economy with social movements and, secondarily, with alternatives to neo-liberal globalization (Favreau et al., 2004).

Table 1 describes the three major families of organizations.

**TABLE 1**  
**Typology of Social Economy Families**

	ASSOCIATIONS	CO-OPERATIVES	MUTUAL BENEFIT SOCIETIES
<b>Objectives</b> (priority given to the activity's social utility over its profitability)	Offer services to members and/or the community	Offer goods and services to members (e.g., a work co-operative) or to the community (e.g., a solidarity co-operative)	Offer services to members and their families
<b>Activities</b>	Collective goods and services in the market (public and private)	Market goods and services	Collective services for social protection
<b>Democratic organization</b> (distribution of power)	Elected board of directors and members' general assembly (one person, one vote)	Members' general assembly (one person, one vote)	Members' general assembly (one person, one vote)
<b>Surplus allocation mode</b>	Re-investment in the organization	Dividends allocated to members and re-investment in the organization	Re-investment in the organization and reserve fund
<b>Actors or project proponents</b>	Group of individuals (who do not own any assets)	Group of individuals (who do not own any assets)	Group of individuals (who do not own any assets)

Source: Adaptation of the typology developed by Defourny et al. (1999: 37).



We have adopted this approach to understand Quebec's social economy and its various actors and trends since co-operatives, mutual benefit societies, and associations cannot be viewed only as simple sectoral groupings. They are strategic families or components, that is, organizations whose trajectory has an overall objective: their mission is of general interest. However, each of these families has specific legitimacies, such as its own organizational culture, international affiliations, funding mechanisms, etc. Through the decades, they have also built areas of expertise that governments have recognized and for which they have been granted legal status and specific areas of influence.

In Quebec, co-operatives and mutual benefit societies have joined forces under an umbrella organization: the Conseil de la coopération du Québec (CCQ). For their part, associations are split into two branches: social economy enterprises, including not-for-profit organizations (NPOs) which are involved in economic activities and which are part of the Chantier de l'économie sociale; and independent community organizations, characterized by their predominantly socio-political activities (i.e., advocacy), the majority of which are part of a steering committee made up of 23 federations and a dozen regional networks.

Over the last 20 years, the social economy in Quebec has gained considerable political credibility. However, what is the socio-political trajectory of the two components of Quebec's social economy? How was the social economy organized to avoid the pitfalls of an approach too focused on micro-management? How does it

## Legend

CCQ: Conseil de la coopération du Québec

NPOs: Not-for-profit organizations

CDR: Coopératives de développement régional

CFDCs: Community Futures Development Corporations

LDCs: Local Development Centres

interact with governments while adopting structuring mechanisms for communities and regions?

### *The Co-operative Movement Until the Early '90s*

Created in the early 1940s, the CCQ underwent its first concrete shift in the '60s and '70s in the wake of changes occurring in financial and agri-food co-operatives, such as savings and credit co-operatives (Mouvement Desjardins), mutual benefit societies (the SSQ, for example) and agricultural co-operatives. This period was marked by the first major phase of active cohabitation between this social economy, which was primarily co-operative, and government in the aftermath of the Quiet Revolution. Owing to its capacity to mobilize, but also because of the general movement for economic affirmation that ran through Quebec society, the Mouvement Desjardins was able to expand, and thereby become the largest financial institution in Quebec, with the aid of new legislation that promoted both the development of public corporations (Caisse de dépôt) and the strengthening of the co-operative social economy (Dupuis, 1997).

The decade of the 1980s marked the beginning of the second major phase

in the development of active cohabitation with the arrival of new generations of co-operatives engaged in emerging sectors:

- urban areas, work co-operatives, housing co-operatives, consumer co-operatives, employee credit unions, natural food co-operatives, often initiated by community, environmental, and union movement organizations; and
- rural areas, proximity services co-operatives, such as co-operative garages, purchasing co-operatives (hardware), and forestry co-operatives in the wave of agricultural unionism. Subsequently, workers' funds, such as the Quebec Federation of Labour's Solidarity Fund in the 1980s, and Fondation, the Confederation of National Trade Unions' fund in the 1990s, appeared on the scene.

The 1980-1990 decade also marked the beginning of mutual co-operation with the creation of the Coopératives de développement régional (CDR). With financial support from government, this organization contributed to the establishment of co-operatives, and endeavoured to consolidate them at the regional level to form what can be referred to as the first generation of the regional poles of the social

economy. Little by little, the CDRs managed over time to cover all the regions of Quebec, adopted the Government of Quebec's segmentation of administrative regions, and formed a federation affiliated with the CCQ.

All these new developments in the co-operative social economy required, however, some form of Quebec-wide co-ordination. The end of the 1980s and the early 1990s was a period of deep transformation for this first group. In 1990, the CCQ successively organized about 30 forums, bringing together close to 4,000 people, and subsequently, the États Généraux de la coopération in 1992. This event generated a manifesto calling for the consolidation of all organizations in all regions across Quebec to draw in enterprises that contributed to the enrichment of the collective legacy.

During the estates-general, the CCQ initiated a reflection on its orientation. However, it also took the initiative of including among its ranks all emerging co-operative sectors, which created about 10 new federations. Then, in the framework of partnership agreements with the Direction gouvernementale des coopératives, assistance programs for CDRs and public funds earmarked for co-operatives and their federations were transferred to the Conseil, which, from that point on, became responsible for the integration, representation, facilitation, and co-ordination functions of the entire co-operative movement. It became the co-operatives' single interlocutor with governments.

For almost 15 years, the Conseil de la coopération du Québec included all co-operatives and mutual benefit societies in Quebec (over 3,000), from

all generations (from Desjardins, created 100 years ago, to more recent ones in all sectors, such as labour, housing, etc.) and in all regions (CDRs).

### *The Arrival of the Chantier d'économie sociale*

Overlapping with the development of the co-operative movement, the last 20 years (1985-2005) have also witnessed the emergence of a number of socio-economic initiatives of a co-operative nature, mostly fuelled by the community movement, through the new local development model, that is, community economic development (Favreau and Lévesque, 1996). It was thanks to the Government of Quebec's Summit on the Economy and Employment that the third major phase of active cohabitation arose with the recognition of a new network of networks, that is, the Chantier de l'économie sociale, which became, starting in 1999, a new interlocutor with the Government of Quebec.

An NPO, the Chantier was created as a result of a recommendation of the Summit's task force on the social economy. From that point on, this organization would be invested with the following responsibilities.

- Work on job creation projects approved at the Summit, in co-operation with promoters and government departments.
- Represent the social economy, particularly the new sectors that had been identified, on province-wide partnership bodies.
- Co-operate with government departments and organizations in the development of strategies

fostering the development of the new social economy, in the assessment of support programs and measures, and in the development of results indicators.

The creation of the Chantier de l'économie sociale paved the way for the development of this new form of economy, primarily by established associations, in relatively new sectors of activity, such as day care centres, home care enterprises, work force integration enterprises, etc.

For the last seven or eight years, Quebec's social economy has been evolving under two umbrella groups: one that consolidates co-operatives and mutual benefit societies, and another, more recent, that brings together primarily not-for-profit associations (NPOs).

### **The Quebec Social Economy and the Creation of Cohabitation Networks**

In 1985, the revival of joint action in employment initially stemmed from civil society initiatives, given that governments were temporarily absent from the process, as a result of the somewhat neo-liberal policies that predominated. A pivotal initiative of civil society, the Forum on Employment, had an important influence throughout the 1990s. It brought together employers, labour unions, community organizations, universities, and local governments.<sup>2</sup>

The Forum on Employment was a catalyst for numerous other joint action initiatives: the États généraux du mouvement coopératif launched in the 1990s and the États généraux

du monde rural in 1991, as well as the Forum des municipalités the following year. As a matter of fact, the Forum on Employment paved the way for regional and local development initiatives and, implicitly, for the social economy. For the first time, new solutions to the sensitive question of unemployment were being identified through joint action and partnerships.

*Local mobilizations across Quebec bring together actors who represent society as a whole; are less focused on asking the state to solve problems than on finding solutions by building on the contributions of all stakeholders; and link the social and the economic in new ways.*

Another civil society initiative contributed to the debate on the development of employment and the social economy: Bread and Roses, the Women's March Against Poverty, was the primary catalyst for the arrival of the social economy in the public sphere throughout Quebec in the second half of the 1990s. This high profile event helped promote the recognition of the association movement, led by women and community organizations, as a relevant player with respect to economic issues. The march supported the identification of proximity services as a sector of activity to be encouraged.

After 1995, the Government of Quebec again put greater emphasis on joint action. In 1996, a government-initiated summit led to the establishment of major task forces (on employment and the economy); its findings would help define a new social contract. With regard to employment, the changes that

occurred during this period can be organized according to the following two areas.

- Job creation and retention through local development – workers' funds, which invest in regional small and medium-sized enterprises, are a convincing example of this approach. Community Futures Development Corporations

(CFDCs) were already in existence (since 1985) and Local Development Centres (LDCs) arrived on the scene toward the end of the 1990s.

- Job integration through the social economy – part of the community movement – was directly involved in the economic field due to the development of the social economy in new market niches (job market integration enterprises, day care centres, etc.).

### ***The Emergence of New Streams of Employment in Quebec***

The main theme of the last two decades has been the emergence of new streams in local development and the social economy. New generations of organizations, social economy and local development institutions became, in time, actors in the renewal of the Quebec model for development, which is distinct from the rest of Canada, and especially differentiated from the United States. The unique-

ness of Quebec's economic and social development in the last two decades can be explained by the active interaction between local initiatives and new public policies. This also explains the emergence, in some sectors, of a relative degree of institutionalization of these practices in the form of new areas, or streams, of activities. The concept of new streams illustrates that these practices have been introduced in institutionalized cohabitation with public services.

### ***The New Initiatives: General Scope and Specific Contribution***

In the field of social economy and local development, the local mobilizations occurring all across Quebec, and not strictly in remote regions or those in difficulty, represent three types of innovation.

- They bring together actors who represent society as a whole: labour unions, employers, citizens, associations, and public sector organizations.
- They are less focused on asking the state to solve problems than on finding solutions by building on the contributions of all stakeholders involved.
- They are part of the search for new development benchmarks in which the social and the economic are linked in new ways.

While incurring some of the constraints related to the market economy, these economic activities are to be viewed as qualitatively distinct, because they are based on the principle of joining forces for a new type of entrepreneurship. The economic fragility of these initiatives led their

proponents to take a strong partnership approach with co-operative financial institutions, some charitable and associative institutions (foundations), and local quasi-public or public bodies, such as the Centres locaux de services communautaires, municipalities, CFDCs, and LDCs.

*Policies were based on a movement built on notions of partnership, territory, local development, and collective enterprise.*

The importance of these streams is mainly based on the fact that they are built on joint action among actors in civil society with active support from the state. More than a network of local initiatives in civil society, the emergence of these streams is tantamount to a strategic and collective shift, which first started within social movements, but which spread throughout Quebec society as orientations shared by all stakeholders.

Our analysis of the background that gave rise to these streams, as developed in our study on the issue (Comeau et al., 2001), shows that social economy and local development initiatives related to employment took shape over a decade (from 1996 to the present) throughout Quebec on the basis of a clearly collective and action-oriented intervention strategy, unlike the neo-liberal and stop-gap North-American approach, which targeted the unemployed almost exclusively.

- By decentralizing tools and powers toward local actors, the local development active cohabitation stream clearly emphasizes supporting local private and collective enterprises likely to revitalize local

economies and develop local development priorities throughout Quebec.

- Within a context where the social imperative of job creation was most pressing, the social economy active cohabitation stream led to a serious

debate in the public arena on the potential contribution of this third sector in terms of employment, a viable response to new needs, and the democratization of development.

*The Interface Between New Local Initiatives and Governments*

During a period when new ways to think about state intervention were being sought, the distinct nature of Quebec society in North America rooted itself in the field of collective economic development arrangements. As in most developed countries, the crisis in employment and the problems with Keynesian forms of state intervention had consequences. Industrial policies largely supported by direct business subsidies were no longer considered as effective, and redistribution policies based on passive welfare measures were questioned.

Governments did not all react in the same way and with the same consistency. Did they support project proponents at the level and in the manner required? Two trends became apparent in the 1990s. The first came out of initial responses to emergencies, rather than from the dictates of

development. In the context of these years of institutional uncertainty, however, a second trend appeared in 1996: an opening with regard to horizontal public policies in Quebec.

As a result of pressure from local communities and social movements horizontal public policy emerged. This new trend provided more credibility and autonomy for initiatives. For example, the policy underpinning the emergence and development of LDCs as providers of local development services on the periphery of the public sector seems to have fostered, in addition to the mere redress of previous mistakes, the economic and social revitalization of communities and their empowerment, that is, new forms of territorial democratic governance, partly modelled on the experience of CFDCs.

The first impact was to initiate a new approach to address problems. The second was to introduce a medium-term intervention process. Last, these policies were part of a greater regionalization movement in which all social actors were involved (enterprises, labour unions, co-operatives, community organizations, citizens). In brief, these alternate policies called for a proactive state to work in partnership with local communities. These policies were based on a pre-existing dynamic, that is, an economic and cultural movement built on notions of partnership, territory, local development, collective enterprise, etc., and which affected all of society's major stakeholders, not only organizations with a social mandate, but also a certain number of businesses and public institutions.

**TABLE 2****Approaches Governing the Relationship of the State with the Social Economy**

<b>Economic and Social Development Approach</b>	<b>Role of the State in the Neo-liberal Approach</b>	<b>Role of the State in the Social-statist Approach</b>	<b>Role of the State in the Democratic Partnership</b>
<b>Role of the state and public services</b>	Collective services from the public network are ancillary. Separation between economic and social.	Central state dominates the development of collective services.	The state supports community development; there is active co-operation among partners; new relationship between the economic and the social spheres.
<b>Role of the market</b>	The private sector is dominant: open economic development; social development dependent on the capacity of the market.	Enterprises and public collective services shape the market.	The private sector plays a complementary role. Collective services are mixed (public, social economy, and private) and co-ordinated at the “national” level, but decentralized.
<b>Role of associations and civil society</b>	Social management of poverty through programs targeted by the state to counterbalance the negative effects of the market; sub-contracting entrusted to the social economy.	Complementary, but subordinate, role of the social economy in the development of collective services.	Joint development of the supply of and demand for collective services. Joint production and decision making.
<b>Role of citizens</b>	Citizens are consumers.	Citizens are users of services.	Citizens are joint providers of services and collective actors of development.

Note: Typology based on Vaillancourt and Laville (1998).

### The Role of the State in Social Development: Three Approaches

Quebec in North America can be viewed as a unique laboratory researching new avenues, owing to a few institutional innovations signalling the possibility of new bridges between civil society, the state, and the market.

We believe that regulations built on the state, market, and civil society tri-nomial may be key to renewing the social state. The double-sided synergy (market and state) becomes three-sided (market, state, and associations). The issue is less focused on the extent of state intervention, and more on its democratic quality and the capacities of public institutions to engage in active cohabitation with their partners in the development and

implementation of new collective services for the public: joint production of services and cohabitation as part of a new framework of institutions of democratic governance. To clarify our position, we identified three approaches governing the relationship between the state and public services and the social economy: neo-liberalism, “statism,” and democratic partnership (see table 2).

In the third column of table 2, the democratic partnership model implies a strong mobilization of the various components of civil society. It cannot be achieved without the development of appropriate institutions that only the state can actually put into place. This requires considerable investment, not only in representative democracy, but also in deliberative democracy.

In this approach to renewal, state support, in the form of new types of programs, is critical. This has been demonstrated by the Quebec experience. Second, by recognizing civil society initiatives, the state opens the door to protected spaces. It is not a matter of unfair competition, but one of equity when services of collective interest (day care, environmental

protection, etc.) are assumed by the social economy. Will the federal government, through its new social economy measures, initiate a fourth period of active cohabitation with the entire realm of the components, approaches, and actors of this new type of economy? The file is open and requires close monitoring.<sup>3</sup>

## Historical and International Perspective of the Social Economy

There is a close link between Quebec's social economy and the international history of social economy. Quebec is not a separate case, although it is unique in a number of ways. The following considerations were derived from more recent research work on the subject.

- For the last 150 years, an entire component of the economy has been drifting away – to various degrees – from market forces and public regulation. This economy has been periodically eclipsed by governments' statist vision. However, the employment crisis, followed by the welfare state crisis, were opportunities for the social economy to emerge from the eclipse of the "trente glorieuses" (post-war economic prosperity) period, from 1945 to 1975.
- The social economy, whether co-operative or associative, is the legacy of the working class and the middle class in the same way that unionism was. *The History of the Rochdale Pioneers* is a clear illustration of this general standpoint. This

first co-operative, founded in 1844 in a suburb of Manchester, a key city in the 19th century textile industry, set forth the fundamental principles of collective enterprise, which continue to fuel the international social economy movement.

- Over the last 30 years, a renewal of the social economy has been occurring throughout the world. In Quebec, this renewal is expressed through two groupings that act as interlocutors with governments and are forums for Quebec-wide joint action, training, and debate.
- Throughout the world, as in Quebec, the social economy is "plural," encompassing co-operatives, mutual benefit societies, and associations. This pluralism is reflected in the national forms of consolidation, which require the implementation of a consensus-building policy among the components of the social economy (to manage tensions and competing interests). To be effective, this consensus building requires mutual understanding to be explicit.

- The social economy, as it evolved in the marketplace, was, throughout the years, confronted with the risk of becoming commonplace, that is, of becoming just like the business sector. However, it has demonstrated that democracy does not have to stop at the doors of enterprise.
- The part of the social economy with public service objectives has been exposed historically to the threat of being treated as merely a service delivery agent. At the same time, it has demonstrated that it is possible to renew the social state, at least with regard to local communities and regions.
- Internationally, while it is at the heart of North America and thus at the heart of neo-liberalism, Quebec is an example of a society that is not completely caught up in this philosophy, since it has succeeded, over the last 40 years, in putting in place active cohabitation between the public economy and the social economy, which has significantly weakened the hold of a strictly market-based approach.

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## Notes

- 1 More recently, at the end of 2004, the social economy was introduced into the Canadian public sphere.
- 2 In 1989, a major assembly was held in which 486 union representatives, 234 socio-community representatives, 192 representatives of co-operatives, 192 government representatives, and 132 private sector representatives took part. This major assembly had been preceded by forums in all regions of Quebec.
- 3 Two valuable research sites, the first on social economy and regional development, and the second on international social economy, are produced by the Canada Research Chair in Community Development (CRCCD) at the Université du Québec en Outaouais.  
<[www.uqo.ca/observer](http://www.uqo.ca/observer)>  
<[www.uqo.ca/ries2001](http://www.uqo.ca/ries2001)>

# Partnership- Oriented Research on the Social Economy in Quebec

Jean-Marc Fontan  
Université du Québec à Montréal

Since the October 2004 Speech from the Throne, the social economy has come to the forefront on the Canadian political agenda. A similar visibility raising took place in Quebec in 1995, beginning with the March for Bread and Roses of the women's movement and its associated demands. It culminated in the Quebec socio-economic summit in 1996.

What is meant by the social economy? How is knowledge on this sector generated? What political issues are raised by this sector? We try to answer these questions in the following pages.

## What is the Social Economy?

The social economy is made up of social organizations or collective enterprises that are up and running or are emerging in the sectors of co-operatives, mutual benefit societies, and associations. The social economy differs from the private economy in that it is based on citizen engagement. That engagement drives new individual and collective aspirations and helps to develop innovative socio-economic solutions to social and economic problems. In Quebec, in 2001, the social economy comprised 7,151 collective enterprises and social organizations, employing 124,302 people, and producing a turnover of \$17.2 billion.<sup>1</sup>

The social economy is highly diversified. It is present in all regions of Quebec, in cities, towns, and rural communities alike. Sectors affected by the social economy include finance, culture, recreation and tourism, telecommunications, agri-food, transport, housing, retail sales, domestic help, and social services. The social economy, like the private economy, is largely one of small enterprises and

organizations. It is bolstered by the presence of large companies and a handful of very large firms.

Although the social economy is important to the social, cultural, political, and economic development of Canadian communities, relatively little research was conducted on it between 1800 and 1950. Knowledge on the social economy stems from small research projects distributed unevenly over time and scattered throughout Quebec and the rest of Canada.

## Canadian Issues in Developing Research on the Social Economy

From a research standpoint, there would appear to be four key issues that need to be addressed to ensure the development of the social economy sector.

The first issue is connected to basic research and partner-oriented research alike. It pertains to the production and dissemination of new knowledge on the Canadian social economy sector and its impact on society's development. Both the term social economy and social economy initiatives are not well known in Canada. While it is easy to trace an overview of the social economy in the United Kingdom, Belgium, or France, it is difficult to develop such an overview for Canada. Various research streams provide overviews of several components of the social economy, including the co-operative economy, the non-profit sector, and community economic development initiatives. It is not possible, however, to produce a unified overview of the social economy in Canada. There is no consensus among social actors in Canadian civil society on the term social economy.

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Jean-Marc Fontan is Co-director of the Alliance de recherche universités-communautés en économie sociale with the Département de sociologie at the Université du Québec à Montréal.



The second issue is theoretical. It pertains to the social economy's role in mediating relations between the economic and social spheres. It is about how the social economy helps to renew oversight mechanisms within societies. It is doing so within a political context and a renewed economic juncture where the state and the market work more and more closely with civil society to mobilize innovatively a host of societal resources. From that standpoint, it is important to gauge the social economy's contribution to defining or redefining public policy and the overall development model for Canadian society.

The third research issue pertains to the social economy's specific contribution to territorial development, especially territories grappling with socio-economic decay. In tangible terms, this issue addresses the production of knowledge relating to the impact of the social economy's development on community well-being.

The fourth research issue pertains to the development of tangible tools for action. The social economy is in full expansion and is growing strongly. As a result, we need to enhance our knowledge and understanding of social or collective entrepreneurship mechanisms. This entrepreneurship requires tools and services to help build on existing social economy channels or develop new channels.

In that regard, actors' needs are clear. The survival and development of emerging collective enterprises and social organizations hinge on advancing knowledge in a number of related fields: democratic management, human resources development, working conditions and relations, new

forms of capitalization, and result evaluation and impact assessment of the social economy. Research is needed on the democratic operation of this economy, in terms of collective management, social responsibility and ethics, and of the relationship with the community and local development.

*Collective entrepreneurs want to be heard politically, and given the same attention as private-sector entrepreneurs.*

While developing knowledge on the social economy certainly enhances our understanding of how the Canadian economy works, it also helps inform reflection on public policy making.

### **Social Economy and Public Policy**

Research indicates that traditional demands made on the state by collective entrepreneurs in the social economy have essentially centred on two main claims.

First, collective entrepreneurs want to be heard politically, and given the same attention as private-sector entrepreneurs. They seek the same type of recognition, assistance, mobilization of resources, and interest that the state has accorded and still accords to private enterprises. This holds true for all fields of state jurisdiction: education, economic development, social development, culture, and so on.

This traditional claim is still valid. There remains a gap between the level of attention and public assistance given to the private sector and that given to the association and collective sector. Indeed, that gap is widening, because of new needs occasioned by changes in Canadian society as it enters an increasingly globalized

environment (NAFTA, new WTO accords, etc.). In the future, public discourse and the state's understanding of Canadian society and its evolution will have to take into account the creative and oversight potential of both civil society and the social economy.

Second, collective entrepreneurs are calling for the specific features of the social economy to be taken into account. For one thing, the social economy introduces a corporate governance model based on an egalitarian conception of input and decision-making mechanisms. The principle of "one voice, one vote" reflects a division of power dynamics that differs from that used in private shareholding, where voting rights are proportional to the number of shares held in the company. This means that capitalization methods are different. Within a collective enterprise, that specificity may place a limitation on private investors or financial organizations, which typically expect their investment to yield them a proportional share of decision-making power.

For another thing, the social economy comprises a host of organizations that have a mission divided between social and economic concerns. They pursue social and economic objectives simultaneously, striving for both economic and social viability. In the future, the fact that many social economy enterprises or organizations emerge in response to a social emergency or social needs not met by the state and the market will have an impact on how social viability and economic

viability are conceived. They have little in common with the economic profitability sought by a private enterprise or the type of social responsibility developed by a private enterprise.

In addition, because the underlying reasons for creating social economy enterprises do not correspond to those that motivate private entrepreneurs, which can be very broadly summarized as the profit motive, it is important to assess the performance of a social economy organization differently. It is also important to heed the principle that growth for its own sake is not an objective in itself for social development projects advanced by collective entrepreneurs and social organizers within the social economy. The social economy looks at development in its entirety, where economic growth must be accompanied by social development, respecting democratic and environmental values.

Consequently, it would be counterproductive to try to help, support, and sustain social economy enterprises using the same reflexes and mind sets as those used for private enterprise. Hence, the second traditional demand by the social economy sector: to have programs that take account of the causes, values, and principles promoted by the social economy. Such programs need to be created specifically for the sector or be broad enough in scope that they can be adapted in response to the specific characteristics of collective enterprises and social organizations.

That consideration duly noted we can now identify a third major demand and some avenues for public policy to explore.

The third claim pertains to the issue of co-construction of public policy. A partnership-oriented approach to public policy making would yield policies better adapted to the needs and realities of populations, organizations, or territories for which they are developed. Co-construction allows for social innovation in public policy design and implementation.

*The co-construction of public policy allows for social innovation in public policy design and implementation.*

*The first avenue* would be measuring the gap between assistance and public support provided to private enterprises and that provided to social economy enterprises. Measuring that gap would provide an overview of the work to be accomplished, and would help to establish a plan to level the playing field for public services in various sectors of society. For example, how much time is devoted to discourse on the social economy in comparison with that devoted to the private economy in the cognitive curriculum for primary and secondary education? How do Canadian labour market human development services include training on collective entrepreneurship, volunteering, and corporate co-management? How are business support programs adapted to deal with the special needs of social or collective enterprises?

*The second avenue* would consist of mechanisms to accommodate the multiple nature of the mission of social economy enterprises, by promoting decompartmentalized and crosscutting actions across departments and agencies, or across levels of intervention (federal, provincial, and municipal). To that end, it would be a good idea first to list all the public authorities directly or indirectly connected with implementing the mandate of various departments pertaining to the social economy, and then to

look at ways those departments can work together to develop an integrated approach to support the development of the social economy.

*The third avenue* would focus on finding responses to specific problems that affect the development of the social economy sector. In the past five to seven years, a large number of collective enterprises and social organizations have been created in this sector. This is now raising problems in terms of growth and stabilization of activities in these organizations. There are needs to be addressed in connection with adapting legislation, standards or intervention criteria by public agencies, and capitalization and management assistance for projects with missions having shared economic and social objectives. To that end, consideration should be given to:

- adapting and modifying the normative and legislative frameworks underlying existing programs, or developing new standards or laws to support the development of the social economy sector;
- proceeding through the usual channels to mobilize public funds (i.e., injecting funding into programs and measures adapted to stakeholders in collective enterprises and social organizations); and
- introducing first-, second-, and third-line advisory services adapted to collective entrepreneurship needs.

*The fourth avenue* would consist of strengthening the national system for innovation in the social economy. Such a system has been set up in Quebec using two main categories of organizations – those linked to the social economy in general and those linked to the co-operative economy in particular – providing services to both social organizations and collective enterprises. It would be advantageous to raise awareness of the model developed in Quebec. The objective would naturally not be a top-down approach to a Canadian system for innovation in the social economy, with the mandate of implementing

the same single model for intervention in the social economy throughout the country. On the contrary, ideally a bottom-up approach would be used to put in place a system that would strengthen regional and local dynamics.

Using that approach, public policy initiatives would develop regional profiles of the state of development of the Canadian social economy, identify associated relational dynamics and the cultures they represent, support the components of existing regional systems, and help develop support structures (real support services for collective entrepreneurship) where there is little or no infrastructure in place. At the national level, such a strategy could also be used to set up, in partnership with existing networks for the social economy, community and third-sector economic development, a partnership organization among universities, communities, the state, and the market, along the lines of a *national observatory on the social economy*.

*The fifth and final avenue* would involve the oversight function played by the state. The state has traditionally developed means to conduct evaluations and assessments, and foster dis-

cussion on issues linked to the global, sectoral, or territorial development of Canadian society. Various tools have been and continue to be used to that end. One example would be the recent funding provided to the Social Sciences and Humanities Research Council of Canada (SSHRC) to set up a social economy grant program. Similar measures should be encouraged on the part of both the state and other stakeholders in society. The key to developing the social economy lies in mobilizing other networks. In that connection, the research community is an interface worth exploring to help forge relations among sectoral actors, to foster dialogue and cooperation among sectors – private and community, for example – which would otherwise operate in isolation.

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## The Context of Research on the Social Economy in Quebec

The history of the social economy indicates it was structured in tandem with industrialization and the emergence of the first European and North American social movements. While the term “social economy” was used in Europe between the mid-19th century and the first decade of the 1900s, it was almost unknown within Canada and North America. Between 1920 and 1980, with the rise of co-operatives in developed countries and the emergence of the co-operative doctrine, its system of organizations and public policy supporting its development, the term social economy was eclipsed by the term co-operative economy.

In Quebec, the first research work on what would subsequently be called the social economy was conducted mainly by activists or other social actors in the 19th century proposing an alternative way to think about the relationship between market and society. Such activist writings were followed in the early 20th century by more theoretical works by intellectuals and academics. They were used to promote the co-operative economy, which was seen at the time as a potential counterweight to the shortcomings of the liberal economy.

A significant body of research on other components of the social economy, mainly on the movement of non-co-operative legal advocacy associations, began to emerge in the 1950s.

An initial research period (1950-1980) gave rise to “action research,” closely linked to the academic activism developing at the time. That period stretched over 30 years and produced thematic and sectoral research on various social movements, including the labour movement, the community movement, the co-operative movement, and the feminist movement. Of special note was the appearance of small research action projects bringing together researchers and social actors on a very experimental basis.

The initial research period saw the establishment of two research centres dedicated to collective enterprises: the Centre interdisciplinaire de recherche et d’information sur les entreprises collectives (CIRIEC-Canada),<sup>2</sup> and the Institut de recherche et d’enseignement pour les coopératives (IRECUS, Université de Sherbrooke).<sup>3</sup> CIRIEC-Canada was founded in 1967. It brings together researchers and representatives of social economy and public economy organizations. At the same time as CIRIEC was established, mechanisms were developed at the Université de Sherbrooke to support the development of training and research on the co-operative economy, and the Service aux collectivités was established at the Université du Québec à Montréal (UQAM),<sup>4</sup> with the goal of forging ties among academic researchers, community organizations, women’s groups, and labour and cultural organizations.

With the establishment of the Chaire de coopération in 1968, IRECUS in 1976, the Réseau des universités des Amériques en études sur les coopératives et les associations (UniRcoops) in 1995,<sup>5</sup> the Chaire Desjardins de coopération et développement du milieu in 1999,<sup>6</sup> and its co-operative training program, the Université de Sherbrooke made its mark as Quebec’s premier university specializing in co-operation. Also noteworthy was the establishment in 1975 of the Centre de gestion des coopératives at the École des Hautes études commerciales (HEC).<sup>7</sup>

A second period of research on the social economy (1980-2000) was marked by the development of funding programs within new research support structures introduced by federal and provincial governments. Beginning in 1977, the SSHRC, followed in 1979 by the Conseil québécois de la recherche sociale (CQRS), and the Fonds pour la formation de chercheurs et l’aide à la recherche (FCAR),<sup>8</sup> provided grants to support research by teams on general or targeted themes. Those programs initially supported the creation of small and medium-sized research teams (in the 1980s), and then promoted the establishment of large research teams (in the 1990s). It is noteworthy that, in 1984, Quebec’s Department of Education, through the Fonds des services aux collectivités, was the first public granting agency to fund development

of partnership-oriented humanities research, assisting research projects that forged close ties between researchers and social actors in designing and managing research teams and projects. The CQRS followed suit several years later, setting up a funding program to establish research teams forging close partnerships between researchers and practitioners.

In 1987, the Chaire de Coopération Guy-Bernier was established through the Fondation de l'UQAM, with financial support from the Fédération des caisses populaires Desjardins et Montréal et de l'Ouest du Québec.<sup>9</sup> In 1988, le Centre de recherche sur les innovations sociales (CRISES) was established.<sup>10</sup> It was the first Quebec research centre to include a research focus exclusively on the social economy within its research programming. In 1992, not long after CRISES was established, the Laboratoire de recherche sur les pratiques et les politiques sociales (LAREPPS) was set up at UQAM,<sup>11</sup> and the Chaire de recherche en développement communautaire was established in Hull, which became in 2002 the Chaire de recherche du Canada en développement des collectivités (CRDC-GERIS).<sup>12</sup> The Laboratoire was one of the first research centres to forge close ties among researchers and practitioners in conducting action research. In 1997, LAREPPS developed the Équipe de recherche Économie sociale, santé et bien-être, a research team that reflects the increased importance of the social economy field and the development of partnership-oriented research.

In 2000, the Alliance de recherche universités-communautés en économie sociale (ARUC-ÉS)<sup>13</sup> was established at UQAM, in partnership

with the Chantier de l'économie sociale<sup>14</sup> and organizations from the social economy field and the labour movement, in the form of a consortium among the Université du Québec en Outaouais, the Université du Québec à Chicoutimi, and Concordia University. The Alliance is the first Quebec interuniversity research centre dedicated entirely to partnership-oriented research on the social economy. A number of research structures have been introduced since then, including the Observatoire en économie sociale et en développement régional (Université du Québec en Outaouais),<sup>15</sup> the Chaire de responsabilité sociale et de développement durable (UQAM),<sup>16</sup> and Chaire du Canada en économie sociale (UQAM).<sup>17</sup>

Throughout the 1990s and the early 2000s, UQAM, in conjunction with the other components of the Université du Québec network, has become a centre of excellence for basic research and partnership-oriented research on social innovation, social development, and the social economy. Its numerous teams bring together researchers through multi-disciplinary, interfaculty, interuniversity, interregional, and partnership approaches.

The SSHRC recently set up a research program dedicated entirely to the social economy, allocating \$15 million over five years (2005-2010). The SSHRC social economy grant program will help fund the establishment of six regional nodes throughout Canada, one in each region identified by the program, as well as a national hub on the social economy. Starting in 2006, the program will help support for several years concerted research projects on the social economy.<sup>18</sup>

## Notes

- 1 A comprehensive statistical portrait is available at the Chantier de l'économie sociale web site: <[www.chantier.qc.ca](http://www.chantier.qc.ca)> (statistical data section). The portrait was produced in 2002 by the Bureau de l'économie sociale and Direction des coopératives du gouvernement du Québec in relation with the Chantier de l'économie sociale.
- 2 CIRIEC-Canada: <[www.ciriec.uqam.ca/presentation.html](http://www.ciriec.uqam.ca/presentation.html)>.
- 3 IRECUS: <[www.usherbrooke.ca/irecus/](http://www.usherbrooke.ca/irecus/)>.
- 4 SAC-UQAM: <[www.sac.uqam.ca/](http://www.sac.uqam.ca/)>.
- 5 UniRcoops: <[www.unircoop.org/](http://www.unircoop.org/)>.
- 6 Chaire Desjardins de coopération et développement du milieu: <[www.usherbrooke.ca/medias/communiques/1999/oct/chaire.htm](http://www.usherbrooke.ca/medias/communiques/1999/oct/chaire.htm)>.
- 7 Centre de gestion des coopératives: <[www.hec.ca/centredesjardins/](http://www.hec.ca/centredesjardins/)>.
- 8 These funds are currently merged within the Fonds québécois de recherche sur la société et la culture (FQRSC).
- 9 Chaire de coopération Guy-Bernier: <[www.er.uqam.ca/nobel/ccgb/index.html](http://www.er.uqam.ca/nobel/ccgb/index.html)>.
- 10 CRISES: <[www.crises.uqam.ca/](http://www.crises.uqam.ca/)>.
- 11 LAREPPS: <[www.unites.uqam.ca/essbe/](http://www.unites.uqam.ca/essbe/)>.
- 12 CRDC-GERIS: <[www.uqo.ca/crdc-geris/](http://www.uqo.ca/crdc-geris/)>.
- 13 ARUC-ÉS: <[www.aruc-es.uqam.ca/](http://www.aruc-es.uqam.ca/)>.
- 14 Chantier de l'économie sociale: <[www.chantier.qc.ca/](http://www.chantier.qc.ca/)>.
- 15 Observatoire en économie sociale et en développement régional: <[www.uqo.ca/observer/SocialGeneral/](http://www.uqo.ca/observer/SocialGeneral/)>.
- 16 Chaire responsabilité sociale et développement durable: <[www.ceh.uqam.ca/](http://www.ceh.uqam.ca/)>.
- 17 Canada Research Chair on Social Economy: <[www.unites.uqam.ca/src/regroupements/chaire-canada-economie-sociale.htm](http://www.unites.uqam.ca/src/regroupements/chaire-canada-economie-sociale.htm)>.
- 18 See the article by J. Halliwell in this issue of *Horizons*. More information can be acquired from the SSHRC web site at <[www.sshrc-crsh.gc.ca](http://www.sshrc-crsh.gc.ca)>.

# Made in Manitoba Community Economic Development Provincial Policy Framework and Lens

**Eugene Kostyra**  
Government of Manitoba

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Eugene Kostyra  
is the Secretary  
to the Government of Manitoba's  
Community and Economic  
Development Committee  
of Cabinet.

The concept of the social economy is relatively new for most Manitobans. However, the province has a long history of social economy activity within the context of community economic development (CED). It is at this level that the Manitoba government has taken a significant role in policy development.

Community economic development is a community driven process combining social, economic, and environmental goals to build healthy and economically viable communities. By focusing on local strengths and needs, CED has the potential to create opportunities for Manitobans with an emphasis on social inclusion, equality, and empowerment. In Manitoba, CED has focused on communities that are historically marginalized from the mainstream economy, in order for these communities to share more equally in the benefits of economic growth.

For a provincial government, the challenge is to find ways to support locally driven CED efforts without unduly changing their local character. In 2000, the Manitoba government began developing a tool to be used by government departments in support

of community economic development. Consultation with CED practitioners informed this development of a policy framework and CED lens that is now in use across government.

The CED Policy Framework and Lens integrate both research and local practice. The Framework provides a guide for departments to support community economic initiatives that are comprehensive and multi-faceted. It identifies the five goals and ten principles that define our approach to CED (see accompanying sidebar). The Manitoba government uses a slightly modified version of the CED principles developed by the worker-owners of Neechi Foods Co-op Ltd., which has been adopted by various Manitoba organizations.<sup>1</sup>

The CED Lens helps government personnel understand and respond to the government's CED strategy. The Lens presents a series of questions relating to the 10 principles. Policy and program areas are reviewed by working through these questions to determine where improvements might be made. Since CED-related policies and programs vary widely, users are encouraged to exercise flexibility in adapting the Lens to fit their own contexts.

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## 5 CED GOALS

1. Building greater community capacity.
  2. Nurturing individual and community pride, self-reliance, and leadership.
  3. Enhancing knowledge and skills.
  4. Developing businesses that are responsive to social, economic, and environmental needs.
  5. Fostering balanced, equitable, and sustainable economic development.
-

In addition to a policy framework, government also needs a structure within which support for CED activities can be managed effectively. Much has been written about the need for governments to manage horizontally – to eliminate, or reduce, the barriers that frustrate and inhibit creativity and innovation.

The Manitoba model of CED policy is an effort to move in this direction. The CED Policy Framework and Lens were developed by a team of policy and program analysts across government. The success of this collaboration strongly suggested that a cross-departmental approach be used for implementation as well.

To facilitate cross-departmental working relationships within the existing government structure, the Manitoba government chose to drive CED policy through a central agency: the Community and Economic Development Committee of Cabinet (CEDC) Secretariat. The Secretariat co-ordinates major development and economic projects that require interdepartmental collaboration.

The Secretariat also chairs the CED Working Group, an interdepartmental team that meets regularly to look for ways to raise awareness of CED across governments and encourage the use of the CED Policy Framework and Lens. The CED Working Group is charged with four responsibilities.

- Assist departments to develop policies and programs guided by the CED Policy Framework and the CED Lens.
- Raise awareness of CED and the government directive.

## Examples of Manitoba Government Programs that Integrate the Goals and Principles of the CED Policy Framework

- *Neighbourhoods Alive!* supports community-driven revitalization of designated neighbourhoods in Winnipeg, Brandon, and Thompson. To date, over \$26.5 million has been committed. Components include project funding programs for neighbourhood renewal and community development; core-funding to neighbourhood renewal corporations; training initiatives; housing repair, rehabilitation, or construction assistance; and crime prevention in the form of youth recreational “lighthouses.” The most recent provincial budget expanded Neighbourhoods Alive! to ensure that the entire inner city of Winnipeg can benefit from the initiative. More information can be found at <[www.neighbourhoodsalive.mb.ca](http://www.neighbourhoodsalive.mb.ca)>.
- *Communities Economic Development Fund* is a provincial Crown corporation that encourages economic development in Northern Manitoba and supports Manitoba’s fishing industry.
- *The Northern Development Strategy* builds on initiatives already underway in government to improve the quality of life for Northern and Aboriginal people, with a priority focus on housing, health, transportation, education and training, and economic development.
- *Healthy Child Manitoba* works across departments to build a community development approach for the well-being of Manitoba’s children, families, and communities, with a primary focus on conception through infancy and the preschool years.
- *The Aboriginal Justice Inquiry – Child Welfare Initiative* aims to improve the child and family services system in Manitoba, by recognizing and supporting the rights of children to develop within safe and healthy families and communities, and by recognizing that First Nations and Métis people have unique authority, rights, and responsibility to honour and care for their children.
- *The Community Enterprise Development Tax Credit* was put in place in response to the call for greater access to capital to build community enterprises. The program provides a 30 percent tax credit to qualifying investors on investments that do not exceed \$30,000. Investments may be made either directly in Manitoba community enterprises, or indirectly, in the community development investment fund pools that serve community enterprises.

- Support department representatives.
- Function as the knowledge centre for government-wide CED activities.

Over the past few years, the Working Group has been instrumental in helping departments build CED ideas into their policies and programs (see accompanying textbox). Departments formally include CED as part of their planning process and report on progress annually. This year, Manitoba released *Reporting to Manitobans on Performance, 2005 Discussion Document*, on key indicators related to the economy, people, community, and the environment. This is the first time that such a document has been prepared, and CED initiatives are included in the reporting. The intent

is to gain feedback from citizens on the performance information presented, including CED, for future performance reports.

### Strategic CED Initiatives

Recognizing the complexities of disadvantaged communities, the Province of Manitoba also provides core funding to organizations that have proved instrumental in achieving CED objectives. It has also incorporated CED into government-led activities. (See accompanying textboxes.)

In addition to the government initiatives, the Province of Manitoba takes an active role in collaborating with community initiatives to further develop the CED sector. The Manitoba Government is an active partner in the Social Sciences and Humanities

Research Council funded project entitled *Manitoba Research Alliance on Community Economic Development in the New Economy*, and the expanded Alliance for Research in the Social Economy.

As described above, the Manitoba government strives to support communities to define and meet economic needs through the CED Initiative, Policy Framework, Lens, government programs, funding to strategic initiatives, and by supporting CED in government activities. These policy tools work toward enabling all Manitobans to share in the benefits of economic growth.

### Note

- 1 See the related article by S. MacKinnon in this issue of *Horizons*.

## Examples of Funding to CED Initiatives

- *SEED Winnipeg* is a non-profit agency that works to combat poverty and assists in the renewal of Winnipeg's inner city. The agency helps low-income individuals and community groups develop assets and start small businesses.
- *North End Housing Project* tackles the task of creating quality, affordable units in Winnipeg's North End for residents who wish to own their own home through renovating existing properties as well as building new infill housing.
- *Northern Forest Diversification Centre* works to link the growing demand for non-timber forest products with the need to create sustainable economic development opportunities for residents of remote communities. The Centre is developing a network of community-based micro enterprises within remote communities supported by modern packaging and marketing infrastructure.
- *The CED Technical Assistance Service* works with CED organizations in Winnipeg that require specific expertise by providing referrals or brokering services to clients who would not otherwise be able to access or afford these services.
- *The CED Training Intermediary* is a capacity-building training and education program for unemployed community members and CED practitioners in existing organizations. Additionally, the intermediary facilitates community workshops for practitioners and community members on aspects of CED.



## Examples of Government-led Activities that Have Incorporated CED

*The Hydro Northern Training Initiative* represents a significant commitment to the training of northern Aboriginal people to optimize participation in new hydro-electric developments. In total, \$60.3 million has been committed by the Province of Manitoba, the Government of Canada, and Manitoba Hydro to pre-employment training for new hydro projects in partnership with First Nations communities and organizations. A comprehensive training process is being delivered in addition to career planning and other supports (e.g., child care).

The \$665 million *Red River Floodway Expansion Project* is a critical undertaking jointly funded by the governments of Manitoba and Canada, and has incorporated CED in its planning and processes. The Floodway Expansion includes an extensive ongoing public consultation process, and an employment equity strategy, designed to provide a pool of skilled labour for this and future projects. Equity provisions have been built into the tendering process for contracts and through an Aboriginal set aside, which puts aside a portion of the overall expansion work for tendering to Aboriginal firms with the intent of building business capacity within the sector.

## Aboriginal Policy Research Conference 2006

Building on the highly successful first such Conference in 2002, the Strategic Research and Analysis Directorate of Indian and Northern Affairs Canada is coordinating a second Aboriginal Policy Research Conference (APRC 2006), to be held March 21-23, 2006, at the Westin Ottawa Hotel. Principal partners in organizing this event are: The University of Western Ontario and the National Association of Friendship Centers. Other participating contributors are national Aboriginal organizations and some 19 federal government departments.

APRC 2006 will bring together up to 1,000 academics, policy-makers, students and Aboriginal representatives to expand knowledge of social, economic and demographic determinants of Aboriginal well-being, and to discuss other policy issues. The Conference format will include presented papers, roundtable discussions, display booths and keynote addresses by national and international leaders.

Further details on APRC 2006 may be found on the internet at: [www.ssc.uwo.ca/sociology/aprc-crmpa/](http://www.ssc.uwo.ca/sociology/aprc-crmpa/). Check this site regularly to obtain registration details, the agenda and other important information about the Conference as arrangements progress.

APRC 2006 will provide a rare opportunity to deliberate and learn about a large number of Aboriginal policy issues, and to network with many of today's Aboriginal decision-makers and tomorrow's leaders. Hope to see you there!

# The Social Economy in Manitoba

## Designing Public Policy for Social Inclusion

**Shauna MacKinnon**  
Canadian Centre for  
Policy Alternatives

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Shauna MacKinnon is the Director of the Canadian Centre for Policy Alternatives – Manitoba. Ms. MacKinnon is also a member of Manitoba Research on Community Economic Development in the New Economy, as well as the Alliance for Research in the Social Economy.

A discussion on the social economy in Manitoba must be prefaced by saying that the term social economy has not been widely used here. Government policy and community activity centre on community economic development (CED); however, the term social economy is fast becoming part of our vocabulary.

Interest in this new language emerged for two reasons. First, recent federal government initiatives supporting social economy activity sparked an interest in better understanding the similarities between CED and social economy. Second, Manitoba CED practitioners have long been inspired by the well-developed social economy in Quebec. And while these terminology differences can be confusing, the objectives of the actors in the Quebec social economy and English Canada's CED community are much the same.

There are many definitions of CED, but practitioners in Manitoba increasingly see CED as both a strategy and a process that aims to reverse the social and economic marginalization that exists in many communities. More than a local economic development strategy, CED goals are not simply economic. Community economic development aims to integrate economic and social objectives that ensure greater inclusion, empowerment, and opportunity for individuals who have not been the beneficiaries of mainstream economic development strategies.

Social economy also has many definitions. For some, social economy narrowly focuses on the development of social enterprise. Initiatives recently put forward by the federal government reflect this view of social economy.

Others view social economy very broadly to include activities within the entire voluntary sector.

University researchers and community practitioners have joined together through the Manitoba Research Alliance on Community Economic Development in the New Economy, and the more recently expanded Alliance for Research In the Social Economy (ARISE), to examine the history of the sector in Manitoba and the potential to increase activities as a means of addressing persistent inequity. The Alliance views CED and the social economy as complementary if not somewhat synonymous. Fundamental to the definition of both CED and the social economy are goals of greater social inclusion and greater social and economic equity. Community empowerment and social justice must be at the heart of social economy and/or CED activities and policies.

### CED in Manitoba

In Manitoba, CED has a remarkable history. In the urban context, it has been used as a tool for many years. The inner city of Winnipeg experienced a steady decline in the 1970s as a result of increased poverty. But in the 1980s, the Winnipeg Core Area Initiative, a tri-level government agreement that provided funding for inner-city revitalization, helped to slow the tide. However, by 1996, 50.8 percent of inner-city households had incomes below the low income cut-off. The situation further deteriorated throughout the 1990s as government support for inner-city revitalization declined dramatically. Inner-city activists continued to use CED strategies through community initiatives, such as the development of Aboriginal worker

co-operatives, employment training programs, micro-enterprise programming, and advocacy to shift charitable fund-raising to emphasize a developmental approach. It was, however, an uphill battle with few resources available to support this work.

job training, employment and social enterprise development in areas, such as housing development. A newly elected NDP Government showed greater interest in supporting CED efforts in poor communities. This resulted in renewed hope and new

In the late 1990s, Manitoba CED practitioners became increasingly connected to practitioners across the country through organizations like the Canadian Community Economic Development Network. This provided important opportunities to share lessons learned and exchange ideas. It also led to the development of some important policy recommendations that would prove to be extremely helpful in the development of CED policy in Manitoba.

*Manitoba community economic development practitioners have long been inspired by the well-developed social economy in Quebec.*

In the North, CED as a strategy was most prominent in the 1970s with the emergence of the Manitoba government's Northern Plan, a strategy to increase northern self-reliance by implementing policies that would facilitate local economic development. While some successful initiatives resulted, gains were short lived as government strategies to address northern social and economic decline through a CED approach were largely abandoned during the 1990s.

Rural Manitoba has taken more of a local economic development approach rather than a CED approach, placing less emphasis on social and economic inclusion as central to the process. Provincial and federal government funding has assisted in these efforts through Community Futures Development Corporations, Rural Development Agencies, and Community Development Corporations.

Most would agree that the 1990s were lean years for communities on the margins, especially those in urban centres and northern communities. In 2000, the environment for CED again began to shift. The CED sector was maturing and taking on more comprehensive development approaches, integrating community organizing,

energy for community organizations committed to improving the social and economic conditions in their communities. And conditions have improved. Winnipeg's inner-city communities, while still troubled with poverty and crime, have seen significant improvements in those neighbourhoods where resources have been targeted. Housing has improved, arson activity is down, commercial strips are being revitalized, and high levels of social capital are being developed.<sup>1</sup>

In the North, initiatives like the Northern Forest Diversification Centre, a community based initiative that works with marginalized communities to develop economic development opportunities using local resources and guided by local values, have been small but important contributions to social economy development.

### **The Principles Underlying CED**

While there is still much to be done in building Manitoba's social economy, most would agree that significant strides have been made. Analysis of the Manitoba scene points to some critical features that have contributed to making it somewhat unique in the context of CED and the social economy.

In Winnipeg, CED organizations increasingly supported some basic CED principles that were initially crafted by members of Neechi Foods grocery store, an inner-city Aboriginal worker co-op. These principles are critical for a couple of reasons. First, they are grounded in community economic development theory, and therefore they have a sound economic basis. Second, as they are increasingly adopted by community-based organizations across the province, they serve to unify CED practitioners around basic guiding principles. While debate around the goals, objectives, and priorities for CED continue to take shape as the experiences of practitioners grow, the Neechi principles have been critical to the evolution of CED in Manitoba. They include:

- use of locally produced goods and services;
- production of goods and services for local use;
- local re-investment of profits;
- long-term employment of local residents;
- local skills development;
- local decision making;
- promotion of public health;

- improvement of the physical environment;
- promotion of neighbourhood stability;
- promotion of human dignity; and
- mutual aid support among organizations adhering to these principles.

### Recent Provincial Initiatives

Another critical feature of the Manitoba context is the role of the provincial government. In 2000, the Manitoba government began the process of developing a policy to support CED. In 2001, it adopted the Community Economic Development Framework and CED Lens for government-wide use.<sup>2</sup> To the government's credit, it respected the community-adopted CED principles and integrated them into its policy tools. The policy framework also integrates many of the recommendations outlined by the Canadian CED Network. Through the adoption of the CED Lens, the Manitoba government has, in effect, accepted the wisdom of the CED community, and acknowledged that governments have an important role to play in support of CED activity. It also acknowledges that there is a need for multi-year funding, better horizontal alignment of policies and programs, and greater co-operation among governments to better support community-based work.

While the content of the framework and lens reflects the goals and objectives of CED practitioners, what is most important about the Manitoba government's initiative is the structure through which it is implemented. This

has been both a blessing and a curse. Driven from a high-powered central agency – the Community and Economic Development Committee of Cabinet – implementation of CED policy has the potential of reaching through, as it should, all government departments. This sends a message that CED is not the responsibility of any single department, but rather all departments have a role to play in supporting this activity.

*Community economic development aims to integrate economic and social objectives that ensure greater inclusion, empowerment, and opportunity for individuals who have not been the beneficiaries of mainstream economic development strategies.*

Theoretically, driving CED policy from a central department makes good sense. However, the limitation of this model is that CED becomes the interest of everyone, but the responsibility of no one. There is no single champion for CED and no real budget. Absence of an identified leader and minimal resources to move the initiative forward is a critical flaw in the Manitoba model. As a result, few departments have stepped up to the plate in a significant way and CED has not been as high on the list of government priorities as the CED community would like. There remains limited awareness of the CED lens across government and those who know of it and are supportive often have little power to do what is necessary to reshape policy and programs in line with the lens. Perhaps the biggest limitation to implementation of the CED lens is that line departments are not

held accountable for their contributions to CED. Use of the CED framework and lens is largely left to the discretion of line departments. And while some departments have been more diligent about finding ways to integrate CED principles into their programs, other key departments have not. There continues to be a great deal of room for CED-sensitive policy and program development. Areas for improvement include industrial devel-

opment, infrastructure development, education, health and child-care services, environmental programming, and procurement. It might also be useful to look for opportunities to embed CED in legislation, perhaps by integrating CED objectives into the existing Sustainable Development Act, thereby expanding obligations to include social and economic goals in addition to environmental goals.

In spite of the limitations, the Manitoba government has demonstrated creativity in its approach, and the CED community will continue to encourage the government to take CED policy to the next level and develop mechanisms by which implementation can be measured.

### Looking to the Future

The federal government's recent interest in the social economy could be

a boost for the sector in Manitoba. While the federal initiative seems to focus much more narrowly on social enterprise, and resources are very limited, this could present some interesting opportunities. Again, Manitoba practitioners look to Quebec where they have very successfully used the social enterprise model in areas such as child care and housing. Seizing the opportunity to increase social enterprise in Manitoba will require a concerted effort by the federal and provincial governments, municipal governments, and the CED community, to work together to identify potential enterprise opportunities and creatively use their resources to get them off the ground. However, if the federal government is serious about contributing toward the development of a strong social economy, it will need to develop a more comprehensive policy response similar to what is being attempted in Manitoba.

Whether it is through CED or social economy, the groundwork for building a community-based economy with a social justice goal has been set in Manitoba. In northern Manitoba, efforts are again underway to educate and employ northern residents in their home communities. The cities of Thompson and Brandon have made great strides in revitalizing poor communities with the help of government CED programs. Winnipeg's inner city is fighting back against incredible obstacles. Community capacity is increasing and new leaders have emerged, giving communities new hope.

While efforts to build the social economy have been vulnerable to the changing policy interests of governments, the current supportive environment and a renewed enthusiasm among those in the CED community suggest that there is now a great opportunity to build a strong and vibrant social economy in Manitoba.

### Notes

- 1 These trends are explored in more detail in the *State of the Inner City Report: 2005*, published by the Canadian Centre for Policy Alternatives – Manitoba in November 2005.
- 2 See also the article *Made in Manitoba: Community Economic Development Provincial Policy Framework and Lens* in this issue.

## Water Quality Trading

In September 2005, the PRI's Sustainable Development Project released two Briefing Notes on Water Quality Trading (WQT). WQT is a market instrument for reducing water pollution by allowing trading of pollution reduction credits between polluters. These two notes focus on the use of WQT for reducing agricultural water pollution.

*Water Quality Trading I: Scientific Considerations for Agricultural Pollutants* reviews the science needed to make WQT work. The most likely pollutants to be controlled through WQT in Canada are phosphorus, nitrogen, and sediments. For WQT to work well, a solid scientific understanding is needed of the target pollutant's behaviour in the environment, its sources and sinks, management practices that affect it, and any watershed-specific factors that may affect the pollutant's environmental impact.

*Water Quality Trading II: Using Trading Ratios to Deal with Uncertainties* describes how pollutant exchange rates can compensate for uncertainties in the impact of pollution reduction practices, differences in the location of different polluters in the watershed, or even different types of pollutants.

The Sustainable Development Briefing Note Series can be found on the PRI web site in the Publication section. For more information, please contact the project director, Ian Campbell, at 613 992.3704 or by email at <i.campbell@prs-srp.gc.ca>.

# The Social Economy in Canada

## Concepts, Data and Measurement

**Alan Painter**  
 Policy Research Initiative  
 Government of Canada

Evidence-based decision making requires conceptualization, data development, and empirical research. This article explores each of these in turn, focusing especially on two data releases from 2004 that substantially increased the quality and quantity of the information available to support policy research and analysis of the social economy and related sectors.<sup>1</sup>

### Concepts

The social economy is a fairly new label for a diverse and evolving combination of non-governmental organizations (NGOs) that have been producing and delivering goods and services in communities across Canada and around the world for well over a century.

Interest in the social economy by name increased in Quebec during

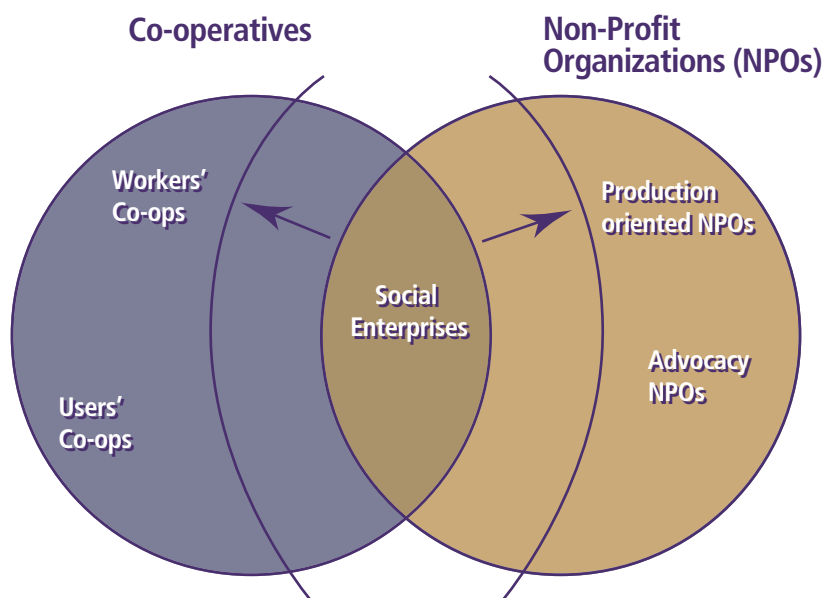
the mid-1990s. While the non-profit, non-government sector is considerable across Canada, the social economy has yet to be organized as such in the country outside Quebec (Fairbairn, 2004).

Social economy enterprises (SEEs) are different from for-profit businesses in that they involve a diverse collection of stakeholders in decisions, and generally reinvest any profits to advance the mission of the organization, instead of disbursing them to owners/shareholders.

The missions of SEEs are based on a combination of common interest and public service objectives. A few examples illustrate the difference.

- A mutual insurance company focused on the interests of policy holders and a local sports association run by parents who bring

**FIGURE 1**  
 Social Enterprises at the Crossroads of Co-operatives and the Non-Profit Sector



Source: Reproduced from Defourny (2001).

Alan Painter is a Senior Policy Research Officer with the Government of Canada's Policy Research Initiative.

neighbourhood kids together to play soccer on Saturday mornings are examples of SEEs focused on common interests.

- A soup kitchen that receives donations from local supermarkets to provide low-cost meals to individuals in need and an organization that receives private donations and grants from governments to provide training to individuals that need help securing employment are examples of SEEs focused on public service.

In practice, SEEs are citizen-led, community-based organizations that use a combination of market resources (sales revenue and paid labour) and non-market resources (government funding, private philanthropy, and volunteer labour) to produce and deliver goods and services to individuals.

Figure 1 presents a conceptual system developed by Defourny (2001) that links co-operatives, non-profit organizations and an emerging new sector that combines social purpose with entrepreneurship. As depicted in the figure, some co-operatives and non-profits (e.g., workers' co-operatives and production-oriented non-profits) are closer to the emerging sector than others (e.g., users' co-ops and advocacy-oriented non-profits). The figure suggests that the boundary that surrounds the social enterprise sector is both fluid and growing.

The following typology, which borrows heavily from Defourny, can be used to fill the gap between for-profit businesses and government organizations in Canada, thereby facilitating the examination of the social economy using available data sources:

- common interest SEEs;

- public service SEEs;
- other NGOs (e.g., those focused on advocacy, research, and religious worship); and
- near-government organizations (i.e., hospitals, universities, and colleges).

### Data

Two data releases published in 2004 substantially increased the information available to support policy research on the social economy and related sectors.

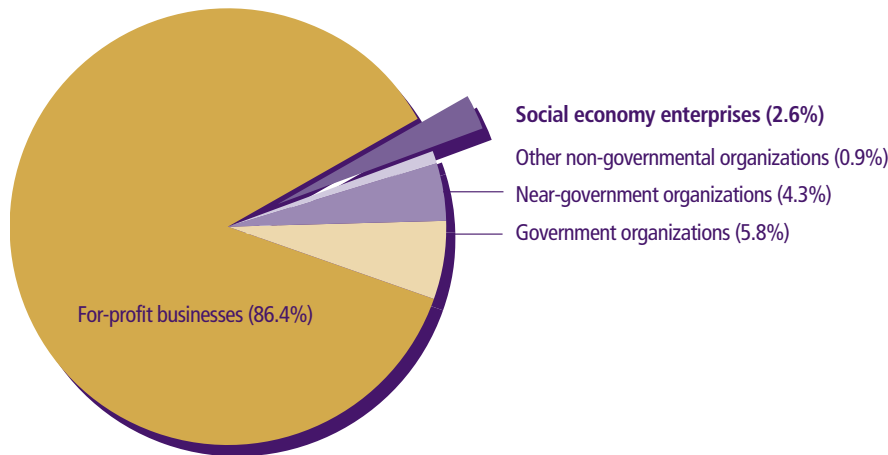
- The National Survey of Nonprofit and Voluntary Organizations was the first ever large-scale survey of the sector in Canada. It collected data on the finances, expenditures, activities, populations served, and perceived strengths and weaknesses of incorporated non-profit organizations and registered charities.

**TABLE 1**  
**Situating the Social Economy in Canada**

Sector	Private Sector	Social Economy Sector			Public Sector		
		Non-Profit and Voluntary Sector					
Organization type	For-profit businesses	Common interest SEEs	Public service SEEs	Other NGOs	Near- government organizations	Government organizations	
Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of employees		155,398 in 2004	740,000 in 1999				821,000 in 2004
Share of GDP			2.5% in 1999, excluding volunteers			4.3% in 1999, excluding volunteers	
	87.4% in 1999				0.9% in 1999		5.8% in 1999

Source: The table, reproduced from PRI (2005), is based on data reported by Hamdad et al. (2004), Goldenberg (2004), the Canadian Co-operative Association (private correspondence in 2005), and Statistics Canada's Labour Force Survey.<sup>2</sup>

**FIGURE 2**  
**GDP by Type of Organization in Canada**



- The Satellite Account on Nonprofit Institutions and Volunteering provided data on the financial inputs and outputs of institutions and the economic value of volunteer work.

The organizations covered by both releases were identified by applying criteria adapted from the Johns Hopkins Comparative Non-Profit Sector Project, which provides data across an increasing number of countries (now at least 37) on the activities of formally constituted non-governmental, non-religious, non-profit-seeking, non-political, and self-governing organizations where membership is voluntary to some degree.<sup>3</sup>

Table 1 employs the typology to organize the results of descriptive research carried out on Canada to date, supplemented by readily available Statistics Canada data.

### Findings

*Social economy enterprises account for about two and a half percent of Canada's gross domestic product (GDP).*

A rough estimate of the total size of the social economy can be calculated based on the last three rows of Table 1: it is about 2.5 percent of GDP (column 3 + column 4 + column 5), minus 0.9 percent (column 5), plus the value of the SEEs not captured in the second last row (column 2, about one percent<sup>4</sup>), equal to 2.6 percent of the total Canadian economy.

At around 2.5 percent of GDP, the social economy was larger than the aerospace (0.6 percent), mining (1.0 percent) and pulp and paper (1.3 percent) industries, about the same size as the oil and gas extraction (2.5 percent) industry, and smaller than the transportation equipment (3.1 percent) industry in 1999.<sup>5</sup>

Figure 2 provides a breakdown of GDP in Canada by type of organization, based on the preceding data and analysis.

The Canadian data reported in 2004 allow for identifying some trends for the non-profit and voluntary sector (NPVS), as well as for the same sector

excluding near-government organizations (i.e., hospitals, universities, and colleges). Figure 3 portrays the relative size and relationship between these two sectors and the social economy, based on columns 2 through 6 of Table 1 and the preceding data and analysis. The relative size of the boxes is proportional to their relative share of Canada's GDP. The NPVS is considerably larger than the social economy as defined above, while the NPVS excluding near-government organizations corresponds much more closely to the social economy.

Because the applicable data sources do not support reporting results for the social economy, the following findings are reported for the NPVS and/or for the NPVS excluding near-government organizations, depending on the level of detail provided in the underlying data source. The term non-profit sector is used below when the finding applies to both of these sectors:<sup>6</sup>

- The Canadian non-profit sector has been growing since 1997.
- Federal and provincial government support for the Canadian non-profit sector grew between 1997 and 1999 (the most recent period for which data is available).
- The NPVS is larger in Canada than in most other developed countries.
- Canada is about average among developed countries in the share of NPVS revenue provided by governments.
- On a per capita basis, the NPVS is largest in Manitoba and the territories.
- Governments provide the highest share of NPVS revenue in Quebec, and the lowest in Alberta.



- The vast majority of direct government funding provided to the non-profit sector comes from provincial and territorial governments.
- The federal government provides considerable funding to provinces and territories.

### Suggestions for the Future

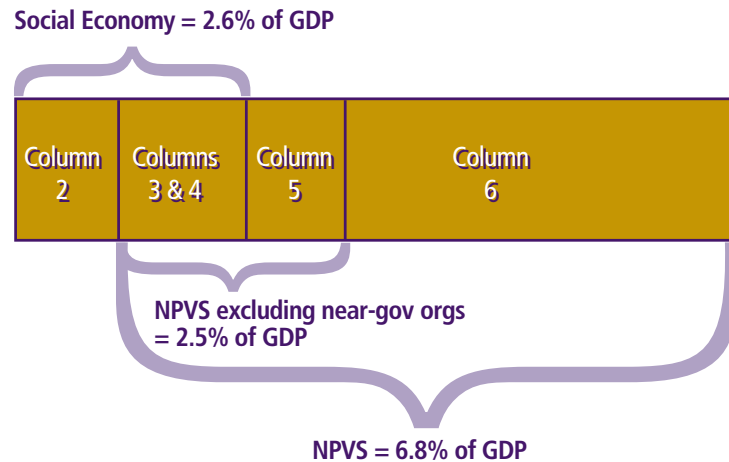
While social economy enterprises and related organizations have been active in Canada for well over a century, our understanding of them has increased substantially over the past 30 to 40 years. To date, the most accessible data comparable across countries and provinces and territories has been reported for the NPVS, rather than for the social economy. Detailed data are not systematically collected on a regular basis on the scope and structure of the social economy as a whole in Canada, something first observed more than a decade ago (Quarter, 1992).

Consideration might be given to the periodic systematic collection and reporting of reliable data on the activities of SEEs in Canada, including on their sources and uses of funds. Further data collection might survey from the complete universe of SEEs and support comparisons across jurisdictions.

Data collection efforts have generally treated social economy enterprises as if they were only economic organizations, as demonstrated, for example, in the Satellite Account of Nonprofit Institutions, where all the information about organizations is financial. Policy makers are also interested in the non-financial objectives and accomplishments of organizations. Further data collection efforts might explicitly examine the diverse objectives pursued by social economy enterprises, perhaps

**FIGURE 3**

### Relative Size and Relationship, Social Economy, the NPVS and the NPVS Excluding Near-Government Organizations



by examining their mission statements, or might examine their impacts broadly defined, perhaps by surveying the people to whom the organizations deliver services.

More information on the impacts of organizations and how to measure those impacts would also help ensure that programs and policies meet their objectives, given that public reporting, program evaluation, and auditing all require performance information. Such information would also usefully inform debates about the relative efficiency and effectiveness of social economy enterprises and for-profit businesses in meeting various social and economic objectives.

Academics in Canada and abroad have identified insights and observations that would usefully inform further conceptual work and data collection on the social economy. For example, Quarter (1992) drew a distinction between co-operatives, non-profits in public service, and mutual non-profits. Fairbairn (2001, 2004) identified differ-

ent kinds of organizations based on their primary activities and deconstructed co-operatives as associations of people who act in the marketplace. Bode and Evers (2004) drew a distinction between two kinds of organizations that developed in 19th century Germany: some addressed social needs by helping non-members, while others were based on alternative approaches to economic operations to serve member needs. Lévesque and Mendell (2004) drew a helpful distinction between four types of SEEs based on the nature of the needs they address and whether they are predominantly market or non-market based. Insights from these and other contributors might be integrated to prepare the way for further data collection, as well as policy development.

One conceptual issue whose exploration might inform future policy development is the relationship between public service SEEs and charities. While the term charity may not capture fully what SEEs

aim to achieve, the concept and how it is operationalized has an influence on which activities governments support, and there is overlap between the activities of public service SEEs and the definition of charity.

An evidence-based approach to identifying the policy and program changes that may be needed to better support the social economy requires more concepts, data, and findings. One helpful source will be the Social Sciences and Humanities Research Council's Social Economy Suite program, which supports academic researchers working in partnership with community-based organizations. The program supports, among other things, the development of inventories, statistics, tools, and analysis.

More generally, the contributions of statisticians, researchers, and analysts will be needed to both advance our shared understanding of the social economy and identify and give expression to the role of government.

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## Notes

- 1 The article is based on research presented in *What We Need to Know About the Social Economy: A Guide for Policy Research*, a PRI publication released in July, 2005.
- 2 The version of the table in PRI (2005), accessible on-line at <[www.policyresearch.gc.ca](http://www.policyresearch.gc.ca)>, includes more notes and information on sources.
- 3 For more on the Johns Hopkins project, see <[www.jhu.edu/~cnp/](http://www.jhu.edu/~cnp/)>. For more on how the criteria were adapted for the survey and satellite account, see respectively Hall et al. (2004) and Hammad et al. (2004).
- 4 See PRI (2005) for the assumptions needed to derive the one percent estimate, which should be interpreted with some caution.
- 5 Statistics Canada data defined according to the North American Industry Classification System.
- 6 Data and text supporting the findings are provided in an Annex to the online version of this article on the PRI web site.

# The Social Purchasing Portal

## A Tool to Blend Values

David LePage  
Fast Track to Employment

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David LePage is CEO of Fast Track to Employment, a Vancouver-based organization that guides and facilitates the training of long-term unemployed persons.

*“Too many people still act as if the private sector and the social sector should operate on different axes, where one is all about making money and the other about serving society. A better approach is to integrate these missions.”*

Steve Case, co-founder of America Online and chairman of The Case Foundation<sup>1</sup>

The Blended Value Proposition, developed by Jed Emerson, Senior Fellow at the Hewlett Foundation and Lecturer at Stanford University’s Graduate School of Business, states that all organizations, whether for-profit or not, can create value that consists of economic, social and environmental value components – and that investors (whether market-rate, charitable or some mix of the two) can simultaneously generate all three forms of value through providing capital to organizations. While all value naturally consists of a blend, certain investors and organizations are intentionally attempting to create, integrate and maximize the impact of this blended value.<sup>2</sup>

Traditionally, the private sector market place is seen as the segment of the economy that delivers “economic value,” whereas the social economy, from the voluntary sector to social enterprises, is seen as the segment of the economy that delivers “social value.” Learning to blend these values proves challenging for both sectors.

This article explains and explores one innovative intermediary tool that is fostering a blended approach to everyday purchasing and procurement: the Vancouver-initiated Social Purchasing Portal.<sup>3</sup>

## Background

### Private Sector Economy

Steve Case, a businessman, and Jed Emerson, an academic, are leading the discussion about a new definition of return on investment. They have identified the need to blend the financial return on investment and the social impact of purchasing and procurement decisions, values that have traditionally been held as separate and non-intersecting.

This concept is helping to inform an emerging change in the procurement and purchasing practices of businesses. Several key factors push this shift, ranging from ethical concerns relating to corporate globalization to local efforts to build sustainable communities. At the same time, the growth of interest in corporate social responsibility (CSR) has brought with it the challenge of how to implement a broader multiple bottom line (financial/environmental/social) without damaging or eroding the traditional single bottom line of financial return on investment. The CSR activities of businesses frequently still hold to bottom lines in silos, either separating any interest in the environment or social issues from basic business practices or continuing a charitable contributions (grants, etc.) mandate totally separate from the core business operations.

There is an emerging opportunity in purchasing and procurement where a multiple bottom line framework or vision can be put into practice using existing expenditures.

A quick web search of socially responsible procurement shows that the idea is gaining momentum, with over

170,000 items on Google. But, on a closer look, the vast majority of the items are no older than three to five years, and examine objectives and principles rather than practices. There are not many examples of where socially responsible procurement is a common business practice.

In contrast, environmental considerations have gained a strong place in corporate and government purchasing. The examples, however, of the evaluation of shoe production facilities by Nike and Starbuck's fair trade coffee

*The Social Purchasing Portal is a tool that facilitates blending values.*

options suggest that these practices often represent a response by businesses to consumer demands to avoid negative business impacts, rather than active efforts on the part of organizations to blend values.

### **Social Economy**

The social sector has seen significant growth in social enterprises, and business lines that aim to generate profits are becoming a common practice in the sector that once operated solely on a charity model. Non-profit organizations use social enterprise to achieve their missions and raise funds for social agendas. Although social mission remains the leading bottom line, the financial return on investment is increasingly seen as a requirement for success over the long term. Enterprise practices within the social economy provide important examples of blending social and financial values. These practices are beginning to be supported by emerging forms of philanthropy, such as social venture partners networks, which have begun to invest

in more entrepreneurial non-profit initiatives, including social enterprises, where business practices improve social activity.<sup>4</sup>

### **Public Sector Economy**

The public sector is showing an increasing interest in fostering social economy initiatives that reflect a merging of financial, environmental, and social returns. Examples from Canada include the federal initiative to fund capacity building, financing, and research; and efforts at the

municipal and federal level to change government purchasing practices (as described below). Similarly, in Great Britain, the Accounting for Sustainability Group was convened to focus on making public sector practices more sustainable.

At the municipal level, the City of Vancouver's policies on sustainable purchasing (adopted in 2004) and the Manitoba provincial procurement principles indicate a changing direction in government procurement. These policies raise the issue of how government procurement policies and practices can foster blended procurement where budget considerations are blended with social and environmental impact issues.

While Minister of Public Works and Government Services, Stephen Owen introduced the concept of the Citizens' Dividend. The Citizens' Dividend examines the potential measurement of public and social value created by federal government purchasing and

procurement decisions. Although the concept faces barriers in both public policy and international trade agreements, it raises the issue of a blended return on investment for government procurement decisions.

### **A Social Economy-Led Partnership in Blending Values**

Just as social enterprise has become a part of the social economy vocabulary and practice, traditional private sector economic practices influence the design of the Social Purchasing Portal (SPP), a tool that facilitates blending values using existing purchasing and procurement.

In the spring of 2001, a small group from Vancouver's Downtown Eastside (DTES), Canada's poorest postal code, including representation from employment development service providers, government employment ministries, and community economic development practitioners, began an intensive analysis of the lack of effectiveness of the programs supporting entry to the labour market of long-term unemployed and hard-to-employ persons. The group had several key findings.

- Services existed in silos, rather than a continuum that provides a path to employment.
- Service providers were competing, not collaborating.
- Funders focused on filling seats, not employment placement.
- Training did not reflect employer needs.
- Training did not reflect the job seekers' goals.
- The focus was disproportionately on training, rather than employment attachment.

Overall, the employment service model operated on the supply side, focusing on training, rather than employment.

This small working group examined a number of demand side models that have been successfully deployed, accepting as a model one that stood out as holding the greatest potential: Ireland's Fast Track to Technology (FIT), an industry-led initiative that created jobs for long-term unemployed people in the growing Dublin IT sector.

The next step was recruiting private sector participants into the working group to implement a FIT Vancouver. Several months of planning and fund-raising followed to hire a staff person to support the effort. However, in the fall of 2002 the Vancouver FIT project met two obstacles: the crashing high tech economy and the nature of the Vancouver IT sector. The Vancouver IT sector hires almost exclusively very highly trained and skilled software developers, with hardly an entry-level job to be found. Between the falling economy and the type of employment available, there was no way the FIT model would adapt to Vancouver.

So the group went back to the drawing board to find a model that would work for the lower-skilled and hard-to-employ persons that the group was working with from the DTES community. The group retained one key element from the FIT model: a demand side model focused on employment that met the needs of potential employers. The group realized that although the IT sector companies may not have entry-level positions themselves, they, and every other business, had to purchase goods and services from businesses that did have entry-level positions. Every company uses

goods and services, such as office supplies, building cleaning, catering, courier services, and landscaping, and all of these supplier businesses had entry-level positions. So the group began to ask itself how it could leverage this knowledge into jobs.

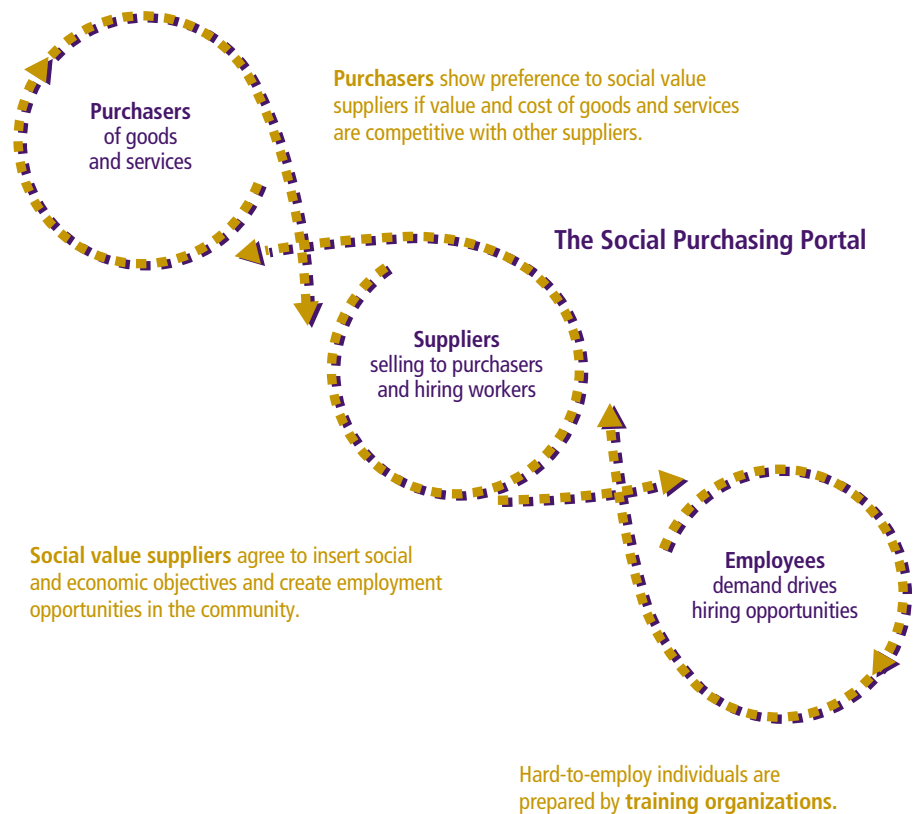
FIT Vancouver changed its name to Fast Track to Employment (FTE) and began to re-focus attention on building a model that could tap into existing supply chain business relationships. In addition, FTE increased the number of training organizations to 20 groups, representing a continuum of employment development services and target groups, including immigrants, youth at risk, welfare recipients, etc.

With the financial support and business advice of the BC Technology

Social Venture Partners, FTE moved the model from a conceptual design into a means to leverage employment opportunities out of existing business-to-business purchasing decisions, with no added cost or loss of business value to the participating businesses. In fact, this new model offered the supplying companies access to a new and growing market for their goods and services. Agreements with purchasing companies targeted buying through suppliers that would consider employing from the FTE training pool of candidates.

**The Social Purchasing Portal: Matching Social Objectives and Marketplace Needs**

The SPP fosters and manages the converging of these interests in blending values of financial return and social



return on investment in the area of procurement and purchasing of goods and services. The SPP acts as the intermediary or as a broker or agent, allowing existing business-based value decisions to embrace a social value as well. As Wayne Scott, Administrator for the law firm of Edwards, Kenny and Bray (a purchasing partner on the SPP) states: "I like the fact that our existing purchasing expenses become a tool for corporate social responsibility without any added cost."

The SPP is a web-based database that allows businesses, organizations, and governments interested in purchasing with blended value in mind to identify suppliers of goods and services that provide quality products and competitive prices, as well as an identified social value, in this case employment for the hard to employ, or inner-city economic development.

The private sector has the purchasing power and the key suppliers of goods and services. The social economy includes social enterprises, community economic development initiatives, and non-profit organizations that address and support the needs of the long-term unemployed and the hard-to-employ segments of the human capital spectrum. Purchasers blend economic and social values without added cost; suppliers have access to new markets; and new economic activity in the inner city, and jobs for the hard-to-employ or long-term unemployed are created.

The SPP in Vancouver has over 150 businesses and organizations that target some of their purchasing to the

45 suppliers that offer employment opportunities to inner-city unemployed and to businesses located in the inner city.<sup>5</sup> Over 10 percent of the supplier partners are social enterprise businesses. Since June 2003, 75 persons have been placed into employment with participating businesses, and over \$1 million in new purchasing has been directed to the suppliers. In

*The social economy has to develop further its understanding of its role in the larger economic arena.*

Winnipeg, the suppliers are businesses and employers that target the needs of the north end of the city, an underperforming area riddled with unemployment and poverty.<sup>6</sup> In Toronto, creating employment opportunities for long-term unemployed, immigrants, and urban Aboriginal people is the primary purpose of the SPP.<sup>7</sup>

## Next Steps

### *Fostering the Procurement Paradigm Shift Through Tools, Policy and Behaviour*

The initial success of the SPP points toward the opportunities that arise when private, public, and social economies find avenues to merge and blend the traditional silos of economic and social values. There is clearly a growing interest in integrating the concepts of financial return, social impact, and environmental footprint. The theoretical framework and best practices necessary for this shift are beginning to be designed and documented. Tools like the Social Purchasing Portal are emerging, resonating

with a growing number of purchasers and suppliers from all sectors, and creating measurable social impacts through employment creation and new inner-city economic activity.

That said, much remains to be done to foster the broader use of purchasing and procurement for blended results in all sectors. In the private sector, the social and environmental return on

investment has to be recognized by owners, investors, employees, and customers as part of an overall blended return on investment strategy. Business-to-business purchasing and procurement relationships offer one significant area for implementation, just as consumer choices influence product production values.

The social economy has to develop further its understanding of its role in the larger economic arena, particularly within emerging social enterprise models. Critical examination of these models is essential. What role does self-generated funding play in relation to mission and service delivery? How can social enterprise support the delivery of essential services and have the tools to measure social impacts?

The public economy holds tremendous potential to blend values in purchasing and procurement practices. It is in the public interest that budget decisions balance economic, social, and environmental impacts. Governments at all levels should examine

and adjust procurement policies accordingly. Some interprovincial and international trade agreements need to be examined and adjusted to allow government to practise blended and sustainable procurement. Sustainable practices have to move to broad implementation across ministries.

Fostering blended value options will require examining and changing procurement and purchasing policies and practices. All sectors need to take the risks and participate in:

- cross-sector consultation and research;
- investments in strategies and tools to test effectiveness;
- sharing of best practices and policies;
- replication of effective tools and practices; and
- rewarding behaviour that blends values effectively.

In the context of growing interest in blended value, the Social Purchasing Portal is one intermediary and relationship-building tool that provides a simple, efficient, and effective means to implement blended bottom-line practices and measurements.

Blending financial and social values in purchasing and procurement throughout and across the public, private, and social sectors is an essential element in the creation of healthy local communities within an ever globalizing economy. It is where the social economy and marketplace interests intersect.

## Notes

- 1 *The Wall Street Journal*, May 10, 2005.
- 2 See <[www.blendedvalue.org](http://www.blendedvalue.org)> for more on the Blended Value Proposition.
- 3 <[www.sppcanada.org](http://www.sppcanada.org)>
- 4 For more on Social Partner Networks, see <[www.bctsvp.com](http://www.bctsvp.com)>.
- 5 <[www.sppvancouver.org](http://www.sppvancouver.org)>.
- 6 <[www.sppwinnipeg.org](http://www.sppwinnipeg.org)>.
- 7 <[www.spptoronto.org](http://www.spptoronto.org)>.

## Population, Work and Family Policy Research Collaboration

The Population, Work and Family Policy Research Collaboration (PWFC) is a partnership of federal departments and Social Sciences and Humanities Research Council-funded research clusters. The PWFC explores issues and potential policy interventions related to the aging of the population, the evolution of the Canadian labour market, and changing family trends and pressures. It is chaired by the Government of Canada's Policy Research Initiative. The PWFC will co-ordinate consultation and advice between the research community and the federal government policy research process.

The First Annual Symposium of the Population, Work and Family Policy Research Collaboration will be held in Ottawa on March 23-24, 2006, at the Fairmont Chateau Laurier Hotel. Program highlights and registration information for the Symposium can be found on the PWFC section of the PRI web site.

# The Role of Government in Supporting the Social Economy

**Alan Painter**  
Policy Research Initiative  
Government of Canada

The PRI released, in July 2005, a guide to support policy research on the social economy. The guide provides background on the social economy, identifies research issues whose examination would support the development of policies and programs, provides suggestions for how this research might be conducted, and points to some useful information sources.

The definition of social economy enterprises (SEEs) employed in the PRI guide is based on three characteristics.

1. *How organizations are governed:* Members and/or stakeholders govern SEEs democratically.
2. *What they do:* SEEs use a combination of market resources (sales revenue and paid labour) and non-market resources (government funding, private philanthropy, and volunteer labour) to produce and deliver goods and services to people.
3. *Their objectives:* A combination of the common interests of members and concern about the well-being of others.

Social economy enterprises combine an entrepreneurial orientation generally associated with for-profit organizations, mission statements generally associated with non-profits, and democratic operating principles to deliver goods and services to individuals.

The analysis developed in the guide on the role of government was presented in draft form first at a September 2004 PRI-SSHRC roundtable, and again at a graduate research seminar in early 2005. The results of these discussions, along with subsequent research, led to revisions of the analysis, resulting in six observations and three conclusions.

This article first illustrates the observations, and then shows how the conclusions follow from them. It aims to demonstrate that the conclusions represent a reasonable position for governments to take in deciding when and how to support the social economy. Not a complete position to be sure, but a reasonable one.

The approach used to illustrate the observations follows on a discussion about coffee that emerged during a session on the social economy at the PRI's December 2004 conference, Exploring New Approaches to Social Policy. That discussion was inspired by a reference to the Roasted Cherry Coffee House following the February 2004 Speech from the Throne. The coffee shop is a social economy enterprise located a few blocks from the PRI's office in downtown Ottawa.

In the discussion below, the Roasted Cherry Coffee House serves as a proxy for a social economy enterprise, while its local competitors represent for-profit businesses. Figure 1 presents the simple framework applied in the PRI social economy guide to support the six observations. The figure illustrates that people with diverse objectives can choose to form, join, or support two kinds of organizations that produce and distribute goods and services: for-profit businesses and social economy enterprises. People can choose which goods and services to buy from which organizations, as well as which organizations to support as benefactors. People also form governments to make and enforce rules, including rules that redistribute resources from some individuals to others.

As depicted in Figure 1, social economy enterprises and for-profit businesses are alternative ways of

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Alan Painter is a Senior Policy Research Officer with the Government of Canada's Policy Research Initiative.



delivering goods and services.<sup>1</sup> To take a specific example, individuals located in downtown Ottawa can choose to purchase their coffee from the Roasted Cherry Coffee House, or from one of many for-profit businesses. In the absence of government action, the distribution of goods and services and organizations reflects the preferences of people when they act as producers, consumers, and benefactors.

The framework in Figure 1 is descriptive: it does not offer a view on whether the resulting distribution of goods and services is good or bad. It just offers a picture of how goods and services are produced, exchanged, and consumed. The broad policy question explored in the guide is when and how governments can make things better by supporting social economy enterprises. The conclusions in the guide offer some suggestions for how governments can do that.

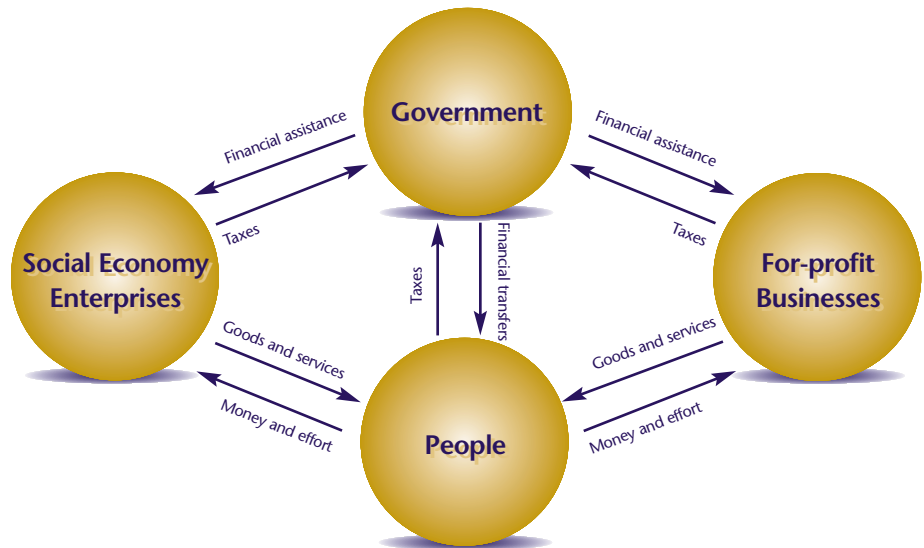
### Observations

We illustrate the observations by examining the decision of where to buy coffee, a concrete issue faced by more than 15 million Canadians every day.<sup>2</sup>

The Roasted Cherry Coffee House is not the only coffee shop near the premises of the PRI. There are about 15 others within a five-minute walk. Some are independently owned; others are outlets of national and multinational chains. We consider each of the six observations from the guide.

1. *Social economy enterprises are compatible with the market economy and can make a positive contribution to welfare by reflecting the broad preferences of individuals.*

**FIGURE 1**  
Framework for Analysis



The Roasted Cherry Coffee House aims to be self-sufficient: “anything the government can do will be welcome... but it’s not part of the Roasted Cherry culture to count on outside help.... We need to be entrepreneurial in spirit.”<sup>3</sup> The majority of the partners identified on the organization’s web site are not governments, but individuals and for-profit businesses. The coffee house is compatible with the market economy in the sense that it is prepared to operate based on the voluntary decisions of individuals and organizations.

The Roasted Cherry reflects a broad set of preferences by doing a lot of good. Along with selling coffee, it provides free catering services to community events, directs funds to local charities, helps youth at risk to develop employment skills, and supports schools in developing countries.

The Roasted Cherry Coffee House brings together individuals and organizations to advance many objectives.

It has the potential to make people better off, compared to the alternative of individuals choosing from only among for-profit suppliers.

2. *There are costs as well as benefits associated with governments funding organizations.*

For governments to support social enterprises like the Roasted Cherry Coffee House, they must at some point come up with the tax revenue to pay for the support, thereby imposing an economic cost on Canadians. Moreover, if governments provide funding directly to organizations, the strength of the relationship between the suppliers of goods and services and the preferences of consumers is weakened, since consumers no longer vote with their dollars. Finally, if government funding is available, a considerable amount of time will likely be spent seeking the funding, and this is also costly to society, which loses what would otherwise be

accomplished with this time. So, while there are benefits associated with governments supporting social economy enterprises, there are also costs.

3. *Governments need funding policies that include equity as well as efficiency objectives.*

The production and distribution of coffee in Ottawa can be efficient without organizations like the Roasted Cherry Coffee House advancing diverse objectives. But governments often pursue goals beyond

*Governments might usefully develop enterprise policies that apply to social economy and for-profit enterprises.*

efficiency, including equity objectives that the social economy may be in a position to help achieve. Accordingly, governments need funding policies that include factors in addition to efficiency.

4. *Government funding decisions should consider supporting individuals directly.*

As noted, the Roasted Cherry Coffee House aims to do a lot of good. The organization's web site indicates that it receives some government funding. It is at least plausible that governments might more effectively meet the needs of the individuals who benefit from these activities by supporting them directly, either as an alternative or complement to supporting organizations. An alternative might provide training grants to youth having difficulty securing employment instead of providing grants to organizations that hire and train individuals. A complement might provide wage

supplements to individuals who secure employment at an organization. In both cases, the individuals meant to benefit from the support provided by governments would be able to decide for themselves what they need.

5. *Oversight is critical when governments fund organizations.*

Just as shareholders want to be convinced that for-profit firms operate with their interests in mind, citizens should want (and surely do want) to be convinced that their resources

directed toward organizations through governments are used well. This applies to all organizations (including coffee shops) when there are intermediaries between who pays for the provision of a good or service and who is meant to benefit.

Any or all intended beneficiaries, auditors, and evaluators can play a role in overseeing government funding. An intended beneficiary of the activities of local coffee shops is able to consult a considerable amount of information concerning the activities of the Roasted Cherry Coffee House and several of its larger competitors, both in the store and on-line. The information addresses how the organizations aim to meet both the needs of customers and other objectives.

What consumers, beneficiaries, auditors, and evaluators all need is clear and comparable performance information.

6. *Governments might usefully consider broadening the range of organizations that can apply for support under current and proposed programs.*

If governments decide to support enterprises, then social economy enterprises like the Roasted Cherry Coffee House should be able to apply. This was recognized in the 2004 federal budget, which confirmed that the social economy sector would become eligible for a wide range of programs offered to small business. (There are two sides to the coin though: arguably, for-profit companies should be able to apply for funding under programs that are targeted toward social economy enterprises.)

More generally, Observation 6 suggests that governments might usefully develop an enterprise policy that applies to social economy and for-profit enterprises.

## Conclusions

Each conclusion from the guide follows from its observations.

1. *Governments should facilitate the formation of organizations that advance shared common interest and public service objectives.*

This conclusion follows fairly directly from Observation 1: since social economy enterprises can make a positive contribution to welfare, governments should encourage their formation.

How far governments should go to facilitate the formation of social economy enterprises is a matter for debate. At a minimum, consistent with Observation 6, individuals looking to form

them might be provided with information and advice along the lines of that currently provided to individuals looking to establish for-profit businesses.

2. *Whether governments should provide funding to any organization depends on the organization's public interest objectives and on its ability to advance those objectives efficiently and effectively.*

Observation 2 (costs as well as benefits) and Observation 4 (funding decisions should consider supporting individuals) imply that funding provided to organizations should be based on specified conditions.

Observation 3 (equity and efficiency objectives) implies that the public interest objectives of the organizations in question are important.

Observation 5 (oversight is critical) supports the end of the conclusion, since oversight is a way to encourage efficiency and effectiveness.

Finally, Observation 6 (consider broadening the range of organizations that can apply for funding) implies that similar considerations should be applied to decisions whether to fund any kind of organization. In short, observations 2 through 6 collectively support Conclusion 2.

3. *Before funding organizations, governments should examine supporting intended beneficiaries directly as an alternative or complement.*

This conclusion follows directly from Observation 4 (funding decisions should consider supporting individuals).

## References

Canada, PRI (Policy Research Initiative). 2005. *What We Need to Know About the Social Economy: A Guide for Policy Research*, July 2005.

Geddes, John. 2004. "Brewing Up New Policies." *Maclean's*. February 16.

## Notes

- 1 The framework assumes that governments do not deliver goods and services. Relaxing this assumption would not alter the observations, and thus would not alter the conclusions either, since these depend only on the observations.
- 2 According to the Coffee Association of Canada, 63 percent of the 24.5 million Canadians over the age of 18 drink coffee on a daily basis.
- 3 The quote is from the executive director of the organization that runs the coffee house, as reported in Geddes (2004).

## Communities Under Pressure: The Role of Co-operatives and the Social Economy March 3, 2006

This conference for policy makers, researchers, and practitioners is co-sponsored by the Policy Research Initiative, Social Development Canada, the Co-operatives Secretariat of Agriculture and Agri-Food Canada, and the interdisciplinary research team, Co-operative Membership and Globalization: Creating Social Cohesion Through Market Relations, funded by the Social Sciences and Humanities Research Council.

Globalization, emerging markets and energy, and other shocks are displacing economic activities in Canadian communities. Co-operatives in Canada have played an important role in organizing responses to community-level challenges for over a century. The social economy, which includes co-operatives, is a broader and newer conceptualization of how Canadians can address challenges at the local level.

Regardless of the conceptualization employed, the central interest remains the ways in which policy can and should support or enable community-level action. The conference will examine the experiences of an important component of the social economy to inform the development of new responses by organizations and governments to the challenges communities face as a result of globalization.

For more information, consult the PRI's web site.

# The Voucher Debate and the Social Economy

**Stuart Sykes**  
Policy Research Initiative  
Government of Canada

**Derek Hum**  
University of Manitoba

A primary conclusion of the PRI's recently completed report, *What We Need to Know About the Social Economy: A Guide for Policy Research*, is that governments should facilitate the formation of organizations that advance shared common interest and public service objectives. The guide also notes that governments should consider carefully the mechanisms through which such support is delivered, and that the potential merits of providing support directly to individual beneficiaries should be considered. Supporting individuals, the guide suggests, could serve as an alternative or complement to the direct funding of social economic actors.

When considering the provision of support directly to individuals, a voucher approach emerges as a promising mechanism to consider. The approach is based on the principle that service users (beneficiaries) are well positioned to determine their needs and the organizations best suited to meet them. This would appear to align with the bottom-up, community-oriented nature of what has been referred to as the new social economy.

Nevertheless, vouchers have incited heated debate for decades. Some argue that vouchers will improve efficiency and respect consumer choice. Others assert that such an approach will result in unequal service provision, poor quality, stigmatization, and overall poor return on investment. This article does not take a position in this debate. Instead, its purpose is to explore impartially the merits and challenges presented by a voucher approach to integrate independent choice and government funding of social economy

enterprises (SEEs) in ways that are useful to people. The article suggests that governments should include voucher-based systems among the list of options they explore when considering how to fund the social economy. It offers a framework for further discussion of whether and when vouchers may be useful within the Canadian context.

## Vouchers as a Funding Mechanism

Under a voucher system, governments attach a funding entitlement for a particular type of good or service to a particular type of person. When a person who qualifies presents him or herself to a qualified provider, that provider can claim the value of the voucher from the government. In effect, the government pays the organization to provide the good or service to the individual. Delivery of these services typically follows presentation by the beneficiary of allowances, coupons, or certificates, or may require only an interview or application form to determine eligibility.

A voucher system increases the capacity of the individuals who qualify for them to access specific goods and services without dictating a specific supplier. The providers entitled to receive government funding under a voucher system are usually subject to licensing regimes meant to ensure service quality. With this tailoring of actors on both the supply and demand sides, a voucher system creates a conventional service market in which survival entails competition among suppliers to improve quality and/or efficiency. This is very different from the alternative model of governments purchasing services from specific providers for

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Stuart Sykes is a Policy Research Officer with the Government of Canada's Policy Research Initiative.

Derek Hum is a Professor of Economics with the University of Manitoba.

certain people. It is even more different from governments making grants to certain organizations to do specific things, because it identifies who can receive the services and lets qualifying individuals select their suppliers.

## Examples of Voucher-based Funding Approaches

Voucher-type models have already been applied to varying degrees in a number of sectors where SEEs are engaged. Examples include the following.

- *The US Food Stamps Program (pre-1979)*  
The program allowed families to purchase food stamp coupons redeemable for a given value of food purchases. To respond to the varied needs of individual households, the price paid for the coupons was determined by household income.
- *Public housing or shelter allowances*  
These programs have sometimes employed a voucher approach, with many in the United States giving housing services to beneficiaries on a rent-geared-to-income basis.
- *Education*  
Vouchers have also been used to fund education systems in whole or in part in Sweden, the Netherlands, Denmark, and a number of cities in the United States. Intended to address a number of diverse objectives (such as serving as a mechanism to distribute state funds or introduce competition to improve performance at public schools), these various education initiatives have been highly controversial.

These examples demonstrate the flexibility of a voucher approach, which

can be employed to pursue a number of diverse goals in a variety of policy areas where SEEs are active. Practically speaking, a voucher approach appears to be a flexible funding mechanism. Nevertheless, a number of concerns have been expressed. Evidence indicates that some concerns may be the result of poorly thought out program design elements that might easily have been addressed. Other issues, however, remain to be more

*Voucher-based approaches can be used to pursue diverse goals in sectors where social economy enterprises are active.*

fully explored if this funding model is to be considered to support the social economy more widely.

## Voucher System Parameters

It is the parameters of a given voucher-based program that determine the extent to which it will meet its policy objectives. There are four basic parameters.

- *Who can receive the goods and services?*  
In all but universal programs, individuals need to be identifiable according to measurable criteria. The criteria that identify entitlement can include income, employment or health status, wealth, or residency. Support levels can be adjusted on an individual basis to reflect individual needs and challenges.
- *Which goods and services?*  
Vouchers are generally used to provide what economists refer to as merit goods to those who might otherwise not receive enough of them. Loosely, a merit good is one that society thinks

everyone should be able to consume. Debates in Canada and the United States typically revolve around social services, primary education, and medical care.

- *Who can supply the goods and services?*  
Organizations can qualify for support based on their type, or on meeting accreditation standards. In regards to funding SEEs in particu-

lar, a fundamental issue that must be considered is whether to restrict vouchers to SEEs, or to permit for-profit enterprises to compete as well. As described in more detail below, there are pros and cons associated with both approaches.

- *Co-payment rate*  
This is the proportion of the cost of the service paid for by the individual. Co-payment rates are set to balance support with the need for individuals to demonstrate commitment as well as to encourage individuals to invest in activities that are beneficial to them, but that might nevertheless be neglected.

Decisions on the parameters determine the characteristics of a voucher scheme, as well as its outcomes. Because these decisions determine who is to be helped, toward what end, and the degree of choice to be allowed voucher recipients, vouchers can be designed to pursue a number of diverse goals pertaining to equality, equity, need, or merit. If parameters are poorly selected, undesirable and possibly unintended outcomes may result.

Parameter values collectively influence both supply and demand for the goods and services covered under a given program. For example, the amount of support and the co-payment rate can have a dramatic impact on demand. The kinds of organizations that can deliver the goods and services, as well as the simplicity and stringency of accreditation standards and processes, will influence supply. If program parameters are defined so demand exceeds supply, long waiting lines are sure to result. As described below, these interactions need to be explored before implementing a voucher-based approach.

### Broader Applications Involving SEEs

Observations, opinions, and some findings identified in the 2005 PRI social economy policy research guide suggest that SEEs may be more effective than governments and for-profit organizations at delivering services meant to help individuals in need at the community level. This suggests that, even if a voucher system permits for-profits to compete with SEEs, over time SEEs would receive a large share of available funding under a voucher system, because they would be better able to deliver the services that respond to the needs of qualifying individuals.

Recent experience in Australia provides an indication of what can happen when for-profit and non-profit organizations compete. Over the last several decades, funding changes for welfare and employment services were

introduced in that country to reduce the monopoly provision by government organizations and increase competition. In some instances, these initiatives took the form of voucher-type arrangements (Lyons, 1995). Data from the late 1990s on the results of some of these changes indicate that non-profits increased their share of publicly funded social and employment services at the expense of government and for-profit organizations (Novak, 2003), suggesting that SEEs can compete with for-profits.

The situation may however be somewhat more complicated. Mark Lyons, Professor of Social Economy at the University of Technology, Sydney, Australia, reports that, over the full period during which these reforms were introduced in Australia, there has been a slight overall decline in non-profit provision in the case of social and health services, particularly in the area of child care, where non-profits have lost ground. Two possible reasons are provided by Lyons for the decline: the withdrawal of some supports once exclusively provided to non-profit organizations, and difficulty on the part of non-profits in gaining access to financing for capital investments.<sup>1</sup> Overall, the evidence from Australia indicates that allowing for-profit businesses and non-profit SEEs to compete for beneficiaries under a voucher-based system leads to uncertain results.

Further complicating the debate is evidence that voucher models targeting only SEEs can disrupt market operations in ways that negatively impact on overarching policy goals. For exam-

ple, evidence from Canada and the United States indicates that while some housing allowance programs assisted the fortunes of social economy sector providers, they also hurt commercial market providers via reduced rental profit and possible market withdrawal. This was the result of demand being diverted via vouchers toward social economy providers that effectively had a monopoly to accept them. Displacement of private investment served to ration non-subsidized housing further. This outcome ran counter to the overall objective of improving the housing situation, thereby demonstrating the negative effects poor parameter choices can have.

These examples serve to illuminate some of the many facets of the debate surrounding the question of whether private for-profits should be permitted to compete with SEEs. As demonstrated above, excluding them may lead to some negative consequences, but including them may run counter to efforts to support the social economy. This conflict may be irreconcilable, making a voucher-based approach an inappropriate tool for supporting the social economy as a whole or integrating individual SEEs into the broader network of service provision.

It is also possible, however, that the appropriateness of a voucher-based approach where for-profit businesses and non-profit SEEs compete with one another may depend on the policy issue in question. For some issues, as with social housing, an existing market and non-SEE providers may be well

established, creating a situation where positive policy outcomes may not occur if a single form of provider is favoured. Other policy challenges, in contrast, may best be addressed by organizations possessing attributes typically associated with SEEs, such as being community oriented and responsive to grass-roots initiatives. Additionally, SEEs may already be the dominant form of service provider in some areas. In these situations, providing vouchers only to SEEs might be appropriate, as it might specifically favour characteristics unique to SEEs or market realities that may contribute to positive outcomes.

### Possible Policy Areas for Consideration

As noted earlier, vouchers are generally used to provide goods that society thinks everyone should be able to (or have a right to) consume. Social services, primary education, and medical care may be good examples for Canada and the United States. A prominent and widely studied example from the United States is the food stamps program. An area where social economy enterprises are already engaged in many countries, including Canada, is labour market services for individuals seeking employment.

### Conclusion

Through vouchers, government resources can be directed to service providers in a way that is respectful of the bottom-up, individual-oriented approach described by many observers as a defining feature of the new social economy. In addition, voucher systems

create an accountability mechanism through which government resources are allocated by tying resources to the decisions of those meant to benefit from them. Voucher-based systems establish a quasi-market where sellers can respond to the needs of buyers at the same time as governments can help individuals gain increased access to specific goods and services. That is reason enough to include them among the options to be explored when examining how to support the provision of goods and services to individuals through SEEs.

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### Note

- 1 Mark Lyons is also Director of the Australian Nonprofit Data Project (ANDP), as well as the Australian representative to the Johns Hopkins Comparative Nonprofit Sector Project. The sources for the information attributed to him are Lyons (1995) and direct correspondence with the PRI. The authors thank Dr. Lyons for his helpful comments.

# The Social Economy and the Shadowy Side of the Life Course

**Mel Evans**  
Middlesex University

The connectedness or otherwise of individuals to social institutions through the life cycle has become a popular lens through which to consider asset preparedness for withstanding social exclusion (PRI, 2004). Refining such a life course approach for use in policy presents many challenges, and many of these centre around the relationship between individuals and social institutions.

There can be no doubt that the intention and degree of choice that individuals possess regarding the social institutions to which they connect will be central to configuring the trajectory of their life course. This observation begs the question, though, as to how we use the term social institution.

Conventional social science has traditionally accepted social institutions as being recognizable once certain relationships and practices solidify into fairly familiar routines and objective roles that are entered into by individuals, either voluntarily or otherwise. One problem with this traditional perspective is that the more diverse society becomes, the broader the range of different perspectives and understandings, and therefore connections to social institutions. In other words, society becomes more complex.

Another problem with the traditional perspective is that focusing on existing relationships and practices predisposes analysts toward focusing on social inclusion rather than exclusion.

By contrast, the condition of social exclusion is characterized by a lack of connection to anything resembling institutions, or at least to those institutions recognizable to wider society. Consider the case of Olivia, a fictional

character whose story is told to illustrate a life-course approach to social policy analysis (PRI, 2004). The story is rich and helpful, but the reader is left to ask exactly what our friend Olivia is doing when “not connected” to the main social institutions of her life course? If tackling social exclusion is the policy goal, then this would seem to be a fundamental question. Our argument here is that this question becomes difficult to answer simply because when individuals are not connected to social institutions they are by definition hidden from the gaze of wider society – they are, in fact, in the shadows. To understand the life course we need to go into the shadows.

It is with such considerations in mind that we turn toward the social economy which, if indeed constituting a social institution, is certainly one that has recently come to international cognition. The argument is that an understanding of the connection of this emergent social institution to its wider context of other institutions and processes is central to how we should view the life course, if we are concerned about social exclusion.

There is a broad consensus among commentators that something referred to as the social economy has been developing throughout the globe over the past 25 years (Amin et al., 2002). Empirical evidence is accumulating that the social economy is both large and growing in many countries, including Canada (Salamon et al., 2003; UK, 2005; PRI, 2005). Borzaga and Santuari (2003: 32) associate the new focus on social economy and the broader rekindling of interest in the third sector “with the crisis of...European welfare systems...and with the innovative characteristics taken on by

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Mel Evans is a senior lecturer with the Social Policy Research Centre, School of Health and Social Science, at Middlesex University.



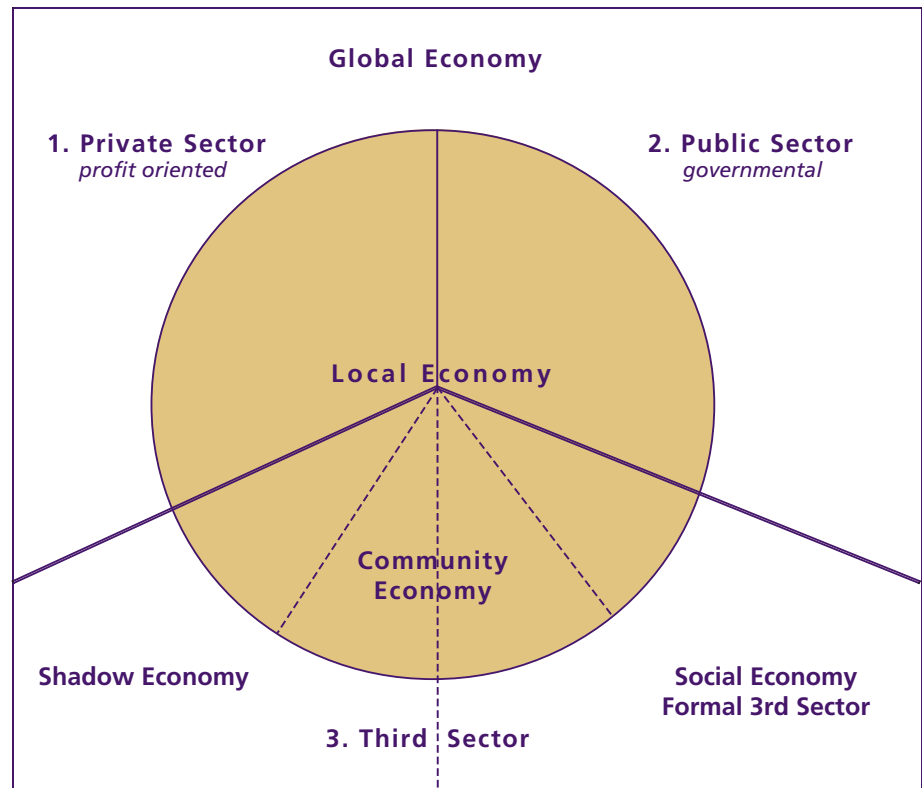
non-profit organisations that have developed since the 1970s.” This view chimes with perceptions of the direction of the post-industrial economy, where paid work for all is seen as a thing of the past, and where the third sector plays a role in softening the widening gap between the work rich and work poor (Rifkin, 1995).

The growth in the visibility of the social economy is coupled with its rising stock on the policy agenda of western democracies. In France, Belgium, the United Kingdom, and Ireland, among other European countries, the social economy has a profile in government policies, and this is supported by policies and programs at the European Union level. The Canadian government is of course a more recent convert to the social economy as a policy area worthy of attention in its own right.

### The Bigger Picture – A Third System?

There remains a lack of consensus about the exact nature of this emerging phenomenon of the social economy. We argue here that viewing the social economy as a distinct part of a broader third sector – that area of social and economic activity between the expressly private and public sectors (see Figure 1) – has advantages in that its relationship to other activities found within and beyond the third sector is important to an understanding of how something recognizable as a social economy emerges. We argue further that the relationship between the social economy and for-profit and informal economic activity is also an important area for study and an important concern for governments.

**FIGURE 1**  
Situating the Social Economy



The social economy is often used as a synonym for social enterprise. Even when a distinction is made between the two terms, the social economy is viewed as no more than the sum of its component parts, namely, social enterprises. There is, however, a strong case for viewing the social economy as a “range of organizations and processes that do not conform to the conventions of either public or private sector economic activity” (Amin et al., 1999: 2033). The range of organizations comprising the social economy is indeed best collectively viewed as social enterprise, defined by the OECD as “any private activity conducted in the public interest, organised with an entrepreneurial strategy but whose main purpose is not the maximisation

of profit but the attainment of certain economic and social goals, and which has a capacity of bringing innovative solutions to the problems of social exclusion and unemployment” (OECD, 1999: 10). What is glaringly absent from this definition, and the one adopted by the UK government (UK, 2002), is the ownership and control of social enterprises. Elsewhere, however, the ownership and control of enterprises on a mutual and democratic basis, for social or community benefit, and not for private profit distribution, are frequently agreed features of a definition (CONSCISE, 2003). There is, however, variation in what organizational types should be included, and this is not simply a factor of the cultural and legal

**FIGURE 2**

**The Social Economy and the Shadow Economy in the Third Sector**



specificities of different countries; there can be disagreement within one country as to what should be included. (For example, in the United Kingdom, some commentators include local exchange trading systems and time banks as social enterprises; others keep more rigidly to the notion of trading.) Usually this is done on the basis of a legal or established definition.

Essentially however, which organizational forms should be included within the broad social economy is a question that can be resolved with reference to agreed definitions of what constitutes social enterprise. But such a project both restricts the social economy to a discrete sector and also generates a tendency toward isomorphism

with respect to the organizational forms that can be legitimately included within this sector (DiMaggio and Powell, 1983). A negative consequence of this tendency is that the social economy comes to be seen as merely a resource for Olivia as she travels through the life course. It is as if neither she nor any of her fellow citizens were involved in the creation or re-creation of social enterprises. In short, an overly institutionalist view, particularly one focused on formal institutions, runs the risk of missing a whole range of activities, processes, and relationships in the space between the individual and the social institution. An understanding of this space is crucial to any efforts to tackle social exclusion, for the simple reason that the creation and development of

institutions depends on the coordinated actions of individuals.

We therefore argue that a relational view of the social economy enables us to perceive both external connections between the social economy and, for instance, the state, as well as internal relationships between distinct social enterprise activities and other activities in the broad third sector. Indeed rather than seeing the third sector as containing a number of sub-sectors, it is more appropriate to talk of a range of related activities, which may (or may not) be in the process of becoming the visible part of this broad sector – the social economy as a social institution (see Figure 2).

The schema set out in Figure 2 encourages us to focus on the activities and processes from which the social economy emerges. A process of paramount importance here is the type and nature of social relationships within which the behaviour characteristic of private, public, or third system economic activities are embedded. What motivates individuals and groups to assemble resources, provide for identified needs, take risks, innovate, and develop in the way they do? Addressing this question will facilitate our understanding of how social enterprise organizations are formed and how useful ones might be helped to form. It also generates an altogether different perspective on social enterprises than that generated from the perspective of the privatization of former public sector services.

### **The Social Economy, the Third System, and the Life Course**

In recent years the idea that economic behaviour is embedded in certain types of social relationships has been

mostly associated with the work of Mark Granovetter (1973, 1985). In particular, the argument that weak ties are important to economic development has been central to the identification of the role of social capital in economic development (Woolcock, 1998). Another and older idea is that such social relationships can be more broadly characterized by the way they integrate economic behaviour. This view is associated with the work of the economic anthropologist Karl Polanyi, who claimed that just as the motivating force of the private sector is profit and that of the public sector is redistribution, a third force is evident, that of reciprocity.

In his masterwork of 1944, *The Great Transformation*, Polanyi claimed that “the outstanding discovery of recent historical and anthropological research is that man’s economy, as a rule, is submerged in his (sic) social relationships. He does not act so as to safeguard his individual interest in the possession of material goods; he acts so as to safeguard his social standing, his social claims, his social assets” (Polanyi, 1944: 53).

Polanyi’s perspective produces a rationalization of behaviour that takes us beyond *homo economicus*. While profit maximization and redistribution guide behaviour in the private and public sectors respectively, reciprocity is the guiding principle integrating behaviour in the third sector. Polanyi’s interpretation of reciprocity involves the personal production of goods and services as a contribution to a wider division of labour where the motivation is not personal profit or gain but a fear of contempt, loss of social prestige, and possibly ostracism should the individual not reciprocate in this way.

This after all is what motivates an individual to stand his round of drinks among friends at a bar.

While the motivations toward reciprocal behaviour based on co-operation and acts of mutual aid are not considered explicitly by Polanyi, other contributors have clearly perceived them as important stimulators of action (Argyle, 1991; Axelrod, 1984; Birchall, 1988). A more conventional understanding of reciprocity is based on the idea of a favour for a favour, a

*The social economy includes not only formal service delivery organizations, but also emerging organizations that identify new approaches to addressing local problems.*

mutual transaction between two parties usually referred to as balanced reciprocity. Perhaps of greater importance to understanding co-operative behaviour is an expanded version of this, whereupon some favours and altruistic acts toward others are not returned by them, but, in the fullness of time, by others, and not always with the knowledge of the initial act. This is referred to as generalized reciprocity, and is especially prevalent within family, kin, and friendship networks, as well as within tight-knit communities and neighbourhoods. Thus, as Putnam asserts, “the touchstone of social capital is the principle of generalized reciprocity” (2000: 134).

Generalized reciprocity can and does unite and integrate actions and relationships within the third sector. Our understanding of the production and consumption of goods and services in this third sector, whether paid or unpaid, or in the social economy, the community economy, the neighbourhood economy, or the family econ-

omy is that their provision is mainly motivated by generalized reciprocity. In terms of the illegal economy, while this in certain forms remains motivated by personal gain (and should therefore be represented within the private sector), strong arguments have been made and some evidence exists that some of the activities within the illegal economy of undeclared, cash-in-hand work are motivated by reciprocity (even if cash mediated – see Williams and Windebank, 2002).

Of crucial importance to our argument is that, as Figure 2 indicates, many of the activities, relationships, and processes that occur in the third sector are hidden from view and in the shadows, and thus are neither formalized nor institutionalized. While many of these hidden activities serve an important function in the coping strategies of individuals, as actions largely characterized by generalized reciprocity, they both reflect and rely on strong bonding social capital. As such, they constitute a collective entrepreneurship of the grass roots, within which some of the seeds sown germinate, emerge, and grow into social enterprises. And of course, it was ever thus: since industrialization, communities and neighbourhoods of disadvantaged workers have had to co-operate to cope. At first improvised and isolated efforts, the savings and loans clubs, allotments, building societies, coffin clubs, and a range of associated schemes were all soon proven to be very sound weatherproofing against

the chillier winds of the market in pre-welfare state societies. Their rapid formalization into a range of legislated and regulated friendly societies, mutuals, provident societies, and credit unions was not only an indicator of the efficacy of such actions, but also a set of rafts and bridges with which the disadvantaged could connect to wider society. The emergence of such activities out of the shadows enabled the possibility of social inclusion for those individuals and groups who had painstakingly constructed these grass-roots initiatives.

When postwar liberal democracies began to construct the great welfare state edifices, it was based in part on the pioneering efforts of the third sector. But the cradle to grave state made redundant much of the demand and basic need for friendly societies and mutuals, and it is only now, with the ebbing of direct state welfare provision, that we hear calls for rebuilding such social enterprises as a new way to deliver public services.

Paradoxically, in the last few years many western democracies have witnessed the de-mutualization of most of the older mutual organizations, such as building societies, which in truth had long since formalized to the extent of losing contact with their original roots, social purpose, and membership. Are we witnessing the emergence of a new wave of social enterprises? Will these social

enterprises be rooted in the frequently murky sub-soil of the shadowy side of the life course? Will they be able to retain their strengths as they emerge from the shadows?

### What Lessons for Policy Intervention?

There is little need to question the argument that healthy connections to the major social institutions of society over the life course are an indication of social inclusion: we can determine much about how well Olivia is doing based on her relationships with formal institutions. Even the most die-hard advocate of self-help among disadvantaged communities would be forced to admit that poverty is not itself much of a common bond. The strong bonding social capital evident among many such communities can ultimately breed a hostile insularity and a stern inclusivity, which perpetuates a state of social exclusion. By the same token, a lack of appreciation of the activities and relationships within the shadows of the third sector, and their importance as support resources over the life course, means we run the risk of having no route map by which connections to the major social institutions can be made. Social innovations can emerge from the shadows.

The politicians of fiscally strapped welfare regimes would seem to be staking considerable faith in the social economy as the arena of new public service

delivery. There is a risk that, in doing so, the real strengths of the social economy as a strategy to tackle social exclusion will be overlooked. The social economy is composed not only of formal organizations that deliver services; it is also home to emerging new organizations that are identifying new approaches to addressing local problems. The innovative propensity of social enterprise is steeped in the shady reaches of the third sector where new activities, ways of doing, and relationships are forged of necessity to meet needs that would not otherwise effectively be met. Governments need to be thinking about how best to encourage the formation of organizations that address complex problems like social exclusion, as well as how best to deliver services.

So, the advice to policy professionals with respect to the social economy is to focus less on the appearances and rhetoric and more on what lies in the shadows of disadvantaged neighbourhoods: on the grass-roots initiatives that are emerging and how they enable the individuals and groups involved to make connections to mainstream society.

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## Social Capital: Entrepreneurship, Co-operative Movements, and Institutions

Is social capital the missing link in economics? In this vital new book, the authors argue that the forgotten production factor of social capital is as crucial in economic decision making as the other more traditional factors of production, such as physical, financial, and human capital. They attempt to bridge the gap between theory and reality by examining the main factors that determine entrepreneurship, co-operative movements, and the creation and destruction of social capital.

Gunnar Lind Haase Svendsen and Gert Tinggaard Svendsen. 2005. *The Creation and Destruction of Social Capital. Entrepreneurship, Co-operative Movements and Institutions*. Edward Elgar.

# Social Innovations and Institutionalization

## Emerging Practices

Denis Harrisson

Université du Québec à Montréal

During the period when the welfare state was intervening to solve economic and social problems and to promote social development, there was little talk of social innovation, although the term has been used since the 1970s (Cloutier, 2004). Social innovation is a concept applied routinely in research and increasingly in government policy making. However, little is known about the process of creating social innovations, and the way in which they are gradually integrated into society by becoming customary and routine regulatory or operating practices. Moreover, few social innovations developed over the past 15 years have been institutionalized. This article addresses the emergence of social innovations, their dissemination in society, and their institutionalization. Three examples based on recent work by researchers at the Centre de recherche sur les innovations sociales (CRISES) will serve as illustrations.

### What Is Social Innovation?

Social innovations are new responses or new solutions to social and economic problems. They are set apart from other kinds of interventions designed to achieve the same purposes, because they suggest solutions that involve new associations or new ways of mobilizing actors. By adopting solutions, the actors involved gain new competencies. In this sense, the actors are not passive; they are participating, creating, communicating with each other, and negotiating. They are developing new social capital by establishing reciprocal relationships. The resulting trust is conducive to further social innovation. These innovation processes have been well documented over the years. Research that has

focused on this issue has been largely inspired by the process of technological innovation and, to a lesser extent, organizational innovation. The issue has also been addressed from the perspective of the characteristics of organizations and the attributes of the innovators. We are now able to identify the organizations that can innovate. However, how does this apply to a society or a country? Are there characteristics of one society that make it more innovative than another? Why is it that, after innovations are created, invented, or developed, in some cases diffusion is fairly broad, while in other cases the innovation remains a local process without being shared or expanded to other social groups or territories? This aspect of innovation needs to be addressed from the perspective of institutions.

### The Role of Institutional Dynamics

Innovation is the result of voluntary, emerging activities that can be associated with specific institutional dynamics. Each stage of the process of creating an innovation is rooted in existing institutions, and this is why we can state that innovations can be traced to openings, opportunities, resources, rules, social standards, values, or knowledge that are conveyed by institutions. The starting point for an innovation lies in the recognition by the actors involved that standard approaches are no longer working and no longer fulfilling their initial function with respect to legitimacy or performance. If the problem is technical and well defined, and the response comes quickly, the solution will be clear, and it will emerge from within the existing repertoire of institutional principles. If the solution does not

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Denis Harrisson

is a professor with the École des sciences de la gestion and Director with Le Centre de recherche sur les innovations sociales at the Université du Québec à Montréal.

readily emerge, a new challenge is presented, which requires all the actors involved to go through a learning process. Nobody can unilaterally impose a solution on others. The actors have to debate, inspire, and introduce new ideas, and undergo a process of social learning. Parts of pre-existing institutions are brought together by a coalition of actors in an innovation process.

A society's capacity to innovate depends on the institutional configuration that facilitates or limits innovation (Scott, 2001). Social networks then take over, but these are not spontaneous; they are born from existing networks within unions, voluntary associations, social movements, co-operatives, philanthropic organizations, business circles, and governments. This involves a long process of learning and small-scale arrangements. It presupposes a rupture within some existing institutions, because innovating involves opposing the established order and introducing something new, while at the same time being rooted in rules that allow the innovations to grow and be diffused, hence the complexity of social innovations.

This process applies to social innovations in both the private and public sectors, as well as in the social economy sector. However, the social economy sector provides more opportunities for social innovation, because it is the sector that is the least demarcated and least institutionalized. It gives actors more room to manoeuvre, which allows them to innovate without being constrained by the burden of existing rules. The reverse is true in the public sector, which is embedded in a logic of political control and hierarchy that may limit innovation,

although without stopping it altogether. In public administration, several social innovations based on the transformation of values, ethics, and the concept of accountability have improved the public service. The private sector, for its part, is involved in a performance logic where social innovation is circumscribed by the dictates of economic returns. However, there are very significant social innovations in the private sector, such as fair trade, sustainable development, and corporate social responsibility, and other forms of partnerships, such as union/management co-operation. The social economy sector is embedded in a logic where relationships of proximity and reciprocity more readily accommodate social innovation. This logic focuses on social capital, citizenship, democracy, social, individual, corporate, and state responsibility, as well as social cohesion.

The institutional configurations of a given society smooth out differences among sectors so the social innovations that emerge in one sector or another have common aspects. In Quebec, in particular, the union movement became associated with other social movements to bring about social innovations in the three sectors (private, public, and social economy) by making employee or user participation the focal point. In general, innovations develop within a set of institutional arrangements that follow the path dependency principle. These institutional arrangements comply with and advance principles of conformity between innovations that take place in a number of spheres simultaneously. Institutionalization is realized when an organization attains a special character through the emergence of

distinctive forms, processes, and strategies (Selznick, 1996). Actors make choices under institutional arrangements where the costs of leaving, withdrawing, or giving up are deemed to be very high. Once a choice is made, it is locked in (Hollingsworth, 2000).

Three examples of social innovations and their long-term effects illustrate the preceding points.

### **Social Innovation and the Economic Reconversion of Territory**

The first example comes from the work of J-M. Fontan, J-L. Klein, and D-G. Tremblay (2005). It involves a study of the economic reconversion of three Montréal districts from the perspective of socio-territorial innovation during a period when the city was undergoing a profound crisis with respect to its productive structure. It was through the innovative pathways adopted by certain socio-economic actors that the city was able to get itself out of the mess. Montréal was the scene of specific arrangement processes among local actors who instituted the economic reconversion by investing in the creation and development of businesses, by committing to local governance initiatives, and by inventing forms of intervention to contribute to community development. This was a specific socio-economic coalition that appears today to be a model, although one that is difficult to reproduce elsewhere, because it is so entrenched in Quebec's institutional reality. This model relies on the participation (in partnership and conflict) of social actors from diverse backgrounds (private, public, and social) who come together in innovative pathways in a

given territory. These actors managed to change the institutional framework of the territory through a highly structured collective project, instead of waiting for market forces to take effect, as is the dominant tendency in capitalist countries. These initiatives were made possible, because the state (at federal, provincial, and municipal levels) supported them by supporting the values of co-operation and partnership they embraced.

This coalition, which was thought to be sound, weakened when a government was elected that emphasized the private sector and market forces. The new government chose to retreat from the various coalitions that had developed over the years. The union movement and other social movements participating in this coalition did, however, reposition themselves to defend what had been gained, particularly the participation of, and partnerships with, other actors. These experiments with socio-territorial innovation were not institutionalized (i.e., gains did not become entrenched in standardized or regulated ways that would have given them the distinction of custom, legitimacy, and soundness). Nevertheless, the experiments initiated in the 1990s were not threatened, because they maintained a logic of local coalition as a means of governance.

### **Social Innovation and the Supply of Social Housing**

The second example comes from the work of M. Bouchard and M. Hudon (2004). It involves an analysis of the co-operative and associative community housing sector, which was born from a history of partnership governance in Quebec. This movement

began in the context of an urban housing supply crisis, the transformation of the urban landscape, and the easing of government housing policies. As in the previous case, the innovations in collective housing relied on the virtues of individual ownership and market forces to manage supply. The state had helped to promote public co-operative housing through support programs, but these centralized and bureaucratic programs had not counted on citizen involvement. It was the social movement born of the housing crisis that allowed collective ownership and the adoption of development and management processes. For the movement, economic development has to be associated with social development, and the collective means of taking charge of housing allowed this general interest objective to be met. In this respect, this citizens' movement represents a form of social innovation in the social economy sector. The means of institutionalizing these various citizen interventions came in the form of state support. The provincial government chose to partner with the community by supporting local initiatives and promoting the development of independent skills instead of implementing a centralized and bureaucratic method, such as a Crown corporation. In this partnership model, the social actors' motivations supported housing policies. This model continues to generate community initiatives, both to meet new social needs and to generate new means of financing. This example shows how social actors and government agencies succeeded in merging their objectives. However, since actors compete for financing and promotion, this partnership model remains at risk.

The example shows how public institutions were transformed to make room for innovation involving the formation of "new citizenship." This type of experiment relies on civil society opening the way for new organizational structures and new institutional arrangements. We see how the appearance of a new approach to governance can lead to a redefinition of the state's role once practices are relatively institutionalized and the model is stabilized. Through institutional recognition, the consolidation phase thus follows the experimental phase when the initiatives of the social movements move on from the field of contesting public policy to embark on social innovation.

### **Social Innovation and Organizational Dynamics**

The third example comes from the work of D. Harrison and N. Laplante (2002). It shows how innovations in the working world can become embedded in the organizational dynamics of a manufacturing business. In this example, the path of social innovation was marked by numerous transformations of customs and routines into new actions within the organization. In this case, the innovation took place in two interrelated but autonomous ways: teamwork, which was the founding project involving social innovation, and partnership, which enabled relations between the union and management of the business to be restructured. The study shows how the actors agreed on the procedure, particularly by establishing a code of conduct. Unlike the previous examples, in this case it was the market that served as an institutional foundation. The state of the market



and the transformation of the rules of international trade were the key factors ensuring the legitimacy of the innovation. When a market downturn occurred and jobs were affected, the agreement between the parties broke down and employees refused to have any deeper involvement in the innovation process, thus leaving it adrift. As a general rule, the market does not give legitimacy to innovation unless it supports growth. When this is not the case, innovation becomes an awkward compromise that proves to be ineffective.

In this case, social innovation relied on a set of procedural rules and standards where consent had been built slowly through renewed agreements relating to everyday work. New routines were confirmed, although the actors no longer agreed on the significance to be attached to the innovation. Each actor understood the logic of the other actors, even though the approaches differed. The positions of all the parties were pragmatic: they were seeking, first and foremost, to reach agreement and develop substantial bonds regarding various aspects of the work. This included variation of tasks, autonomy in relation to work, the assumption of responsibility, co-ordination rules, standards of co-operation, and so on. The important thing was to ensure greater worker satisfaction and to improve work performance, product quality, and production time frames. In this sense, pragmatism was a guiding factor in the actors' co-existence. They wanted to perpetuate their relationship through the values that had guided their negotiations: maintaining jobs, improving productivity, autonomy, and relations based on mutual trust.

The relationships created were themselves the social innovation, which was perpetuated through the lasting and persistent activities established in ongoing and foreseeable relationships. It may be said that a process of institutionalization begins when relations between the union and management fall within newly prescribed norms recognized as legitimate. Through the innovation process, new kinds of relationships are developed which begin an unprecedented kind of co-dependence among the actors.

### Conclusion

This article has shown how experiments with local initiatives undertaken by social actors have the power to transform institutions. These experiments are associated with socially integrated, ordered, and stable patterns that have emerged from unstable and poorly organized activities. The interconnection between innovations and institutions is made in two stages. First, for a social innovation to be possible, the institutional system has to be open and able to recognize the deficiencies in performance and means of action. The actors must then have the necessary autonomy to create new procedures while developing relationships with other actors, often from other environments, sometimes even in situations involving rivalry or opposition. These actors brought together in networks may put in place solutions to various kinds of social and economic problems. These solutions must then go beyond the framework in which they were created and be adopted by a multitude of social actors who give them legitimacy. Then there is the second stage, a process whereby the social innovation is institutional-

ized, supporting the perpetuation of the new arrangements. The state, the market, or the adoption of new values and knowledge by the social actors involved in establishing norms or rules serve as foundations for institutionalizing social innovations. Institutionalization is facilitated or impeded by new state policies, profound changes to market rules, or new social values that override the old ones. In this sense, social institutions are also the product of the initiatives and co-operation of social actors.

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# International Conference on Engaging Communities

August 14–17, 2005  
Brisbane, Australia

**Sandra Franke**  
Policy Research Initiative  
Government of Canada

In August 2005, a major international conference on engaging communities was held in Brisbane, Australia. Organized by the United Nations in co-operation with the government of the State of Queensland, the conference drew nearly 2,000 participants from 44 countries, including a significant UN delegation, numerous political figures and government representatives, a few academics, all of them renowned, and representatives from the private and community sectors. The discussion focused on several key themes related to community and engagement, such as engaged governance, engagement of minorities and groups at risk of exclusion, innovative practices for engagement, community engagement, and engaged communities.

It is not surprising that a conference on this topic aroused such keen interest. Many representatives from the United Nations, developing, and developed countries started their presentations by alluding to questions around the democratic deficit: a dramatic decline in people's confidence in those who govern them, citizens' gradual disengagement from public affairs, and a greater sense of powerlessness in the face of major economic forces. The premise behind many of the important debates at this conference was that involving community players in decision-making processes is the best way for governments to boost their legitimacy and achieve growth and development goals. By entering into a real form of shared or engaged governance, innovating partnerships can emerge and bring about positive change.

This report of the International Conference on Engaging Communities

focuses on the dominant themes presented by the keynote speakers during the main sessions, and presents the major ideas raised in the concurrent sessions.

## From Civic Participation to Engaged Governance

An opening session to the conference introduced the new paradigm of engaged governance. The keynote speakers argued that the traditional forms of democracy (representative, participative, and consultative) are no longer appropriate for dealing with today's world, a world of globalization and trade liberalization. Under the pressure of budget deficits, the delivery of public services in many countries is assigned increasingly to the private sector at the expense of transparency, government accountability, and respect for the principles of equity. Individuals and communities that are the most excluded from access to public services are also those that are the least well represented politically and the least interested in politics. According to a number of panellists, throughout the world the mechanisms that support public participation and consultation are becoming cosmetic procedures that make it impossible to engage marginalized players in the decision-making processes or to connect governments with these players.

With reference to the major goals associated with the reduction of disparities that appear in the UN Millennium Declaration,<sup>1</sup> 15 or so panellists discussed the hypothesis that the new democratic challenges should henceforth involve an empowerment process, that is, a process of strengthening capacities for self-reliance and resilience – entrepreneurship capacities

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Sandra Franke is a Policy Research Officer with the Government of Canada's Policy Research Initiative.

of individuals and of marginalized communities. Engaged governance presupposes a new way of putting government and citizens together without the processes always being initiated and conducted from top to bottom, so that all population groups are truly represented.

From a more analytical point of view, engaged governance relies on a form of deliberative democracy between partners that do not necessarily have the same strengths, hence the use of a new term that is very fashionable in Europe: directly deliberative polyarchy. This term relates to a form of problem solving that bases decisions on deliberations among various levels of public administration, politics, and other actors in the private and community sectors. Deliberative polyarchy requires putting in place co-operative approaches that favour discussion and direct negotiation among partners rather than approaches that are limited to co-ordinating the individual strategies of participants. The new method relies on the similar experiences of other individuals or communities and attaches value to non-technical knowledge and local learning concerning how to implement programs or projects. This approach strengthens direct participation by citizens and suggests how they can have an immediate impact on results.<sup>2</sup>

### **What Role for the State?**

A number of panellists stressed that a form of governance that provides a greater role for citizens and the private sector does not necessarily mean that there must be less of the state. The examples put forward in the various workshops showed *how the state can play a decisive role in establishing respon-*

*sible partnerships*. In engaged governance, relations between the machinery of the state and the private sector and community organizations are strong, and persons and processes are just as important as results. In this sense, *the role of the state is to create conditions conducive to the engagement of various players from civil society, both from the private and community sectors, while ensuring the accountability of decision-making processes* that stem from the partnerships thus formed.

The conference included almost 300 presentations. These explored examples from all parts of the world and from numerous policy areas. The examples included both successes and failures in implementing the engaged governance model. The following illustrations provide messages with some resonance in the context of community development and the social economy in Canada.

#### **Officially Recognizing the Role of Community Engagement**

A number of speakers emphasized the importance of recognizing community engagement policies in government priorities. Numerous presentations along these lines focused on Australia. In the past few years, many states have started putting community engagement on their agendas, particularly by creating community departments; by developing policy strategies for community engagement (which bank not only on improving community capacities, but also on communicating to public servants the principles of community development); and by introducing major reforms to promote access to all levels of government for individuals traditionally excluded from them.

#### **Developing New Forums and Mechanisms for Deliberation**

A number of speakers discussed the importance of creating new forums for dialogue among government, citizens, and community groups. In the Australian State of Queensland, for example, a number of new mechanisms have been established to facilitate citizen engagement: regional parliaments have been set up that bring government to the people, electronic petitions have been established to allow Internet users to contact elected representatives directly, parliamentary debates are being published electronically, online cabinet sessions are held where members of the public are invited to contact ministers directly, and so on. According to the Queensland Premier, Peter Beattie, these new forums for deliberation are a real tonic for good governance. In Great Britain, the BBC spearheaded an equally interesting public deliberation initiative through its Action Network Project. The project consists of a web site called Change the World Around You (<[www.bbc.co.uk](http://www.bbc.co.uk)>) that aims to stimulate social engagement by allowing citizens to share their concerns online, enabling them to make contact with one other to share their concerns, and providing information and tools to bring about tangible changes.

#### **Creating New Decision-Making Platforms**

A few presentations focused on governance experiments involving the implementation of new kinds of contractual arrangements between the state and private sector and community partners. A number of cases were reported, particularly in the United Kingdom, where special problem-solving units were established to deal

with specific local challenges. Presentations emphasized barriers and opportunities associated with these new ways of working together. Among the success criteria identified for these government experiments were making desired results clear in advance, ensuring that the functions of the decision-making unit are clearly understood, providing conflict resolution mechanisms, and making the contribution of each of the partners clear. In many cases, the capacity for collective learning and innovation seems to have produced the best results.

### **Increasing the Role of Local Governments**

A number of the conference sessions were devoted to the role of local governments as vehicles for conveying community concerns to other levels of government. Local governments may be in a better position to reflect the needs of the people. Exercising

the functions of government in closer proximity to the people increases trust and sense of belonging, thus stimulating engagement. The many presentations on this theme by politicians and public servants demonstrated that interest in this new localism has begun to influence public policy. The Australian national government, in particular, has begun creating new links with the local level by inviting local governments to share governance by participating in a number of regional forums or partnerships, as well as by having funds granted directly without going through the state bureaucracy. However, in Australia, as elsewhere, the illustrations focused mainly on the role of local governments as practical adjuncts in the delivery of public services rather than as players participating in governance.

Engaged governance is also applied in the social economy and community

development movement in Canada. Indeed, the themes broached at the Brisbane conference are not particularly novel. The importance of the event lies not so much in the messages, but in the individuals who gave them: shared and engaged governance is now being promoted by official organizations, political representatives, and senior government officials.<sup>3</sup>

### **Notes**

- 1 More on the Millennium Development Goals can be found on the United Nation's web site <[www.un.org/millenniumgoals](http://www.un.org/millenniumgoals)>.
- 2 To learn more about the concept, see Joshua Cohen and Charles Sabel, *Directly Deliberative Polyarchy*, <[www2.law.columbia.edu/sabel/papers/DDP.html](http://www2.law.columbia.edu/sabel/papers/DDP.html)>.
- 3 The papers presented may be downloaded from the conference web site, <[www.engagingcommunities2005.org](http://www.engagingcommunities2005.org)>. The speeches by the keynote speakers are also downloadable in audio format.

# International Conference on Innovation and Social Transformation

November 11–12, 2004  
Montréal, Quebec

Sandra Franke  
Policy Research Initiative  
Government of Canada

In November 2004, a two-day international conference on the theme of social innovation was held in Montréal. In general, innovation has long been associated with the development of technology or with changes in the organization of work to improve competitiveness. This conference aimed to broaden the concept of innovation to include the underlying social dimensions. The presentations thus sought to illustrate the major role played by various arrangements of stakeholders, and the specific social configurations involved in the application and dissemination of innovations. The conference also considered how social transformations that emerge in the context of innovations are themselves a source of innovation. A number of presentations dealt with the sectors of the social economy and community development to illustrate this dynamic.

## Social Innovation as a New Way to Consider Social Issues

The focus of the conference was to present social innovation as a new approach to understanding certain social issues. Social innovation allows social transformations to be considered by examining the social, economic, and political conditions, and the specific institutional arrangements that give rise to particular responses (social, economic, and technological).

Professor Michel Callon, École des Mines in Paris, opened the conference by explaining how this dynamic has played out over the past few decades. Referring to the system of economic innovations that is now most familiar, which is based on a networked system of production and market diversification, he explained how the phenomenon was a machine for producing

social groups. According to Professor Callon, if we are now seeing a rapid proliferation of social groups, it is because social agents are reacting and combining to make up for market deficiencies and the state's powerlessness to respond appropriately to externalities. On the other side of the coin, the emergence of social groups constitutes a socio-political force that calls for new political processes to be implemented, and these contribute directly to the innovation process.

The presentation by Benoît Lévesque of the Université du Québec à Montréal (UQAM) showed how the complex interconnections between these processes differ across nations. By recognizing this, he suggested, it is possible to make an important qualitative jump in our understanding of innovation systems. The evolution of research on innovation has revealed an epistemological rupture in the traditional concept of production-based innovation systems to introduce the idea of an innovation system based on social transformations. Consequently, the social aspect can be seen more as an investment than an expenditure. According to Lévesque, it would be useful to develop public policies for innovation based on the example of policies developed in Quebec to support the social economy.

## Social Transformations Emerging in the Context of Innovation as a Source of Innovation

Frank Moulaert of the University of Newcastle discussed the strategic role of social innovation in the context of local development. By referencing the Social Innovation, Governance and Community Building (SINGOCOM)

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Sandra Franke is a Policy Research Officer with the Government of Canada's Policy Research Initiative.

project, which involves the study of alternate models of local development in about 10 European cities, Moolaert was able to present some of the conditions that provide opportunities for creativity and successful innovation to emerge. Local development can be innovative, because it is easier at the local level to promote small-scale experimental initiatives, develop diversified markets, and put in place institutional structures that give a role to the third sector.

Diane Gabrielle-Tremblay, Télé-Université, also demonstrated the significance of innovation at the local level, particularly the impact of territory as a magnet for technological innovations. Gabrielle-Tremblay hypothesized that territory is a key input to the innovation process. Territory is a factor facilitating networking, because it contributes to the process of pollinating ideas to produce solutions to local problems. Her research at the Cité Multimédia technology park in Montréal has yet to confirm this hypothesis, because of the relative infancy of the project.

The importance for innovation of the places where new ties can be developed between social players was also considered in the context of the social economy. Marie Bouchard of UQAM presented the social economy as a dynamic place where co-operation between social players, particularly within local networks, plays a central role. According to Bouchard, the social economy itself is also a source of innovation in terms of rules and

## CRISES

The International Conference on Innovation and Social Transformation was organized by CRISES (Centre for Research on Social Innovations), an interuniversity and multi-disciplinary research centre that has about 50 researchers affiliated with seven Quebec institutions. The projects undertaken by CRISES focus essentially on social change, the role of the social players involved in such change, and the processes for structuring social innovations.

CRISES researchers conduct studies in the following three areas:

- Social innovations and quality of life
- Social innovations and territory
- Social innovations, work and employment

practices. The innovation capacity of the social economy depends, however, on institutional recognition, acceptance of its experimental aspect, and on whether its anti-establishment nature is accepted.

The presentation by Len Arthur of the University of Wales showed how governments can support different versions of the social economy. According to Arthur, the United Kingdom has promoted a rather capitalistic social economy model where the state recognizes a considerable number of enterprises and initiatives that would not be included in a more radical version of the social economy. Since the definition of the social economy employed in the United Kingdom excludes key criteria, such as democratic ownership and control, the social economy has a strong presence in the country according to official data (nearly 10 percent of total employment). Employing a more radical definition of the social economy, based on an in-depth transformation of production processes,

trade, and the use of goods and services, would have implied a very different approach to policy development, according to Arthur.

### The Role of Institutions and Networks in Social Innovation

Throughout the conference, speakers emphasized the importance of the state's role in establishing institutions that allow innovations to be supported. Since there is a close link between technological innovations and social innovations, public policy might go beyond policies that redistribute resources and address market failures to focus also on establishing favourable conditions for the application of creativity.

The presentation by Professor Ash Amin, University of Durham, highlighted the limitations of policy agendas that rely on the virtues of social empowerment without supporting the underlying foundations. Amin criticized the Blair Government's new

policies that are characterized by the rediscovery of the social, and that rely on social capital and the social economy to exercise a new form of bottom-up governance. He said that social cannot be reduced to local.

While recognizing that social sources of innovation are often found at the local level and are based on community cohesion and solidarity, he noted that we can only be sure that this will happen in communities that already have a tradition of civic participation and entrepreneurship. In declining communities, interventions must instead focus on the causes of the decline, and these go beyond the local level.

The presentation by Janet Siltaanen, Carleton University, was in some respects similar to that of Amin. The research that she has conducted on job entry shows how certain social circumstances, including the local environment, limit the portability of social policies that are meant to increase the capacity of individuals. As Amin had suggested for communities, Siltaanen proposed that the capacity to change requires the kind of experience that people who are already advantaged have had. In her assessment of lifelong learning programs that focus essentially on individual capacity building, she has found that the social conditions of individuals, particularly the amount of social capital individuals possess (i.e., the type and extent of their social networks), influences the extent to which they can apply the capacities they develop through

learning programs. In other words, just as certain conditions favour social change, other conditions favour certain individual changes. Innovation policy should aim to establish those conditions.

The presentation by Michel Trépanier, Institut National de la Recherche Scientifique, showed how the establishment of favourable conditions, particularly the creation of interorganizational networks, could sustain innovation through technology transfer. His research has shown that, in small and medium-sized businesses, innovation stems from the improvement of existing capacities, and that this is made possible by establishing new relations with other actors. In sum, numerous new products are created as a result of partnerships rather than through research and development as such.

By the conclusion of the conference, the concept of innovation had clearly moved beyond the universe of technologies and organizational change to make inroads into the social realm. The presentations demonstrated convincingly the close and reciprocal relationship that exists between social transformations and innovation capacity.<sup>1</sup>

### Note

- 1 A number of the presentations made during the conference can be downloaded from the CRISES web site at <[www.crisis.uqam.ca](http://www.crisis.uqam.ca)>.

## The Emergence of Cross-Border Regions: Interim Report

The objective of this research project is to substantiate the growing significance, scope, and nature of these cross-border regional relationships. Their existence has numerous policy implications for the Government of Canada in terms of foreign policy, economic and industrial policies, organizational arrangements, regional development, and other matters.

The report can be found on the PRI web site in the publications section. For more information, contact the project director, André Downs, at 613 995.3655 or at <[a.downs@prs-srp.gc.ca](mailto:a.downs@prs-srp.gc.ca)>.

PRI. 2005. *The Emergence of Cross-Border Regions: Interim Report*. Ottawa: Policy Research Initiative.

# National Conferences on Community Economic Development and the Social Economy 2004 and 2005

May 2004

Trois-Rivières, Quebec

May 2005

Sault Ste. Marie, Ontario

**Sandra Franke**

Policy Research Initiative  
Government of Canada

in collaboration with

**Éric Bastien**

Social Sciences and Humanities  
Research Council of Canada

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Sandra Franke  
is a Policy Research Officer  
with the Government of Canada's  
Policy Research Initiative.

Éric Bastien  
is a Senior Program Officer  
responsible for the social economy  
suite of programs at the Social  
Sciences and Humanities Research  
Council of Canada.

Founded in the late 1990s, the Canadian Community Economic Development Network (CCED-Net) is a democratic association of community organizations, researchers, and practitioners whose mission is to promote and support community economic development (CED) throughout Canada. The Network receives funding from a number of organizations including the Canadian federal government and the J.W. McConnell Family Foundation. Over the years, CCEDNet has grown from a handful of organizations to a large-scale network of networks with more than 400 members, a board of directors, a number of subcommittees, a strategic plan, a policy action plan, and partnership initiatives, such as the Community Economic Development Technical Assistance Program (CED-TAP). More recently, CCEDNet has been a member of the National Social Economy Roundtable.

## 2004 National Conference on CED

In May 2004, CCEDNet held its fifth national conference on community economic development in Trois-Rivières, Quebec. Entitled Communities Creating the World We Want, the event attracted more than 600 participants and targeted the following objectives:

- advance a national policy agenda for CED;
- build the movement and strengthen the network of CED actors; and
- build community capacity.

The Conference provided leaders of the community movement with an opportunity to respond as a group to the Canadian government's

commitment to provide \$100 million in support of financing the social economy over the next five years.<sup>1</sup>

It was obvious to everyone in attendance that this funding announcement had shaken the many CED practitioners who had little or no knowledge of the social economy sector. While the main speakers made some very positive remarks about the size of the government's investment, informal conversations outside the conference room suggested that many participants were concerned about the role of CED in relation to the social economy and, by extension, about how the funds would be divided between the two sectors. Thus, in making efforts to unite the various players, the CED movement seemed to be running up against what might be termed a potential schism between two different worlds. Within Canada, the social economy has been a concept of interest to governments almost exclusively in Quebec, where the social economy has been embraced by a primarily Francophone audience.

What is the difference between the social economy and the CED movement? There is no simple answer, but a few observations can be made. The social economy is a sector-based approach with somewhat identifiable collective entrepreneurial goals and outcomes, similar to the co-operative movement. The CED movement, on the other hand, is territorial, with an overall approach focused on issues with interrelated dimensions requiring concerted action. Furthermore, the underlying, unifying goal of CED is empowerment, an evolving, multi-dimensional, complex process requiring a sustained provision of resources that will yield measurable results only over the long term.



## 2005 National Conference on CED and the Social Economy

To forge closer ties between Francophone and Anglophone social economy and CED practitioners, and to establish a common set of terms, concepts, and values for the movement, it was important for the 2005 National Conference to incorporate both CED and the social economy.

Hence, it was with a new name that the 2005 National Conference on Community Economic Development and the Social Economy took place in Sault Ste. Marie on May 4-7, under the title Building an Inclusive Movement. Focused on the very topical theme of inclusion, the event attracted more than 500 participants, who were invited to discuss the social, economic, political, and cultural inclusion of marginalized groups including Aboriginal people, new immigrants, the poor, youth at risk, and disadvantaged communities.

### Reviewing the Strategic Objectives of CED

In light of the recent interest in the social economy expressed by the Government of Canada, the 2005 Conference was above all an opportunity for CED actors to review their mission and take a closer look at the new challenges they need to face to reposition themselves in relation to political priorities (see the accompanying text box).

A number of workshops examined the movement, its development, and needed changes. Entire sessions were devoted to the CCEDNet strategic plan, its policy framework, how it might be implemented, and obstacles preventing the sector from positioning

## Integrating CED with the Social Economy

In a session entitled Introduction to CED and the Social Economy, Mike Lewis, Executive Director of the Centre for Community Enterprise, argued that integrating the social economy with CED would help achieve community self-management, an objective for both movements. He suggested that pooling efforts would lead to optimum allocation of resources for the benefit of the whole community. The social economy sector contributes to community development, because it can trigger impacts on economic development that also meet the social expectations of communities. Mr. Lewis gave the example of the Lachine Canal and Pointe-Saint-Charles neighbourhoods in Montréal, where groups had joined forces and thus exerted an influence on both the economic and the social development of their communities.

itself more advantageously. For example, during a session entitled CCEDNet's Policy Framework and the Current Situation, Eric Leviten-Reid, Chair of the CCEDNet Human Development Subcommittee, presented for discussion three strategic objectives that should be implemented as priorities:

- build local social capital by strengthening the capacity of communities to tackle development issues;
- build human capital through further development of people's entrepreneurial skills and local leadership; and
- build financial capital by enhancing the various CED investment resources.

Mr. Leviten-Reid also noted that achieving the movement's strategic objectives might be jeopardized by the sometimes difficult relations between CCEDNet and the Government of Canada, its main financial backer. One problem was the difference between the mission CCEDNet had set for itself and the one implicit in recent actions by Human Resources

and Skills Development Canada (HRSDC), which aimed to assign to community organizations a role as service delivery agents under government supervision. Another issue was related to restrictive requirements in administrative procedures, which have hindered efforts to establish flexible, integrated programs in response to community needs. For example, Mr. Leviten-Reid explained how mechanisms for allocating funds encouraged sector-by-sector operating procedures, whereas community economic development focused instead on solving interdependent problems requiring decompartmentalized solutions. A third issue was dissatisfaction expressed by community development actors with a new funding approach being considered by HRSDC based on calls to tender for specific projects. The CED movement would prefer an approach that provided core funding for longer-term initiatives. At the same time, Mr. Leviten-Reid also underscored the government's willingness to look at these issues and, in particular, its recent intention to set up a mechanism for ongoing co-operation with community partners, and its

openness to reviewing CED funding commitments over the longer term.

Peter Hough, Chair of CCEDNet's Financing Subcommittee, outlined general approaches being developed and examined for encouraging private sector investment in CED. Tax credits and financial guarantees for contributing to community development, and the development of a national seed fund were among the examples he outlined. As for public funding, he emphasized the importance of negotiating a long-term national strategy that would remain responsive to local needs. He argued that the CCEDNet strategy with respect to potential funders should be designed to strengthen rather than replace existing funding mechanisms. He argued further that these mechanisms should remain the responsibility of those involved in community economic development (i.e., the regional networks), which would own and manage capital funds. Mr. Hough also raised for discussion the idea of creating an agency made up of CED representatives to oversee the use of funds.

### Developing a Strong Network of Alliances

The creation of strategic alliances was a key recurring theme in discussions at the conference. In a plenary on government policy, Nancy Neamtan, Chair of Chantier de l'économie sociale (Quebec social economy

coalition), stressed that a main obstacle facing community economic development was compartmentalization in individual activity sectors. In her opinion, promoting its broad values by forging alliances between the various development actors would strengthen the movement and the importance of its role would become more widely recognized as a result. She offered the social economy movement in Quebec as an example. The capacity to innovate was built in Quebec, she suggested, by focusing on strong networks. Intermediary bodies co-ordinate funding and are responsible for ensuring that basic infrastructure is put in place. As a result, the Quebec social economy network is now in a position to co-produce public policy with government. She said that a strong network must:

- develop a common core of terms and concepts;
- clearly identify its priority actions;
- forge alliances with the private sector and other movements; and
- ensure that its actions are consistent with government priorities.

In a session entitled The Social Deficit, Social Programs, and the Social Transfer: Implications for CED and the Social Economy, John Anderson, Canadian Council on Social Development, emphasized the importance of strategic alliances for CED, especially in a context of declining government

social transfers. The steady drop in the amount of money being allocated to core funding for groups prompted them to tailor their projects to available funding instead of working to fulfill their missions and dealing with the real problems of their communities. Forging alliances between groups helps to build the capacity to effect genuine change, because the agents of change in any given community can then work together. Identification of what Mike Lewis called driving forces was a key step in the creation of strong alliances, but with the exception of Quebec, where the Chantier de l'économie sociale had set for itself this very mandate, few Canadian initiatives have been launched that have a focus on meeting this objective.<sup>2</sup>

### Notes

- 1 The Government of Canada's commitment, described in more detail elsewhere in this issue, also included \$17 million over two years for a targeted pilot program in support of strategic planning and capacity building of CED organizations, and \$15 million over five years to the Social Sciences and Humanities Research Council for community-based research on the social economy.
- 2 The theme for the 2006 National Conference on Community Economic Development and the Social Economy will be Rooting Development in Community. The Conference will be held in Vancouver in March 2006. Some of the presentations of the 2005 conference can be downloaded from the CCEDNet web site <[www.ccednet-rcdec.ca](http://www.ccednet-rcdec.ca)>.

# The Cathedral Within

## Transforming Your Life by Giving Something Back

**Bill Shore**  
(Random House, New York, 1999)

Reviewed by  
**Bernard Cantin**  
Policy Research Initiative  
Government of Canada

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Bernard Cantin  
is a Senior Policy Research Officer  
with the Government of Canada's  
Policy Research Initiative.

*The challenge for public policy today is to develop solutions to problems that are not likely to disappear.*

*As environmental activists, our job is to get out of a job.*

These messages came to mind while reading Bill Shore's *The Cathedral Within*. Both of them highlight, in different ways, past illusions concerning social action, which were based on the idea that social problems can be fixed rather quickly if we find, and implement, the right tool or tools. As demonstrated by the long history of public policies devoted to fighting poverty, or environmental degradation, quick and easy solutions are most probably chimerical.

Bill Shore offers some insight on how to think about and makes a contribution toward addressing complicated social problems. Solutions, according to Shore, are usefully seen as the great cathedrals constructed in the past, which were the result of the work of countless committed individuals, most of whom could not have dreamed of seeing the end result of their work. What is required is an unfaltering commitment to placing the next bricks needed to reach ambitious and sustainable outcomes.

Providing inspiring examples, Shore notes that solutions require the ongoing dedication of social entrepreneurs, who have developed a vision of what is required and who build for the long term (the very very long term). These entrepreneurs are not only investing themselves fully in a social cause of their choosing, they are building self-sustaining, financially autonomous institutions (cathedrals) that will be part of lasting solutions to social

problems. These leaders are able to bring together the strength of many to work for a shared and ambitious but distant vision.

A controversial aspect of Shore's vision is that institutions dealing with social problems have to learn from, among others, businesses operating in the marketplace. The reasons are both practical and strategic: most non-profit organizations have a short life expectancy, which is insufficient for addressing the long-term issues that concern them.

Shore sees the need for strong, self-sustaining non-profit organizations that act effectively and independently of government funding over the long term, because such funding tends to fluctuate. But this limits Shore's analysis of the role of the government in building cathedrals. Indeed, contemporary experience indicates that long-term solutions require strong partnerships between different sectors of society, including governments. The state, civil society (including family), and market institutions need to work together, complementarily, to address issues like poverty and sustainable development.

Of course, creating partnerships and making them work for common purposes is a daunting task. The PRI's work on social economy suggests that one important challenge is sorting out the role of governments in helping, or rather working with, communities, social entrepreneurs, and social enterprises to ensure they flourish and play a much needed role in finding lasting solutions to challenging and important issues requiring long-term attention.

# Co-operative Membership and Globalization

edited by  
**Brett Fairbairn  
and Nora Russell**

Centre for the  
Study of Co-operatives  
(University of Saskatchewan, 2004)

Reviewed by  
**Trent Craddock**  
Agriculture and Agri-Food Canada

This volume captures the thoughts of co-operative leaders, practitioners, academics, and researchers as they reflect on the issues and opportunities facing Canadian co-operatives within a new world order.

Co-operatives are seen by many as an integral part of Canada's social economy, and possibly its best-organized and financially strongest component. Since co-operatives have a long and successful history in combining social and economic objectives, they may also have lessons to share with other social economy enterprises.

Weaving through issues, such as democracy, social economy, social cohesion, membership, and the potential role of the state in co-operative development, the authors examine globalization as a process involving a complete reorganization of relationships.

Karen Philp, a former director of the Canadian Co-operative Association, acknowledges that many co-operatives are not expressing great enthusiasm for globalization. This observation is not surprising since co-operatives exist to serve the needs of local members. Indeed, they are helping to counter the negative impacts of globalization by doing what co-operatives have always done – strengthening their communities by fostering local ownership and control, local leadership skills, and the capacity to effect change.

Philp recognizes the potential of co-operatives to be viable alternatives to the new economic models – where

concentration of market power is the norm. She proposes that the movement's greatest asset is its networks – at the local, national, and international levels – that can allow co-operatives to be globally aware and connected while acting locally to provide community-owned alternatives to transnational corporations.

## Challenges of Globalization

Globalization – with increased international trade, greater international movement of labour and capital, rising international communications, and the growing importance of multinational corporations – has brought significant changes to Canadian society and the economy.

As a process, globalization has involved a wholesale reorganization of relationships, new technologies, growing corporate concentration, changing regulations, and new social relations, that have changed the way Canadians do business. One result has been the loss of local control with goods, people, and information travelling greater distances than in the past.

While the wealthy and the highly educated can adapt more easily and benefit from these times of rapid change, some feel that part of the population is excluded from these benefits. Governments have also, at times, sacrificed the needs of the excluded, in the name of cost cutting and deficit reduction. The result has been that many now feel the economy is out of balance with corporations becoming too powerful. As a counter-balance to this trend, co-operatives can help empower the excluded and create greater fairness in the economy.

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Trent Craddock  
is a Senior Policy Research Officer  
with the Co-operatives Secretariat  
at Agriculture and Agri-Food Canada.

## Co-operatives Respond to Globalization Concerns

Leslie Brown, an academic with Mount Saint Vincent University, argues that co-operatives are an integral part of a balanced economy, acting as a counter-balancing force to the concentration of wealth and power of large private corporations.

Co-operatives are ideally positioned to think globally and act locally since many are nationally and globally networked with international co-op development activities and international trade that brings products from around the globe to their local communities. When co-operatives use the power of these networks they can indeed find their niche within the new world order.

Bill Turner, a member of the Government of Canada's Co-operative Development Initiative Steering Committee, hopes more and more co-operatives will be able to see a potential role in helping their members adapt, evolve, and turn the challenges of globalization into opportunities. He stresses the importance of understanding how globalization affects co-op membership and the competitive marketplace, and how to seize the opportunities presented.

A case in point is Mario Carrier's examination of Quebec forestry co-operatives. His chapter reflects on the link between these co-operatives and the economic development of forestry-dependent communities. The author states that forestry co-operatives have played a large role in the Quebec

forestry industry and have had a positive impact on communities through job creation. His case study found that co-operatives can both respond to globalization and strengthen communities through collaboration between the state, the large forestry corporations, and the local community.

Acknowledging Canada's changing demographic composition due to a high per capita immigration rate, a decline in the birth rate, and population aging, Christine de Clercy stresses the importance of diversity in leadership and the need to recruit candidates from underrepresented groups. The ability to access a broad range of ideas is important to co-ops, with success or failure depending on their ability to create knowledge and adopt fresh approaches.

Jean-Pierre Girard and Patrick De Bortoli's review of Quebec solidarity co-operatives – multi-stakeholder co-operatives that include users, workers, and other parties - found that these organizations balance the interests of workers and users. Operating in such fields as home care, these co-ops have experienced exponential growth and proven to be a successful partnership between the world of volunteerism and economic activity.

Chris McCarville's analysis of Arctic Co-operatives Limited illustrates that co-operatives can serve as democratic, community-based development models in Aboriginal communities. The historical role of co-operatives in the North has seen the development of community infrastructure and skills,

and many Aboriginal leaders have risen through the co-operative system. Arctic Co-operatives Limited allowed communities to pool their resources and create an effective network that has enabled a greater level of economic development in the region.

In this age of social transformation, successful co-operatives must understand who their members are and not take them for granted. As self-help organizations designed to serve their members, co-operatives must continue to be more responsive to consumer needs than other businesses. At the same time, communities are being redefined with geographical distances becoming less important. As a result, co-operatives will have to find new definitions of community.

Daniel Côté examined the dairy co-operative, Agropur, to better understand how a large co-operative with dispersed members can maintain member involvement and a sense of community in an increasingly complex and challenging environment. His case study shows how Agropur's success was due to strong member involvement in decision making, as well as extensive member education, information, and consultation. The result was greater member loyalty, which became a competitive advantage in the market place.

## Advice to Government

In the book's concluding chapter, Brett Fairbairn suggests that co-operatives as self-help organizations also assist governments in attaining broader policy objectives, and he makes a case for a

supportive government policy environment for co-operatives. In particular, he suggests that co-operatives can help by:

- improving local autonomy, leadership, and control, and the capacity to adapt to change;
- strengthening social cohesion by allowing citizens to work together toward common objectives;
- developing the potential of excluded groups, such as disadvantaged people and communities;
- raising the bar among businesses regarding community accountability; and
- creating community solutions to health care and other social needs.

Supportive governments should encourage co-operatives while leaving the day-to-day affairs of the co-operatives to their members and leaders. Accordingly, Fairbairn suggests that areas such as research, education, and technical assistance should be the focus of government support. The government should also ensure that existing programs include co-operatives as eligible participants.

### Government of Canada Initiatives to Support Co-operatives

The Government of Canada understands the important role co-operatives can play in advancing public policy objectives, and its views are in line with those of the United Nations. In recent years, the federal

From its modest beginnings in the 19th century, the cooperative movement has become a significant force in global civil society, both in terms of membership and impact. More than 760 million people are engaged in the cooperative sector, and cooperatives are at work in more than 100 countries in almost all areas of human endeavor. As people-centered organizations based on equity, solidarity and self-help, cooperatives are a catalyst for entrepreneurial expansion and an important factor in social stability and cohesion. They also provide essential services, such as appropriate and affordable housing, utilities, infrastructure, health care and social, financial and insurance services.

Koffi Annan, Secretary-General of the UN, September 2003, <[www.un.org/apps/sg/sgstats.asp?nid=479](http://www.un.org/apps/sg/sgstats.asp?nid=479)>.

government has moved closer to the supportive policy environment that Brett Fairbairn advocates through the establishment of the Co-operative Development Initiative (CDI) and the inclusion of co-operatives in planned social economy initiatives.

The CDI supports co-operatives through two program components. Advisory Services provides technical assistance to co-operatives and is delivered through the Canadian Co-operative Association, the Conseil Canadien de la Coopération and its affiliated co-op sector organizations across Canada. The Innovation and Research component, delivered by the Government of Canada's Co-operatives Secretariat, researches and tests innovative applications of the co-operative model in federal priority areas. Demand for the CDI program has greatly exceeded available resources, indicating considerable interest in the program's services.<sup>1</sup>

Budget 2004 significantly increased support for the social economy sector. Co-operatives, as an important part of the social economy, are included in these measures.<sup>2</sup>

### Notes

- 1 Additional information regarding the Government of Canada's Co-operative Development Initiative can be found at <[www.agr.gc.ca/policy/coop/information\\_e.phtml](http://www.agr.gc.ca/policy/coop/information_e.phtml)>.
- 2 Complete information regarding Budget 2004 can be found on the Department of Finance Canada's web site: <[www.fin.gc.ca/budtoce/2004/budliste.htm](http://www.fin.gc.ca/budtoce/2004/budliste.htm)>.

# An Analysis of Social Capital and Health Using a Network Approach

## Findings and Limitations

**Louise Bouchard**  
University of Ottawa

**Jean-François Roy**  
University of Ottawa

**Solange van Kemenade**  
Public Health Agency of Canada <sup>1</sup>

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Louise Bouchard is a Researcher with the Institute of Population Health at the University of Ottawa.

Jean-François Roy is a doctoral candidate with the Institute of Population Health at the University of Ottawa.

Solange van Kemenade is Senior Policy Research Analyst with the Public Health Agency of Canada.

In the health field, many studies have shown the positive influence of social capital in promoting health (e.g., decreasing infectious diseases, preventing risky behaviours, improving maternal and infant health), taking charge of health (e.g., social justice, community involvement), and psychosocial mechanisms (e.g., social support, social inclusion) (Kawachi et al., 1999; Berkman and Glass, 2000).

In this context, the Public Health Agency of Canada has been conducting a social capital project since 2001. Analysts from the Policy Research Division (PRD) have contributed to the development of knowledge in relation to the concept, proposed indicators for health surveys, looked at how to translate the concept into policies and programs, and suggested indicators to be included in evaluation and planning tools for community interventions funded by the Agency and Health Canada.

In 2004, the PRD began working with researchers at the Institute of Population Health at the University of Ottawa on the analysis of data from the 2003 General Social Survey (GSS), Cycle 17, which targeted social engagement in Canada. The objectives of the study were to explore the possibility of conceptualizing a network-based definition of social capital, using the GSS, and to examine the relationship between social capital (using the foregoing definition) and health.<sup>2</sup> This document provides a brief presentation of the theoretical and methodological approaches used in the development of a model to operationalize the concept of social

capital based on the GSS variables, the most significant findings resulting from our analysis, and a few limits of the analyses. Improvement of the tools used to gather information on social capital at the national level is a prerequisite for more focused use of the findings to develop policies.

### The Analytical Model Used

The model evolved from a definition of social capital based on the network approach. According to this approach (Lin, 1995, 2001; Lévesque and White, 1999; Lévesque, 2000; Van Der Gaag and Snijders, 2005), social capital refers to networks of social relations that provide access to resources and support. By way of the Policy Research Initiative, the federal government is also promoting this approach in its reflections on the use of social capital as a public policy instrument (PRI, 2003).<sup>3</sup>

Social networks consist of a person's immediate circle (strong ties) and secondary networks (weak ties). These social capital generating networks are dynamic; they can be sporadic and associated with a specific context (PRI, 2003) or, in other cases, they can be long term.

The model is divided into two components: network structure and network resources (see Table 1). Network structure comprises three indicators: the size of the network of strong ties outside the home, the size of the network to organizations, and the extent of reciprocity in the networks. The resources available through the networks are assessed using three indicators: total social support, instrumental social support, and volunteerism.

**TABLE 1**  
**Social Capital Analysis Model**

Social Capital Dimensions	Indicators
Network structure	<ul style="list-style-type: none"> <li>• Size of the network of strong ties outside the home</li> <li>• Size of the network to organizations</li> <li>• Reciprocity</li> </ul>
Network resources	<ul style="list-style-type: none"> <li>• Total social support index</li> <li>• Instrumental support index</li> <li>• Volunteerism</li> </ul>

Two logistical regression models were developed. The first model measures the influence of socio-demographic characteristics on health indicators, while the second model measures the influence of social capital indicators on health while controlling for the impact of socio-demographic characteristics.

### Findings of the Analysis<sup>4</sup>

While several of the variables required to support a network-based analysis are absent from the GSS Cycle 17, the model built on the variables available does support some understanding of the value of the social capital held by individuals. The most significant findings are summarized as follows.

- The size of a respondent's network of strong ties has a positive impact on his or her self-reported state of health.
- The size of the network of ties to organizations (weak ties) also has a positive impact on a respondent's self-reported state of health.
- Reciprocity among members of a social network is related to good health. Individuals who have both provided and received assistance from the same group of ties (family,

neighbours, friends) are more likely to report being in good health than those who have no reciprocal assistance relationships in their network of social ties.

- Assistance received to perform or facilitate daily activities (housework, transportation, child care) has a positive relationship with health. Instrumental support probably has a greater impact on health than emotional support.
- Being a volunteer is positively associated with a respondent's self-reported state of health.

### Limits of the Analysis

The conceptualization of social capital adopted by the GSS Cycle 17 emphasizes social participation, reciprocity practices, and trust more than social networks. In this regard, the Survey was modelled more on Putman's (2000) standpoint on social capital and less on that of network analysis theorists. The Survey consists of a series of indicators concerning social and family networks, including social support, community and political participation, volunteering and charitable giving, and a few variables on results, including health and well-being,

activity restrictions, and stress. The variables appropriate for an analysis of networks are limited. The major shortcomings identified are described as follows.

### Size of Network

In our index of the size of the network of strong ties outside the home, size is an approximation<sup>5</sup> of the number of close friends, not-as-close friends, new contacts, and family members who do not live with the respondent but with whom he or she has a relationship. The Survey allows an estimation to be made only of the size of the network of strong ties outside the home because the respondent's relationships in the home were not taken into account. It was impossible to reconstruct the overall network of strong ties during this analysis.

As constructed for the analyses, the size of the network of ties to organizations represents the number of organizations or social clubs to which the respondent belonged or in which he or she was an active participant during the 12 months preceding data collection. Given that individuals can develop diverse social ties through their involvement in organizations, the indicator may be considered as an approximation of the network of weak ties. However, the types of organizations that would be the most beneficial for respondents' health cannot be identified through this analysis.

### Socio-Demographic Diversity

Socio-demographic diversity is an important element of the structure of a network. A diversified social network is more likely to provide its members with access to more diversified resources than a homogeneous network.



While the Survey contains variables related to diversity, they were not integrated into the model, because the data do not specify whether the networks are made up of individuals with higher or lower levels of income and education than respondents.

### Reciprocity

The reciprocity indicator of the model shows the presence of reciprocal assistance relationships in the respondents' social network. This indicator is built by checking whether the respondent has assistance relationships with his or her friends, family, or neighbours, and whether, in return, he or she receives help from the same category of contacts. However, analyzing reciprocal exchanges does not support making conclusions concerning the frequency of interaction or the quality of reciprocity.

### Social Support

There are generally three types of social support (Berkman and Glass, 2000): emotional and instrumental social support, and problem-solving support. The first limit is that the data available does not support a precise evaluation of these three dimensions of social support. Under the circumstances, for the purposes of this analysis, two social support indices were created. The first, total social support, was obtained by totalling all forms of support received by respondents. The second, instrumental support, is the only social support dimension for which data is available to support a detailed analysis. It refers to the instrumental aspects of social support. The second limit is that the survey does not support identifying respondents who need support a priori. Moreover, the

survey does not support estimating the magnitude, diversity, and intensity of support received.

### Volunteering

Further analyses of the survey could explore the impact on health of different kinds of volunteering. Caution should be exercised before establishing a causal relationship between volunteering and being in good health.

### Avenues to Explore

There is an appreciable analysis potential in the GSS Cycle 17 data. However, the development and standardization of a tool for better measuring the types of networks and resources would be useful to strengthen our understanding of the relationships between health and social capital.

The first stage of our research was to build an analytical model that could be applied to GSS Cycle 17, supporting an initial exploration of the data stemming from the Survey. The objective of the next analyses will be to examine the relationships between social capital and health from a number of perspectives: differences by age group, sex, socio-economic level, and geographic region.

This type of analysis could be very useful in identifying groups particularly affected by the lack of or weaknesses in their social networks, the rarity of reciprocity relationships, and the lack of social support and instrumental support. These analyses could also reveal vulnerable situations in life experience, and what type of support is the most needed in these circumstances.

Although the results obtained are generally in keeping with the results of

other national surveys of this same type, an in-depth examination will allow us to say more about the similarities and differences, particularly concerning the conclusions as to the type of support required to maintain good health.

A close reading of these results should better orient public health policies and programs and better identify the least advantaged population groups in Canada in terms of social resources, with a view to improving the planning and allocation of additional resources.

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## Notes

- 1 The authors thank Sylvie Desjardins, Acting Director, Policy Research Division, for encouraging this research. Throughout this Survey, Professor Maurice Lévesque, Department of Sociology, University of Ottawa, provided the methodological data analysis support that was instrumental in completing this work. Sandra Franke from the Government of Canada's Policy Research Initiative provided invaluable input to guide our reflection and enhance our research. Louise Plouffe, Division of Aging and Seniors, closely monitored our progress, encouraged us, and asked pertinent questions. Finally, Serge Tanguay, Policy Research Division, provided us with sound advice at the data processing stage.
- 2 The report emanating from this analysis has been published by the Policy Research Initiative in the on-line Working Papers Series.
- 3 Several federal departments have adopted this definition.
- 4 The results are presented in detail in an Annex to the online version of this article on the PRI web site.
- 5 It is an approximation of the number of relationships maintained by respondents because the GSS data were collected in categories, and there is therefore no way of knowing the exact number of relationships. The size of the network of strong ties was obtained based on the median values of the GSS data for each category. The applicable median values were then added to obtain an approximate size of the network of strong ties for each respondent.



## The Federal Public Service Case Study: Briefing Note

*November 2005*

As part of the interdepartmental project Population Aging and Life-Course Flexibility, the Policy Research Initiative has studied the likely consequences of aging on the federal public service workforce. This study was undertaken by the PRI in collaboration with Treasury Board Secretariat, the Public Service Commission, and Statistics Canada.



## Encouraging Choice in Work and Retirement: Project Report

*October 2005*

This report evaluates the extent of the economic risk to society posed by population aging and specifically the baby boom retirement. It emphasizes the need to maintain a healthy economy and fiscal prudence, while still respecting the opportunity and need for people to exercise choice in the best interests of their families, society, and themselves.