



Project 33: A Comparison of Policy Frameworks for Social Enterprises and Non-Profits in Ontario and Quebec

Principal Investigator: Peter R. Elson, PhD Institute for Nonprofit Studies, Mount Royal College, Calgary [pelson@mtroyal.ca]

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Marguerite Mendell, Concordia University

Nancy Neamtan, Chantier de l'économie sociale (2008)

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Marguerite Mendell, Concordia University
Nancy Neamtan, Chantier de l'économie sociale

Introduction

Although the vocabulary is new, the social economy has been well established in Quebec for more than a century. Its development has been an integral part of Quebec's social and economic history. ¹The cooperative movement has a long and established presence and has contributed to the well-being and economic growth of Quebec. Numerous associations and non-profit organizations have played a vital role in meeting socio-economic needs over the years. In Quebec, these collective enterprises, whatever their juridical status, are recognized as economic actors alongside the private and public sectors. What distinguishes the social economy in Quebec, however, is its broad reach that extends beyond these collective enterprises to include social movements and territorial intermediaries that identify themselves as part of the social economy. Together they are represented by the *Chantier de l'économie sociale* in Quebec, a *multi-scalar* and *multi-sectoral* institutional space that is unique in its diversity and in its unity. This does not imply consensus on all issues. Rather, the *Chantier's* commitment to constructing an alternative model of economic development embedded in a process of *deliberative democratic decision making* is the basis for this innovative network of networks. ²

The focus of our article is on how the social economy not only challenges the prevailing economic model through its *outcomes*, but also on the institutional changes that this required, the *processes* of re-engaging government in new ways, of working across boundaries to participate in new policy design. But for this to happen, social economy actors had to also tear down the boundaries between groups, organizations and movements accustomed to working separately in the interests of their members. This also distinguishes the Quebec experience. Working across boundaries meant establishing spaces for dialogue; it meant working towards collective objectives or in the *general interest* of the many organizations and movements involved. The social economy in Quebec is a history of mobilization and political action.

¹ The social economy in Quebec has been extensively documented by researchers, practitioners and government in Canada and internationally. Among these are Lévesque and Mendell (1999); Lévesque (2001); Mendell (2002); Laville, Mendell and Lévesque (2002); Mendell (2008); Neamtan (2005); D'Amours (2007), the numerous publications of l'ARUC en économie sociale, the Community University Research Alliance (CURA) in Quebec (www.aruc-es.uqam.ca) and the *Chantier de l'économie sociale*. www.chantier.qc.ca.

² A social economy movement in Quebec (*un mouvement identitaire*) is grounded in robust democratic processes.

The numerous public policies that we will outline in this chapter are the result of this innovative institutional design. Without this structure, without the leadership provided by the *Chantier* and the capacity for the social economy to speak with a single voice, many of these policies would not exist or would not be as far reaching.

1. Quebec: a distinct society in North America

The unique characteristics of Quebec society have provided fertile ground for the current expansion of the social economy. Quebec is a small French-speaking nation with a population of 7.5 million people within Canada. As a distinct society, it has had to wage extensive political struggles for its survival and to obtain recognition as a nation. This context has contributed to the social cohesion in Quebec society that is unique in North America. Until the middle of the twentieth century, the economy of Quebec was dominated by outside interests. The “Quiet Revolution” in the 1960’s, under the government of Jean Lesage, was a turning point in Quebec that radically transformed Quebec society and the economy and established the institutional infrastructure that we know today. The 1960’s was marked by the extensive intervention of government in the economy, including the nationalization of hydro-electricity (Hydro-Québec), the creation of the *Caisse de dépôt et de placement*, the public sector pension fund, which, in 2007, had \$257.7 billion in total assets³. Most significant, however, was the emergence of a new entrepreneurial class among francophones and the growing presence of the labour movement at the time. Today, more than 40% of the province’s workers are unionized, the highest rate of unionization in North America (Jackson and Schetagne, 2004).

The Quiet Revolution led to the rapid decline of the influence of the Church in Quebec society and to the emergence of a dynamic community movement (*mouvement populaire*). This movement of primarily non-profit associations, not only defended the rights of the disadvantaged but became engaged in the provision of services in various areas, including health, housing, social services, childcare, literacy and employment training. During the same period, co-operatives and mutual associations maintained and increased their presence in the financial, insurance and agriculture sectors and, to a lesser degree, in forestry and certain service and retail sectors.

The strong presence of government in Quebec society during this period reflected its drive to modernize Quebec society. Institutional changes in all sectors of life, including education, accompanied this objective. It was during this time, for example, that the Hautes études commerciales (HEC) was established to develop a francophone business class. Government also played a central role in redistributing wealth through the creation of universal social security programs and the delivery of education, health and social services. Although this *state led development strategy* succeeded in radically transforming Quebec society, the limits of this model became apparent by the early

³See : www.lacaisse.com.

1980s. In Quebec, as elsewhere, government was faced with difficult challenges it was unable to meet. Economic restructuring and the recession, experienced throughout all OECD countries at this time, had severe negative impacts in Quebec. A declining manufacturing sector and the progressive depletion of natural resources called for state action that was not forthcoming, confirming the substantial limits on the ability of the Quebec government to act. A sharp increase in the rate of unemployment with structural impacts on communities and entire regions combined with reduced public spending capacity, were devastating for local communities faced with impoverishment and marginalization. These conditions led to a major cultural shift within the labour and community movements in Quebec; it also marked the rebirth of the social economy. (Lévesque et Mendell, 1999) Indeed, the legacy and earlier achievements of the social economy in Quebec were critical to this new phase that represents both continuity and transformation of the social economy as it responds to new realities today.

1.1 Labour Solidarity Investment Funds

The establishment of a workers' investment fund, the *Fonds de solidarité (FTQ)* in 1983 by the *Fédération des travailleurs et travailleuses du Québec (FTQ)*, Quebec's largest union, was the first manifestation of this cultural shift.⁴ Following extensive internal debates, the FTQ concluded that the labour movement had to become proactive in the search for solutions to the economic crisis and massive job losses in the early 1980's. It successfully negotiated tax measures with both the federal and provincial governments to establish the *Fonds* that would create and maintain jobs in Quebec by investing in small and medium-sized businesses in the province. (Lévesque et al., 2001) The *Fonds de solidarité* is obliged by law to invest a minimum of 60% in enterprises in Quebec. We refer to this as *development finance* to distinguish the *Fonds* from more traditional venture capital, given its commitment to job creation and economic development. (Lévesque, Mendell, Rouzier, 2003) Today, this conforms with double bottom line or triple bottom line objectives, if environmental goals are also included. In 2008, the total assets of the *Fonds de solidarité* are \$7.3 billion. Over the years, the *Fonds* has invested close to \$4.1 billion in the Quebec economy and has created over 100,000 jobs.⁵

The *Fonds de solidarité* diversified its investment tools by creating sectoral and territorial or *place-based* funds, two of which now invest in social economy enterprises: *SOLIM*, a real estate fund and a number of *SOLIDES*, local investment funds. Since 2005, the *Fonds* also invests in larger companies with assets up to \$100 million. In 2006, it became a financial partner of the *Chantier d'économie sociale Trust*, investing \$12 million in a \$52.8 million patient capital investment fund established by the *Chantier* in response to the need for long term capital for social economy enterprises.⁶

⁴ Today the FTQ has approximately 500,000 members.

⁵ See : www.ftq.qc.ca.

⁶ See : www.fiducieduchantier.qc.ca

The many funds created by the *Fonds* are invested at local and regional levels, often in partnership with municipalities and other local and regional development actors. This is but one of several examples of social innovation in which social actors, in this case, the labour movement, is engaging directly in socio-economic initiatives in partnership with the private and public sectors. In an earlier article (Lévesque, Mendell, Rouzier, 2003), we suggested that while the many financial instruments created by the *Fonds de solidarité* primarily meet the needs of small and medium sized enterprises and not collectively owned businesses (with the exceptions we have noted), the *Fonds* is itself a social economy enterprise. As a labour solidarity investment fund controlled by workers with clearly stated development and job creation objectives, it meets its goals of profitability, job creation and socio-economic development.

In 1996, the second largest union organization in the province, the *Confédération des syndicats nationaux* (CSN) established *FondAction*, a development fund for co-operation and employment that adds to an already existing network of innovative financial instruments developed by the CSN.⁷ *FondAction* benefits from the same tax measures created for the *Fonds de solidarité* by the federal and provincial governments, facilitating access to retirement savings for workers and the general public. Like the *Fonds de solidarité*, the goals of *FondAction* are to maintain or create jobs and to stimulate the economy of Quebec. However, the mandate of *FondAction* differs somewhat in that it invests in those enterprises that practice participatory management as well as in collectively owned enterprises in the social economy. In addition, *FondAction* prioritizes companies with a commitment to the environment and sustainable development. *FondAction* has also developed a number of specialized financial tools in co-operation with various partners that invest in social economy enterprises. It has created or maintained over 8,000 jobs since it was established. In 2008, the total assets of *FondAction* are \$635.6 million.⁸

1.2 Citizen-based initiatives in economic development

Workers' funds are but one element in the evolution of the contemporary social economy in Quebec. Parallel to the establishment of the first fund in 1983, the community movement also embarked on a process of redefining its relationship with economic development, resulting in the establishment of the first community economic development corporations (CDECs) in disadvantaged districts of Montreal. These new local development intermediaries, financed by the federal, provincial and municipal governments, developed strategies to revitalize neighborhoods hard hit by economic restructuring, the recession and job losses. Community organizers and social activists had not only to shift their action from oppositional politics and social intervention to economic development, they had to mobilize the labour movement and the business community to *co-design* a blueprint for economic recovery. Despite the depth of the economic crisis, collaboration did not come easily. Stormy debates within social

⁷ The CSN has approximately 300,000 members.

⁸See : www.fondaction.com.

movements fought this transformation from a politics of resistance to what appeared as a depoliticized and collaborative economic development strategy. Debate, dialogue and a collective learning process were necessary to break with traditional roles and strategies. More than twenty years later, CDECs are part of the socio-economic landscape of Quebec. Additional organizations and associations have also emerged as key actors in local and regional development. Together, these represent numerous citizen based initiatives that are instituting *processes of economic democratization* in Quebec; they have helped to create a favorable environment for the development of the social economy.

We referred earlier to working across boundaries as a defining characteristic of the social economy in Quebec. The experience of these early CDECs has, in many ways, shaped the strategic orientation and the institutional infrastructure of the social economy today and its capacity to work horizontally across numerous sectors and regions involving all social movements in the process. While the private and public sectors are not directly part of this reticular and innovative institutional network, the social economy engages with the public sector directly in negotiating policy innovation and with the private sector more indirectly by presenting the social economy as a credible and significant economic player and more recently, as a possible source for investment opportunities.⁹

1.3 New recognition of the social economy

A key moment in the evolution of today's social economy occurred in 1996, when the government of Quebec organized the *Sommet sur l'économie et l'emploi* [Summit on the Economy and Employment] bringing together CEO's of large corporations, employers' associations, labour federations, institutions, municipalities as well as representatives of social movements. The objective of the Summit was to enable a broad consultation on the economic and fiscal crises in Quebec at the time. Consultations of this sort were not new in Quebec; however, the so-called Quebec model of "*concertation*" had, until this time, included only the 'big' players - government, business and labour. Given the depth of the difficulties faced by government, it invited representatives of social movements to participate for the first time and issued a challenge to both the private sector and to civil society to propose economic renewal strategies to resolve the crises faced by government. Three task forces were established and given six months to prepare for the Summit, including a working group on the social economy that drafted an ambitious action plan. This plan, called '*Osons la solidarité*' [Daring Solidarity], offered a consensual definition of the social economy, drew attention to the contribution made by the social economy to the socio-economic development of Quebec and suggested initiatives that would make it possible to create thousands of jobs, while meeting the social, environmental and cultural needs of Quebec society. The working group, the *Chantier de l'économie sociale*, was given two years to meet the objectives it set in its action plan. Because it exceeded these objectives, networks and social movements

⁹ This is especially in the case of the potential for institutional funds to invest in the social economy. (Mendell and Nogales, 2008).

decided to transform the *Chantier*, a temporary structure created by the provincial government, into an independent non-profit organization in order to continue to promote and develop the social economy. Since the initial establishment of the *Chantier*, the government of Quebec has adopted numerous measures and public policies that were the fruit of this action plan and beyond (Mendell and Rouzier, 2006).

Twelve years later, the social economy continues to develop and is an integral part of the political economy of Quebec. Despite its numerous achievements, visibility and recognition in Quebec, the rest of Canada and internationally, the social economy in Quebec does not have adequate data to reflect its activities. This problem is shared by social economy actors elsewhere in Canada and around the world. It is for this reason that we are only able to provide data for 2002, the official government data produced by the *Bureau de l'économie sociale* [social economy office] and the *Direction des coopératives* [co-operatives directorate] at the time. There are many efforts to improve upon this information, but for the time being, these efforts have not been incorporated into official statistics and serve instead to provide an indication of the progress since 2002.¹⁰ For the time being, the Ministry of Municipal and Regional Affairs, responsible for the social economy in Quebec is using this data.¹¹ In Quebec, indeed there are many thousands of associations in numerous spheres of activities. It is important that the spheres of activities performed by community associations or organizations are distinct from the primarily market oriented activities of the social economy. This does not preclude the importance of what we might call a macro data base that includes both market and non-market actors. But for a portrait of the social economy itself, a large data base then requires deconstruction. The new data base on the social economy in Montreal, for example, to which we have referred, provides a broad portrait. The Committee for the Social Economy on the island of Montreal (CESIM) has produced its own inventory of social economy actors engaged in market activity, which is much smaller than the large portrait recently produced. Similar work will need to be done for the province as a whole.

¹⁰The *Chaire en économie sociale*, UQAM, is developing a data base for the social economy in Quebec. It recently collaborated with the *Comité d'économie sociale de l'Île de Montréal* on an inventory of social economy enterprises in Montreal (CESIM, 2008). The *Chantier* has developed a portal that will contribute to its capacity to provide accurate data on the social economy and to track its progress on a continual basis (<http://economiesocialequebec.ca/>).

¹¹ In 2008, the Ministère des Affaires municipales et des Régions (MAMR) cites this data. See : www.mamr.gouv.qc.ca.

The Social Economy in Quebec 2002

- 7,822 businesses (3,881 co-operatives and 3,941 NPOs)
- 935 childcare centers
 - 671 credit unions
 - 180 worker co-operatives
 - 103 social economy enterprise providing domestic assistance
 - 72 workershareholder co-operatives (Workers in a business may create a workers shareholder co-operative and may jointly acquire shares in the business by which they are employed.)
- Total sales without credit unions
\$17.2 billion (\$15.9 billion for co-operatives and \$1.3 billion for NPOs)
 - Total sales with credit unions
\$102.5 billion (\$101.2 billion for co-operatives; \$1.3 billion for NPOs)
 - Job creation in Quebec (2002)
 - Without credit unions
124,302 jobs (79,222 in co-operatives and 45,080 in NPOs)
 - With credit unions
161,302 jobs (116,222 in co-operatives and 45,080 in NPOs)

2. The social economy: A contribution to a redefinition of social and economic policy

The social economy is contributing to a broader reflection on social and economic policy. In Quebec, we have developed a political economy framework to situate the social economy within a new model of economic and social development in which its role in the production of goods and services is recognized. The contribution of the social economy to sustainable local and regional development, to the creation of jobs for marginalized groups and to the efficient provision of services, is increasingly acknowledged. What is less well documented and conceptualized is the realignment of state, market and civil society that this implies, as well as the implications for public policy. The variegated activity and situated specificities that define the social economy in different communities requires corresponding policy flexibility. This is not easy as it ultimately requires a new political culture. Not only do existing policy environments have to open up and

encourage dialogue and collaboration, they have to adopt an approach of flexible governance (Amin and Hausner , 1997).

2.1 The co-construction of public policy

A major challenge for policy makers has been the need to develop consensus on a clear definition of the concept of the social economy. Over the recent years, several definitions have been proposed by researchers and stakeholders, based on different histories and analytical frameworks. For these reasons, the development of public policy for the social economy has been complex not only in Quebec, but throughout Canada and in other parts of the world. Today, governments are increasingly recognizing the benefits of inter-sectoral and multi-stakeholder *dialogue* as they design appropriate measures for the evolving social economy. The menu of existing policy measures is inadequate. Not only does this call for policy innovation but it strongly suggests that the *processes* of policy formation have to change. Growing reference to collaborative planning, policy dialogue, communities of practice all refer to the need for new *processes* that require new institutional *dialogic spaces*.¹²

In Quebec, where public policy to facilitate the social economy has made considerable strides, each new strategic initiative is the result of proposals made by social economy actors. The relationship between the Quebec government and the social economy is based on the mutual understanding that government alone does not have the capacity to identify needs and new practices in the social economy, thereby limiting its ability to design appropriate measures to facilitate its development and growth. The *co-construction of public policy* is a *sine qua non* in devising effective policies to support the social economy. Such effective public policy requires collaborative policy formation. While it might be a stretch to suggest that these processes are the seeds for a new regulatory environment, this no longer seems as improbable.

2.2 Flexible Policy Formation

The government of Quebec maintains an ongoing partnership agreement with the *Chantier de l'économie sociale*, a network of networks, which, in collaboration with its various members and partners, is expected to make an active contribution to the development of public policy. Furthermore, the government of Quebec recognizes the *Conseil québécois de la coopération et de la mutualité* [Quebec council of co-operatives and mutual associations] as the main interlocutor on issues relating specifically to co-

¹² The creation of discursive institutions is not only a pragmatic response to the limitations of existing structures and processes of policy formation, multi-stakeholder dialogue creates learning environments breaking down barriers between participants separated by institutional boundaries and their embedded perceptions of each other. (Gertler and Wolfe, 2004, p.54)

operatives and mutual benefit organizations. These relationships are dynamic and consultative and, in recent times, have risen to the challenge set by the innovative nature of the social economy. Indeed, the long history of dialogue and *concertation* makes this somewhat easier in Quebec. That said, even *concertation* has, over time, established fixed patterns of behaviour and expectations that have to transform and become more flexible. The social economy represents an ongoing process of innovation originating in communities actively engaged in processes of 'learning by doing'. New approaches to economic development, new forms of partnership and new social initiatives are being tested on a continuing basis; this underlies the invention and expansion of exemplary practices. Innovation exerts considerable pressure on both government and social economy actors, who must be able to ensure proper accountability for the use of public funds, while encouraging the emergence of innovative practice. Unlike traditional public policy, which discourages experimentation and change, social innovation and the social economy necessitate the ongoing creation of precedents in public policy.

3. Four main categories of public policies¹³

Since the Summit in 1996, numerous public policies have been adopted in Quebec to support the growth of the social economy, both directly and indirectly. Public policies serving the social economy may be grouped into four main categories:

(i) Territorial policies

Social economy enterprises emerge in communities that mobilize to promote development. That local communities can count on public policy in order to form networks, devise strategic planning processes and establish collective projects is essential to social entrepreneurship.¹⁴ The example of the tripartite support given to community economic development corporations (CDECs) in most urban centers in Quebec is an important illustration of the role of enabling public policy. As we noted earlier, these not-for-profit development organizations at the service of communities have inspired some of the most original and successful social economy initiatives in Quebec.

A strategic gain for the social economy in Quebec was made in 1997 with the implementation of new local development policy and the creation of local development centers across Quebec that provide technical support and local investment funds to promote the development of small and medium sized enterprises. These *Centres locaux de développement* (CLDs) were also mandated by law to support the development and consolidation of social economy enterprises with subsidies designated for these enterprises. This policy changed somewhat under the Liberal government elected in 2003, but the obligation to support the social economy remains and the governance

¹³ These four categories were first presented to the federal government in a document outlining the policy needs for the social economy. See Downing and Neamtan, 2005.

¹⁴ This is sorely missing in the literature on social entrepreneurship that focuses entirely on the success stories of individuals disembedded from their socio-political context.

structure of the CLDs, now predominately made up of local elected officials, must include at least one representative from the social economy and from the private sector.

Two major policy initiatives are currently under way (October 2008). The Quebec government will soon present an action plan for the social economy that will include support for regional social economy poles in each administrative region across the province, as well as for new initiatives in the social economy, acknowledging its contribution to territorial development. The commitment of the government of Quebec to the social economy has been reinforced by the recent transfer of responsibility for the social economy to the Ministry for Municipal Affairs and Regional Development, a more horizontal policy location that is better able to address the diversity and intersectoriality of the social economy. In addition, the City of Montreal will soon approve a municipal policy to promote the social economy, based on a broad and inclusive partnership between social economy actors and the municipal government. Social economy actors from numerous sectors, researchers and representatives of the municipal government jointly drafted this policy proposal that, when adopted, will represent a continuity of this process. The central recommendation calls for embedding an ongoing *multi-stakeholder dialogue* in municipal policy formation. These social economy policy initiatives at the municipal and provincial levels, are important illustrations of an embedded *deliberative regulatory culture* in Quebec. This *culture* and its underlying *processes* of policy formation have been spearheaded by social economy actors.¹⁵

(ii) Generic development

During the past decade, both the federal government and the government of Quebec have developed several generic policies to accommodate social economy enterprises in all sectors and regions. These measures were initially proposed by social economy actors demanding policies that correspond with those favouring small and medium enterprises, that would, of course, recognize the specificities of collectively owned enterprises and their contribution to social, environmental or cultural objectives. Since the economic crisis of the early 1980s, policies and programs to assist small and medium businesses have been among the strategic priorities of governments. They include programs to increase access to finance, support research and development, reinforce management skills and human resource development and improve access to new markets. The various policies in place that enable the social economy in Quebec are similar; however, measures to promote access to new markets are lacking. Debates continue on the need for a public procurement policy that would favour social economy enterprises, for example, based on experiences in Europe and the United States, but no such policy initiative exists as yet.¹⁶

¹⁵ The work of Erik Olin Wright and Archon Fung on empowered participatory governance is a theoretical inspiration for our work (Fung and Wright, 2003). See Mendell (2006).

¹⁶ Examples of procurement policies include the Public Service Delivery Action Plan adopted in the United Kingdom in 2006 that includes three programs to provide access to public markets for social

In the field of research and development, the federal government has been the main source of support. The Social Sciences and Humanities Research Council of Canada (SSHRC) was a pioneer on the international stage when it developed the Community-University Research Alliances (CURA), funded by the federal government. This was reinforced in 2004 by an additional injection by government of \$15 million to create a new CURA program focused on the social economy. These research partnerships have played a critical role in advancing the social economy in Quebec. Moreover, the “communities of practice” or “learning communities” established by these partnerships is contributing to new research methodologies and to a new epistemology that better captures organizational and institutional transformation embodied in the social economy. After almost a decade of successful research collaboration with concrete results for practitioners and for policy makers, the need for ongoing public support needs little emphasis.

Access to finance has been a central element of generic policy, both provincially and federally. The availability of capital was identified as a priority soon after the *Summit* in 1996. Social economy enterprises, considered high risk by private investors, require small and therefore costly investments, and therefore could not access mainstream financial markets. As noted earlier, the need to establish a solidarity finance sector was essential for the development of the social economy in Quebec. Over the last ten years, the architecture of this sector has transformed considerably. An informal network of solidarity finance now provides a diversity of investment products from micro credit to patient capital. Key players include: RISQ (*Réseau d'investissement social du Québec*), established by the *Chantier* in 1997; the *Réseau du crédit communautaire*, the network of micro-credit, established by solidarity financial institutions such as the *Caisse d'économie solidaire*, founded in 1971; the Desjardins movement, founded at the beginning of the 20th century and the two labour solidarity funds, *Fonds de solidarité* and *FondAction* (referred to above). The growing need for patient capital was not met until very recently. Despite the capacity to combine loans from different sources, social enterprises could only secure debt financing. Moreover, because social economy enterprises cannot sell shares, the growing need for equity required a new financial product that behaved like equity without conferring ownership rights to investors. This product had to be invented as well as the incentives to attract investors. The *Chantier de l'économie sociale Trust*, was established in 2006 with capitalization of \$52.8 million. The *Trust* is an intermediary that provides a secure and profitable investment climate for

enterprises : National Programme for Third Sector Commissioning ; Social Clauses and Innovation Exchange, all of which are administered by the Cabinet Office of the Third Sector. In the United States, a variety of programs exist to promote public procurement. While they primarily target SMEs, these programs represent important policy initiatives that can be extended to social enterprises. Current programs developed by the Office of Small Business include : a Small Business Agenda and a Strategy for Unbundling of Contracts. In Finland, the Hot project is developing partnerships between local authorities and social enterprises as a means to promote public procurement. In Italy, Law 381/91 allows public authorities to give direct contracts (to type B social cooperatives (work integration, 30% disadvantaged members). This also relieves them of social charges for disadvantaged members and reduces VAT rate to 4%.) For these and other examples, see E. Gruet, 2008.

investors and makes long-term capital available for social economy enterprises. The principal financial contribution came from the federal government (a \$22.8 million non-refundable grant). Added to this are investments by the *Fonds de solidarité* and *FondAction* and the Quebec government.¹⁷

These innovations are civil society initiatives that have successfully involved government directly both as a financial contributor and through enabling policies. They are significant illustrations of a *process of co-construction*. The barriers erected by financial institutions became the incentive to design alternatives that would not meet the resistance of mainstream finance. Moreover, it was necessary to replicate the lending and investment opportunities available to the private sector, to dispel the myth that social economy enterprises are not investment worthy. The investment threshold of the *Trust* is \$1.5 million dispelling another myth that solidarity finance is synonymous with micro credit. The *Trust* is currently working on the development of a secondary market, a social stock exchange, for which there is precedence in other parts of the world.¹⁸

Labour force development has been another area in which public policy has supported the strengthening of the social economy. A recommendation in the *Chantier's* action plan presented at the Summit was the creation of a sectoral council on labour force development for the social economy, based on the model present in a wide range of industries. The *Comité sectoriel de main-d'oeuvre en économie sociale et action communautaire (CSMO-ÉSAC)* began its work in 1997 and has provided strategic support and resources for training of managers, workers and administrators of social economy enterprises. The CSMO-ÉSAC has also developed evaluation tools, portraits of the sector and apprenticeship or training programs in new professions in certain key sectors. The Ministry for Employment and Social Solidarity provides on-going funding for the sectoral council.

Strengthening managerial capacity has been another target for public policy. In 1997, a specific program to support networking and the development of management skills in the social economy was created by the Quebec government. This program was cancelled in 2002. The federal government social economy initiative in 2004 also provided funding for initiatives to develop managerial capacity. While the support provided to collective enterprises by the local development centers (CLDs) in Quebec contributes to developing managerial capacity within the social economy, this need has been identified as a priority

¹⁷ The research partnership on finance of ARUC completed a survey of financial support for social economy enterprises by solidarity finance actors from 1996-2006. The total invested was \$750 million. See "Investir Solidairement" www.Chantier.qc.ca/ This, of course, does not include the additional sources of funding sought. The leveraging capacity of these loans can be as high as 1 :9. (Lévesque, Mendell and Rouzier.,2003).

¹⁸ In 2003, a social stock exchange, the Bolsa de Valores Sociais (BVS) was created in Brazil. Currently, the Rockefeller Foundation has contributed \$500,000 to study the feasibility of developing such an exchange in the United Kingdom. This is also inspired by a number of innovative initiatives in the U.K. such as ethical public offerings and alternative public offerings that began in 1984. with the first such offering by Traidcraft (see Mendell and Nogales, 2008 and Skoll Center for Social Entrepreneurship, 2007).

by numerous social economy enterprises now in the situation of managing growth with insufficient skills and know-how.

The policy needs we have identified were included in the current *dialogue* with the government of Quebec, that will hopefully translate into concrete measures in the much awaited action plan. Below, we provide examples of the major generic policy initiatives that have supported the social economy from the early 1980s to the current period.¹⁹

Measures prior to 1995

- 1982 : *worker shareholder cooperatives (coopératives de travailleur actionnaire)*
- 1983 : *35% provincial and federal tax credit for the creation of labour funds, The tax credit was reduced to 15% in 2000.*
- 1985 : *Cooperative investment plan (Régime d'investissement coopératif)*
This measure combined with a tax benefit allows the members and employees of a co-operative to invest in their business by purchasing preferred shares. The maximum deduction is 150%. From 1985-2003, more than \$200 million was invested in businesses.

Measures after 1995

- 1996: Following the *Summit*, the social economy working group is integrated into the office of the Premier (Conseil exécutif)
- 1997: The working group becomes the *Chantier de l'économie sociale*
- 1997: Creation of the *Sectoral Committee on Workforce Development in the Social Economy and the Community Sector (Comité sectoriel de main-d'oeuvre/Économie sociale et action communautaire)*
- 1997: Modification of the law on cooperatives to include *solidarity co-operatives* (recognizing the role of multiple stakeholders)
- 1997 : Modification of Quebec's loan guarantee program for small and medium businesses and cooperatives to include non-profits
- 1997: Creation by the *Chantier* of the *Réseau d'investissement social du Québec* (RISQ), a \$10 million fund (\$5 million in donations and \$5 million in grants) offering non-guaranteed loans up to 50,000\$ for social economy enterprises
- 1997: creation of a program to support networking activities by social economy enterprises
- 1999: *The Chantier de l'économie sociale* becomes a legal entity (non-profit organisation) administered by networks of social economy enterprises, social movements and local development organizations and receives funding from the Quebec government (450 000 \$ annually; recently increased to \$650, 000)
- 2000: establishment of the *Bureau d'économie sociale* in the Ministry of Finance (Quebec) transferred to the Ministry for Economic and Regional Development in 2003, to the Ministry for Economic Development, Export and Innovation in 2004 and most recently to the Ministry of Municipal Affairs and Regional Development in 2007.
- 2000: *Community – University Research Alliance* in the social economy
- 2001: The Quebec government creates a new investment fund for collective

¹⁹ This is a synthesis of information provided in Mendell and Rouzier 2006.

- enterprises within its investment entity, *La Financière*. An envelope of \$15million is allocated for the social economy. In 2008, an additional \$10 million is invested in this program.
- 2006: \$10 million investment in the *Chantier d'économie sociale Trust* in collaboration with the *Chantier*, the two labour funds and the federal government

At the federal level:

- 2004: Creation of the Secretariat for the Social Economy and a social economy initiative in the federal budget. Creation of a round table bringing together numerous stakeholders and the federal government. The federal social economy initiative included
 - \$100 million for the creation of patient capital funds (\$30 million for Quebec; later reduced to \$23 million by the Conservative government)
 - \$17 million for capacity building (\$3 million for Quebec)
 - \$15 million for research partnerships in the field of the social economy

The social economy initiative was cancelled by the new Conservative government; Quebec was the only region where the funds were spent, with the exception of the funds made available across Canada through the SSHRC for research partnerships.

(iii) Sectoral policies

Some sectors of the economy offer interesting prospects for social entrepreneurship. Social economy enterprises emerge in response to needs that neither the market nor government is able to meet. Combining market resources, volunteer contributions and government support in many cases, social economy enterprises play a strategic role by structuring certain unstructured markets and efficiently meeting the needs for certain types of goods and services. Policies that promote the emergence or strengthening of specific sectors of the economy (including the environment, personal services, housing, new technologies, communications, social tourism, food services, culture and others) offer important tools for the development of the social economy.

Over the past decade, several major sectoral policies have resulted in a rapid development of social economy enterprises. We provide a few examples:

- In 1997, the *Programme d'exonération financière pour les services d'aide domestique* (PEFSAD) (financial exoneration program for homecare services) created the context for the development of a network of 100 collective enterprises, covering the entire province of Quebec. Those who use these services, mainly the elderly, receive financial support to allow them to pay between \$4 and \$10 an hour for housework and other related services depending on their level of income. The initial government budget for this program in 1997 was \$26.4 million annually; in 2004-05 it had reached \$48.3 million. These

enterprises have become an essential part of the health and social service network in Quebec and employ almost 8,000 people.

- In 1997, the new family policy in Quebec supported the development of a very large network of social economy enterprises providing childcare services. The concept of '*Centres de la petite enfance*' (early childhood centers) was proposed by the *Chantier de l'économie sociale* at the Quebec Summit in 1996, based on an innovative proposal by the existing network of parent-controlled daycare centers. An initial budget of \$230 million annually allowed parents to have quality educational daycare at \$5 per day, offered by parent controlled non-profit daycare. This policy has evolved and despite the introduction of support for private for-profit daycare by the newly elected Liberal government in 2004, the vast majority of childcare services (200,000 places in 1,000 non-profit early childhood centers) continues to be offered but at \$7 per day to parents across Quebec through the social economy. These centers employ 40,000 people, making this network the third largest employer in Quebec. Over 7,000 parents participate on a volunteer basis on the Boards of Directors of these centers. The Quebec government invests over \$1.7 million annually in these early childhood centers.
- In 1999, the Quebec government introduced a program to support social economy enterprises involved in recycling waste. This program aimed to create and maintain permanent and high quality jobs in collective enterprises while increasing the recycling of waste materials and diminishing the use of landfills by municipalities and industry. Between 1999 and 2004, \$23.4 million was invested by the government of Quebec; this program was renewed in 2005 with a reinvestment of \$5.7 million.

(iv) Policies for target populations

Social economy enterprises play an active role in ensuring that marginalized groups have access to jobs and certain services. Rather than investing exclusively in income security programs, the social economy works to find the means to integrate individuals considered unproductive into the labour force. This trend exists in several countries in Europe that have made substantial investments in programs designed to support the socio-economic integration of target groups (youth, the disabled, recently arrived immigrants, ex-convicts, etc.). In some countries, the social economy is an integral part of labour force development strategies. In Italy, for example, public procurement is used to support social co-operatives, defined by law as cooperatives that hire a minimum of 30% of their workers from identified marginalized groups. (see footnote 16)

In Quebec, this approach is reflected in several initiatives. For the past few decades, the Quebec government has supported a network of non-profit businesses (*entreprises adaptées*) whose mission is to create employment for the disabled. A government program compensates these social economy enterprises for the reduced productivity of

these employees. In 2006-2007, \$48.4 million was invested in 44 enterprises offering employment to over 4,000 people, of which over 3,000 people living with severe disabilities would otherwise be on social assistance. Two successive studies by Quebec economist Pierre Fortin have confirmed that governments saved money through this investment; these studies do not measure the increase in pride and human dignity inherent in the impacts of these enterprises.

Conclusions

In this chapter we have provided a brief overview of the social economy in Quebec, focusing especially on the contribution it makes to social innovation and public policy. We have noted how the design of these public policies breaks with traditional policy formation, in which government departments devise and implement programs in isolation and from a top-down perspective. The experience of the past decade has made it clear that traditional processes of public policy formation are not adapted to citizen-driven social innovation. The *co-construction of public policy* that describes a new process of policy formation requires a radical cultural shift. This is neither a “top-down” nor a “bottom-up” approach; rather it is *a horizontal and dialogic approach* involving many stakeholders in society. As we have shown, dialogue takes place at the local, regional and national levels. Government must be open to such dialogue, both *inside* across ministries and jurisdictions and *outside* with non-institutional actors. Jurisdictional boundaries are porous; the linkages between different levels of government have to be continuous and fluid.

In Quebec, policies enabling the social economy are the result of a *process of co-construction* and of broad and inclusive collective learning; it involves the *co-construction* of new ideas and approaches arising out of a *multi-stakeholder dialogue*. Indeed, many have interpreted the public policies we have identified as pragmatic responses on the part of governments unable to resolve existing socio-economic problems and, of course, there is a some truth in this. Governments are quick to adopt programs that produce results, without a genuine commitment to broader and more structural change. It is also true, however, and much more important, in our opinion, that the public policies we have described, have had and will continue to have a much greater impact for at least two reasons. The social economy is now recognized as an important actor in the economy and, secondly, for its pivotal role in the development of new ways of thinking about public policy.

In Quebec, a culture of dialogue has existed for almost 40 years. However, social movements had never been invited to participate in this dialogue prior to 1996. Ironically, in 2006, it was the *Chantier de l'économie sociale* that extended an invitation to government representatives to participate in a Summit to celebrate its 10th anniversary. The *Chantier's* 2006 Summit drew more than 700 delegates as well as international representatives from more than twenty countries. Both levels of government were present; the Premier of Quebec spoke to the successes of the last 10 years and expressed his firm commitment to the social economy. This can no longer be interpreted as pragmatic responses by government. It confirms the institutionalization of a *process of*

dialogue and *co-construction* of public policy. This *process* that has shaped many policy initiatives enabling the social economy – sectoral, territorial, generic and those favouring targeted populations. The process challenges a culture of public policy formation that has much to learn if it is to contribute more effectively to the well-being of society, the primary goal of all public policies.

We cannot conclude this chapter without returning to the current global financial crisis and the response of governments around the world to avert a global economic catastrophe. This is not the first time that the deregulation of the financial markets has led to re-regulation. The exchange rate crisis in the 1990s, for example, forced governments to buy and sell currencies to shore up the international financial market. While this is beyond the scope of this chapter, we do wish to point out that the current crisis, like those that preceded it, will not be resolved by chaotic interventions, regardless of the staggering sums of money committed by governments. The current intervention by governments to nationalize banks and/or to guarantee bank credits is, for the first time, a sign of recognition that a coherent policy framework and a defined and interventionist role for government are necessary. The social economy in Quebec, in many ways, is a microcosm of the relations that shape all economies. There is production; there is consumption; there is exchange. But these activities are embedded in societal objectives that stress the ethical values of citizenship, democracy and sustainable livelihood that include the quality of life of people and the well-being of the planet. These values must inform the response to the global crisis and respond to the moral outrage it has generated. They are already embedded in the social economy that is participating in the design of an enabling policy environment to enshrine these values.

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