

Social Enterprise: A North American Perspective

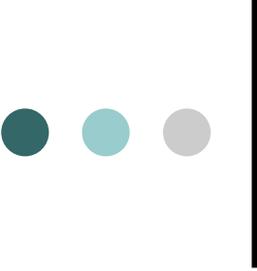
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Social Enterprises in an Evolving Economy.
From Non-Profit Organizations to Social
Enterprises

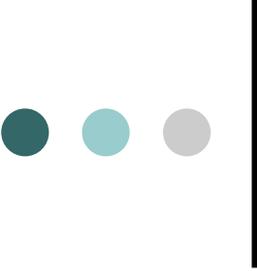
Bucharest, Romania

13 June 2007



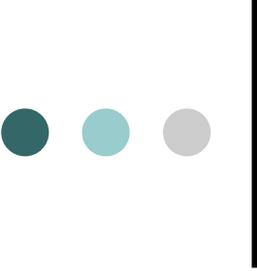
Plan

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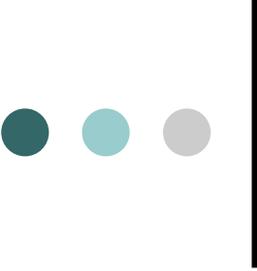
Cultural Specificity: Canada

- *Post-war welfare state*
 - Universal health care and social service provision
 - Social citizenship; social contract
- *Post welfare state society*
 - Retrenchment of public sector
 - Experimentation
 - Expanded role for Voluntary and Non-Profit Sector (varies across the country)
- *History of citizen-based collective initiatives*
 - Quebec, Western Canada; Maritimes,
 - Cooperative and Credit Union Movement
 - Community Economic Development



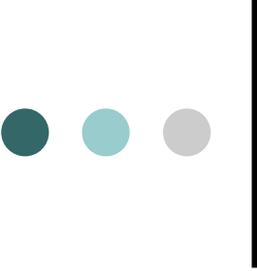
Cultural Specificity: Canada (cont'd)

- Community based initiatives
 - 30 years of CED: socio-economic initiatives meeting social objectives with economic and social action
- Labour Movement
 - close to 30% unionization across Canada; over 40% in Quebec
- Leadership role played by Quebec
 - Community economic development corporations (1984-)
 - Social economy (1996-)
- Social economy on national agenda (2004)



Cultural Specificity: United States

- Weak welfare state
- Presence and important role of Foundations
- Significance of non-profit sector
- History of community-based initiatives
 - CDCs (1960's)
approximately 4500 CDCs in US today
 - CRA (1979) Civil society inspired
 - Community Land Trusts
ICE formed to provide technical assistance
 - Community Based revolving loan funds
(ICE) (federated nationally)



Social Enterprise: Definitions North America

- Definitional debates reflect cultural specificities
- Social purpose business: business dedicated to a social mission
- Emerging response to address social exclusion, structural poverty, labour market transformation (increasingly associated with sustainable livelihoods framework)
 - Retrenchment of government
 - New solutions that integrate economic and social objectives
 - Engaging government in new ways
 - Enabling public policy; facilitation; partnerships
- Engaging the private sector
 - Expertise and investment

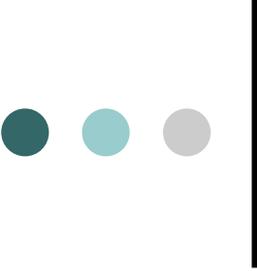


Social Enterprise Definition: United States

- Centered on NPOs (non-profit organizations) and the non-distribution constraint. Often referred to as “Enterprising Non-Profits”
- Emphasis on individual “social entrepreneur”. *“Entrepreneurs change the pattern of production by combining elements in new ways. They are, in this sense, innovators.”* (Dees, 2001)
- Role of Foundations (new venture philanthropy)
 - eg. Skoll Foundation and Schwab Foundation

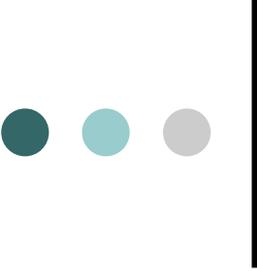
Social entrepreneurs use ambition, creativity and resourcefulness in pursuit of results that will improve the lives for the marginalized and disenfranchised. (www.skollfoundation.org, www.schwabfound.org).
- Shift from third sector focus
- Response to need for income generation for non-profit sector. (fiscal stress)

American non-profits have become, in many cases, highly entrepreneurial organizations, responding actively and creatively to new fiscal pressures (Salamon and O’Sullivan)



Foundations in US Supporting Social Entrepreneurship

- Skoll Foundation
- Schwab Foundation for Social Entrepreneurship
- William and Flora Hewlett Foundation
- David and Lucile Packard Foundation
- Calvert Foundation
- Aspen Institute
- Ford Foundation
- W.K. Kellogg Foundation
- Kaufman Center for Entrepreneurial Leadership,
Ewing Marion Kaufman Foundation

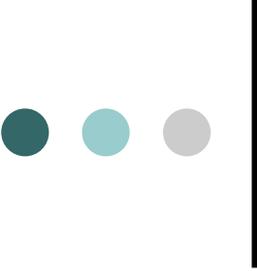


Social Enterprise Definition: Canada

- Government of Canada.

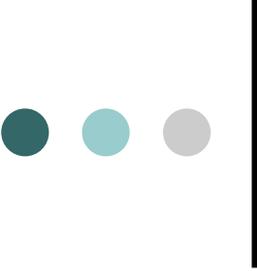
“Social enterprise is an emerging dynamic business model that: a) has social, environmental and/or cultural goals; b) trades in competitive markets; and c) reinvests profits for community benefit.”

- Other organizations define social enterprise as either
 - a for-profit business with a social mission
 - a non-profit organization operating a business venture to support its mission.



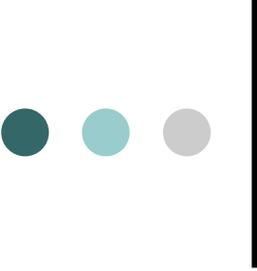
Social Enterprise Definition: Quebec

- The Chantier de l'économie sociale (network of networks representing the social economy in Quebec)
 - Social enterprise emerges from a collective process. It is a business that is both financially viable and socially profitable.
 - Social enterprises are collectively owned (cooperative or non-profit)
 - Democratic governance and participation are defining characteristics in contrast to the U.S. emphasis on profit distribution restrictions
 - Social enterprises engage in the production of goods and services. They meet both *new* and *unmet needs*; they respond to *urgent social needs* and to *new opportunities*
 - Social enterprise is located within an intermediate public space - *the social economy* - involving public, private and civil society actors



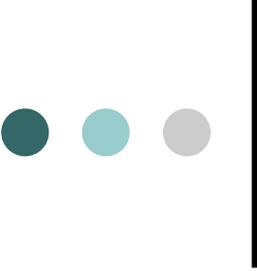
Social Enterprise Definition and Debates in Canada

- Question of ownership; juridical form
- Relationship of social enterprise to the social economy
- Link with community economic development; community based business-local development
- Integrated into an alternative economic development strategy



Social Enterprise in Canada: socio-economic and socio-political innovation

- Current debate has widened the definition of social enterprise to include cooperatives, non-profit and community-based business that are integrated into social economy and community economic development strategies
- An alternative economic development paradigm
 - Social enterprise is integrated into a systemic approach to social exclusion, labour market transformation, territorial (place-based) socio-economic development strategies*



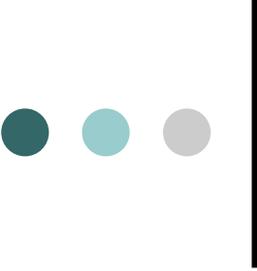
Social Enterprise in Canada: socio-economic and socio-political innovation (cont'd)

- Recent Standing Committee Submission to Federal Government

Social Enterprise contributes to

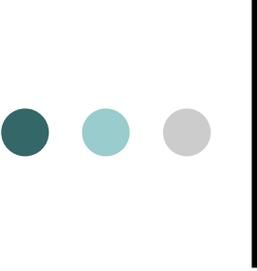
- Job creation
- Workforce integration
- Production of new goods and services
- Developing innovative methods of service delivery (new relations with government; purchase of services - day care, home care, etc.)
- Enhancing social inclusion
- Urban regeneration
- Strengthening community development
- Increasing productivity and competitiveness.

(HUMA 2006)



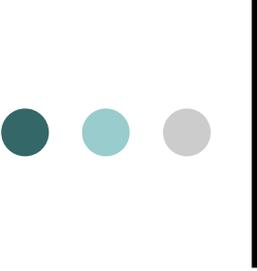
Sectors of Activity: Social Economy Quebec

- Tourism
- Culture
- Housing
- Agriculture
- Training businesses (workforce integration)
- Adapted businesses that hire disabled people
- Daycare
- Home care
- Recycling
- New technologies
- Fair trade
- Community media
- Manufacturing
- The environment



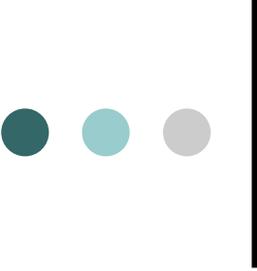
Sectors of Activity: Social Enterprise U.S.A.

- The Social Enterprise Alliance in the United States provides a directory that identifies approximately 30 sectors of activity (including “other”)
- With the exception of community economic development, biomedical, alternative trade and development, media and communications, the vast majority are in services ranging from advocacy to disaster assistance, health, homelessness and housing, poverty and immigration, civil and human rights, substance abuse, sports and recreation, to name a few.



Data: USA

- No comprehensive data available on Social Enterprise.
- Estimates may be made on the basis of the following information
 - Over 195,000 organizations filed as public charities (non-profit organizations involved in the arts, education, health care, human services, and community service, etc.) with the IRS in 2002 (Salamon & Sokolowski, 2005).
 - Over 100 million Americans are members of a cooperative organization (Aspen Institute, 2005)
 - Credit unions are the most widespread cooperative with \$629 billion in assets (represents a 100-fold increase since the 1960s)
 - Aspen Institute refers to the growth of other types of cooperatives with assets of \$263 billion.

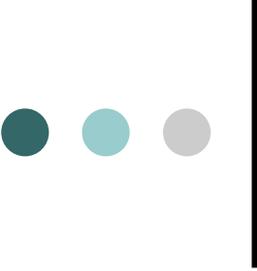


Data: USA (cont'd)

Employment in American Charities, 2004

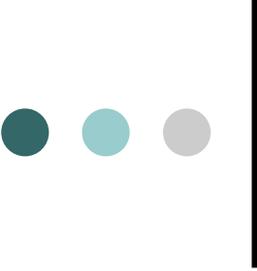
		% of US economy
Paid workers	9.4 million	7.2%
Volunteer workers (FTEs)	4.7 million	3.9%
Total workforce	14.1 million	10.5%
Wages (\$billions)	\$321.6 billion	6.6%

Source: *Employment in America's Charities: A Profile*, by Lester M. Salamon and S. Wojciech Sokolowski



Data: Canada

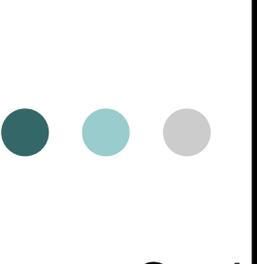
- No comprehensive data available
- Data on voluntary and non-profit sector derived from Voluntary Sector Initiative 2002
- Extrapolated data suggests that more than 18 million Canadians are involved in the social economy.
- Non-profit and voluntary sector
 - Over 160,000 non-profit organizations in Canada
 - 2 million people employed
 - Over \$75 billion in annual revenue
- Mutuels:
 - 125
 - 1,000,000 policy holders
 - \$2 billion in assets
- Co-operatives:
 - 9,000 co-ops
 - 1,000 caisses populaires/credit unions
 - \$225 billion in assets
 - 16,000,000 members



Data: Canada (cont'd)

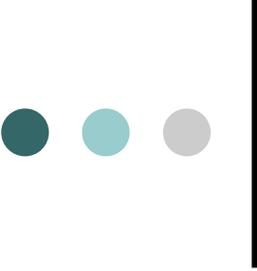
- Community Economic Development Organizations
 - Over 3000 CED organizations across Canada with an estimated 3,500 employees and 19,000 volunteers
- Input-Output Analysis of the Canadian Economy (2002)
 - Total value of services offered
 - Non-profit welfare organizations - \$3.4 billion
 - Other non-profits serving households - \$10 billion

(They also added religious organizations, sports and recreation clubs and non-profit educational institutions for a total of \$21.9 billion representing \$12.6 billion in wages and salaries (2.4% of wages and salaries in Canada; they pay close to 60% of their income out as wages and salaries compared with under 25% for the economy as a whole) (Price Waterhouse)



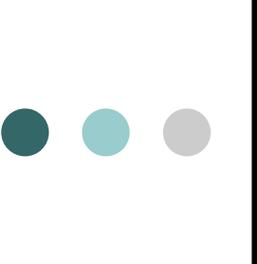
Data:Quebec

- Social economy in Québec (most recent data: 2002)
 - 7 822 enterprises (3 881 cooperatives and 3 941 NPO)
 - 935 Early Childhood Centers
 - 671 credit unions (caisses populaires)
 - 180 workers' cooperatives
 - 103 enterprises which offer homecare services
 - 72 worker-shareholder cooperatives
 - Workers in an enterprise can create a worker-shareholder cooperative. Workers can collectively acquire shares in an enterprise in which they are employed.
 - Business volume without credit unions (caisses populaires)
 - \$ 17,2 billion (\$ 15,9 billion for cooperatives and \$ 1,3 billion for NPO)
 - Business volume with credit unions
 - \$ 102,5 billion (\$ 101,2 billion for cooperatives and \$ 1,3 billion for NPO)
 - Multiplier effects (direct, indirect and induced impacts)



Enabling Conditions

- Social enterprise in North America requires
 - Public Policy
 - Government must recognize the social benefits and be prepared to underwrite risk (eg. Loan guarantees)
 - Government must move from a subsidy to an investment logic
 - Readily available capital (loan and equity)
 - Legal and tax framework
 - Customized measurement, evaluation, social accounting tools
 - Communications strategy: information, image
 - Networking and knowledge sharing
 - Training environments; university curricula and programs
 - Development of comprehensive data
 - International comparisons (best practices, public policy)



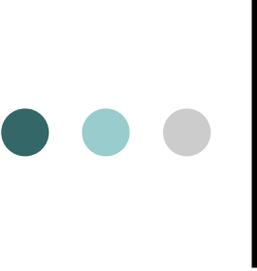
Illustrations of Current Enabling Policies: USA

- New Market Tax Credit (2000)
 - provides up to \$15 billion worth of tax credits for community investment between 2002 and 2007.
- Revenue Ruling 2004-51 (2004)
 - Permits tax-exempt organizations to enter into *joint* ventures with for-profit corporations without fear of losing their tax exemptions or being subjected to UBIT (unrelated business income tax).
- Current debate in the US surrounding whether or not current tax laws can accommodate social enterprise or whether more specific new laws need to be created.



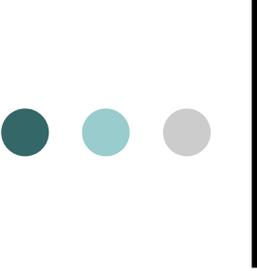
Illustrations of the Need for Enabling Policies: Canada

- Tax incentives for social enterprise in Canada lag behind other developed countries (Torjman & Young, 2007)
- No federal mechanisms to stimulate private capital investment in the social economy (under discussion and recently aborted by new government in power)
- Tax credits and RRSP eligibility mechanisms for social economy financing do not exist except for Quebec (labour solidarity funds; worker shareholder cooperatives)
- The Federal Government has no clear policy to use its own procurement practice to benefit social enterprises that can provide goods and services while simultaneously generating social and economic benefits (Neamtan & Downing, 2005)
- The Quebec Government has introduced a variety of policy initiatives for the social economy since 1996, including legislation to create solidarity cooperatives.



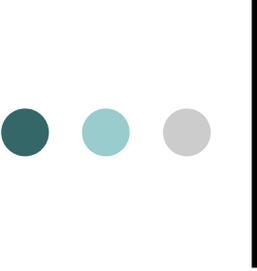
Canada. The Social Economy Initiative (2004). Enabling Policy Aborted by Current Government

- \$132 million over 2004 announced in 2004
 - Three main areas:
 - Capacity building: \$17 million over 2 years for regional development agencies (RDAs) for strategic planning and capacity needs of community economic development and social economy organizations
 - Financing: \$100 million over 5 years to the RDAs to improve access of social economy enterprises to capital and financing
 - Research: \$15 million over 5 years to support community-based research on the social economy through Social Sciences and Humanities Research Council (SSHRC)



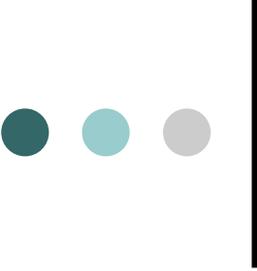
Needs Identified by Stakeholders (Government of Canada, 2007)

- Technical assistance
 - Develop and support social enterprise feasibility studies and training
- Capital
 - Long-term capital to stabilize organizations and leverage capital from other sources
- Enabling Policy
 - Make government programs available for SMEs for social enterprise
 - Partnerships between federal, provincial and municipal governments are needed.
 - Create horizontal policy environments; create public spaces for multi-stakeholder dialogue; create public spaces for the co-production of public policy
 - Tax credits and other investment programs are needed to stimulate capital investment



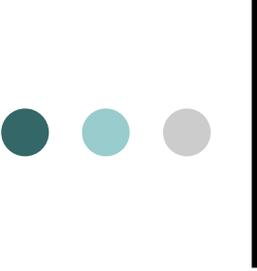
Policy Innovation: The Role of Municipalities (USA)

- Recognition of role played by social enterprise in urban regeneration
 - (*comment*: needs to be seen as part of an integrated territorial or place-based development strategy)
- Recognition of service provision provided by social enterprise in American cities
- Cities are helping social enterprise by:
 - Information campaigns and community awareness building
 - Coordination and support in program implementation
 - Assistance in resource acquisition



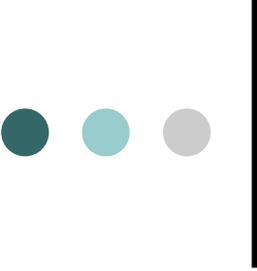
Policy Innovation: Second Canadian Conference on Social Enterprise (Vancouver, BC. January 2007)

- In response to demands of community sector for workshops to increase knowledge among organizations
 - early stage planning
 - operations and growth
 - enterprise skills for social enterprises
- Participants included
 - social enterprises
 - investors
 - government representatives across the country



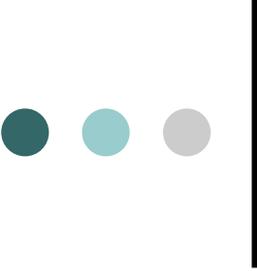
Innovation in Income Generation in Canada: Social Purchasing Portal and Social Economy Portal

- Social Purchasing Portal launched in June 2003
 - Online database of socially responsible locally-based business producing goods and services (catering, office supplies, and courier services).
- Operating in:
 - Vancouver, Toronto, Winnipeg, the Fraser Valley, Surrey, Calgary, Vancouver Island, and the Waterloo region
 - Additional cities will join
- Quebec: Social Economy Portal
 - Created by the Chantier de l'économie sociale to develop and expand markets; to provide links between social enterprises; to provide online information across the province of Quebec.
- Objective is to move government at all levels to adopt a procurement policy (this is occurring in some cities in the U.K., for example)



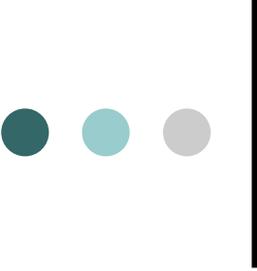
Training and Education: USA

- A selection of Business Schools which offer courses and programs on Social Entrepreneurship
 - The Fuqua School of Business (Duke University)
 - Harvard Business School
 - Stern School of Business (New York University)
 - The Stanford Graduate School of Business
 - Columbia School of Business
 - Yale School of Management



Training and Education: Canada

- John Molson School of Business (Concordia University, Montreal)
- Rotman School of Business (University of Toronto)
- Université de Québec à Montréal (Faculty of Management)
- McGill School of Management
- University of Alberta School of Business
- Dalhousie School of Business Administration
- Programs in CED: Concordia University, Montreal; University of Cape Breton, Cape Breton, N.S.; Simon Fraser University, Vancouver, B.C.



Networks: Canada and U.S.A.

○ U.S.A

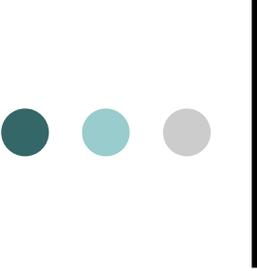
- National Association of Community Capital
- National Congress on Community Economic Development (existed for 35 years until 2006)
- Associations of CDLFs
- Social Enterprise Alliance
- Business Alliance for Local Living Economies

○ Canada

- Canadian Community Economic Development Network
- Chantier de l'économie sociale

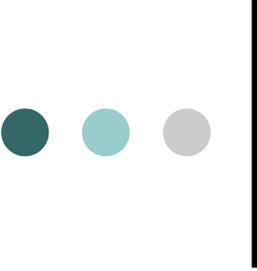
○ North America

- North American network for the Solidarity Economy
- Added to these are labour federations, federations of cooperatives and social movements engaged in socio-economic initiatives



Conclusions and Recommendations

- Comprehensive data on social enterprise is needed in both the United States and Canada
 - Capture the diversity and complexity of this activity
 - Capture the socio-economic impact of social enterprise
- Better dissemination of research
 - Dynamic research environment exists both in Canada and the United States
 - Circulation of findings is limited despite accessibility
- The incipient North American network (NANSE) might be the place to coordinate this work with research, government and international organizations as partners
 - Integrate the various approaches and activities to capture the systemic context in which social enterprises are emerging (socio-economic development strategies)
- Create opportunities for policy dialogue within Canada and the United States and between engaged policy makers in both countries



Conclusions and Recommendations

Social enterprise is contributing to the co-construction of a

Policy Architecture committed to sustainable livelihoods

Debates concerning juridical form are a mirror for the democratic and participatory nature of social enterprise and its commitment to the public interest.

As such, its collective roots, based in community and in civic action must be reinforced as new actors, both private and public, increasingly engage in this activity.