



INTRODUCTORY

GUIDE TO

SOCIAL

ECONOMY

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A BRIEF HISTORY OF SOCIAL ECONOMY IN QUEBEC

MID-19th CENTURY

In Quebec, the history of the social economy can be traced back to the mid-19th century with the creation of the first “mutuals” (mutual benefit associations) that provided relief services in the event of death or other difficulties, as well as moral support and social activities to their members. At the end of 19th century, the first Desjardins credit union (“caisse populaire,” in French) was founded in Lévis. At the same time, rural communities organized in response to the rise of industrialization, leading to the first forestry cooperatives in the Lower Saint Lawrence region and Abitibi-Témiscamingue, fishermen’s cooperatives in the Gaspé and agricultural cooperatives.

60s

In urban neighbourhoods during the 1960s and 1970s, early citizens’ committees demanded the creation and collective management of bodies such as community centres, community clinics and legal clinics. The first neighbourhood daycares were established by parents who wanted access to quality universal services. Rural communities mobilized to oppose the closing of villages and gave birth to [opérations Dignité](#).

70s

70s

The 1970s and 1980s saw the creation of cooperative family economy associations (ACEF), housing committees and cooperatives, public education and literacy groups, etc. These organizations demanded both recognition from the state and control over their management.

80s

80s

The 1980s and 1990s witnessed the creation of women’s and youth groups, community development corporations, regional development cooperatives, employability development groups, enterprises promoting integration, lending circles, and regional and local investment funds.

/

90s

SECOND HALF OF THE 1990s

The second half of the 1990s was marked by two major events that had a considerable effect on Quebec politics, society and economy: the women's march against poverty, "Du pain et des roses," which took place in 1995, and the Sommet sur l'économie et l'emploi in 1996. One of the demands of the women's march related to social economy and, more specifically, to social infrastructure. Women insisted on being paid for the largely uncompensated care work they provided, using the analogy to the federal infrastructure program that financed building renovation and construction projects. Social economy committees were set up throughout Quebec. Some 10 years later, these committees became the "Pôles d'économie sociale", or regional social economy hubs. Today, they play a fundamental role promoting and developing social economy throughout Quebec.

Concomitantly, a social economy orientation and consultation committee was created. Composed of representatives of the women's movement and various government ministries, this committee was mandated to make recommendations concerning social economy. Many considered that it was synonymous with employment integration for marginalized people. This was the main optic retained by the committee in its report "Entre l'espoir et le doute" (Between Hope and Doubt), tabled in the spring of 1996.

MARCH 1996

In March 1996, Lucien Bouchard, then premier of Quebec, called for a socioeconomic conference, a first in the province; representatives of the community movement, employability advocates and the women's movement participated. The conference was the first step before a summit on the economy and employment, which was held in October of the same year. With the objective of getting to a zero deficit budget as well as promoting job creation, the government set up various working groups, including one for social economy. Networks of collective enterprises, local and regional development organizations, as well as various social movements came together and proposed an ambitious plan. As part of the *Sommet sur l'économie et l'emploi*, the social economy working group tabled its report "[Osons la solidarité!](#)" (Dare to choose solidarity). In addition to providing for job creation, the plan sought to meet social, environmental and cultural needs by developing social economy. There was consensus on the definition of that economy and the development model proposed by the working group; social economy was no longer just about socio-professional integration. The Quebec government now recognized the importance of civil society in economic development through the implementation of collective projects (recognition of social economy as such), but also its active participation in defining public policies.

Following the 1996 summit, the government adopted a series of public policies, in particular the creation of social economy funds through local development centres (CLDs), which made it possible to undertake projects proposed during this summit. More than 1000 new businesses and 20,000 new jobs were created all across Quebec.

START OF THE 2000s

Social economy continued to develop in the 2000s. The government adopted its first plan on social economy 2008-2013, under the responsibility of the *Ministère des Affaires municipales, des Régions et de l'Occupation du territoire* (MAMROT). On October 10, 2013, the National Assembly unanimously adopted a bill on social economy. With this law, Quebec became part of a worldwide movement to recognize social economy as an important component of economic life. In addition, the government promised to adopt a new social economy plan every five years to promote that aspect of the economy, and to ensure programs and government measures for social economy enterprises would increase.

2015

In 2015, the government adopted its second plan for social economy (PAGES), which defined priorities for action and led to programs dedicated to developing it.

SPRING 2020

The second five-year plan expired in the spring of 2020, in the midst of the pandemic. Following an assessment of the actions carried out during the 2015-2020 period and in view of the socioeconomic context, the government launched a new plan for 2020-2025 which focusses on three main objectives: mobilizing social economy enterprises to increase their response to the needs of the population; stimulating innovation from social economy enterprises in their business practices and investments; and promoting collective entrepreneurship as a creator of wealth for the benefit of all. The plan also identifies some strategic issues for Quebec where social economy enterprises must be supported: food sovereignty, human services, access to technology and innovation, demographic challenges and the circular economy and the environment.

THE CHANTIER DE L'ÉCONOMIE SOCIALE



The Chantier de l'économie sociale was born following the 1996 Sommet sur l'économie et l'emploi. At the end of the summit, the government gave the social economy working group a two-year mandate to:

- / Carry out the 25 projects identified in the "Osons la solidarité!" report
- / Promote the role and potential of social economy
- / Help establish public policies and measures necessary for its development.

The Chantier de l'économie sociale was officially incorporated in February 1997. The organization has a diversified membership, bringing together networks of businesses and creating support for social economy, social movements (women, unions, etc.) and First Nations' representatives. It has become the intersection of the social economy movement in Quebec by bringing together a variety of social, cultural and economic players.

In 1998, after extensive consultation with stakeholders and partners, the Chantier's steering committee decided to renew the organization. The Chantier de l'économie sociale formalized its status as an independent non-profit corporation at its founding general assembly in April 1999.

After more than 20 years of existence, the Chantier de l'économie sociale continues its mandate of promoting and establishing favourable conditions for the development of social economy enterprises. More broadly, its work fits into a perspective of creating public policies designed to support the transformation of the economic model and promoting a social and ecological transition in Quebec society.



FIND OUT
MORE ABOUT THE
CHANTIER'S MISSION
AND MANDATES



FIND OUT MORE
ABOUT THE ROLE
PLAYED BY
THE HUBS





DEFINITION

OF SOCIAL

ECONOMY

In Quebec, the definition of social economy was clarified by the adoption of the [Loi sur l'économie sociale](#) in October 2013.

According to Article 3 of the Act:

Social economy» means all economic activities with a social purpose carried out within the framework of companies whose activities consist of the sale or exchange of goods or services which are operated in accordance with the following principles:

10

THE PURPOSE OF THE COMPANY IS TO MEET THE NEEDS OF ITS MEMBERS OR THE COMMUNITY

The social mission is the “raison d’être” of a social economy enterprise. Its goal and purpose are to serve its members and the community, in particular by improving their well-being and creating sustainable, quality jobs. As a business, it also has economic goals to meet, but its goal is not simply to generate profits and aim for financial returns. The surpluses generated are reinvested in the company’s mission or paid to its members.

20

THE COMPANY IS NOT UNDER THE DECISION-MAKING CONTROL OF ONE OR MORE PUBLIC BODIES

The company enjoys management autonomy vis-à-vis the state, which means that the latter must not interfere in the decisions made by its board of directors or general assembly. The government and elected officials can support a social economy enterprise, but it must remain autonomous. Government representatives can sit on its board of directors, but they cannot represent the majority of directors or have the right to a veto.

30

THE COMPANY’S RULES PROVIDE FOR DEMOCRATIC GOVERNANCE BY THE MEMBERS

The democratic decision-making process must be based on the general principle of one person = one vote. That is, the right to vote is exercised independently of the contributions, including financial, of the voting members of the organization.

4°

THE COMPANY ASPIRES TO ECONOMIC VIABILITY

Economic activities are carried out in an entrepreneurial logic in which all the income generated must enable the company to cover its operating costs.

5°

THE RULES APPLICABLE TO THE COMPANY PROHIBIT THE DISTRIBUTION OF SURPLUSES GENERATED BY ITS ACTIVITIES, AND PROVIDE FOR THE DISTRIBUTION THEREOF TO MEMBERS IN PROPORTION TO THE TRANSACTIONS CARRIED OUT BETWEEN EACH OF THEM AND THE BUSINESS

If there are surpluses, they can be reinvested in the company (to develop it and its activities, to create and consolidate jobs, to improve working conditions), or in the community (support for local projects or social causes) or, in the case of certain cooperatives, paid in dividends to members in proportion to the transactions carried out between each of them and the company. They can also be kept in reserve for future expenses, which is mandatory in the case of co-ops. Surpluses are not accumulated for the purpose of enriching investors.

6°

THE RULES APPLICABLE TO THE LEGAL ENTITY THAT OPERATES THE BUSINESS PROVIDE THAT, IN THE EVENT OF DISSOLUTION, THE REMAINDER OF ITS PROPERTY MUST BE TRANSFERRED TO ANOTHER LEGAL ENTITY SHARING SIMILAR OBJECTIVES

A social economy enterprise cannot be sold or dissolved without its members' consent. If it ceases operations, once its obligations are settled (taxes paid, goods sold, debts and shares reimbursed), any remaining money cannot be used to enrich anyone and must be given to an organization with objectives similar to its own.

A social economy enterprise is one whose activities are involved with the sale or exchange of goods or services and which is operated, in accordance with the principles set out in the Act, by a cooperative, a mutual or a legal association (non-profit organization).

To sum up, social economy brings together businesses that, while selling or exchanging a product or service, meet social needs, such as job creation, socio-professional integration, accessibility, environmental protection, civic expression, etc. These companies are managed by their members or by the community, and they market their products or services to a diverse clientele including individuals, companies, private or public institutions, and the state.

There are social economy enterprises in some 20 sectors, and they pursue a wide variety of social missions. (For more details, see *L'économie sociale au Québec. Portrait statistique 2016*, Institut de la statistique du Québec)

In 2019, the Chantier de l'économie sociale published the ***Cadre de référence de l'économie sociale***. Its goal was to facilitate the assessment of the various elements required for an organization's membership in the social economy on the basis of criteria defined in the *Loi sur l'économie sociale*. It is intended for companies as well as supporting associations, and is a tool to help in decision-making — an educational tool — based on a common and widely-shared understanding of the characteristics of the social economy. It takes the form of an operational model enabling different stakeholders to reach a common conclusion.



COLLECTIVE

OWNERSHIP:

A TOOL FOR ECONOMIC TRANSFORMATION

Collective ownership is a tool for economic transformation to better serve communities. In addition to the social mission they pursue, social economy enterprises are working to transform the logic of economics. With a decision-making model and the redistribution of income and wealth that differs from for-profit entrepreneurs, collective ownership is changing traditional economic models. The business is no longer managed to generate profits, but to achieve its mission. Surpluses are reinvested to develop the company, improve its products or services or even redistributed among members, in the case of cooperatives. The profits are not monopolized by the owners and the economic spinoffs generate measurable social benefits.

Social economy is part of a plural economic approach based on the importance of state intervention in certain sectors, and on the ability of companies to innovate and respond to specific needs. All economic stakeholders can intervene independently, but also act in complementarity to build a diversified and inclusive economy. Social economy helps reduce inequalities and provides communities with the means to collectively increase their control over their region and their economy.

SOME CLARIFICATIONS...

THE PUBLIC SECTOR

The government provides services to the population, including education, healthcare, road infrastructure, leisure activities, etc., following a logic of universal accessibility and distribution of wealth. To do this, the government develops social programs designed to ensure the population's well-being, sets up institutions responsible for administering certain services and creates public companies when it believes it is necessary or beneficial to have control over certain economic activities. In Quebec, the state owns a number of companies, such as Hydro-Québec and the Société des alcools du Québec (SAQ), and it appoints the directors of these companies. The surpluses they generate are managed by the government and can be used to maintain other public services.

THE PRIVATE SECTOR

FOR-PROFIT

This category includes sole proprietorships, joint stock companies, partnerships and other forms of companies owned by individuals (shareholders) who determine the redistribution of surpluses. If the company makes a surplus, there is personal enrichment for the owners or shareholders. Decisions are made based on the owners' or shareholders' interests, and power is distributed according to the amounts invested by each shareholder. Those who invest more money have more power over the decisions made by the company.

SOCIAL ECONOMY ENTERPRISES

Whether cooperatives, non-profit organizations or mutuels, social economy enterprises are part of the private economy; they are autonomous and do not belong to the state. Instead, they pursue a social purpose and are organized around the response to a need and not the quest for profit. Decision-making power is distributed among the members on the principle of one member = one vote, and directors are elected by the general assembly of members. There is no personal enrichment, and the surpluses are reinvested in the company to pursue its mission. In the case of cooperatives, the distribution of surpluses is either limited to members based on how much they used their cooperative's services (according to pre-established rules), or totally prohibited. In this case, cooperatives can obtain non-profit organization tax status from Revenu Québec if they meet the required criteria, including the prohibition on paying dividends as provided for in its articles of incorporation.

The social economy makes it possible to develop solutions to needs that are not addressed by the government, either because they do not fall under its specific responsibilities, or because the services it offers do not meet the needs of certain populations. The social economy covers areas avoided by the for-profit private sector, which does not recognize the benefit of participating in certain sectors or regions because the returns do not meet the targeted financial objectives.

The *Loi sur l'économie sociale* does not provide for a minimum sales revenue threshold to determine membership in the social economy movement. It is important for the company to seek financial viability through the deployment of strategies and methods designed to increase the income derived from its activities. This income comes from a combination of several sources (sales of products and services, service agreements, subsidies, etc.), but this does not exclude the recurring presence of subsidies in its income.



WITHOUT MARKET ACTIVITIES

There are a number of non-profit organizations that are not part of the social economy movement, in particular because they have no market activity. Whether offering community support services or organizing political representation to defend the rights of certain populations, a diverse group of non-profit organizations work in various areas and with different clienteles. These organizations come from civil society and are created through the initiative of committed citizens wishing to support individuals and communities and create social transformation. The organizations are free to determine their missions, orientations, approaches, practices and management methods, and are generally financed in large part by the government, or through donations, philanthropy and financial contributions from partners. They belong to the autonomous community action movement¹.

It is sometimes the case that a community organization wishes to develop an entrepreneurial project in the social economy without modifying its overall mission. This project then represents part of its activities, and we use the expression “social economy project” rather than a social economy enterprise, since the organization is rooted in a general vision of community support and the entrepreneurial project is attached to its larger mission. Governance is then linked to the general mission and the project is one of the activities pursued, but does not have its own governance.

1 [Réseau québécois de l'action communautaire autonome \(RQACA\)](#)



COLLECTIVE

ENTREPRENEURSHIP

Social economy derives its special status from the collective mobilization that leads to the creation of companies, but also from the collective foundations enshrined in governance. The legal forms recognized by the Loi sur l'économie sociale (NPOs, cooperatives and mutuals) enable the vision behind the projects to be enshrined in the company's operating rules. They provide for governance arrangements aimed at guaranteeing power-sharing between members, in particular through the principle of 1 member = 1 vote.

Democratic governance methods result in the greater participation of members in decision-making. Collective management practices that feature the involvement of boards of directors in certain decisions, as well as their role in supervising overall operations, tend to foster differing points of view and the interests of a variety of stakeholders (members, users, employees, managers, administrators, partners, etc.). Consequently, the quest for profit is not the only factor that guides decisions. A multitude of perspectives is in play, including the success of the organization's mission and maintaining the economic viability necessary to the project's sustainability. Since ownership of the business is shared between members in the case of a cooperative, or owned by a community in the case of NPOs, the company's assets belong to them and will not benefit a single person or their heirs.

It is common to hear about collective entrepreneurship when talking about social economy. This term refers to the preferred management approach, when the company is owned by several people and decision-making power is distributed among them according to different governance models. One of the objectives is to guarantee the organization's accountability towards its members and ensure a certain control in their achievement of its mission². Decision-making bodies, such as boards of directors and general assemblies, can influence the company's orientations and ensure a balance between the needs of the members or users and the solutions developed. These opportunities for participation help mobilize members around the organization's mission and empower them. Through this different vision of the exercise of power and distribution of wealth, social economy enterprises contribute to economic democratization and the transformation of the current model by putting people at the heart of decisions.

2 [Comité sectoriel de main d'œuvre économie sociale et action communautaire \(CSMO-ESAC\)](#), Toolbox — Democratic governance — social economy NPO — community action, p. 33



IV.

**DIFFERENT FORMS
OF SOCIAL ECONOMY
ENTERPRISES**

NON-PROFIT ORGANIZATIONS (NPOS)*

An NPO is a group of people who pursue a social mission and do not intend to realize personal financial gain. By constituting a non-profit legal entity, the group (a minimum of 3 people) creates a legal entity that has its own rights and obligations. An NPO is composed of members who, during the general assembly, elect a board of directors and make decisions about the corporation's administration. The NPO may provide for different categories of members in its general regulations in order to help a diversity of stakeholders participate in its mission through the board of directors (which generally has an odd number of directors in order to facilitate decision-making). In addition to general regulations, NPOs are governed by the provisions of the law that constitute them in Quebec, the *Loi sur les compagnies Partie III*.

To sum up, an NPO has the following characteristics:

- / It has an existence distinct from that of its members (a legal entity)
- / It owns property in its own name (assets)
- / It has rights and assumes obligations and responsibilities
- / It signs contracts through its administrators or official representatives
- / It can sue or be sued in the same way as a natural person.

Not all NPOs are social economy enterprises. Some of them do not meet the criteria provided for by the Loi de l'économie sociale. This is the case for NPOs that do not have business activities, NPOs with a majority of directors who are representatives of the government, or even NPOs that operate as cost centres for private companies. There is no minimum income threshold from the sale of goods or services to identify an NPO in the social economy movement, but the organization must aspire to economic viability in its business model (which may include the presence of recurring subsidies or service agreements with a public administration). However, some government programs that finance social economy projects may require independent income thresholds as eligibility criteria for their funding (loans or subsidies). The presence of an entrepreneurial dynamic, the continuous offer of charged goods or services and the desire to aspire to economic viability are elements that must be reflected within NPOs in social economy or community organizations.

* The term generally used is «non-profit organization» (NPO). However, sometimes “not-for-profit organizations” is used, especially in the housing sector. The two terms are synonymous.

COOPERATIVES

Cooperatives bring together people who have common economic, social or cultural needs. There are five models. The choice depends on the goal pursued and the type of use (the relationship) between the cooperative and its members. A cooperative can be formed by at least three members, except in the case of a solidarity cooperative which must initially be composed of at least 5. Cooperatives are governed by the provisions found in the [*Loi sur les coopératives*](#).

1 USER OR CONSUMER COOPERATIVES

PURPOSE

To provide goods and services to its members and maximize the benefits they receive. Discounts or rebates are generally granted to members based on transactions between them and the cooperative.

MEMBERS

At least five members are required to create the cooperative. They use the cooperative's goods and services for their personal use.

EXEMPLES

- / School cooperatives;
- / Food cooperatives;
- / Financial cooperatives;
- / Funeral cooperatives;
- / Housing cooperatives.

2 WORKER COOPERATIVES

PURPOSE

To offer work to their members and enable them to be involved in the company's management and development.

MEMBERSHIP

At least three members are required to constitute this form. The members are workers of the company. Regulations may include conditions (for example, a minimum period of employment with the co-op) necessary for a new worker to become a member and participate in decisions made.

EXAMPLES

- / Craft breweries;
- / Café-bistros;
- / Professional and technical services (engineering, architecture, urban planning, textiles, communications, etc.);
- / Retail businesses;
- / Ambulance services.

NOTE

You can also find the term “worker members” in some solidarity cooperatives.

3 PRODUCER COOPERATIVES

PURPOSE

To come together to share services and equipment.

MEMBERS

Five members are required to form a producer cooperative. Members can be individuals, self-employed workers or businesses that obtain goods or services from the cooperative, helping them to practice their profession and operate their business. Members of a producer cooperative carry out their business activities independently; the resources used are shared.

EXAMPLES

- / CUMAs (cooperatives for the use of agricultural machinery);
- / Agri-food cooperatives;
- / Certain forestry cooperatives.

4 SOLIDARITY COOPERATIVES

PURPOSE

To bring together people who have a common interest but varied needs.

EXAMPLES

- / Home care service companies;
- / Businesses offering local services;
- / Seniors' residences.

MEMBERS

Five members are required to form a solidarity cooperative. These members must be distributed among at least two categories from among the following: users, workers and support (a person or company that has an interest in the cooperative's activities). When there are rebates, they are paid to users according to the operations carried out with the cooperative, and to workers according to the volume of work accomplished. Support members are not entitled to rebates. A cooperative may also decide to prohibit the distribution of dividends to its members. By prohibiting the distribution of surpluses, these cooperatives are often called "non-profit," since they do not provide a means for members to acquire wealth.

5 WORKER SHAREHOLDER COOPERATIVES

PURPOSE

To create or maintain jobs and transfer part or all of the ownership of a company to its workers.

NOTE

- / This form of cooperative is one strategy for facilitating the transfer of a business to employees, particularly in the specific case of company takeovers.

MEMBERSHIP

At least three members are required to form a worker shareholder cooperative. The members are employees of a joint stock company who come together to acquire a certain number of shares of the company and participate in managing it as shareholders. Workers can access the [*Régime d'investissement coopératif \(RIC\)*](#), which grants a tax benefit to investors who acquire securities issued by cooperatives.

The worker shareholder cooperative does not hold all the company's shares, but has privileges offered to shareholders (voting rights, dividends, etc.).

MUTUALS

A mutual – or mutual insurance company – refers to an insurance company that does not have shareholders and whose management reports to a board of directors, elected in most cases by the policyholders. These companies perform mutual aid work under conditions provided by their statutes. In so doing, they contribute to the cultural, moral, intellectual and physical development of their members and of society in general, as well as helping to improve living conditions.

In Quebec, there are insurance, risk-management and education mutuals. This legal form is quite rare and falls within very specific business sectors with specific legislation. We sometimes refer to mutual companies to designate activities pooled between several companies, but they are generally companies incorporated in the form of NPOs.

SOCIAL UTILITY TRUSTS

A social utility trust involves the allocation of assets to be used for a social use or purpose rather than for the benefit of a person or legal entity. This legal vehicle is of particular interest when it comes to preserving heritage assets, natural environments, agricultural land and excluding speculation on land with a social use or purpose.³

A trust is made up of three components: the grantor, the trustee and the beneficiary. The grantor is generally the owner of the property wishing to guarantee a specific use for it before disposing of it, while specifying the terms of the trust in a constituting document. The trustee is the one retained to administer the trust for the benefit of the identified beneficiary. In the case of social utility trusts, the beneficiary is generally very large, either society as a whole or a very large group of the population.

The social utility trust makes it possible, for example, to remove a property from the market and guarantee its use over time by assigning it a role that cannot be changed without resorting to the courts. The trust is not a social economy enterprise, but it constitutes a means of making a property available for the benefit of a community or group, the management of which can be entrusted to a social economy enterprise. It is a way of supporting the creation and development of social economy enterprises.

3 [Synthèse de connaissances — Les fiducies d'utilité sociale](#), Territoires innovants en économie sociale et solidaire (TIESS), December 2019, page 6.

<p>SOME GOVERNMENT PROGRAMS ARE AVAILABLE ONLY TO CO-OPS, EXCLUDING OTHER LEGAL FORMS.</p>	<p>NPO</p>	<p>COOPERATIVES</p>
<p>Constituent law</p>	<p>Loi sur les compagnies, partie III, for most of the social economy in Québec.</p> <p>But other constitutive laws also exist, in particular the Canada Not-for-Profit Corporations Act</p>	<p>Loi sur les coopératives du Québec</p> <p>Certain cooperatives can be incorporated under the Canada Cooperatives Act</p>
<p>Minimum number of founders required</p>	<p>A minimum of 3 founders are required</p>	<p>A minimum of 5 founders are required, with the exception of worker co-ops (3)</p>
<p>Documents required to constitute the company</p>	<p>See the complete NPO incorporation guide RE-303-G available on the Registraire des entreprises du Québec website.</p> <p>Application for not-for-profit incorporation (RE-303)</p> <p>Include these documents:</p> <ul style="list-style-type: none"> / A sworn statement / A copy of the result of your name registry search or A copy of the name reservation confirmation / The required payment <p>See the full guide to incorporating an NPO</p>	<p>Form 1 Articles of incorporation of a cooperative</p> <p>Form 2 Application and notice to accompany the articles of incorporation of a cooperative</p> <p>Form 3 Description of the cooperative project</p> <p>Form 4 Certificate from a member of a founding company of a cooperative (if necessary)</p> <p>Form 5 Resolution authorizing a legal entity to be the founder of a cooperative (if necessary))</p> <p>The required payment</p> <p>Instructions Articles of incorporation of a cooperative</p> <p>View the list of forms</p>
<p>Goals pursued and key features of the model</p>	<p>A non-profit organization, or incorporated association, is a legal entity whose activities are carried out for a social, educational, religious, philanthropic, athletic or other purpose, and are not intended to provide its members with a profit or any economic advantage.</p>	<p>A cooperative is a legal entity comprised of people or companies who have common economic, social or cultural needs and who, in order to meet them, join together to operate a business in accordance with the rules of cooperative action.</p>

Initial funding	<ul style="list-style-type: none"> / Subsidies/donations / Community bonds / Business loans 	<ul style="list-style-type: none"> / Subsidies/donations / Member and preferred shares / Business loans
Accountability/ transparency to members	<p>The Board must report to the members at the annual members' meeting, including a report of activities, financial statements, and an auditor's report (if required).</p>	<p>The Board must report to the members at the annual member's meeting, including a report of activities, financial statements, and an auditor's report (if required).</p>
Accountability/ transparency to members	<p>Members' liability is limited to the obligation to pay a membership fee fixed by regulation. Members are not personally liable for the corporations' debts.</p> <p>Art. 222 and 226 of the <i>Loi sur les cics</i> Partie III.</p>	<p>Members' liability is limited to the amount of their contribution to share capital. Members are not personally liable for the cooperative's debts.</p> <p>Art. 309 and 315 of the C.c.Q.</p>
Members' powers in the general assembly	<ul style="list-style-type: none"> / Receive the auditor's report and the annual report / Electing directors / Appoint and determine the auditor's mandate / Approve changes to general regulations made during the year by the Board. / Other roles and powers under general regulations. 	<ul style="list-style-type: none"> / Receive the auditor's report and the annual report / Deciding on the allocation of surpluses / Electing directors / Appoint and determine the auditor's mandate / Adopt any regulations or any changes to regulations (including the internal management regulations) / Make all other decisions reserved for the meeting
Distribution of surpluses	<p>Prohibited from redistributing surpluses to members or to anyone else.</p> <p>Possibility of reinvesting them in the mission – improving the quality of the services offered or diversification, improving working conditions or creating a reserve fund for future projects.</p>	<p>The amount of overpayments or surpluses from the previous year, after deduction of the interest allocated on the preferred shares, may be allocated according to the decisions of the General Assembly:</p> <ol style="list-style-type: none"> 1. On reserve (maintaining funds in the cooperative) 2. To the allocation of dividends to persons or companies that were members (or auxiliary members, if applicable) of the cooperative during the financial year; The dividend is calculated in proportion to the transactions each of them carried out with the cooperative.

* The auditor is the term used in the Quebec Cooperatives Act and Companies Act to refer to the person who produces the annual financial report. If it is a certification assignment (audit, review, or compilation), the auditor must be a Chartered Professional Accountant (CPA).

<p>Distribution of the remainder (balance of assets after repayment to creditors)</p>	<p>As indicated in the <i>Loi sur l'économie sociale</i>, the NPO's letters patent must indicate that in the event of dissolution, the remainder of the assets must be transferred to another legal entity sharing similar objectives.</p> <p>In the case of community action organizations, the recognition policy provides for the same requirement.</p>	<p>After payment to creditors and shareholders, the remainder is transferred by the assembly of members to a cooperative, a federation, a confederation or the Conseil québécois de la coopération et de la mutualité.</p>
<p>Other specifics</p>	<p>May allow you to apply for a charity number for tax purposes.</p> <p>May allow you to request an exemption from property taxes (under certain conditions).</p> <p>Can obtain a refund of 50% of taxes paid (GST + QST), under certain conditions, including that of receiving 40% in public funding revenue for 2 consecutive years.</p>	<p>A cooperative may refrain from allocating dividends and paying interest on the preferred shares, and may possibly be treated as an NPO for tax purposes.</p>
<p>Eligibility for certain programs</p>	<p>Some government programs are available only to NPOs, excluding other legal forms.</p>	<p>Some government programs are available only to co-ops, excluding other legal forms.</p>



SOCIAL ECONOMY

AND SOCIAL

ENTREPRENEURSHIP

In recent years we have noticed increased enthusiasm for social entrepreneurship, especially among young people, but also in management schools and in the entrepreneurial language being used. More and more people want to make a difference and conduct business that fits in with their personal values. A great number of companies are pursuing ecological and social objectives, targeting specific customer bases and promoting their desire to offer alternatives, and “do things differently.” However, even if the movement is gaining momentum in Quebec and elsewhere in the world, social enterprise has neither official recognition nor a defined operating framework in the province. Although generally recognized as a commercial enterprise with a social purpose, no rules restrict the use of the term “social

enterprise,” nor is there a clear definition adopted by all economic players. In addition, the term “social enterprise” often refers to a business operated by a “social entrepreneur,” or as a form of business that belongs to the field of “social entrepreneurship.” Some organizations have tried to institutionalize the notion of social enterprise, as in the case of the B Corp certification, which promotes the creation of a community of companies with common values and makes it possible to evaluate the company’s practices in view of developing a fairer, more inclusive and more sustainable economy.

TRADITIONAL BUSINESS VS SOCIAL BUSINESS

	TRADITIONAL	SOCIAL ENTREPRENEURSHIP
SOCIAL MISSION	Peripheral	Central
CREATION OF VALUE	Central Maximization of profits	Parallel to the achievement of the mission; aims for financial autonomy
INNOVATION STRATEGY	Innovates for economic development	Innovates to meet social needs
OPPORTUNITY	Exploits the business opportunity in a market	Exploits the opportunity for social progress
PURPOSE OF BUSINESS	<ul style="list-style-type: none"> / Risk taking / Innovation / Commitment to projects / Achievement by financial gain 	All the same as traditional businesses, plus: <ul style="list-style-type: none"> / Willingness to bring about social progress / Awareness of social problems

Since there is no clear definition, the term encompasses companies with a variety of values and practices, and that adopt an individual or collective legal structure.

When a social enterprise is not incorporated in a collective form (NPO or cooperative), it may use the profits generated as it sees fit. These companies are not required to operate democratically (1 member = 1 vote), and governance rules are generally based on the portion of capital held (number of shares or investment made) by each shareholder. According to the criteria of the *Loi sur l'économie sociale* adopted in 2013, this form of business does not belong to the social economy, despite the fact that it pursues a social purpose through its economic activities.

A social entrepreneur can alone decide to create a company with a social mission; it will not necessarily rely on the collective management of a need. If the owner sells their business, the social mission could be abandoned, since it was not supported by a community and did not rely on the participation of a group or a formal structure. The company's social purpose is directly linked to its founder's vision and its sustainability depends upon the desire to maintain the vision over time. Likewise, without democratic functioning, i.e., without a group of people with diverse points of view participating in decision-making, there is less chance that such decisions will truly reflect the collective needs identified.

A growing number of entrepreneurs are turning to this model, not only because they want to work in line with personal values, but because they often believe that such a model is more flexible and quicker to set up than a collective enterprise. The company is then driven by individual rather than collective will, and its sustainability could be affected by the lack of membership and the absence of community participation in its governance. This model is closer to a philanthropic vision of social solidarity, supported by the altruism of its promoters rather than by values of mutual aid and equality. A social economy enterprise is one which adopts a collective form in order to make sure that its social mission will remain a lasting priority. Its democratic form promises collective management of a problem or need that concerns certain groups of individuals.






VMI

VARIED

MISSIONS



Creating a social economy enterprise means choosing collective entrepreneurship to meet a social mission. There are a wide variety of missions corresponding to the needs of different groups of people or communities. The company's social purpose can be achieved through different economic activities in a variety of business sectors, and is not confined to markets neglected by private companies or public bodies. Sometimes working in markets likely to interest private entrepreneurs, they can emerge as a reflection of local realities, and prevent the state from providing no more than a uniform model of products or services. Likewise, they can take shape to offer complementary services to those provided by the state.

1 CREATING JOBS

The majority of social economy enterprises aim to create and maintain jobs, but certain businesses are specifically dedicated to integrating people into the workforce. The inclusion of people outside the labour market can be done within companies that offer integration and adaptation.

Integration companies enable marginalized people to acquire work experience while receiving sustained supervision and appropriate training for a given period. As a result of this experience, they are then prepared to take on another job or return to school. Organizations devoted to socioprofessional integration operate in various sectors (restaurants and catering, cabinetmaking, metallurgy, sewing, etc.) and provide support to various categories of people (school dropouts, immigrant women, people recovering from drug addiction, etc.). For some of these people, the integration process constitutes the first positive experience in which they finally feel valued.

Adaptive companies modify their equipment and working methods in order to hire people with physical or intellectual limitations. They provide certain people with a springboard towards employment and a working environment adapted to workers who would not otherwise be able to integrate into the "regular" job market.

Social economy also makes it possible to create working environments in which employees have more autonomy, actively contribute to the pursuit of a social mission and take part in company decisions, either by participating in working committees or even sitting on the board of directors.

2 FACILITATING THE FINANCIAL ACCESSIBILITY OF A PRODUCT OR SERVICE

This mission does not necessarily mean that the company's products or services are intended only for low-income people, but that the company puts forward solutions to ensure greater financial accessibility to its products and services without reducing quality. It is common for a social economy enterprise to adjust its prices according to various criteria, including a user's income. The non-profit nature of collective enterprises often means that prices can be reduced according to the user's ability to pay, or the real cost of the service. For example, *entreprises de services d'aide à domicile* (EÉ SAD, or home-care service companies) offer priority services to the elderly so they can live in their homes as long as possible, despite their loss of autonomy. Another example of price adjustment are family-oriented camps that democratize access to vacations by helping families, regardless of their financial situation. These camps' economic models provide for pricing to be adjusted for less well-off families. The majority of social economy enterprises count on a diverse customer base and offer goods and services to everyone, regardless of income.

3 STIMULATING AND PRESERVING REGIONAL VITALITY AND LOCAL CULTURE

The urban exodus, an aging population, the concentration of economic activities in large centres, the lack of economic diversification in certain regions and changes in lifestyles are factors that contribute to the devitalization of some communities across Quebec. Social economy provides solutions to protect their vitality and stimulate regions. For example, several social economy enterprises have been created to maintain local services in more remote or less populous communities, in particular food, healthcare and multiservice cooperatives. The social economy also helps citizens come together to form a cooperative or an NPO whose objective will be to make a product or service accessible in markets deemed less profitable by "traditional"

entrepreneurs. It also makes it possible to develop and manage spaces in which citizens can meet and discuss, contributing to a sense of belonging and strengthening the social fabric. There are several hundred venues, performance groups, artists' workshops and cultural venues that encourage people to come together and get to know each other, and let regions preserve and strengthen their local culture.

4 PROTECTING THE ENVIRONMENT AND HERITAGE

Recovery, reuse, repurposing, local production, creation of local distribution networks and conservation of protected areas and heritage buildings: a number of strategies have been implemented within social economy enterprises to help protect the environment through responsible entrepreneurial practices. The choice of economic activities is basic as well. Waste materials management and sorting centres, thrift stores, local services, resource pooling projects, initiatives driven by the desire to contribute to a social and ecological transition are numerous in social economy. By serving local customers as a priority, these enterprises are part of the movement aimed at promoting local purchasing and protecting land resources dear to communities.

5 CONTRIBUTING TO THE CREATION OF QUALITY LIVING ENVIRONMENTS

Some social economy enterprises rely on local support to meet the community's needs and ensure a decent quality of life for all its members, including the most vulnerable. By developing adequate, accessible and equitable services, these enterprises offer access to many services that vary in location and price. By placing users' well-being and the quality of services at the heart of decisions, social economy provides additional protection those who need it most. As a company's main objective is not the quest for profits, it means that decisions are made in the interest of those benefiting from the services and in compliance with the organization's mission. Some companies even provide a seat on the board of directors for users or their representatives.

In addition to initiatives in housing and human services, some companies are working to reinvent and develop quality living environments, in particular through citizen mobilization. Regional planning is an important means of promoting social diversity, guaranteeing physical accessibility to groups struggling with limitations, participating in the creation of local distribution networks and creating conditions favourable to sustainable mobility. Many challenges face populations when it comes to initiating real social and ecological transition. Social economy enterprises that respond to these challenges, and adopt missions designed to help improve living environments, are growing quickly.



VII.

A BRIEF

OVERVIEW OF

SOCIAL ECONOMY

IN QUEBEC

L'Institut de la statistique du Québec (ISQ) published a first overview of social economy in 2019. Produced in collaboration with the main players and stakeholders in the field, it points to the strength of social economy businesses and their contribution in Quebec.

Among the data presented in this portrait, here are a few highlights:

Quebec has approximately

11,200 SOCIAL ECONOMY ENTERPRISES

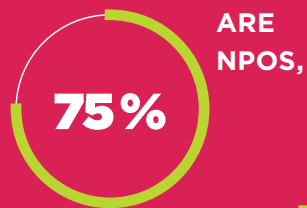
that, together, generate

SALES OF **\$47,8 billion**

and have nearly

220,000 EMPLOYEES.

Of this number,



and just over



Collectively, social economy enterprises have

13.4 MILLION MEMBERS

including **2.4** MILLION IN NON-FINANCIAL COOPERATIVES,

4.5 MILLION IN NPOS,

1 MILLION IN MUTUALS

and **5.5** MILLION IN FINANCIAL COOPERATIVES.

Social economy enterprises are present in a variety of industries. Even if social economy can be considered as an employment sector, it is not a business sector, but a different form of entrepreneurship which is found in the majority of the fields listed below.

Table 1.3 Distribution of social economy enterprises by sector and by area of social purpose, Quebec, 2016

	N	%
ECONOMIC ACTIVITY SECTOR		
Education, daycare and social assistance	2,512	22.5
Housing and rental	1,553	13.9
Arts, culture and media	1,124	10.1
Leisure and tourism	1,116	10
Retail, local services and telecommunications	584	5.2
Telecommunications only	57	0.5
Professional services	569	5.1
Human services	514	4.6
Finance and insurance	389	3.5
Agri-food and forestry	320	2.9
Waste material transport and management	164	1.5
Manufacturing	65	0.6
Civic and social organizations	2,179	19.5
Other economic sectors	69	0.6
AREA OF SOCIAL PURPOSE		
Education, training and childcare services	1,794	16.1
Housing	1,651	14.8
Health and living conditions	1,521	13.6
Recreation and tourism	1,338	12
Arts, culture and media	1,141	10.2
Economic dev., business support, pooling	770	6.9
Non-financial support	637	5.7
Local and food services	608	5.4
Finance	400	3.6
Environment and sustainable dev.	363	3.2
Employability and reintegration	361	3.2
Work	262	2.3
Other social purposes	311	2.8
ALL COMPANIES	11,157	100

In addition to producing and selling products and services, social economy enterprises also pursue a social purpose. Market activities are not an end in themselves but a means of meeting the needs of their organization's or community's members.

Table 2.1 Distribution of social economy enterprises according to social purpose and type of enterprise, Quebec, 2016

SOCIAL PURPOSE	NPO		NON-FINANCIAL COOPERATIVES		FINANCIAL AND MUTUAL COOPERATIVES		ALL COMPANIES	
	N	%	N	%	N	%	N	%
Education, training and childcare	1,726	20.5	68	2.8	-	-	794	16.1
Housing	488	5.8	1,162	48.2	-	-	1,651	14.8
Health and living conditions	1,354	16.1	168	7	-	-	521	13.6
Leisure and tourism	1,286	15.3	52	2.2	-	-	1,338	12
Arts, culture and media	1,080	12.9	62	2.6	-	-	1,141	10.2
Economic dev., business support, pooling	461	5.5	308	12.8	1	0.3	770	6.9
Non-financial support	627	7.5	10 *	0.4 *	-	-	637	5.7
Local and food services	318	3, 8	288	12	1	0.3	608	5.4
Finance	50**	0.6**	7	0.3	342	99	400	3.6
Environment and sustainable dev.	321	3.8	42	1.7	-	-	363	3.2
Employability and reintegration	347	4.1	14	0.6	-	-	361	3.2
Work	43*	*0.5*	217	9	1	0.4	262	2.3
Other social purposes	300	0 3.6	11**	0.5**	-	-	311	2.8
TOTAL	8,402	100.0	2,409	100.0	346	100.0	11,157	100.0

* Coefficient of variation between 15% and 25%; interpret with caution.

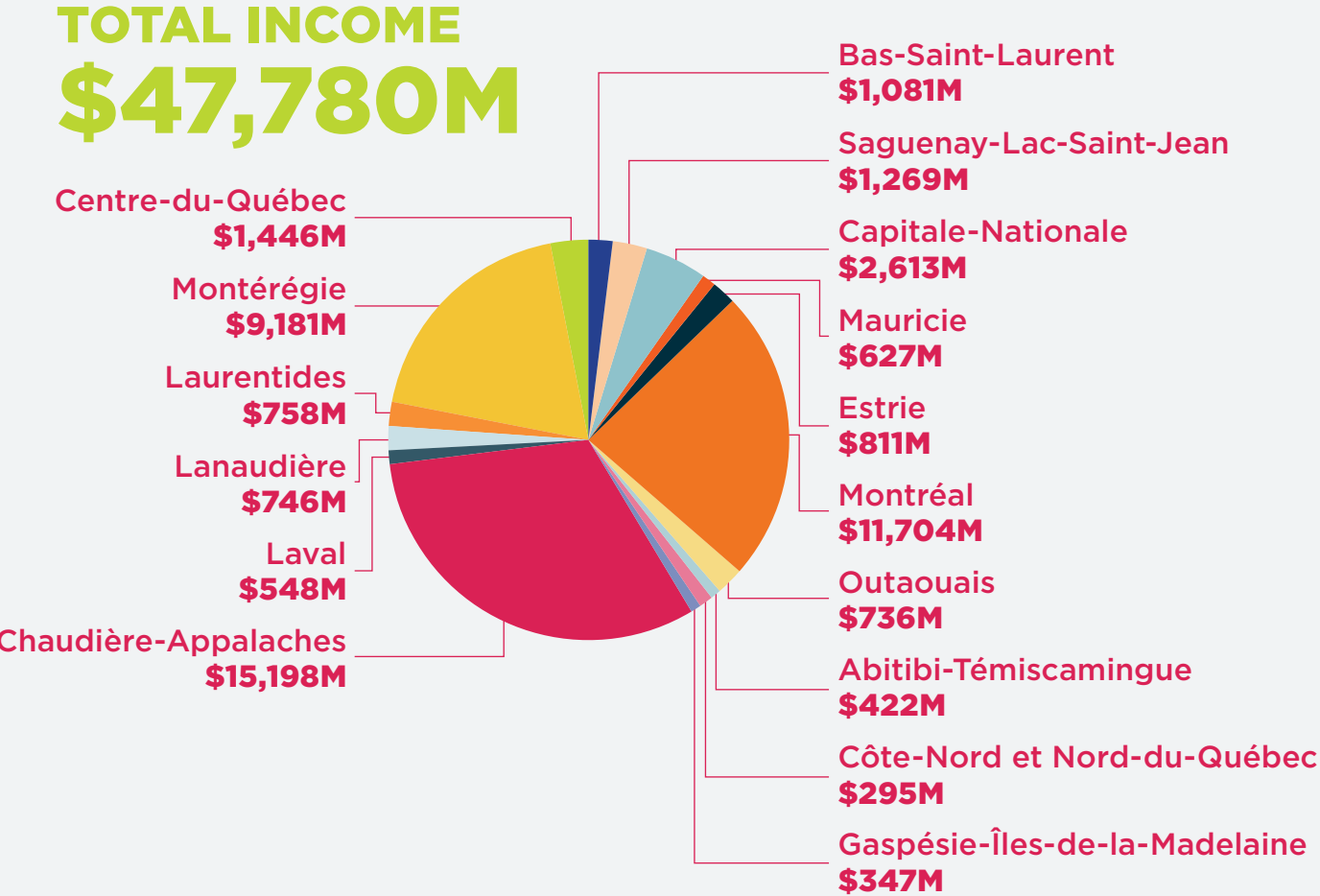
** Coefficient of variation greater than 25%; imprecise estimate, provided for information purposes only.

Social economy enterprises have a long lifespan: 39% of them have been in existence for more than 30 years and 35% have existed for between 16 and 30 years. The sector is rapidly developing, since 11% of companies are between 10 to 15 years old and 15% less than 10 years old.

An essential characteristic of its identity, social economy has around 90,000 volunteer administrators participating in democratic governance. There are as many **women (50.5%)** directors as **men (49.5%)**, which sets them apart from large companies in Quebec, whose percentage of female directors is around 20%. In addition, nearly one in five directors (18%) is under the age of 35.

Social economy enterprises play an essential role in the economic and social vitality of all regions of Quebec, particularly in far-flung regions, such as the Gaspé and the Magdalen Islands, the Lower St. Lawrence and Saguenay-Lac-Saint-Jean, where the number of collective enterprises per inhabitant is proportionally higher than elsewhere.

Figure 5.2 Distribution of income⁴ of social economy enterprises by administrative region, Quebec, 2016



4 This includes the income of social economy enterprise subsidiaries.



VIII.

CHALLENGES AND

OPPORTUNITIES

Social economy has evolved over time, following the trend of major movements and the evolution of the societal, economic and demographic realities in the various regions. Communities' concerns inspire and colour social economy projects because they are part of the response to the needs of their members and community. Current issues influence social economy's development prospects, both for the emergence of new businesses and the creation of new products and services.

PURCHASING LOCAL AND RESPONSIBLE SOURCING

With a view to economic recovery and regional vitality, the government of Quebec is promoting local purchasing, which is currently generating great enthusiasm and could help a large number of collective enterprises, 75% of which serve a local or regional market. Nevertheless, institutional purchasing remains essentially focused on the criterion of the lowest price and is organized

around a desire to consolidate orders. However, promoting the optimal use of public money in the acquisition of goods, as well as general and professional services, also means prioritizing local purchases. Through their procurement policies, governments can play a major role in supporting local businesses and, more specifically, social economy enterprises, by:

- 1 INCREASING THE SOCIAL AND ECONOMIC BENEFITS OF PUBLIC SPENDING.**
- 2 INVESTING IN REGIONAL VITALITY AND STRENGTHENING COMMUNITIES.**
- 3 SUPPORTING LOCAL JOB CREATION.**
- 4 ENCOURAGING THE DEVELOPMENT OF EXPERTISE AND THE REDUCTION OF TRANSPORT COSTS AND THE ECOLOGICAL FOOTPRINT.**

The socio-economic contribution of collective enterprises to regional momentum is well established. By committing to sourcing more from social economy enterprises, governments are contributing to regional economic vitality, development and, above all, to maintaining quality living environments.

SOCIAL AND ECOLOGICAL TRANSITION

This transition involves moving towards a more sustainable economic model, improving our ways of consuming, producing, working and living together, with an eye to respecting the ecological limits of our planet. It is comprised of several interdependent components, such as agri-food and industrial transition (the manufacture of more durable, recyclable and easily repairable goods), the preservation of biodiversity and the energy transition.

In Quebec as elsewhere, this process is often a struggle, and for several reasons. There is persistent resistance to the idea of no longer investing in non-ecological sectors like shale gas, chemical fertilizers, oil, road infrastructure, etc., for the benefit of investments in more ecological alternatives. Also, consumers sometime have trouble making choices in line with their values due to a lack of means or availability. The insufficient number of sorting centres and waste material recovery projects across Quebec, which exacerbates wastage and the accumulation of waste, aptly illustrates this gap between the intention and the means to achieve it.

A QUALITY LIVING ENVIRONMENT FOR ALL

Social economy enterprises organize their services to meet needs, rather than following a logic of organizational efficiency and profitability. This fact makes it possible to:

- / Help protect the most vulnerable (toddlers, seniors, people with mental health problems, etc.) and offer a decent quality of life for all.
- / Foster regional economic and social vitality by keeping aging populations in their communities.
- / Ensure access to services, both financially and geographically.
- / Improve working conditions and the retention of essential workers who work with vulnerable people.
- / Avoid uprooting people based on their changing states of health.
- / Allow users or their representatives to be involved in decision-making, which helps ensure the adequacy of services for real needs and the greater accountability of managers.
- / Ensure a more equitable and transparent redistribution of government investments.

When essential services provided to the most vulnerable people in our society are subject to the laws of the market, the risks of certain populations being excluded is high — either for economic or geographic reasons — and the quality of services depends on the profit likely to be generated. Thanks to the collective governance of essential services complementary to those provided by the government, society is better able to offer equitable access to services and prioritize the well-being of beneficiaries.

FOOD SOVEREIGNTY

The quest for food self-sufficiency requires establishing systems that promote the networking of players working at different positions in the production-distribution-transformation supply chain. The latter are not always grouped together in networks, or are otherwise organized. Although some regions have existing forums or discussion tables to speak on creating links between steps in the supply chain, these do not exist everywhere in Quebec, nor do they necessarily aim to promote local distribution networks and, more generally, food sovereignty.

A concerted, coherent and comprehensive regional food system would:

- 1 INCREASE MARKET ACCESS FOR LOCAL PRODUCTS.**
- 2 REDUCE THE FOOD SYSTEM'S ECOLOGICAL FOOTPRINT AND CONTRIBUTE TO A GREENER QUEBEC.**
- 3 REDUCE FOOD INSECURITY.**
- 4 IMPROVE THE NUTRITIONAL QUALITY OF FOOD.**
- 5 REDUCE OUR DEPENDENCE ON IMPORTED PRODUCTS AND IMPROVE OUR TRADE BALANCE.**

The social economy, alongside community action, aims to make essential products and services, including food, viable and accessible for the community. Its business models lead to better distribution of the food supply, and cover current food “deserts” which are not a lucrative market for private companies. These models encourage a variety of stakeholders (producers and consumers) to collaborate in a logic of enhancement and regional vitality rather than solely on the basis of maximizing profits.

COLLECTIVE REAL ESTATE

Quebec has many public, religious and agricultural buildings and lands that are looking for new purposes and uses. These real estate assets require better support from communities wishing to retain collective use for the benefit of their region's vitality. In this regard, it is important to rely upon (and draw inspiration from) initiatives and actions that are already being deployed and which should be supported to increase their reach.

Collective real estate is a business sector that continues to grow, meeting many needs (housing, community buildings, spaces to create and promote culture, shared offices, places to appreciate local heritage, etc.), while acting in a structuring manner on social issues, such as reducing inequality, maintaining affordability and mitigating effects related to property speculation.

Collective real estate provides communities with a tool for development; they are better able to take responsibility for the needs of their members. By exercising more control over their territory, communities can act to maintain social diversity, develop and maintain local services and ensure vitality and momentum.

ENTREPRENEURIAL SUCCESSION

Entrepreneurial succession is a major challenge in Quebec; the challenge is to maintain ownership of businesses, infrastructure and jobs in a given area. Closing or relocating businesses can have serious consequences for regional development, both for workers and communities. Collective recovery may constitute an appropriate solution. Groups of workers or communities can join forces to buy a business that is for sale and become its collective owners⁵.

It is expected that 38,000 companies will change hands over the next 10 years. Although there are still few cases of collective succession (between 100 and 250 according to the estimates), the succession of a company by its workers or the community ensures that the latter will play a central role in new management orientations. Everything indicates that this model will respond to the priority of offering respectful development prospects that meet the needs of workers and communities. Already, the examples of collective succession that exist in Quebec illustrate how this model contributes to maintaining jobs (ex: Coopérative Forestière la Nord-Côtière), or orienting the company's activities according to local needs (ex: Cinéma Beaubien). Collective business succession ensures that businesses will no longer be at risk of relocation, strengthening the resilience of Quebec's economic fabric.

5 [Plan d'action gouvernemental en économie sociale 2015-2020](#), page 33.




IX.

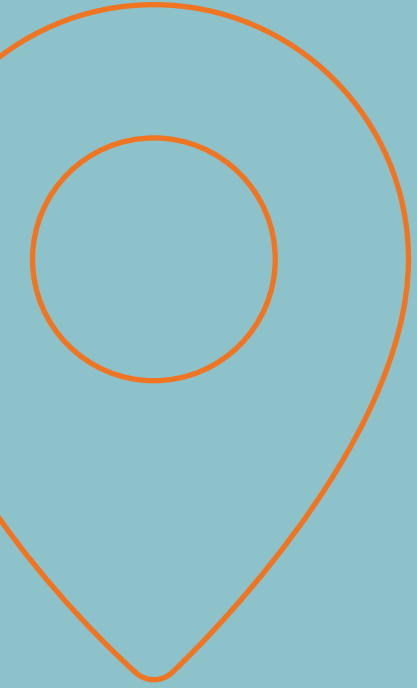
SOCIAL

ECONOMY:

A PLAYER IN LOCAL AND REGIONAL DEVELOPMENT



The social economy business model is based on the ability to mobilize local resources to meet a need identified by a group of individuals or a community. The collective foundation behind the entrepreneurial project generally stems from strong local roots, shared aspirations, and a real and active relationship with the community. These enterprises act as a means for social and economic development in their region. Social economy is as much part of revitalization as it is the appropriation and control of resources by communities. The *Institut de la statistique du Québec*'s overview revealed social economy's strong presence in remote regions, but also the important role of such enterprises in local and regional economic development through concentrating activities and jobs in the communities they serve.



Because social economy develops around identified needs, and since the entrepreneurial project is the result of collective support, it is particularly well positioned to serve communities concerned with development and regional vitality, in particular in rural areas, but also in devitalized urban zones. Because their business model is focused on the social benefits they generate, social economy enterprises emerge in regions neglected by certain bodies (private or public) that do not foresee sufficient profitability, or fear operating costs that are too high, in particular due to the small size of the market or geographic distance. By seeking the company's economic viability rather than a return on capital, social economy enterprises can take ownership of providing local services, so important for maintaining vibrant environments. By slowing down the devitalization of rural areas, social economy counters the rural exodus, while attracting young people who wish to get involved in their living environment. In addition, social economy is part of a dynamic of sustainable development, better management of available resources, a more equitable distribution of wealth and better control by communities over their futures.

As stakeholders in community development, social economy enterprises are often important partners in helping municipalities meet the needs of their citizens. Social and community housing, waste management, public participation, cultural activities, fighting poverty and homelessness, providing local services and recreation: the social economy is an important ally in improving the quality of life. Municipalities also play an important role in supporting the emergence of these alternative and innovative responses. They can boost the start-up of social economy projects and enterprises through support and funding. Municipal players can get involved in issues of regional development for communities wishing to take responsibility for themselves. The social economy support ecosystem is based on the work of national and regional partners, but also on the front-line work carried out by local stakeholders, particularly within cities, RCMs (regional county municipalities) and towns in Quebec.



THE SOCIAL

ECONOMY:

A GROWING MOVEMENT

AROUND THE WORLD

Social economy is present all over the world. Regardless of its form, its purpose is to transform a status quo, top-down economy by ensuring that activities benefit and develop the populations of various communities. By responding to certain groups' specific needs or particular regional realities, initiatives are adapted to different contexts and offer innovative and transformative solutions. Despite the particularities to which they respond, social economy enterprises develop models that can be transferred. Often they are a response to needs that cut across other communities and regions. Housing, food, quality of life, services and personal care: a multitude of innovative practices are created by mobilized citizens and can be adapted to other situations.



In addition to business models and innovation specific to social economy, local governments are organizing around the world to provide support for the emergence and development of this economy. Public policies are adopted to support this economic model. Resources are created and funding is dedicated and made available to communities which organize. Several large-scale events have been launched around the world to enable social economy stakeholders to meet, share their experiences and create networks. These regional, national and international networks make it possible to convince others of the relevance and scope of collective enterprises, and also to inspire practices, create more appropriate tools, help increase the recognition of the social economy and maintain the desire to transform economic models.

Global enthusiasm is growing for this development model, more local, inclusive and focussed on the well-being of people. It has proved its relevance in more difficult contexts. Because the heart of their business model is to respond to the needs of their members and communities, social economy enterprises can weather crises. They have greater resilience and adaptability in their practices. They can prioritize economic viability rather than just profitability. This movement will no doubt grow, in particular thanks to young people who see the limits of the current economic logic, and wish to live differently in a more equitable, sustainable and inclusive world.





XI.

TRUE OR

FALSE?

Even if I help set up a social economy enterprise, it doesn't belong to me.

TRUE

A social economy enterprise does not belong to any one person in the case of NPOs, or belongs to all of its members in the case of cooperatives. It is managed by a board of directors elected in accordance with the terms set out in the company's general regulations, and is based on the principle of one member = one vote. The people who helped establish the company do not own it and do not have rights over it. It has its own legal status and separate assets. Surpluses generated by the company's activities are reinvested in the company and are not paid to the directors. In the case of cooperatives, the

cooperants hold an equity share and sometimes preferred shares, which can give them a certain return. However, their control over the company is shared. The founders have no additional privileges over other members. Part of the profits can be paid out in the form of dividends to members according to rules agreed upon at the general assembly. When members leave the cooperative, they can take back their share of the stake, but will not receive any gains related to the company's increase in value.

Social entrepreneurship is a form of social economy.

Although the promoters of entrepreneurial projects in the social economy can be defined as social entrepreneurs, not all social entrepreneurs are part of the social economy. What distinguishes the social economy from other forms of business is its collective model. The business is owned collectively by a group of people or by the community, regardless of their financial contribution to the business. The management model is based on the principle of one member = 1 vote, and in no way does the invested capital dictate the decisions made by the company's directors. The collective nature of the company also guarantees the pursuit of its social mission, as well as its sustainability

over time; it is not influenced by the will of a single individual.

FALSE

Some social entrepreneurs have chosen to develop sole proprietorship or a joint stock company model in order to pursue the social mission in which they have decided to invest. However, this form of entrepreneurship does not contribute to the transformation of the dominant economic rationale in which decision-making power is directly linked to financial contribution. In addition, since the pursuit of the social mission depends solely on the will of the company's owners, the latter could be changed or abandoned following the founder's departure or the sale of the company. This cannot happen in the case of a social economy enterprise because of its collective structure.

Social economy enterprises depend on subsidies and the state to operate.

The vast majority of social economy enterprises do not depend on public subsidies to be profitable. In fact, according to a report from the Institut de la statistique du Québec (ISQ), more than 93% of collective enterprises are profitable based on the income they generate themselves. According to the statistical overview, subsidies and public aid represent only 5.6% of social economy enterprises' total income. While collective enterprises require a variety of income sources to fulfill their missions and develop, subsidies are generally used to ensure the financial accessibility of

services or, finance the drop in productivity associated with the socio-professional integration of certain employees. Social economy enterprises are not dependent on government subsidies to carry out their business activities, but they do enhance their impact with subsidies that help them achieve social or environmental objectives intrinsically linked to their existence. The subsidies do not encourage unfair competition, but generally finance the loss of productivity, enabling them to reach a certain threshold of competitiveness.

FALSE

Social economy enterprises only develop services designed to support people living in poverty.

FALSE

Social economy enterprises operate in a variety of business sectors that are not always directly linked to the fight against poverty. However, because they develop according to the needs of a group of individuals or community, their activities

tend to reduce inequalities and decrease poverty. By providing access to goods and services at lower cost, by creating jobs, by enabling the population to get involved in their community, social economy enterprises contribute to a better distribution of wealth.

The social economy supports the disengagement of the state.

FALSE

Social economy initiatives emerge when a need is identified, and there is little or no response to it from either the government or private sector. Social economy enterprises aim to complement state services. If the services offered fall under the responsibilities of the state, it is usually possible to conclude an agreement to support the company's activities with

a target population, or for the activities to be recognized by the public network. Several innovative models have emerged thanks to social economy enterprises and have made it possible to structure the government's offer in certain sectors, such as childcare centres, home care services and affordable housing.

CONCLUSION **CHANGING THE WORLD THROUGH ECONOMIC DEMOCRACY**

The social economy responds to collective needs, but it also speaks to our collective aspirations.

Citizens who choose to set up a social economy enterprise may be driven by the desire to meet a need, but they may also have broader aspirations for a fairer, more democratic society which will let them express themselves more freely. Social economy makes it possible to innovate and experiment with new ways of making development serve people.

Of course, not all groups of promoters, administrators, members, employees and users of social economy enterprises want to change the dynamics of economic development by working alongside these companies. Sometimes they focus more on a specific need, on a particular activity. But by getting involved in social economy, they are proving that a democratic and inclusive way of doing things exists, that it is profitable and generates positive spinoffs.

More and more citizens are understanding its relevance. More and more workers, managers, developers are making the conscious choice to transform the development model, which is all the more important when economic crises arise. These times of trouble raise awareness that the current model, built on speculation and the accumulation of capital by a small percentage of the population, reinforces inequalities and impoverishes us.

So let's learn to see collective solutions when we face common problems!

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