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CO-OPERATIVES AND SOCIAL ENTERPRISE IN NEW BRUNSWICK:

Building our economy and sustainable communities

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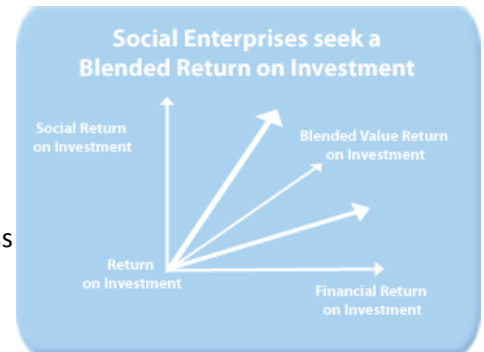
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Co-operatives and Social Enterprise in New Brunswick

Co-operatives are for-profit or non-profit businesses that operate on a set of core principles and values such as democratic member control, voluntary and open membership, concern for the community, and co-operation. They can be found in virtually every sector of our economy from retail to finance, agriculture, forestry, construction, processing, housing, health, and more. Co-ops have a long history in New Brunswick and in fact the oldest ongoing co-operative in the world is the *Sussex & Studholm Agricultural Society #21*. Established by a group of farmers in 1841, it has been meeting the needs of the community and employing local people for nearly 175 years.

Social Enterprise is a relatively new form of business and is defined in New Brunswick as “*non profits, for-profits, co-operatives and other enterprises that operate democratically, sell goods and services in the market, and invest the majority of their surpluses/profits into social, cultural or environmental goals*”. They have emerged as the result of cutbacks to government funding, donor fatigue, and a growing need to create employment, provide services to marginalized people, and address a myriad of community needs and interests.

Co-operatives and social enterprises strive to create a blended return on investment, both financial and social, rather than just maximizing profits for shareholders. For examples in New Brunswick, see the Social Enterprise video series on our website at <http://www.cecnb.ca/videos/>.



Economic Impact

With financial support from the provincial government, the Co-operative Enterprise Council of New Brunswick (CECNB) recently conducted a survey and economic impact study on 232 co-ops and social enterprises in partnership with researchers from Simon Fraser University, Mount Royal University, and the University of Cape Breton. Findings revealed that **co-operatives are a significant economic force in our province** as they:

- Generate nearly \$1.35 billion in annual revenues
- Create the equivalent of 7500 full time jobs
- Contribute over \$500 million to GDP
- Pay out nearly \$330 million in employment income and more than \$150 million in taxes¹

In addition to co-operatives, there are 500+ other social enterprises operating in New Brunswick. On average, they employ the equivalent of 20 full-time people and generate \$738,000 in annual revenues from the sale of goods or services. 30% provide employment development services and 20% provide training for workforce integration, helping to increase the employability of the people they are set up to serve (i.e. people living with disabilities, low income persons, immigrants, Aboriginals, seniors, etc)².

More than half of the reporting social enterprises also employ their target group members, creating thousands of jobs for people in our province who are often the least likely to be employed and the most likely to live in poverty or have to rely on some form of government assistance.

¹ The Economic Impact of Co-operatives and Social Enterprises in New Brunswick, George Karaphillis, Shannon School of Business, Cape Breton University, October 2014

² 2014 Social Enterprise Sector Survey Final Report, June 2014; Peter Elson, Peter Hall, Priscilla Wamucii; Institute for Non Profit Studies, Mount Royal University and Simon Fraser University

Co-operatives are nearly twice as likely to survive economic downturns

Co-ops and social enterprises operate on democratic values and “tend to engage people in multiple ways, unlike the more confined employee and client relationships in a traditional business. The same individual many have multiple intersecting connections to a social enterprise, as a member, recipient of training, employment services, employee or volunteer.”³ This creates a sense of belonging and ownership that is a major factor in their long-term sustainability as members and volunteers make significant contributions to programs and often help capitalize start-up, growth and expansion.

According to a recent report of the House of Commons Parliamentary Committee on Co-operatives⁴, “(...) one cannot overlook the fact that during the recent market financial crisis, co-operative shares did not lose any value, since they are owned locally by the people who use their products and services and have a long-term commitment to ensuring the success of the business endeavours. The higher survival rate of co-operatives relative to conventional private businesses attests to the inherent resilience and stability of the co-operative sector. [According to a 2008 study] survival rates of co-operative enterprises were 74.9 % after 3 years, 62% after 5 years and 44.3% after 10 years. For other forms of business, the rates were 48.2% after 3 years, 35% after 5 years and 19.5% after 10 years.”

Co-ops and Social Enterprises create opportunities to build our economy and retain our youth

Co-ops and social enterprises boost employment, keep investment in local communities, and address a wide range of social, environmental, and cultural issues. They are innovative, creative and help build healthy, vibrant communities – the very qualities that the millennial generation is looking for when deciding where to live and work. Key findings of the Deloitte 2014 Millennial Survey revealed that⁵:

“Millennials are eager to make a difference and believe business could achieve more. 74% believe the success of a business should be measured in terms of more than just its financial performance, with a focus on improving society among the most important things it should seek to achieve. They think business can do much more to address society’s challenges in the areas of most concern: resource scarcity (68%), climate change (65%) and income equality (64%).”

New Brunswick is already well-positioned to attract millennials and keep our young people at home. Organizations like the Co-operative Enterprise Council of New Brunswick, the Pond-Deshpande Centre, Community Inclusion Networks, universities, and dozens of other stakeholders have been working together over the past four years to build an eco-system that provides training, technical advice, investment and finance, marketing, business development programs, and other supports that increase the capacity and sustainability of these businesses.

The provincial government is an important partner in this undertaking. The *Overcoming Poverty Together* (OPT) plan is the result of extensive consultations with the community around how to reduce the root causes of poverty, create jobs, and build local economies. “One of the initial actions taken from the first plan was to adopt legislation designed to facilitate the economic and social inclusion of all New Brunswickers. By doing so, the province of New Brunswick put in place a powerful non-partisan mechanism.”⁶

³ [2014 Social Enterprise Sector Survey Final Report](#), June 2014

⁴ Co-operatives in Canada: Special Committee on Co-operatives, House of Commons, September 2012, p. 9

⁵ Deloitte: Big Demands and High Expectations, The 2014 Millenium Survey

⁶ Overcoming Poverty Together, The New Brunswick Economic and Social Inclusion Plan 2014 – 2019 Plan, p.12

The four pillars of the OPT strategy – community empowerment, learning, economic inclusion, and social inclusion – are the domains in which co-operatives and social enterprises thrive and the OPT plan includes actions to support their efforts. In 2013, the government formed an *Interdepartmental Working Group on Social Enterprise* with participation from key government departments including Post-Secondary, Education, Training and Labour, the Regional Development Corporation, Financial and Consumer Services Commission, Economic and Social Inclusion Corporation, Healthy and Inclusive Communities, and Public Safety as well as community leaders including the Co-operative Enterprise Council, the Pond-Deshpande Centre, and the Saint John Community Loan Fund. The Working Group’s mandate was to explore and recommend strategies to support the growth and development of co-operatives and the social enterprise sector. A report and set of recommendations was presented to government earlier this year. These recommendations were echoed by the Co-operative Enterprise Council of New Brunswick in a Position Paper submitted to party leaders and candidates for their consideration prior to the September election (see page 5).

The main advantage of the Overcoming Poverty Together plan is that it unites around a common goal the four main groups of stakeholders: those who live or have lived in poverty, non-profit organizations, business people, and government (including the Official Opposition). This partnership approach was proposed by the participants in the first public engagement process. It was and remains a unique model of collaboration in economic and social inclusion in Canada and elsewhere.

Leo Paul Pinet, President
Economic and Social Inclusion
Corporation

RECOMMENDATIONS TO ADVANCE THE CO-OPERATIVE AND SOCIAL ENTERPRISE SECTOR

Submitted by the Co-operative Enterprise Council of New Brunswick

July 2014

1: Establish Financing and Investment Programs

Co-operatives and Social Enterprises (SEs) often face challenges in accessing capital and financing due to a lack of understanding of the social business model. To address this, and to ensure access to capital and investment along the entire spectrum of enterprise development, it is recommended that the government:

- a) Include Co-operatives and other SEs in existing business support programs.
- b) Allocate 15% of BNB's business budget to support Co-ops and other SEs.
- c) Create a Social Enterprise Trust Fund, with matching contributions from government and other sectors, and make grants available to seed the start-up and growth of Co-ops and other SEs.
- d) Implement the recently announced Community Economic Development Investment Fund and offer a 30% tax credit against provincial income taxes payable, with a 5-year term for the investment.
 - Inform municipalities, local business groups, community development organizations, and other stakeholders of the CEDIF program and to encourage them to use it.
 - Provide information and supports to Co-ops and SEs about the Memorandum of Offering process for both the CEDIF and the Small Business Investor Tax Credit to enable them to access these programs.
- e) Initiate a provincial Social Enterprise Investment Program that encourages members and others to invest in community-based enterprises. This type of tax credit has been very effective in Quebec in generating significant capital investment into Co-ops and SEs. Such a program would complement the federal Co-op RRSP investment plan.
- f) Create a Social Enterprise Loan Program for regions of the province not covered by the CBDCs where this program is already available.
- g) Pursue the use of Social Impact Bonds to develop innovative solutions to social and environmental issues and to encourage citizen investment in their communities.
- h) Implement legislation and regulations to support the use of Crowdfunding as a mechanism for Co-ops and SEs to raise capital.

2: Develop and Foster Market Opportunities

Social enterprises often do not understand how government procurement works and government departments often don't know that viable and capable social enterprises exist and what goods or services they can provide. To expand the market and procurement opportunities for Co-ops and other SEs in both the public and private sectors, government should:

- a) Develop an engagement and communications plan to raise awareness of the market opportunities and supports available to Co-ops and SEs in New Brunswick and to educate

government departments about the potential use of social enterprises in providing products and services.

- b) Develop policies to ensure Co-operatives and other SEs are eligible for the same supports provided to private enterprises in developing new markets and expanding existing ones. (e.g. participation in trade shows, seminars on marketing, exporting, etc).
- c) Develop marketing strategies, purchaser and supplier matching, and incentives to encourage the participation of Co-ops and SEs in the tendering and procurement process.

3: Increase education, training, and networking opportunities

As an emerging sector, it is imperative that social enterprises have the opportunity to engage in skill-building and networking to build their capacity to participate in the market and become more sustainable. As such, government should:

- a) Promote a culture and the value of social entrepreneurship;
 - Identify and promote best practices in Co-op and SE development
 - Initiate a partnership with provincial Co-op and SE organizations, colleges, universities about social entrepreneurship
 - Promote knowledge of social enterprise across government and to New Brunswick communities
- b) Support and facilitate networking amongst government, social enterprises, and business and community organizations
- c) Provide training to build business and governance capacity
 - Conduct inventory of available resources and training opportunities
 - Create/make available training modules specific to social enterprise and promote the value of adding “social enterprise element” to training and business supports

4: Enact New Co-operative Associations Act

The *Co-operative Associations Act* of New Brunswick has not been updated since 1978 and is a significant barrier to the growth and development of Co-operatives in our province. The current Act does not reflect the economic, social, technological, environmental and cultural changes that have occurred over the past 35+ years and provides no legal framework for worker co-ops, housing co-ops, multi-stakeholder co-ops, technology co-ops, or equity-based co-ops. This severely limits how co-operatives can raise and divest capital. While other provinces forge ahead with innovative new co-operative models, New Brunswick co-ops are stymied by legislative barriers.

Over the past several years, the Co-op sector has been working on a comprehensive proposal for new legislation, which was submitted to the Minister of Justice in July 2014. As such, government should:

- a) Enact a new Co-operative Associations Act based on the recommendations of the Co-op sector within the coming year.