

# **RECOMMENDATIONS FOR THE 2021-22 FEDERAL BUDGET**

**Pre-Budget Consultation Submission**

**By: People-Centered Economy Group**

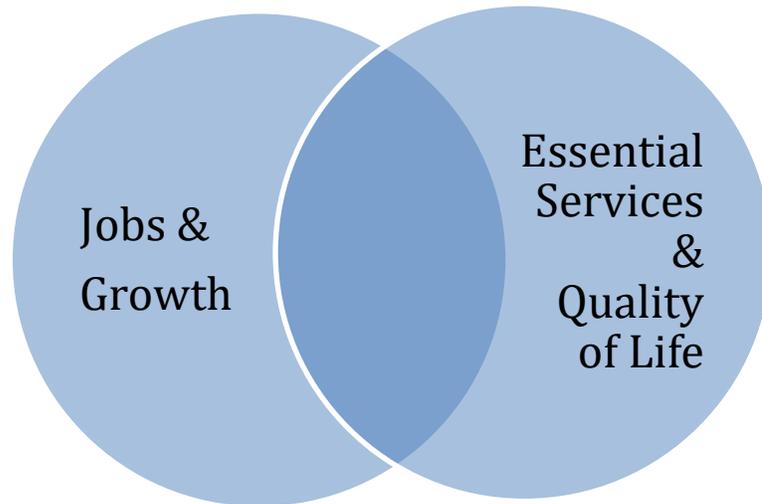
**February 19, 2021**

## **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**

## Stimulating Jobs and Recovery while Improving the Lives of All Canadians

Canada can recover from COVID-19 in a way that stimulates jobs and growth while strengthening essential services and improving the lives of all Canadians. The best ways to build a greener, more competitive, more innovative, more inclusive, and more resilient Canada lie at the intersection of these two goals:



The three key COVID-recovery recommendations discussed herein lie within the “sweet spot” in the middle of the diagram above.

### About Us

The People-Centered Economy Group is made up of organizations that represent 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. 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 Mutuels Canada](#), the Table of Impact Investment Practitioners, 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 [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.<sup>1</sup> The modernization of procurement practices with a focus on social procurement undertaken by Public Services and Procurement Canada<sup>2</sup> has led to valuable progress in testing how social procurement can generate intentional community benefits. As part of recovery investments, 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; African Canadians and people of colour; women; persons with disabilities; veterans; youth; recent immigrants; and social enterprises and other small and medium-sized enterprises (SMEs). 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, as is access to the capital for scaling up through the activation of the Social Finance Fund for its intended purpose (see Recommendation 3).

## **Recommendation 2: Enable Employee and Community-Based Ownership Succession and Buyouts<sup>3</sup>**

Even prior to the COVID-19 crisis, business succession was a growing challenge due to Canada's aging population, with nearly three-quarters of small business owners planning to retire in the next decade<sup>4</sup>. 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. According to the Canadian Federation of Independent Business (CFIB) in March 2020, 32% of then-closed small businesses stated that permanent closure was possible due to the pandemic.<sup>5</sup> It now estimates that 58,000 businesses became inactive in 2020, and that one in six remaining businesses, or "181,000 small business owners are now seriously contemplating shutting

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<sup>1</sup> Buy Social Canada, 2018. [A Guide to Social Procurement](#).

<sup>2</sup> Rt. Hon. Justin Trudeau, Prime Minister of Canada, December 13, 2019. [Minister of Public Services and Procurement Mandate Letter](#).

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

<sup>4</sup> Bruce, D. & Wong, Q., 2012, November. [Passing on the Business to the Next Generation](#). Canadian Federation of Independent Business (CFIB) / CBC, 2011, October 17. [10 Surprising Stats about Small Business in Canada](#). CBC News. / CBC, 2021, January 21. [COVID-19 could shutter more than 200,000 Canadian businesses forever, CFIB says](#). CBC News. / Israelson, D. 2017, March 3. [Business-Transition Tsunami Coming for Aging Baby Boomers](#). The Globe and Mail.

<sup>5</sup> Canadian Federation of Independent Business, 2020, March 31. [One third of shuttered SMEs not confident they will ever reopen](#).

down...Based on the [CFIB's] updated forecast, more than 2.4 million people could be out of work — a staggering 20% of private sector jobs.”<sup>6</sup> These closures could, in many cases, be addressed by employee or community buy-outs, thus preserving jobs and services.

Social enterprise and co-operative models are proven to be better adapted to challenging market conditions, and more resilient in times of economic downturn.<sup>7</sup> They engage communities more actively and broaden support for local businesses that are critical suppliers of goods, services, and jobs. Here again there is a vital role for the Social Finance Fund in closing the capital financing gap often faced by organizations whose positive outcomes for communities have important regenerative and multiplier effects.

### **Recommendation 3: Implement the Social Innovation and Social Finance Strategy**

The federal government took an important step to recognize and leverage extraordinary, underleveraged potential within the social economy in the 2015 Ministerial mandate letters, which called for a Social Innovation and Social Finance Strategy. An expert steering group engaged thousands of stakeholders across Canada in a co-creation process culminating in a comprehensive report: [\*Inclusive Innovation: New Ideas and New Partnerships for Stronger Communities\*](#). Released in August 2018, its 12 recommendations span policy measures and procurement guidelines, training opportunities and capacity-building, research and knowledge-exchange, market access, and catalytic capital investment. Each recommendation identified a pivotal role for the federal government in harnessing the tools and infrastructure of social innovation and social finance to effectively tackle our most pressing challenges, further intensified by the pandemic, which has underscored the urgency of solutions that reach well beyond “business as usual.”

Responding to the recommendations, the 2018 Fall Economic Statement announced the launch of a pioneering \$755M [Social Finance Fund](#), designed to leverage private and philanthropic capital to generate an estimated \$2 billion<sup>8</sup> in economic activity and 100,000 jobs, and an additional \$50 million Investment Readiness Program (IRP) to support a number of the report's other recommendations with respect to complementary sector-building initiatives. However, more than two years since its announcement, the Social Finance Fund has yet to be deployed, foregoing critical recovery-focused investment in communities across Canada, while after a successful two-year pilot, funding for the

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<sup>6</sup> CBC, 2021, January 21. [COVID-19 could shutter more than 200,000 Canadian businesses forever, CFIB says](#). CBC News.

<sup>7</sup> Carlo Borzaga, Gianluca Salvatori and Riccardo Bodini. 2017, July. [Social and Solidarity Economy and the Future of Work](#), International Labour Organization.

<sup>8</sup> The pan-Canadian Table of Impact Investment Practitioners' forthcoming compendium of social finance case studies suggest this estimate may be conservative.

Investment Readiness Program is currently set to expire in Spring of 2021, with no word yet regarding its renewal.

## **Conclusion**

Confirming budgetary allocations to adequately resource these recommendations can accelerate the recovery towards a more resilient, inclusive, environmentally sustainable, and prosperous future. Members of the People-Centred Economy Group are available to provide further information and support the federal government's efforts on these recommendations.

## **Contact Information**

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