

The social economy in Quebec ¹

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INTRODUCTION

The social economy is drawing the increasing attention of policy makers as well as within international institutions, as neo-liberal strategies fail to address the widening gap between the North and the South and the deepening inequalities within these hemispheric regions. Despite growing recognition of the failure of neo-liberalism to address poverty, social exclusion, structural unemployment, economic recession, trade-induced inequalities, governments continue to apply patchwork policies and programs within this larger policy paradigm. This, of course, has to be nuanced to account for the diversity of policy regimes that actually characterize contemporary societies in which the degree of state intervention varies considerably. That said, the prevailing neo-liberal paradigm establishes policy parameters, at least discursively, given the reality of extensive state intervention necessary to maintain stability in this environment.

In many ways, the current interest in the social economy reflects a convergence of otherwise parallel paths over the last twenty five years. Social movements, community based activists, the labour movement have, throughout this period, been the architects of alternative economic strategies that are addressing issues of poverty, unemployment and economic revitalization. There is growing documentation on community based initiatives, new investment instruments including labour solidarity funds, community land trusts, collective enterprise, and so on. In many ways, the social economy cuts across these various initiatives as it encompasses normative or political, juridical or structural as well as theoretical or methodological dimensions. It is also subject to misinterpretation as countries adopt their own terms and definitions of the social economy. In the United States, for example, it is interpreted more narrowly, reducing the social economy almost exclusively to the third sector. Within Europe, there are multiple interpretations; the broadest perhaps being that of the third system adopted by the European Union. Within developing countries, reference is frequently made to the solidarity economy that often focuses primarily on non-market activity, closely associated with the informal sector. Within this large canvas there are many interpretations, definitions and practices. What is extremely important is that these differences have enriched what we now refer to broadly as the social economy permitting us to consider it conceptually, as a strategy, as an organizational form. In some cases, it is closely associated with territory, in others with larger institutional settings. Its variability both within and between countries is misleading. These experiences have more in common than their different nomenclature or practices reveal.

In Quebec, where the social economy has achieved a great deal of visibility in recent years, there are several reasons why this is interesting for researchers. Indeed, our central focus is on the capacity of

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actors within the social economy to successfully create alternative democratically based and sustainable economic development strategies. While the outcomes are clearly of paramount interest, especially as testimony to the success of this alternative paradigm, it is equally interesting and significant to document the struggles and negotiations waged by social economy actors within social movements, between old and new movements and, of course, with the state. This is a history of political alliances that are foundational to the social economy. The architects of the social economy have radicalized oppositional strategies significantly by contesting the dominant paradigm through practice, by challenging existing institutions through the creation of new ones that work, by creating networks of citizens engaged in the social economy that speak with one voice despite the many sectors they represent, and so on.

In this paper, I will mainly provide an analysis of the institutional context of the social economy in Quebec. I will also highlight certain questions that strike me as important, both in terms of their potential to further the political debate surrounding this issue, and in terms of further possible areas for research.

A Brief History of the Concept of the Social Economy

I have already raised the confusion surrounding the term “social economy” as it manifests in different contexts today. Historically, the term “social economy” has referred primarily to a theoretical approach, that dates back to the first half of the nineteenth century, perhaps even earlier. The historical roots of the social economy are most commonly associated with the utopian socialists – Owen, Fourier, Saint-Simon, Proudhon. (Engels and Marx, 1976 and 1976a). Their writings remained on the margins of socialist thought and, of course, represented no challenge to mainstream economics as it developed in the mid-nineteenth century, leaving the legacy of classical political economy behind.

In France, however, at the turn of the century, the social economy of Charles Gide and the Ecole de Nimes did generate a debate as it contested the neo-classical model with an alternative paradigm. In many ways, the ideas presented by Gide and his colleagues can be seen as a precursor to Keynesian economics in their emphasis on redistribution. The utopian roots of the social economy and its focus on the cooperative and community movements was expanded to a more normative “socialization” of the economy by Gide, implying the need for active state participation. Eventually, the concept would be used juridically and structurally to refer to collective enterprises and associations guided by ethical and social considerations, not merely by material gain. The social economy came once again to be associated with cooperatives, mutual benefit societies, and associations producing goods and/or services (Desroche, 1983). This more narrow juridical definition of the social economy was closer to its utopian roots but did not address societal or normative issues except implicitly through the promotion of collective enterprise as an alternative, viable and democratic organizational form. Despite its important historical roots, the social economy was largely ignored by economists. There is little space given to this legacy in the history of economic thought. (Schumpeter, 1956).

The social economy is also found among sociologists at the end of the nineteenth and the beginning of the twentieth century. Among them, Weber and Durkheim (Gislain et Steiner, 1995; Steiner, 1998; Swedberg, 1987). The most important historic reference is by Frédéric Le Play (1806-1882), who saw in the social economy the values of a conservative social catholicism that he wished to promote (Martin, 1983). There has been a longstanding relationship between the social economy and the social doctrine of the Church, as well as more broadly, with the political Right in certain countries. But it has also been important within socialist and social democratic countries as a counterpoise to state ownership (Michelsen, 1992; Bjoern, 1988), even if these initiatives were reduced to the juridical status of

organizations, subordinated to dominant capitalist or socialist patterns of ownership and production (Dumais, 1979; Gislain et Deblock, 1989).

The crises of socialism and the welfare state put the social economy back on the political drawing board as an approach that proposed the reconstruction of the relationship between the market, state and society as a political project not only with respect to individual enterprises or organizations (Vienney, 1994). It must not be forgotten that most, if not all the current references to the social economy, are to the late 1980's and the 1990's. The ground work was, in most cases, laid earlier, but the significance of the social economy as a strategy that needed to be taken seriously required the mounting failures of market led policies that failed to deliver in the North and in the South. This is not surprising; the political victory, if we might call it that, of the social economy, lies in the success of its initiatives while others continued to fail.

We cannot end this overview without brief reference to the concept of social capital and/or social cohesion, that became part of the policy lexicon at this time. The rediscovery of the "social" as an asset (Coleman, 1988); Putnam, 1993; Polanyi, 1944) by even the most conservative economists, acknowledged the critical necessity of social cohesion for a well-functioning market economy. Important writers went further to insist that the chaos in which the world found itself was largely due to the precedence of markets over people, of capital over communities, and so on. (Flynn, 1997; Stiglitz, 1998; Fukuyama, 1995). In many ways, the recognition of the social economy by the State is, in part, proof of its incapacity to create new forms of solidarity, as solidarities of the past dissolve in the reality of rising rates of employment and social exclusion (Hyden, 1998, Castel, 1995). Despite the potential good that has come out of the re-embedding of the economy into society (Polanyi, 1944), at least two dangers remain unresolved. The first is the instrumentalization of the social sphere by dominant and powerful economic actors and by the State (Kusnet and Taylor, 1998), often raised by critics of the social economy or those skeptical of its capacity to avoid this. The second, its political vulnerability as favourable political parties are voted out of power by those wed to the dominant paradigm, is the more difficult challenge. We are only too aware of this in Quebec today.

Why do we need to talk about the social economy?

Influential writers have repeatedly told us that the economy itself is intrinsically and inevitably social. We know that it cannot function without institutions, without people, without community support, without an accomodating State, etc (Bartoli, 1996; Bruyn, 1977 and 1987). This is particularly true of the market economy and its reliance on social networks and negotiation to deal with transactions costs, externalities, etc. This reality is ignored by most economists and enterprises, since by delegating all power to shareholders, the right to ownership is made to prevail over all other rights. What's more, even when its importance is acknowledged, the social sphere is often manipulated to generate economic profit. We sadly have the benefit of numerous scandals to bear witness to the social and economic costs this implies.

In contrast, the social economy values a democratic decision-making process making it impossible to be driven by bottom line objectives. This explains why social economy organizations and enterprises are more successful in mobilizing not only capital but also non-market and non-monetary resources (Laville, 19994; OCDE, 1996) indispensable to their success.

Over the last twenty years, numerous definitions of the social economy have been proposed particularly

by French, Belgian and Spanish authors². The *Chantier de l'économie sociale* in Quebec has retained the definition of the social economy that was proposed by the *Conseil Wallon de l'économie sociale* (CWÉS, 1990), inspired by the Belgian economist Jacques Defourny (1991). It is a two-part definition: the first part addresses the notion of the economy; the second addresses principles and values. First, the economy is defined from a substantive point of view (as Polanyi suggests - provisioning) instead of from a formal perspective (arbitration between limited resources and unlimited needs, as is usually proposed by economists). The social dimension of economic activity brings about the notion of social profitability, which implies the improvement of the standard of living and of the well-being of the population, a greater focus on public services and social benefits, the creation of jobs for those who would otherwise suffer from social exclusion, etc. Economic activity can be considered as part of the social economy to the extent that it follows certain principles: 1) the purpose of an initiative must be of service to members or to the community; 2) management must be autonomous; 3) the decision-making process must be democratic; 4) the redistribution of revenue and surplus must prioritize people and work; 5) individuals and the community must participate and take on responsibility.

This definition is quite large, as it allows for the inclusion of all cooperatives, mutual benefit societies, associations and even some profit-making firms, that follow these principles (for example, with shareholders' agreements). This definition undeniably allows for a confrontation between values and principles and the capacity to put them into practice.

Many studies have demonstrated that the capacity for social economy initiatives to succeed, depends to a great extent, on local strategies in response to the social, political and economic context; on the presence of democratic strategies for local development; on the capacity to develop solid links between private and public organizations; on the degree that partnerships have been well-chosen and consultation has taken place, and on the use of a multi sector-based approach (Jetté, Lévesque, Mager and Vaillancourt, 1999: 54).

A conceptualization of the social economy that would be limited to enterprises and organizations has a high risk of misinterpreting its meaning and purpose³. In effect, analyses tend to demonstrate that the social economy is not, in itself, a model of development⁴; rather, that it is properly understood when applied *within* a model of development.

Presently, the central issue at hand is not recognition of the importance of the social economy itself nor

² The essayist and historian, Samuel Smiles, was the first to use the term "social economy" in reference to the three components (cooperatives, mutual benefit societies and associations) (Lynch, 19995; Monnier et Thiery, 1997).

³ This is the conclusion that is drawn by Joseph Stiglitz (1998), after years of monetary policies, which were characterized by extremely severe economic conditions, without any consideration for the social consequences of these policies, when imposed on poorer countries. For over twenty years, "society" was completely abandoned, resulting in a general impoverishment of the population and, in many cases, in social chaos. Now, like Stiglitz, economists recognize not only the catastrophes which have been the result of such policies, but also the impossibility of revitalizing the economy without taking into consideration all dimensions of society. Thus, the following idea: "To be effective, this (...) will need to embrace the ambitious goal of encouraging society-wide transformation (...) While the details of a development strategy will differ from country to country, one constant is that since a development strategy outlines an approach to the transformation of society, it must address all components of society" (Stiglitz 1998:9).

⁴ The term model of development is used here with the meaning proposed by the Regulation school. This model represents a societal-scale conceptualization, based on a social block and on a relatively shared world vision (societal paradigm). At its foundation, this model is made up of a group of different forms of institutions, which address systems of production (and therefore a consideration of wages), as well as collective services. This regulatory protocol, which is the product of a large-scale social compromise, determines the basic role of the State, the market and civil society, in social and economic regulation (Lipietz, 1989).

the recognition of the social sphere as an asset, but the choice of a model of development for the years to come. In other words, the distinction between what we can still refer to as the Left and the Right no longer depends on the role of the social sphere in the economy, but on the desired results of State intervention, and of the modernization and democratization of the systems of production and collective services. The social economy will – by necessity – acquire the flavor of the model of development within which it exists. As such, those who are absolutely opposed to the social economy tend to see it as an extension of the neo-liberal model, and insist on the relevance and viability of the traditional social-democratic model. Those who support the social economy, however, tend to define it in terms of it being a more democratic model, which brings significant socio-economic transformation. These views suggest the need to examine the institutional context in order to better understand the Québécois experience.

The historical evolution of the institutional context in Québec

Before examining the institutional context of the last few years in Québec, it is important to note that the place of the social economy in Québécois society has changed considerably over the last century. Although, like in other parts of the world, the social economy emerged in Québec in the mid-nineteenth century, it would not have a significant presence until the beginning of the twentieth century with, among other initiatives, the founding of the *caisses populaires* by Alphonse Desjardins, and of the agricultural cooperatives (Deschênes, 1979; Rudin, 1990; Poulin, 1990).

A sweeping survey of this subject allows us to identify distinct periods, where different models of development are found and, therefore, diverse incarnations of the social economy. First, we can identify the emergence and the rise of an anti-state and anti-socialist **corporatist model** in the 1920s and 1930s that borrowed from the social doctrine of the Church. This model was regressive and authoritarian, as was demonstrated by the era of the *Duplessis* government (Martel, 1987; Dupuis, 1995; Archibald, 1983). In this context, the social economy occupied what could be considered a large space, and its objective was "the humanization of the economy, under the control of the traditional elite and the Church, in the perspective of a harmonization of interests of different social classes" (Minville, 1980; Lévesque, 1981).

In the transition period between the 30s and the 50s, many cooperatives emerged in a variety of sectors: consumers, forestry, housing, education, etc. The 1960's and the 1970's, was marked by the consolidation of a **public and mixed economy model** in Quebec, when State enterprises assumed a large role in the regulation of the capitalist economy (Gow, 1986). This model was linked to a new elite, who attempted to define the common good and public interest by focusing on the public and large private enterprise (Brunelle, 1978). The social economy was considered symbolic of a traditional and communitarian world during this period. The mid-1970s, marks the emergence of what is now called the **new social economy** that contested the dominant model (Bélangier and Lévesque, 1992). At this time, many civil society initiatives emerged: citizen's committees, food banks, community centers, family economy cooperative associations, community health clinics, legal clinics, not for profit childcare centers and the creation of Québec's network of local community service centers (CLSCs), that offered both health and social services at the local level throughout Quebec. In the decade between 1970 and 1980, community and popular groups multiplied: technical resource groups for housing, housing coops, women's health centers, community media, family summer camps, women's centers, workers' coops, etc.

In the context of the deregulation of markets and economic globalization of the 1980's, Quebec's so-

called **partnership model** based on the consultation between the principal socio-economic actors in Quebec society – business, labour and government, that was already present in Quebec, did not yield to the imperatives of deregulation and neo-liberal strategies wholeheartedly. Quebec society was dominated by a nationalist, vision that cut across partisan lines thereby distinguishing the different governments in power in the province from neo-liberal governments in other provinces and elsewhere (Bourque, 1998). At this time, a new wave of community organizations emerged. Alternative resource centers in such areas as mental health, treatment for drug and alcohol addiction, and homeless shelters also emerged, accompanying a wave of de-institutionalized approaches to social and health issues. This period also saw the birth of community economic development organizations such as the Community Economic Development Corporations (CDECs), Community Futures, known under the name of SADCs (*Sociétés d'aide au développement des collectivités*) in Québec; as well as social economy enterprises: health services users cooperatives, loan circles, homecare services, etc. Numerous civil society initiatives, for example the Forum on Employment (*Forum pour l'emploi*)⁵ (1989-1994) and *Urgence rurale*, which became *Solidarité rurale*⁶ in 1991, contributed to the recognition of these community groups.

The *Women's March Against Poverty: for bread and roses*, launched on June 4, 1995 and organized by the Quebec Federation of Women (*Fédération des femmes du Québec*), was a critical turning point for the social economy. The main demand made by this March was the urgency to invest in social infrastructure, a demand that drew the attention and interest of the Quebec government and resulted in a commitment to inject 225 million dollars over 5 years into social infrastructure through the Fund against Poverty (*Fonds de lutte contre la pauvreté*). In fact, this march served to sensitize the government both to the importance of the social economy and of investing in proximity services, largely because of the major role played by women in social services – both paid and unpaid. The march resulted in the establishment *le Comité d'orientation et de concertation sur l'économie sociale*, as well as Regional Committees of the Social Economy⁷ (CRES), both initially run by women. In its report, *Between Hope and Doubt (Entre L'espoir et la doute)*, the *Comité d'orientation et de concertation sur l'économie sociale* proposed a definition⁸ of the social economy, and established certain parameters that would guide the work that followed.

⁵ The Forum on Employment (**Le forum pour l'emploi**), a non-governmental initiative, demonstrates the link between consultation concerning regional and local employment initiatives in Québec and the implicit role of the social economy. The first attempts to establish this Forum date back to 1987, but it was not until 1989 when a large, national event, which brought together 486 representatives of unions, as well as a great community presence of 234 representatives; 192 representatives of cooperatives; 181, of ministries; and 132, of private enterprise (*Forum pour l'emploi, 1990: xiii*). This event had been preceded by twelve regional forums in Québec, and by the creation of organizational committees in each region. The regional meetings mobilized 2500 people, and allowed participants to become familiar with the objectives of the national forum, and to bring about innovative experiences and job-creation and protection strategies.

⁶ In February 1991, the **États généraux du monde rural** brought together 1200 delegates, with the logistical support of the Farmers' Union (*Union des producteurs agricoles - UPA*), which also participated in the Forum on Employment mentioned above. We can therefore suppose that the UPA was influenced by this Forum, when determining the objectives and the method of organization for the *États généraux du monde rural*.

⁷ The CRES are now consultative committees for the Regional Development Councils (*Conseil régionaux de développement - CDR*), for questions relevant to the social economy.

⁸ It is important to note that, between the feminist definition of the social economy, and the definition used by the Chantier, certain discrepancies concerning the nature of the social economy have arisen. Among the issues causing a divergence are the inclusion of human rights associations in the social economy, and a definition of the social economy as a sector limited to non-profit organizations.

State recognition of the social economy⁹

Following demands made by the unions, among other groups, in March of 1996, the Quebec government invited all socio-economic actors to participate in a Conference on the Economic and Social Future of Quebec (*Conférence sur le devenir social et économique du Québec*). For the first time, community groups, as well as women's groups, were invited as equals to discuss economic and social issues. This conference resulted in the creation of two large task forces (*chantiers*) consisting of four working groups each, one on the economy and employment (including the social economy) and a second *chantier* on the reform of public services. In addition to these two *chantiers*, the Quebec government also established a Commission on Fiscal Reform and the Financing of Public Services (*Commission sur la fiscalité et le financement des services publiques*), in response to union demands. The different working groups later became *chantiers* themselves. The *Chantier de l'économie sociale*, was clearly the most innovative involving new actors not previously solicited by government in this manner.

In the autumn of 1996, the task forces were required to present reports at a Summit on the Economy and Employment (*Sommet sur l'économie et l'emploi*) convened by the Quebec government. The objective of this summit was to define the socio-economic and political framework within which Québec had evolved, and to establish the main criteria for a "social pact" between all actors involved. This socio-economic summit on the future of Québec marked a significant turning point in Quebec as it extended what had previously been periodic consultations between labour, business and government to social movements. The wide diversity of groups present during these discussions allowed for a larger consensus on critical issues that had ever been previously possible. There would be no reversal of this invitation to civil society to participate in the policy process.

The *Chantier de l'économie sociale* was itself an innovation bringing together many sectors and citizens groups. Never before had women's groups, community organizations, the cooperative movement, the labour movement, the national movement, youth groups, and employer representatives sought a common platform. Its mandate consisted of proposing employment creation projects within the social economy. This mandate also underscored as a *sine qua non* the need for establishing consensus between social actors regarding a definition of the social economy, a debate which was not as yet resolved. Following the submission of its report in the autumn of 1996, it was recommended that the *Chantier de l'économie sociale* continue its work for a period of two years (until December 1998). Nancy Neamtan, a pioneer in community economic development in Montreal, assumed the role of President. The *Chantier* would become autonomous in the spring of 1999, following its first General Assembly and the expressed desire on the part of its participants to continue to exist as an umbrella group. Today, the *Chantier de l'économie sociale* is a non-profit organization, made up exclusively of actors from civil society, a network of networks that plays an essential lobbying role on behalf of the social economy.

For the *Chantier de l'économie sociale*, the definition of the social economy that would prevail was a critical issue that must, first and foremost, take into account the diversity of the social economy. By accentuating the importance of values over juridical status, this large definition could encompass the old and the new social economy as well as community economic development initiatives that embody the values of the social economy. This was vital to the initial work of the *Chantier* as it was vulnerable to the perception that it could generate the jobs that were not available elsewhere. The debates on the definition and the final agreement on this broad interpretation allowed for normative and organizational

⁹ This section borrows greatly from a piece by B. Lévesque and Y. Vaillancourt (1998).

dimensions that set the social economy apart from the mainstream economy driven by the private sector and the market. It is both locational and appropriational, if I may borrow from Polanyi, in that its reach extends to sectors and territory. As such, it represents an alternative economic development strategy within an institutional setting that makes this possible.

In its first plan of action, the *Chantier* identified twenty-five projects within the social economy, with a potential to create 20 000 jobs over the next three years (*Chantier*, 1996). These included so-called proximity services (homecare, daycare, peri-natal centers, housing) training businesses, the environment, recycling, wildlife protection, social tourism, culture, information and communications. The *Chantier's* plan of action also addressed development and institutional issues. And the report insisted that the social economy's contribution could not be evaluated solely in terms of job creation. Three series of measures were key to the development of the social economy.

The first measure concerned the recognition of social economy actors as agents of socio-economic development and transformation, and, therefore, the need to seek their collaboration and counsel on important issues. "This forces ministers and government institutions of all kinds to recognize the full rights of social economy organizations and enterprises" (Neamtan, 1997:87). The Québec government quickly responded to this demand with new initiatives and policies targeting local and regional development, employment and social solidarity. For example, Local Development Centres (LDC) established by the government in 1997, must now adopt a social economy development plan. These LDCs that exist throughout the province, have special funds dedicated to the social economy. This first series of measures was very significant, not only in raising the visibility of the social economy, but in consolidating its place within the institutional framework of Quebec political economy.

The second series of measures concerned the funding of the social economy, in particular, the access to capital for collective enterprise. In response, the Quebec government made it possible for certain public institutions offering risk capital to cooperatives to make capital available to not for profit enterprises. *Investissement Québec* (formerly *Société de développement industriel*), now offers financing and support to all social economy enterprises. As well, four new funds were established¹⁰ exclusively for the social economy. Not only do these funds provide financing, but they also offer direct or indirect support and counsel. The government also established the *Comité sectoriel de la main-d'oeuvre de l'économie sociale et de l'action communautaire*, to provide training and needs analysis (technical advice, project development, etc.) for the social economy and to track the progress of job creation and enterprise development.

The third series of measures focussed on the legislative framework. For example, the creation of "solidarity cooperatives" (*coopératives de solidarité*), which borrows from the Italian model (Lavaille, 1999; Borzaga, 1995). As a result of this legislation, these solidarity cooperatives include not only the workers and consumers, but also the members of the community who use the services or purchase the goods offered by these cooperatives.

These measures were the first steps towards the institutionalization of the social economy as they required active engagement by the State and the explicit recognition of the social economy in Quebec

¹⁰ They consisted of 1) \$43 million for social housing, under the responsibility of housing cooperatives and non-profit organizations; 2) Fonds d'économie sociale (FES), under the control of the Regional Development Council (*Conseil régional de développement*): \$2 875 000 for the region of Montreal, alone; 3) a section of the Fonds de lutte contre la pauvreté (FLP): \$2 240 000 for the region of Montreal, alone; 4) *Réseau d'investissement social du Québec* (RISQ) a social economy investment fund of 10,3 M\$ (December 2002) which come from the private sector and the Quebec government.

society. This was expressed in the creation of the Office of the Social Economy within the Ministry of Finance in 2002, which was transferred in 2003 to the Ministry of Regional and Economic Development. Its mandate is to coordinate government action for the development of the social economy, identify objectives, issues and challenges, ensure the follow-up and analysis of policies and programs and encourage research in the area. These steps by the government of Quebec represent a clear commitment to the development of the social economy.

In Québec today, the social economy is no longer considered experimental. While it continues to press for additional resources and institutional reforms, its position in Quebec society is solid. The support it has received from government has, no doubt, been critical. However, it is also true that much of this support has been short-term requiring continuous renegotiation. And it has most often been forthcoming because of the expectations that the social economy would contribute to cost reduction in both old and new sectors (especially in the emergent domestic service sector) and to job creation, notwithstanding claims to the contrary by social economy actors.

There are many unresolved issues, including the democratization of the social economy, among others. While the social economy has contributed significantly to blurring the boundary between civil society and the State,(Mendell, 1998; Melucci, 1988), it remains fragile. Its location within the political economy of Quebec is not assured. For this reason alone, the creation of an autonomous and representative *Chantier de l' économie sociale* was essential. It was also indispensable to have this independent organization to effectively negotiate with government from the outside while making critical use of the structures within the state apparatus that represent the interests of the social economy. As a political strategy, this has been extremely effective, especially now in the wake of a new government in power in Quebec.

The unique Québec context

Québec is known as a distinct society; it differs significantly from the rest of Canada and from the United States, its neighbour to the south. For example, the high rate of unionization and the political role of the labour movement distinguishes Quebec from other parts of North America. As well, employers are represented by the *Conseil du patronat du Québec*, an organization that has no equivalent in the rest of Canada (despite the existence of numerous employers' associations). The role of public enterprise, the commitment to Quebec ownership and social economy initiatives further distinguish the Quebec economy within North America (Lévesque et Malo, 1992).

Québec has a long tradition of employer-union consultation, frequently resulting in more democratic labour relations.(Grant, Bélanger and Lévesque, 1997). And, since the early 1980s, the possibilities for worker ownership have been made possible with the establishment of worker solidarity funds and fifty worker-owned cooperatives, within which unions are present. (Comeau and Lévesque, 1993) Over the last twenty years, the labour movement has played a strategic role (Boucher, 1992) within enterprises and in initiating institutional and organizational innovation within Quebec.

The same could be said about community groups or the popular sector in Quebec. For the last two decades, community groups have pressed for a new approach to development and social transformation, especially in the social service sector, but increasingly within the larger economy. In particular, popular groups have struggled for the increased role of “users” or consumers of goods and services. The social economy embodies these struggles as it simultaneously addresses sectoral and development strategies, avoiding the fragmentation of considering so-called proximity services within

health and social services outside the context of community economic development (CED) or local development, for example. This link is critical to the process of re-embedding the economy in society, especially at the community or local level. (Mendell, 1994).

Quebec is unique in the role it now ascribes to social movements and community groups as a result of their demonstrated capacity over the last two decades to implement economic development strategies that have created jobs and have responded to new social needs that neither the market nor the public sector have been able to meet.

The Social Economy Today

Today, the social economy in Québec includes cooperatives, mutual benefit societies, and not-for-profit organizations and private enterprise that subscribes to the values and principles established by the *Chantier de l'économie sociale*. This group is heterogeneous not only in the diversity of the sectors involved, but also in the history of these initiatives, many of which emerged at the end of nineteenth century. The large cooperatives and mutual associations of the past and the more heterogeneous and small collective enterprises that make up the “new” social economy share a common commitment to the principles of democracy and participation (Vienney, 1994).

Today the social economy in Quebec represents over 65 000 jobs in 6,254 enterprises, 2300 of which are cooperatives. There are an additional 671 financial cooperatives (caisses populaires) that employ over 37 000 people with assets of 85.3 billion dollars in 2002. If we take into account the number of clients or members involved, the vast majority of the population of Quebec participates in these enterprises and organizations. The social economy is, therefore, more significant than its economic weight suggests. Within a few sectors such as finance, forestry and funeral homes, for example, their economic role is considerable as is their capacity to mobilize a wide array of non-market and non-monetary resources due to the principles of association and membership to which these enterprises subscribe. A distinguishing feature of the contemporary social economy is the inclusion of many social movements within its network of diverse associations, federations, enterprises and organizations.

In the field of social development and services, initiatives first emerged as a search for alternatives to inadequate and bureaucratic public services such as community clinics in the 1970s, and later in response both to new demands not being met satisfactorily by the State such as homecare services. In many cases, initiatives have been carried by a coalition of social movements, itself an innovation as the women's movement, community groups, the labour movement, the rural movement, the environmental movement, youth groups and others have worked together to create these services based in civil society. Formerly on the outside struggling for these services to be provided exclusively by the State, they are now on the inside forcing government to respond to their demands with resources while they lay the foundations for these organizations both in determining the nature of the services to be provided and in how to run these organizations collectively.

In the field of economic development, 189 work cooperatives accounted for 8622 jobs and 6641 members in 2000. In addition, there were 72 **worker-shareholder cooperatives** with approximately 3000 workers reported in 2002. These cooperatives allow for the presence of workers on the board of directors of the enterprise in which they are employed.

The most significant impact on economic development has been the establishment of workers' funds. The Quebec Federation of Labour Workers Solidarity Fund (*Fonds de solidarité des travailleurs(euses) du Québec or FTQ*) reported assets of over \$ 4.3 billion in 2002, and the creation and/or protection of

over 96 000 jobs. The FTQ invests in enterprises with shareholders' agreements that include a "*bilan social*", a commitment to socio-economic objectives that, in particular, address questions of employment, contribute to the training of workers, and reserve places on the board of directors for representatives of the FTQ. Furthermore, over the two decades of its existence, the FTQ has taken on a quasi state-like role by encouraging economic planning by creating a series of specialized funds to encourage investment in Quebec-based innovative industries and territorially based funds for regional and local development (Lévesque and Mendell, 1998). Finally, the more recent *Fondation - Fonds de développement pour la coopération et l'emploi* established by the Confederation of National Trade Unions or CSN, reported assets of over \$ 232 million in 2002. Their objective is to encourage the development of businesses emerging specifically within the social economy, or businesses that contribute to sustainable development.

In the area of **cultural services**, the last few years has seen the emergence of numerous social economy enterprises concerned with protecting cultural heritage, such as cultural conservation and museums and with promoting the arts -dance, theatre, visual arts and music- festivals and cultural tourism (i.e. art tours), as well as the use of new technologies applied to the arts.

In the area of market services, initiatives are far more numerous and varied. Some of these initiatives are well integrated into the market economy, such as **funeral cooperatives**. Due to an aging population and the control of funeral homes by large, and predominantly American owned businesses, funeral cooperatives are experiencing increasing interest. They now account for over 125 000 members, and have acquired access to a fund dedicated to converting private funeral homes into cooperatives. Furthermore, these cooperatives offer competitive prices, and represent a way of "de-consumerizing" death by eliminating false fees and by putting control in the hands of future users or of relatives of the deceased. They also allow for long term "prearrangements" to be made, concerning the treatment of one's remains. In the **academic milieu**, about 60 cooperatives that deal with the buying and selling of school material have also grown considerably. In 2002 they had 270,000 members, employed 1300 individuals and reported a business volume of approximately \$ 106 million. This growth is due, in part, to the distribution and the assembling of personal computers.

In the social field, three types of initiatives are noteworthy. The first is in **social housing**, with both not for profit organizations and housing cooperatives. There are currently approximately 1100 housing cooperatives with 50,000 residents in 23,000 apartments. These cooperatives defy rental markets by offering quality housing at a much lower cost. Furthermore, since leisure activities and maintenance responsibility are often important aspects of social housing, social interaction between tenants is encouraged.

The second initiative, and one which has most recently become the subject of wide political debate following the election of the Liberal Party in Quebec is publicly available **daycare**. Early Childhood Centers: *Centres de la petite enfance* (CPEs) have been created to consolidate childcare networks and to offer good quality universal services. Each CPE has an autonomous board managed by parents and educators. In 2002, these centers employed 24 000 workers making them the 4th largest private employer in Quebec. A remarkable gain was made when the Quebec government agreed to subsidize childcare making it available at five dollars per day (Lévesque and Vaillancourt, 1998). Quebec has been the envy of other provinces in Canada and many countries that have cited this as a model of the commitment to universal affordable daycare services. This sector is now at risk with the recent election of the Liberal party in Quebec that has put those subsidies and the entire issue of universal access to daycare into question.

The third is in the area of social and healthcare services. As noted above, the social economy has responded to new and previously unmet needs in this sector especially regarding **homecare services** (house cleaning, clothing care, food shopping and meal preparation). The government has partially subsidized these services for low-income seniors and others in need of help with a designated fund of \$ 7 million (2001). This issue has generated much debate and controversy as some of these services were previously provided by state funded community health and social service centers (CLSCs). These debates reflect the continuous concern that the social economy will be forced to bear the burden of public provision of essential services at lower cost. The argument by social economy actors is that these are largely new services previously available only within the informal economy, therefore legitimating this necessary work and providing higher wages, benefits and dignity for those employed in this sector.

Numerous initiatives that have emerged in the social economy respond to the **primary needs** of a large and growing population of poor. The large number of soup-kitchens, food banks, not-for-profit cafeterias, collective kitchens, second-hand stores, loan circles, barter networks are some of the innovative enterprises addressing these needs. The objective of these initiatives is to encourage a form of socio-economic reintegration that not only involves offering quality goods and services, but also provides opportunities for social interaction. Without pretending to eliminate poverty, these initiatives address the social isolation and exclusion of the poor. As well, **training businesses** and **centers of adaptation and rehabilitation adapted centers** that employ people with difficulties integrating into the job market such as unemployed youth, long-term welfare recipients and people with disabilities, address primary needs by making it possible for these individuals to work. These enterprises not only provide jobs, but counselling and training for those entering the job market after a long period of absence or exclusion. These initiatives are perhaps a modest response to social exclusion and poverty. However, they do have important impact in terms of the potential they offer for learning and empowerment.

An innovative sector in the social economy addresses **environmental** issues. Many collective enterprises are involved in the recuperation, reuse and recycling of materials as well as in preparing compost from organic matter. Most recently, initiatives have emerged linking this sector to the fair trade movement adding an important trade dimension to this activity. The public awareness of environmental production and consumption has created a market for the goods and services in this sector both at home and abroad. Most interestingly, projects involving multiple, previously independent sectors such as environmental, social, cultural and others are being developed.

Financing the social economy

Social entrepreneurship often proves to be more difficult than starting up traditional businesses. Social economy enterprises and organizations require a level of engagement, the creation and support of associations and collective will. And social entrepreneurs most often have only limited access to financial networks and to the business community (Thake and Zadek, 1996). The nature of social entrepreneurship differs markedly from a private initiative, not only in the difficulties in accessing finance but in fulfilling the social and economic objectives of these enterprises. This is not the job of a single individual. These enterprises and organizations require the support and commitment of those directly involved as well as the communities in which they are located. Many technical resources and local organizations have emerged as initiatives of civil society in response to these needs and as an expression of commitment to these alternative forms of business organization.

Financing social economy enterprises remains a nagging problem. One of the main obstacles is their legal status, making it difficult to have access to a diverse portfolio of financial instruments. Because not for profit enterprises cannot, for example, issue shares, they are only eligible for loan capital, most often short term. Cooperatives have the benefit of guarantees from the State through Investissement Quebec, for example, but also remain within the universe of loans. Many creative efforts have emerged to address this issue, such as extending the time horizon of these loans so that they are considered “quasi-equity” or patient capital. The problem of capitalization remains, despite these innovations and the availability of subsidies from government.

Because social economy enterprises cannot issue shares or obligations, they do not have access, at least juridically, to equity capital. A great deal of work is currently being done in this area, drawing on interesting innovations in the United States, for example, where the community based sector is creatively using secondary markets among other instruments adapted to serve this activity. New laws have been proposed in Quebec within the cooperative movement to address the need for equity capital. The debates and discussions are fascinating as actors in the social economy collaborate with experts in legal and financial sectors to draft legislation and develop instruments that will address this vital issue. There is interest and cooperation at the federal level of government as well.

Laws are written to serve the needs of society; as the social economy does not as yet have the appropriate legal infrastructure to permit its consolidation and expansion, new laws need to be drafted. Those committed to this are hard at work. There are no institutional barriers to writing new rules and regulations; they simply require the will to do so and the political will to collaborate. While fiscal incentives have been introduced to promote private investment in the social economy in Quebec, they are insufficient and can easily disappear with changing governments, as we are now witnessing. Legislation in this area will be a most significant institutional innovation, greatly reducing the vulnerability of the social economy to political change.¹¹

CONCLUSION

This overview and analysis are the result of several decades of fieldwork and participation in the social economy, as well as research on socio-economic transformation in contemporary Quebec.

Political decisions that directly concern us are increasingly made by international organizations, institutions that generally manage to escape democratic control. As a result, the combination of consultation at a national level between social actors, particularly new social actors, with what occurs at a global level (for example, counter summits), is essential for the formulation of a new relationship between the State, the market and civil society; a vision that is not determined solely by external forces. Moreover, this consultation is necessary in order to create the parameters within which a new model of "national" development might emerge. As Kusnet and Taylor (1998:240) have suggested in their analysis of the European model, it is clear that a social partnership is not a soft option but a hard-headed, pragmatic and strong response to globalization, technological change, and mass unemployment. Thus, if we subscribe to the hypothesis of contrasting national trajectories that many analysts have suggested (Boyer and Hollingsworth, 1997; Bienefeld, 1996), globalization does not make national political issues simply disappear. Thus the need to analyze and compare national experiences of relations between the state, the market and civil society and the role and place of the

¹¹ Rouzier, Ralph, Marguerite Mendell and Benoit Lévesque. 2003, Symposium on the financing of the social economy, October 2002, Université de Québec à Montréal

social economy within these national contexts.

As this paper has attempted to demonstrate, the institutional context in Quebec is characterized by numerous movements and social demands. This context has had a strong influence on civil society initiatives; in fact, civil society in Quebec has contributed to the province's particular social dynamic. However, it is also clear that these initiatives assume a particular role and place in society at different times. For example, the State tends to spontaneously turn to the social economy in its commitment to reduce the deficit, to create jobs and to put into place social and economic policies. On the other hand, social economy organizations and enterprises continue to search for ways to accomplish their objectives, to institutionalize their gains and to expand their social reach. Thus, we are still in a reality of compromise, where a consistent model of development, which would allow for the evolution of the social economy by way of the democratization of production and collective services, has yet to be defined.

With this in mind, the role of the social economy and its contribution to the reconfiguration of the state/society relations as well as the renewal of social democracy, must continue to be debated in the lively manner in which these discussions have taken place in the recent period. This is even more important today as we cannot rest assured that these gains are impervious to political change. In *A call for a social solidarity economy* (1998), a document co-authored by many individuals committed to the social economy, we identified three series of measures that are necessary in order for solidarity to become a more integral component of the social economy without which it risks being another set of programs introduced and later abandoned or transformed.

The first series of measures involves State support for social economy enterprise and organizations. This support is more critical than that dedicated to capitalist enterprise¹² for at least two reasons: first, because these initiatives respond to needs that would otherwise not be met. The second series of measures concerns the place of women within the economy. There is a need for measures to prevent a primarily service oriented social economy dominated by women in low paid employment. Finally, the third series of measures must encourage the development of a pluralist economy, one that recognizes the importance of non- market related activity and of associations in the production of goods and services. Discussions must continue on the importance of work sharing and the reduction of the workweek, on the need for policies that protect women against the "ghettoization" of their work, and of a regression towards workfare.

That the institutional context establishes the potential of the social economy for social change needs no emphasis. The strength of the social economy resides in its capacity to put into question the market as well as the State in terms of their efficiency and the quality of goods and services offered, as well as its clear commitment to the democratization of collective services and the means of production. However, all of this is meaningless if the social economy is marginalized and residual to the market economy, as advocates of neo-liberalism would prefer. The success of the social economy also depends on the will of social actors to invest time, energy and resources in the democratization and the modernization of the public, as well as of the private sectors.

The social economy has clearly demonstrated that in economic terms, it occupies an important, not a marginal space; that it has the capacity to initiate activities that respond to needs not met by the private and public sectors and that it can formalize the informal economy, create new employment in new

¹² This support is significant, including in the United States. In fact, the November 9, 1999 issue of Time Magazine reports that, in the US where neo-liberalism thrives, the federal government annually gives 125 billion dollars to capitalist enterprise; the equivalent of the income tax revenue of 60 million individuals and families.

sectors (or in growth sectors) of the economy and produce sometimes modest but stable and sustainable jobs. In social terms, it has fostered collective learning through participation, negotiation, partnerships, exchanges and research and has demonstrated that it is possible to generate economic activity while promoting social justice and inclusion, citizenship and democracy.

What does the future hold? It is imperative to continue to build upon the strength of the *Chantier de l'économie sociale* in order to reduce risks for the social economy and gain recognition of its economic importance in addition to the recognition it already has of its social importance. As underscored above, capitalization remains a challenging issue in spite of the financial instruments that have been created. Possible avenues worth exploring involve the creation of new fiscal advantages (tax credits), changing legislation to attract private sector investment and financial innovations such as trusts, holdings and perhaps secondary markets.

The current challenge facing the social economy is the neo-liberal agenda of the new Québec government, that represents a threat to social and collective entrepreneurship and to the legitimacy of the social economy as an effective provider of goods and services. Those involved in economic development institutions such as the Local Development Centers (CLDs) and the Community Economic Development Corporations (CDECs) are concerned about their long-term survival, fearing that the government will want a return to the 'old ways' of doing things. But this is a misreading of "old ways" as this paper has tried to demonstrate. This province has not adopted a full scale neo-liberal agenda at a time when other provinces in Canada have and when there has certainly been pressure to do so. This is not to suggest that there have not been contradictory policies adopted by the Quebec government. It is, however, to underscore the political culture in this province which has favoured negotiation and consultation, even if the results were not always primarily in the interests of workers and communities. The unions expect to be invited to the table; community groups and movements do now as well. The attempt by this new government to move against this current is being met by resistance on all fronts, not only by progressive groups.

For the social economy, there are some positive signs at the federal level. Paul Martin, the leading candidate to become Prime Minister, has openly recognized and announced his support for the social economy and has promised to initiate dialogue on this issue. According to Nancy Neamtan, president of the *Chantier de l'économie sociale*, the the social economy or the economy of solidarity is part of the large political debates taking place internationally. "Boundaries have been crossed, gains have been made and people are making connections that could not have been made before."¹³ Most importantly, the credibility of the social economy resides in its results. These cannot be denied and no political party can claim that they are state initiated. Indeed, the accommodation provided by the former government was and remains crucial, but this is a radical departure from program funding. What all governments must learn from this experience is the capacity for citizens to create productive spaces of employment and economic vitality with the appropriate infrastructure and institutional support. We have a literature to draw upon to justify this type of public policy and we certainly have a lived reality to resist any conclusions to the contrary.

¹³ Recent conversation with Nancy Neamtan following the election of Jean Charest and the Liberal government in Quebec.