

RECOMMENDATIONS FOR THE 2021 FEDERAL BUDGET

**Pre-Budget Submission to the
House of Commons Standing Committee on Finance**

By: People-Centered Economy Group

August 7, 2020

Recommendations:

- 1. Promote Local and Social Procurement**
- 2. Enable Employee and Community-Based Ownership Succession and Buyouts**
- 3. Implement the Social Innovation and Social Finance Strategy**

About Us

The People-Centered Economy Group is made up of organizations that represent the community economic development, co-operative, social economy, social enterprise, and non-profit organizations throughout Canada, which have been the foundation of inclusive economies and strong communities for generations. Collectively, these sectors represent 10.1% of GDP and employ 2.5 million Canadians. And most importantly, they embody the spirit of community care, mutual aid, and citizen action that works to make sure no one is left behind.

The organizations involved include [Imagine Canada](#), [Co-operatives and Mutuals Canada](#), the National Impact Investment Practitioners Table, the [Social Enterprise Council of Canada](#), the [Chantier de l'économie sociale](#), the [Women's Economic Council](#), the [Canadian Worker Co-op Federation](#), [Social Economy Through Social Inclusion](#), the [Canadian Rural Revitalization Foundation](#), the [Alberta Community and Co-operative Association](#), the [Ontario Nonprofit Network](#), [Community Futures Ontario](#), and the [Canadian Community Economic Development Network](#), which also serves as convener for the group.

Many of these organizations have made their own submissions to the pre-budget consultations in advance of the upcoming federal budget, which complement and mutually reinforce one another.

Recommendation 1: Promote Local and Social Procurement

Procurement is a powerful tool for a strong economy and social impact.¹ The modernization of procurement practices with a focus on social procurement undertaken by Public Services and Procurement Canada² has led to valuable progress in testing how social procurement can generate intentional community benefits. Now that our country is entering the recovery phase, ensuring procurement by local social enterprises, co-operatives, and non-profit organizations could greatly multiply the positive social and economic effects.

Community employment benefits and community benefit agreements are also vital mechanisms to ensure the effects of government investment are shared by all. The federal Community Employment Benefit policy has proven to be a very valuable tool to initiate and create new opportunities for apprentices; Indigenous peoples; women; persons with disabilities; veterans; youth; recent

¹ Buy Social Canada, 2018. A Guide to Social Procurement. Accessed: https://buy-social-canada.cdn.prismic.io/buy-social-canada%2F47fa7b64-c5f0-4661-9a00-93a936f38dd0_bsc_socialprocurement_screen-opt.pdf

² Rt. Hon. Justin Trudeau, Prime Minister of Canada, December 13, 2019. Minister of Public Services and Procurement Mandate Letter. Accessed: <https://pm.gc.ca/en/mandate-letters/2019/12/13/minister-public-services-and-procurement-mandate-letter>

immigrants; and small, medium-sized and social enterprises. The direct and indirect employment and supply chain opportunities are stimulated through the activation of each infrastructure and related construction project. The continuation and expansion of these policies are essential.

Recommendation 2: Enable Employee and Community-Based Ownership Succession and Buyouts³

Even prior to the COVID-19 crisis, business succession was a growing challenge due to Canada's aging population. A 2018 study of small and medium-sized enterprises found that nearly 50% of owners intended to exit their business within the next five years. The current economic downturn will only intensify those pressures and make the transition more complex. Further, when businesses are threatened for any reason including COVID-19, owners may opt to close them down. About 30% of currently closed small businesses stated in a CFIB survey that permanent closure is possible, yet this could in many cases be addressed by employee or community buy-outs, thus preserving jobs and services.⁴

Social enterprise and co-operative models are proven to be better adapted to challenging market conditions, and more resilient in times of economic downturn.⁵ They engage communities more actively and broaden support for local businesses that are critical suppliers of goods, services and jobs.

Recommendation 3: Implement the Social Innovation and Social Finance Strategy

The federal government took a bold step when the 2015 Ministerial mandate letters directed the creation of a Social Innovation and Social Finance Strategy. The subsequent co-creation process with stakeholders across Canada produced [*Inclusive Innovation: New Ideas and New Partnerships for Stronger Communities*](#), a comprehensive report with 12 key recommendations from the Social Innovation and Social Finance Strategy Co-Creation Steering Group.

The 2018 Fall Economic Statement announced a \$755M Social Finance Fund and \$50M Investment Readiness Program. While the up-take of the Investment Readiness Program has demonstrated the

³ Imagine Canada's charitable purpose precludes it from commenting on employee ownership models.

⁴ [*One third of shuttered SMEs not confident they will ever reopen*](#), per the Canadian Federation of Independent Business, March 31, 2020.

⁵ Carlo Borzaga, Gianluca Salvatori and Riccardo Bodini. [*Social and Solidarity Economy and the Future of Work*](#), International Labour Organization, July 2017, p15

enormous demand for these kinds of supports, there has been little action on the remaining elements of the strategy.

Social Innovation and Social Finance are multi-faceted approaches fostering wide-ranging changes to business-as-usual. The Social Finance Fund is an important first step, but the impact of improved access to capital is diminished without skills development, increased social procurement, regulatory change, knowledge transfer and awareness raising. The 12 recommendations all have mutually reinforcing impacts -- implementing some elements of the strategy and not others weakens them all. A full strategy is urgently needed.

The implementation of the strategy should be guided by the groups it seeks to serve, especially historically disadvantaged and equity-seeking groups. Building on the expertise of diverse community leaders and organizations will leverage extensive assets and foster truly innovative local creativity and action. Accelerating the rollout of the Social Finance Fund, announcing the Social Innovation Council, and confirming budgetary allocations to adequately resource the implementation of the entire Social Innovation and Social Finance Strategy beyond the current March 31, 2021 end of the Investment Readiness Program are pressing next steps.