

RECOMMENDATIONS FOR THE 2013 FEDERAL BUDGET



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

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The Canadian Community Economic Development Network

This brief has been prepared by the Canadian Community Economic Development (CED) Network for the House of Commons Standing Committee on Finance as part of its consultations in preparation for the 2013 federal budget. The Canadian CED Network is a national association of community organizations, co-operatives, credit unions, foundations, municipalities and practitioners working to enhance the social, economic and environmental conditions of Canada's communities. We have several hundred member organizations in every province and territory inclusive of urban, rural, northern and Aboriginal community settings. Our head office is in Victoriaville, Québec, with regional staff and member committees throughout Canada. Community Economic Development is citizen-led action to enhance the social and economic conditions of their communities on an integrated and inclusive basis, reducing poverty, unemployment and social disadvantage by building assets and creating opportunities.

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Economic Recovery and Growth

Community Economic Development (CED) is comprehensive and community-led strategic action that creates economic opportunities while enhancing social and environmental conditions. Governments can support CED with policies that enable community enterprise development, training, loans/financing, and sectoral development.

Despite recent economic turmoil and enduring social challenges, targeted investments in community enterprises across Canada strengthen individual and community resilience and self-reliance while contributing to sustained economic recovery and growth. They reduce medium and longer-term pressures on public expenditures by producing grassroots solutions that directly combat the roots of poverty.

Community enterprises are operated by non-profits, co-operatives, and even disadvantaged individuals that are helped to start micro-enterprises by CED organizations. They create jobs for underutilized populations such as recent immigrants, women, Aboriginal populations, and people with disabilities. They respond to the needs of rural and urban communities by developing sustainable, local alternatives for the production of goods and services. They have a better survival rate than traditional small and medium enterprises (SME) and offer a social and financial return on investment.

Community enterprises, as a result of their legal structure, have limited ability to access much needed dollars. New financial tools are required to enable community enterprises to attract investment and reduce dependency on government funding.

The federal government should partner with private, institutional and philanthropic investors to establish the Canada Impact Investment Fund, as recommended by the Canadian Task Force on Social Finance report, *Mobilizing Private Capital for Public Good*. A federal investment of \$20 million per year (for five years) in first loss capital, matched by private, institutional and foundation investors in a fund-of-funds structure, would kick-start the deployment of social investment capital in Canada. This fund would support existing regional funds to reach scale and catalyze the formation of new funds to support community enterprises across Canada.

We also support a federal contribution to a national Co-op Development Fund proposed by the co-op sector to finance new and existing co-operatives.

In addition to new financial tools, greater clarity on the eligibility requirements for community enterprises to access government funded services for SMEs would help put existing resources to better use.

Job Creation

Community enterprises are operated by non-profits, co-operatives, and micro-enterprises that are created to build stronger and fairer local economies and communities. Many also serve to create jobs for underutilized populations such as recent immigrants, women, Aboriginal populations, and people with disabilities among others. These populations tend to be over-represented among those who are poor in Canada. By supporting the growth of enterprises that create training and employment opportunities for these populations, the federal government can

reduce the costs of poverty related to the loss of income tax revenue, foregone productivity, healthcare, and crime.

The federal government can contribute to the growth of community enterprises and the jobs they create through changes to procurement practices that increase market opportunities for these enterprises.

Intentional purchasing targeted to community enterprises can create significant impact opportunities for a people-centred economy. The traditional “price prevails” purchasing analysis actually does an injustice to the taxpayer. Greater return on investment to taxpayers could be achieved by governments using a blended value analysis in their purchasing, incorporating: price, quality, environmental, and social considerations. To this end, governments should implement social value weighting in all Requests For Proposals, and include Community Benefit Agreements on relevant contracts above \$500,000. A Living Wage requirement for all contractors, including their subcontractors, should be mandatory on all government contracts.

As purchasing increases demand, the capacity of community enterprises on the supply side will need to be bolstered. To this end, a set of business skills capacity building opportunities, access to existing small and medium enterprise business development supports to allow social enterprises better access to markets, capital, training and research and development, and appropriate grant funding will have to be available. Funding for the replication of effective programs, such as RISQ in Quebec, Toronto Enterprise Fund in Ontario, and Enterprising Non-Profits in BC should be available to communities across Canada.

Demographic Change

A national youth work experience program would support youth employment and build skills and leadership in the community enterprise sector. Targeted work experience placements to support community enterprise development with 300 youth over three years would facilitate employment entry into this growing sector, and support the development of new community enterprises addressing public policy priorities. Building on the Canadian CED Network’s track record of similar programs, this would provide:

- High-impact labour market attachment for youth
- Strategic support for the community enterprise sector and new business development
- Contribution to the development of local services to meet community needs
- Efficient delivery by a national, bilingual non-profit on an economy of scale

The cost of this program would be \$6.2 million over three years.

Productivity

Low productivity can be attributed, in part, to low skills and earnings or a lack of demand for the skills that exist in the workforce. When a significant proportion of a country’s labour force pulls down the average productivity, the entire economy pays through a lower GDP and society pays through lower government revenues and spending.

The federal government could increase productivity by developing and implementing a plan for poverty elimination which includes a focus on providing opportunities for skill development, training, and education. This would include targeted investments in community-based initiatives across the country that are providing opportunities for individuals with barriers to employment to upgrade their skills and access the training they need to enter into good jobs that pay a living wage and provide opportunities for advancement. These individuals often require long-term access to an integrated and comprehensive set of supports and resources in order to successfully enter and remain in the labour force.

Some of the most successful employment development strategies offer a comprehensive package of supports to help workers overcome their barriers to employment. The most successful strategies offer support packages that include services such as counseling, childcare, transportation assistance, and job search assistance such as resume writing and interviewing skills. Successful employment development strategies also offer a comprehensive training program teaching basic education like math, reading, and writing, job readiness or 'soft skills', and technical or 'hard skills'. Comprehensive strategies also offer 'post-employment' supports, for both workers and employers, to ease the transition into the workplace and increase worker retention. The best strategies connect job seekers to an 'employment development network' consisting of formalized partnerships with relevant actors in the local labour market system — such as community colleges, community-based organizations, governments, unions, and most importantly, employers.

By investing in these initiatives that focus on populations who tend to be over-represented among those who are poor in Canada, the federal government will reduce the costs of poverty related to the loss of income tax revenue, foregone productivity, healthcare, and crime.

Other Challenges

Canadian communities face complex challenges including unemployment, urban and rural decline, inequality, poverty, social exclusion, and environmental degradation. These challenges are most effectively addressed with comprehensive, community-led strategies that include a multifaceted and integrated approach. The community economic development (CED) model provides that approach.

CED is community-led strategic action that creates economic opportunities while enhancing social and environmental conditions. Through community enterprises, co-operatives, and other CED organizations, Canadians are strengthening local economies, while providing access to child-care services, housing, local food, capital, training, skill development opportunities, and much needed services that enable marginalized individuals to overcome barriers and succeed.

Despite the proven impact of the CED model, CED organizations across Canada lack the multi-year funding needed to take innovative, strategic, and long-term action through a comprehensive approach. There is no short-term solution for transforming social, economic, and environmental conditions in struggling Canadian communities.

Governments have an important role to play in supporting CED given the significant resources and policy levers at their disposal. The federal government can play a lead role in supporting CED and addressing complex community challenges by developing and implementing a federal CED Policy Framework and a Neighbourhood Revitalization Program (NRP).

A CED policy framework would ensure that government initiatives more effectively respond to the complex economic, social, and environmental needs of local communities, particularly the most vulnerable. It would demonstrate good governance because dollars spent on initiatives that employ the CED model generate greater economic, social, and environmental returns than traditional approaches.

A NRP that commits multi-year core and project-based funding to organizations that employ the CED model in designated urban communities across Canada would provide CED organizations with the multi-year financial support they require to strengthen and sustain their activities and the results they are achieving in those communities.

These models have been developed, implemented, and evaluated at the provincial government level in Manitoba for over a decade. Successful government initiatives influenced by Manitoba's CED Policy framework include the Neighbourhoods Alive! program which supports urban communities across Manitoba in taking a long-term, comprehensive, community-led approach to neighbourhood revitalization by providing multi-year core and project-based funding.