The Social Research and Demonstration Corporation is a non-profit organization and registered charity with offices in Ottawa, Vancouver, and Sydney, Nova Scotia. SRDC was created specifically to develop, field test, and rigorously evaluate social programs. SRDC’s two-part mission is to help policy-makers and practitioners identify social policies and programs that improve the well-being of all Canadians, with a special concern for the effects on the disadvantaged, and to raise the standards of evidence that are used in assessing social policies. As an intermediary organization, SRDC attempts to bridge the worlds of academic researchers, government policy-makers, and on-the-ground program operators. Providing a vehicle for the development and management of complex demonstration projects, SRDC seeks to work in close partnership with provinces, the federal government, local programs, and private philanthropies.

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A Review of the Theory and Practice of
Social Economy / Économie Sociale in Canada

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Coopérative de consultation en développement La Clé

With assistance from
Michael Toye

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The Community Employment Innovation Project (CEIP) is sponsored by Human Resources Development Canada (HRDC) and the Nova Scotia Department of Community Services (NS-DCS). This paper was produced for the Social Research and Demonstration Corporation (SRDC). The opinions expressed herein are the author’s and do not necessarily reflect those of SRDC, HRDC, or NS-DCS.

In this SRDC working paper, commissioned in the context of CEIP, Bill Ninacs, an independent consultant and observer of social trends, reflects on the available literature dealing with the social economy in an effort to provide us with an understanding of its characteristics, in particular what is termed the “new social economy.” Commissioned by SRDC, Ninacs’ work assists us in understanding both the Quebec model of community economic development and models in use in other parts of Canada. Future working papers will examine European models of social economy.

CEIP is a multi-year demonstration research project that is trying out a new way to use Employment Insurance (EI) or income assistance (IA) payments to increase the employment prospects of unemployed individuals and to strengthen communities. CEIP grew out of the belief that new government initiatives to improve the economic well-being of individuals in disadvantaged communities must support local efforts to create a sustainable economy. In short, CEIP has been designed to respond to community needs while simultaneously providing needed employment.

At the outset, a series of public meetings were held in communities in the Cape Breton Regional Municipality (CBRM) in Nova Scotia. All of the communities met the following criteria: they had an established community or neighbourhood identity, they had a moderately sized population, and they were experiencing a period of economic decline. At these meetings the purposes of CEIP were explained to interested community members. To manage community involvement in CEIP, each community was required to form a citizen board, prepare a constitution for the board and a strategic plan for the involvement of CEIP participants, hold a public meeting to approve them, and elect the first board members. Of the six communities in which boards were initially formed, five are taking part in CEIP.

The economy of Cape Breton has historically been highly dependent on resource-based activities. However, the industrial heart of the CBRM has been undergoing a process of “de-industrialization” associated with the decline of the coal, steel, and fishing industries. Past efforts to diversify the economy using traditional development approaches have had limited success, and the regional unemployment rate has remained high relative to provincial and national rates.

Cape Breton is particularly well positioned for CEIP because of the island’s long history of grassroots community development. This tradition of local activism and the availability of expertise and organizational infrastructure are helping in the implementation of CEIP.

Individuals who meet CEIP’s eligibility criteria are chosen at random from administrative files and invited to attend an information session. Those who wish to volunteer for the project are asked to sign a consent form. In a lottery-like process known as “random assignment,” half of those who volunteer are offered the opportunity to take part in CEIP’s program group,
while the remainder are assigned to a “control group.” A total of 1,522 volunteers from the CBRM have been recruited over a two-year period.

Those participants who are assigned to the CEIP program group become eligible for community-based employment for up to three years. While participating they receive a weekly community wage in lieu of EI or IA benefits. At present, this wage is set at $290 a week, and will be increased in line with any increases that occur in the provincial minimum wage. The earnings from this community employment are taxable, insurable for EI, and eligible for Canada Pension Plan coverage. In addition, participants accrue entitlements to vacation and sick leave and can enrol in a health insurance plan. Program participants are free to leave CEIP for other employment if they wish. If that employment ends at any time during the three-year eligibility period, they can return to CEIP.

Individuals assigned to the control group are not eligible to take part in CEIP’s community-based projects, but their involvement is crucial. It is only by comparing the experiences of the control group with those of the CEIP program group that researchers can know for certain what effects CEIP had on participants. Control group members continue to have access to all other programs and services for which they would otherwise be eligible.

In addition to giving individuals the opportunity to gain valuable work experiences and learn new skills, CEIP encourages community capacity building. CEIP differs from many earlier programs in the amount of control communities have over the selection and implementation of projects.

Each community has established a volunteer board to mobilize support and to plan and set priorities for the kinds of employment projects the community wants to see undertaken. The boards are responsible for reviewing and approving project proposals put forth by a variety of sponsoring organizations within the CBRM including non-profits, local businesses, and individuals. Each sponsor must put together the resources to develop and run a community project employing one or more CEIP participants.

Human Resources Development Canada and Nova Scotia’s Department of Community Services are the funding agencies for CEIP and set the overall policy research agenda for the project. Most of the funds will be used to make payments to individual participants, with the remainder to be used to deliver the program, to provide support to community boards, and for data collection, research, and information dissemination.

The Social Research and Demonstration Corporation (SRDC), a not-for-profit social policy research organization, provides general management for the entire project, including playing the lead role in the design, implementation, and evaluation of CEIP. SRDC will produce reports, disseminate the research findings, and serve as the primary contact for anyone wanting to know more about this unique demonstration research project.

The administrative office of CEIP, located in Sydney, is staffed by four local organizations that are jointly supporting this initiative. The Cape Breton Family YMCA is acting as the manager of the CEIP Sydney office and oversees the activities of participants including the initial enrolment process, managing participant files, and delivering participant training activities. The Breton Business Center is responsible for managing the project assignments of CEIP workers. Breton Rehab Services is conducting employability and skill assessments to assist in matching participants to work assignments. The Atlantic Coastal Action Program–Cape Breton is managing a portfolio of “transitional work opportunities”
designed to provide participants with meaningful activities while they are between community-based project assignments.

In addition to the organizations involved in the administration of CEIP, a number of other partners are playing roles in the project’s research and evaluation. Statistics Canada is responsible for assisting in the selection of Employment Insurance and income assistance participants, implementing a survey of participants, and preparing the data for research; the Institute for Social Research, York University, is responsible for assisting in planning and implementing a community survey, as well as preparing the data for research; SRDC’s Sydney office employs a team of local researchers who are collecting qualitative information and community indicators throughout the life of the project and will produce research reports on aspects of CEIP; EDS Canada Inc. is responsible for designing and maintaining a system to meet CEIP’s payroll and management information system requirements.

CEIP is a long-term project; design work and consultation with communities began in 1998; participant enrolment began in July 2000 and continued to July 2002; and community projects will last until July 2005. Regular reports on CEIP’s progress will be produced as the project unfolds. As well, in order to assess CEIP’s longer-term effects, researchers will collect data from administrative records and from follow-up surveys once the community projects have ended. As a result, the final chapters of the CEIP story will not be written until 2008.

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July 2002
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Introduction

Interest in the social economy is rarely neutral. Philosophers, scholars, and policy-makers often seek new ways of redistributing resources whenever social tensions are exacerbated to the point where the fabric of society becomes dishevelled and risks being torn apart. This paper is written in such a context. Indeed, recent economic growth in Canada, as in most industrialized countries, has resulted not in lessening the disparity between rich and poor individuals and communities but has instead simultaneously created both wealth and poverty (Robinson, 2001; Yalnizyan, 1998). Even the reduction of unemployment levels in recent years and the decrease in welfare rolls due to policy changes have not bridged the gap between “haves” and “have-nots” (Desmarais, 2000; Gorlick & Brethour, 1999; National Council of Welfare, 1997; Shragge, 1997). Direct state intervention is not regarded as the best way to redress the situation, since it is widely associated with a costly and inefficient bureaucracy administering cumbersome programs and imposing paternalistic policies. This perception may not be fair, but the fact remains that programs enacted to decrease poverty do not always meet fully the needs of the targeted individuals and even often inadvertently contain barriers that lessen the chances for some of these people to become employed or to accumulate assets (Deniger et al., 1995; Sherman, Amey, Duffield, Ebb, & Weinstein, 1998). As a consequence, new policies and programs that can address these problems are actively being sought.

Can the development of the social economy speak to some of these issues? This paper will attempt to answer this question by providing information on the history, theory, and practice of the social economy and seek to explain some of the associated conceptual ambiguities. For example, the concept of the social economy is fairly well established in Europe (outside of Germany), Japan, and Quebec, while elsewhere in North America and in other industrialized countries concepts such as the third sector and the voluntary sector are better known. Do these expressions mean the same thing? As will be noted, confusion remains. This will be followed by a presentation of social economy practice in Canada and around the world with a particular emphasis on the Quebec experience as well as on certain selected practice issues.

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1While this trend has been global, it can also be noted that when compared with other industrialized countries Canada has fallen behind. While Canada was third overall in the 2001 Human Development Report, it ranked 11th on the Human Poverty Index (United Nations Development Programme [UNDP], 2001).
Theoretical Issues: 
The Social Economy as a Field of Study

HISTORICAL OVERVIEW

An examination of knowledge building concerning the social economy over the years shows that attention to it generally climbs during societal upheavals (such as the late 18th-century Industrial Revolution or the growth of urban centres 50 years later), following catastrophes (such as the two world wars in Europe in the last century), or when market mechanisms falter (such as during the Great Depression of the 1930s and as is the case today). When obstacles that limit its potential to solve immediate problems are discovered, interest usually slides down to more conventional theories, often disregarding what is known about the social economy and relegating it to rather unfashionable academic inquiry.

These ups and downs have resulted in a term that does not depict the same reality for everyone. Nevertheless, perspectives on the phenomenon are generally influenced by theoretical constructs found in mainly European works. In fact, the social economy’s roots can be traced back to late 18th-century France. While economists in other countries, such as Scotland’s Adam Smith, delved into individual motivations to explain economic realities, others who became known as the “French utopian socialists” focused on social systems as the means to ensure well-being, rejecting laissez-faire and promoting collective solutions to problems like poverty (Gislain & Deblock, 1989; Soule, 1952). Later on, authors in other countries, such as Robert Owen (1771–1858) who lived in both England and the United States, continued the attempt to find ways of reconciling free competition and social justice or, in moral terms, the values of liberty and solidarity through co-operation (Gislain & Deblock, 1989; Soule, 1952). None of these authors could agree with each other, however, and few of them built on the works of their predecessors. They nevertheless contributed a long line of religious and secular experiments from which the first co-operative — a consumer co-operative store established in 1844 at Rochdale, England — inherited inspiration and experience (Melnyk, 1989).

Following the Rochdale store, co-operatives blossomed in England and then in France in the latter half of the 19th century. Economists such as Charles Gide (1847–1932) and Léon Walras (1834–1910) began investigating these organizational structures, especially the consumer co-operatives, and began using the term “social economy” to describe what they believed was a science or, at the very least, an academic discipline (Bidet, 2000). While their works built upon each other’s, differentiating between the pure, applied, and social economies (the “real,” “useful,” and “just” domains), they could not agree on the ultimate goal of setting up co-operatives. Indeed, Gide saw them as tools for social transformation and Walras, as simply specific components of the production system. Their thinking fell into neglect even though the principles of the social economy that they identified were put into practice in the reconstruction of Germany after the Second World War. In fact, little

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2French utopian socialists include, most notably, Charles Fourier (1772–1837) and Claude Henri de Saint-Simon (1760–1825). Other later authors, such as Pierre-Guillaume-Frédéric Le Play (1806–1870) and Pierre-Joseph Proudhon (1809–1865), are also referred to by this expression.

3Unless otherwise indicated, this article is the principal reference for the information in this paragraph.
theoretical construction was accomplished until a meeting of the minds between two French scholars, Henri Desroches and Michel Rocard, revived the concept — but not Gide’s or Walras’s theories — in the 1970s and provided the social economy with sufficient legitimacy to see it incorporated into legislation in France and elsewhere in Europe.

Recently, the evolution of social economy practices and policies has prompted renewed scholarship that distinguishes between the old social economy, focused on the development of the co-operative as an alternative model of business enterprise, and the new one, with the social economy being seen as a fundamental part of a new socio-economic regulatory mechanism. These competing perspectives have also been referred to as the pragmatic/reformist vision (old) and the social change/utopian (new) one (Fontan & Shragge, 2000).

THE “OLD” SOCIAL ECONOMY

The old social economy is often described as “another way of doing business” (Fontan & Shragge, 2000) and is generally associated with the structural aspects of the organizations that make it up. Conceptually, it is well illustrated by a rather strict interpretation conceived by Henri Desroches (1984) that builds upon the legal status of co-operative, mutual, and non-profit organizations and that posits an organizational structure based on the principle of “people before capital” implemented within a democratic decision-making framework using a “one person, one vote” formula. Also required is a financial configuration that disallows individual benefit in both decision making and the distribution of surpluses (both in terms of annual profits and accumulated reserves should the enterprise cease to exist). This definition can apply to certain private sector businesses, autonomous public sector agencies, and other mixed organizations; but each enterprise has to be analyzed on a case-by-case basis to determine if it has the necessary characteristics. For example, a business owned by workers in whole or in part could belong to the social economy if it incorporates formal mechanisms for balancing financial returns and social objectives and if it guarantees worker participation in its governance systems. Many co-operative development professionals see the social economy in these terms.

This way of seeing the social economy is, to a great extent, founded on the belief that social goals are attained through the structural components of co-operatives since democratic decision making levels the relationship between rich and poor members, because local participation in economic development is ensured through boards of directors made up of members of the community served by the organization, because dividends are based on services received by members and not on personal wealth, and because local control over assets is guaranteed by the fact that accumulated reserves cannot be transferred. Supporters of this vision would seem to have a point since progress on the economic front has at times gone hand in hand with the growth of the co-operative movement — in Quebec, for example (Lévesque & Ninacs, 2000). Nevertheless, the focus is on doing business, albeit alternatively. In general, this results in the old social economy operating in strongly competitive sectors. One very well-known example of this is the Mondragón group of worker co-operatives in the Basque region of Spain. This federation of 85 worker co-ops and 22 other companies either wholly or jointly held by the co-operatives provides employment for over 34,000 people in several sectors: automotive, electronic components, construction, industrial equipment, household goods, engineering and capital goods, and machine tools (Clamp, 1999; MacLeod, 1997).
THE “NEW” SOCIAL ECONOMY

Various definitions are used to describe the new social economy, with most focusing on the relational and sociological aspects of it. For example, what could be described as a normative definition, developed primarily by Claude Vienney (1994), emphasizes the dialectical nature of the initiatives that make it up. Each one is at once a structured grouping of individuals and a business, with both components woven together into a fabric of economic and relational activities by four types of regulatory threads: (1) those that relate to the members (governance and democratic operations); (2) those that relate to the relationship between the members and the business (how members define the enterprise’s activities); (3) those related to the relationship between the business and the members (how profits are distributed); and (4) those related to the business (the reinvestment of surpluses to sustain the larger community). Vienney also makes the point that people involved in the social economy are generally “relatively dominated” individuals whose economic activities or way of life has been disrupted. In his view, people who are “dominant” (as opposed to “dominated”) will tend towards conventional (capitalist) business models while, at the other end of the spectrum, “completely dominated” individuals do not possess the financial or human capital required for a business venture. In the old social economy, founding members were often small farmers and craftsmen. Today, higher education, a better quality of life, and greater professional support has made it possible for more people, including groups of disadvantaged individuals, to develop the skills and knowledge required for this type of endeavour.

Another definition in a similar vein was developed by Jacques Defourny (1991) for the Walloon Council for the Social Economy. His definition also focuses on the enterprises that make up the social economy. In his view, these are association-based economic initiatives founded on the values of solidarity, autonomy, and citizenship embodied in the following principles: (a) a primary goal of service to members or the community rather than accumulating profit; (b) autonomous management (as distinguished from public programs); (c) democratic decision-making process; and (d) primacy of persons and work over capital and redistribution of profits. This definition is important in the Canadian context because it was the one adopted by the Chantier de l’économie sociale — the Quebec Task Force on the Social Economy (Chantier de l’économie sociale, 2000; Groupe de travail sur l’économie sociale, 1996).4 The advantage of this definition is in its identification of the values that can be used to engage individuals in the development of the social economy. Like Vienney’s, it contends that the social economy is not just a question of legal status, but goes further by tying its practices to economic democracy. Its disadvantage is that it is not very practical since values are often open to debate, the practice of democracy can take many forms, and achieving consensus on ways and means is difficult at best (Lévesque & Côté, 1995).

An often-cited interpretation of the new social economy is Jean-Louis Laville’s definition, developed primarily in his works pertaining to the field of local collective proximity services (Macfarlane & Laville, 1992). In this more substantive definition, he distinguishes its initial phases (what he calls the economy of solidarity), the configurations of its economic activities, and its role as a socio-economic regulatory mechanism. In his view, social economy enterprises emerge from a reciprocal impulse that brings together potential users and professionals (eventual staff) who jointly develop the supply and demand of

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4 The Chantier added a fifth principle: operations based on the principles of participation, empowerment, and individual and collective accountability (Chantier de l’économie sociale, 2000; Groupe de travail sur l’économie sociale, 1996).
services. Through discussion and exchange, individual needs are transformed into collective ones during this pre-start-up phase and it is the ongoing reciprocity that allows those involved to spot new needs and to respond to them by mobilizing public or voluntary resources. Indeed, a social economy enterprise calls upon both market and public redistribution forces, notably when it operates in fields where multiple issues need to be addressed and where the state is seen as having some responsibility (such as certain personal services). Once set up, it forms a hybrid economic model within which commercial activities (self-financing through sales of goods or services), non-commercial but monetary activities (public funding, donations from churches and foundations), and non-monetary activities (volunteer work of members and others) are intertwined. The presence of these three forms of economic activity as well as the references to reciprocity and redistribution link Laville’s vision of the social economy to the works of Karl Polanyi (1957). Moreover, in the wake of the ebbing of both Keynesian and welfare state policies, the ability to bring the various forms of economic activity together within an enterprise framework as well as the capacity to engage both users and service providers in democratic decision-making processes confer a unique socio-economic regulation role upon the social economy, especially regarding labour-intensive activities, such as the provision of personal services. Furthermore, this vision of the social economy recognizes reciprocal (non-commercial and non-monetary) transactions as economic activities in their own right. By doing so, it places the social economy as a fundamental component of a new type of economic development that some call a “plural economy” (Eme & Laville, 1999; Laville, 1994; Roustang, Laville, Eme, & Mothé, 1996). This perspective is widely shared among Quebec scholars who side with regulation theory constructs.

Generally speaking, those who speak of newness related to the evolution of the social economy over the past 35 years or so are referring to the presence of new types of people who become promoters or members, new stakeholders, new fields of activity, new organizational forms, and new internal and external dynamics. In the new social economy, groups of individuals tend to play a more deciding role in enterprise viability and the enterprise itself contributes to social change. But there is also the attempt to satisfy new needs not taken on by either the market or the state and also to create new ways of giving people a place and a role in economic and social life. This ties the new social economy to social innovation, while its introduction of new types of production or of exploiting new markets brings it into the realm of economic innovation.

ORGANIZATIONS OF THE SOCIAL ECONOMY

The organizations of the new social economy are basically the same as the ones of the old social economy: co-operative, mutual, and non-profit organizations as well as any private sector enterprises and relatively autonomous public sector agencies that formally possess the characteristics of the co-operative model.5 Indeed, for comparative purposes, an interpreted amalgamation of the theoretical models suggests that it is the objectives and values (Defourny), the organizational (Desroches) and associative structures (Vienney), and the

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5 The operating principles regulating co-operatives are (1) voluntary membership; (2) democratic control (one member/one vote); (3) withholding by the organization of a portion or of all surplus earnings; (4) distribution of non-retained surplus earnings based on either patronage or membership; and (5) no distribution among members of accumulated reserves upon dissolution.
types of economic activities and players involved (Laville) that distinguish organizations belonging to the social economy from all others. Figure 1 attempts to illustrate how these characteristics interplay.

Figure 1: The Social Economy Quadrilateral

Legend:

- unequivocal components of the social economy
- uncertain components (case by case analysis)
- not part of the social economy
Conceptual Ambiguities

THE THIRD, NON-PROFIT, AND VOLUNTARY SECTOR

Some writings define the social economy as “that part of the economy which is neither private nor public” (Boyd, n.d.). This often creates confusion as the same definition applies to the phrase “third sector” (Salamon & Anheir, 1997b). Indeed, in English language publications, the social economy is referred to as the “third sector,” the “non-profit sector,” the “voluntary sector,” and, to a lesser extent, as the “community sector” (Campbell, 1997; Quarter, 1992). While some scholars might want to give more meaning to the term “third sector,” no one would disagree that it is generically used when referring to organizations occupying the space between the private (first) sector and the public (second) sector. However, as has been noted, although most organizations belonging to the social economy fit in here, some overlap other sectors as well. Thus, there is a subtle difference between these two expressions.

Jean-Louis Laville sees two distinct dynamics at work within the third sector: the first he associates with the social economy and is based on a tradition of self-help, understood as the practice of working with others to solve a common problem; and the second he relates to the custom of helping others in need upon which the practices of non-profit organizations are based (Laville, 1998). This distinction between the self-interest of members and stakeholders (notwithstanding its collective nature) and the general interest of population groups being served by others (who may or may not have the same needs) is one of the differences between the social economy and the non-profit sector — even though non-profit organizations fall under the general social economy rubric. Another difference is that non-profits do not return any profits generated to their owners or directors (Salamon & Anheir, 1997a) whereas co-operatives and mutuals regularly do just that (albeit never totally). This non-distribution constraint generally exempts non-profit organizations from corporate income taxes; co-operatives and mutuals, on the other hand, are usually considered to be for-profit for fiscal purposes. Finally, another difference has to do with the reasons underlying the advent of the organizations. For example, the appearance of non-profit organizations may be rooted in public goods (goods and services for which prices cannot be determined by market mechanisms), market failures such as inadequate information (inability of consumers to accurately evaluate the quality or quantity of goods or services), government programs offering subsidies, or a desire for consumer control (Hammack & Young, 1993). While these same reasons can apply to social economy organizations, these often arise out of an unmet need combined with a sense of collective identity (members and stakeholders share a sense of belonging with one another) (Bidet, 2000).

As for the term “voluntary sector,” Dreessen (2001) contends that it generally refers to organizations that:

a) have some degree of organizational permanence; b) [are not] part of nor [...] controlled by government or any other outside entity; c) plough back any profits into the basic mission of the organization; and d) exhibit some meaningful degree of voluntary participation, either in conducting the organization’s activities or in managing or directing its affairs. (pp. 11–12)
Organizations of the social economy have the first two characteristics, but many of them, notably co-operatives and mutuals, only partially satisfy the third and fourth ones. While the expressions “voluntary sector” and “social economy” are related, they are thus by no means synonymous.

SOCIAL ENTERPRISE AND SOCIAL ENTREPRENEURSHIP

Gregory Dees offers a framework called the “Social Enterprise Spectrum” to help analyze non-profits — which in many parts of Canada and the United States can include co-operatives (see Figure 2) (Dees, 1998).

**Figure 2: The Social Enterprise Spectrum** *(Dees, 1998)*

<table>
<thead>
<tr>
<th>Motives, methods, and goals</th>
<th>Purely Philanthropic</th>
<th>Mixed motives</th>
<th>Purely Commercial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appeal to goodwill</td>
<td>Mission driven</td>
<td>Mission and market driven</td>
<td>Appeal to self-interest</td>
</tr>
<tr>
<td>Social value</td>
<td></td>
<td>Social and economic value</td>
<td>Market driven</td>
</tr>
<tr>
<td>Pay nothing</td>
<td>Subsidized rates, or mix of full payers and those who pay nothing</td>
<td>Below-market capital, or mix of donations and market-rate capital</td>
<td>Market-rate prices</td>
</tr>
<tr>
<td>Capital</td>
<td>Donations and grants</td>
<td>Below-market wages, or mix of volunteers and fully paid staff</td>
<td>Market-rate compensation</td>
</tr>
<tr>
<td>Workforces</td>
<td>Volunteers</td>
<td>Special discounts, or mix of in-kind and full-price donations</td>
<td>Market-rate prices</td>
</tr>
<tr>
<td>Suppliers</td>
<td>Make in-kind donations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dees suggests that non-profits go from the purely philanthropic to the purely commercial. Social enterprises are organizations that fall in between these two extremes. They can be defined as financially viable ventures, usually co-operative or non-profit, that create jobs, often for low-income individuals, and that generate much, if not most, of their revenues from the production and sales of goods and services, generally at prices that people who need them can afford. Since social enterprises operate in a market-based system, they have to sell the goods or services that they produce at a profit in order to generate income without which they cannot subsist. On the other hand, they do not exist primarily to make money but rather to satisfy unmet needs. In other words, “their business is also their service” (Budd, 1994, p. 40) To get around this “need-market” predicament, social enterprises try to soften the effects of the laws of supply and demand by various ways. For example, many redirect a portion of public or private finances to their operations through grants and subsidies (to subsidize a portion of the price of their services or to reduce the cost of producing them) or directly to the people who need the goods or services (to support demand). Many mobilize volunteer labour to lessen production or delivery costs while others make those who can afford to do so pay more so that others may pay less or nothing at all. Thus, social enterprises are new social economy organizations and vice versa because of the innovative form of entrepreneurship from which they evolve (Defourny, 1999).
Social entrepreneurs are innovators who pioneer new solutions to social problems and in doing so change the patterns of society. Like business entrepreneurs, they combine creativity with pragmatic skills to bring new ideas and services into reality. Like community activists, they have the determination to pursue their vision for social change relentlessly until it becomes a reality society-wide (The Jobs Letter, No. 147, 2001, p. 1).

In the past, social entrepreneurs were mainly community development practitioners (and occasionally public servants or employees of corporations) who wanted to do something for others. Today, new social entrepreneurs are most often social workers and community organizers (Favreau & Ninacs, 1994; Ninacs & Favreau, 1993), and sometimes socially concerned business people who want to do something with other people. Entrepreneurs are usually seen as possessing a number of personal attitudes, skills, and qualities\(^6\) and are generally autonomous and creative individuals. There is a certain amount of hype around these characteristics since individual entrepreneurs seldom, if ever, possess all of them. Since social enterprises inevitably bring a number of people together in a collective effort, chances are greater that many, if not most, of the characteristics will be found among them. Moreover, social entrepreneurs usually also have a considerable amount of empathy as well as good pedagogical skills. Reflecting the key role these individuals play, programs in Great Britain and New Zealand support social entrepreneurship rather than social enterprises and by doing so foster the development of many kinds of social innovations including social enterprises as well as a host of other initiatives that enhance quality of life. However, entrepreneurial characteristics must not be confused with management skills. Good managers generally have the technical skills required to produce the goods and services, the ability to market them, and the ability to manage the financial affairs of the organization (Siroli, 1999). Ideally, support for social entrepreneurship should likewise seek to sustain the development of ongoing management skills.

**SOCIAL CAPITAL**

The term “social capital” can create a certain amount of confusion in some social economy circles, since it has always meant the difference between assets and liabilities on a co-operative’s balance sheet. Today, this expression is widely used outside of the co-op sector to designate the characteristics of social organizations such as networks, norms, and trust that facilitate coordination and co-operation for the common good (Côté, 2001; Putnam, 2001). Its use to explain regional development inequalities in Italy (Putnam, 1993) and the decline of civic involvement in the United States (Putnam, 1995) has positioned it as an essential component of democratic society.

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\(^6\)There are many lists of these and most identify similar traits. For example, a list developed by Hawaii’s Entrepreneur Development Corporation, one of the world’s leading entrepreneurial training organizations, and adapted by the Centre for Community Enterprise in Canada, recognizes the following entrepreneurial characteristics and values: drive and energy; self-confidence; long-term involvement and commitment; belief money is not an end in itself; capacity for persistent problem solving; ability to set goals and to take moderate risks; positive attitude towards failure; willingness to seek and use feedback; ability to take initiative and personal responsibility; willingness to use other resources; competitiveness against their own self-imposed standards; masters of their own fate; tolerance of ambiguity and uncertainty and ability to decide in ambiguous situations; independence and individuality; optimism; innovation and creativity; ability to get along well with others; flexibility; high need for achievement; profit-oriented outlook; persistence, perseverance, determination; integrity; foresightedness, perception skills; fondness for challenges (Green & Lewis, 1991). Other authors add curiosity, motivation and mobilization skills, management skills, and ability to analyze, to synthesise, and to delegate (Gasse, n.d.; Orion, 1994).
The basic tenet of social capital as it is currently used is that individuals and organizations develop mutual social debts in their non-market and non-monetary transactions that accumulate with exchanges but, unlike financial capital, do not result from profit-seeking activities. Indeed, while self-interest remains the engine of social relations in this construct, actions can only create social capital if they tend towards the common good rather than towards personal gain (Coleman, 1988; Coleman, 1990). Furthermore, social capital is not created independent of social relations and is indivisible from the context within which it is produced. Thus, the greater the social organization of a particular setting (the number of organizations, networking, connections), the more favourable will be the conditions for the creation of social capital. Social norms, organizational development, flow of information, and community authority structures are also catalysts or impediments to social capital development depending on the freedom they allow for independent, reciprocal actions between different actors.

The promotion of this concept has somewhat obscured the notion of collective responsibilities and the need for social policies in situations where solutions to problems are beyond local capacity; for example, in conditions of extreme poverty (Lemann, 1996). This having been said, through its alloying of civic engagement and mutual self-help, social capital nonetheless constitutes a vital resource for both social and economic development. Since closed and stable systems based on mutualist ideological foundations facilitate the creation and maintenance of social capital, it follows that social economy initiatives, with their insistence on co-operation and solidarity, have the potential to play an important role in building social capital. This seems to take place within the organization itself: “The social structures and relationships [housing] co-op ownership requires provide resources for solving issues, as well as a higher tolerance level for problems, since tenants are responsible for decision making” (Saegert & Winkel, 1999). However, social capital is also generated when different interests intersect (Warner, Hinrichs, Schneyer, & Joyce, 1999). Thus, it would seem logical that anchoring social economy initiatives in local dynamics should help in solidifying the networks of solidarity that make up social capital in order to enable a community to make utmost use of all of its resources (Sauvage, 1996).

CORPORATE SOCIAL RESPONSIBILITY

According to the Conference Board of Canada (2001), corporate social responsibility can be defined as:

The overall relationship of the corporation with all of its stakeholders. These include customers, employees, communities, owners/investors, government, suppliers, and competitors. Elements of social responsibility include investment in community outreach, employee relations, creation and maintenance of employment, environmental stewardship, and financial performance.

However, even though some for-profit enterprises may empower and share wealth with their employees, attempt to ensure the well-being of both customers and staff, support community involvement and development, and blend social criteria into everyday purchasing, packaging, and transportation decisions (Reder, 1995), addressing social

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7For an early critique of social capital in this vein, see Lemann (1996).
concerns does not make them part of the social economy. Only the co-operatives among them qualify automatically. Others, including employee-owned businesses, have to be assessed on a case by case basis to see if they formally embody — such as within their bylaws and their governance structures — the operating principles that characterize the social economy (e.g. democratic control, retention of a portion or all surplus earnings).

**POLITICAL PERSPECTIVE**

Using historical tradition theory, Melnyk (1989)\(^8\) compares the full range of co-operative forms that have existed since the Rochdale experience. His analysis identifies four distinct political categories: liberal democratic, Marxist, socialist, and communalist. He endorses the idea that co-operatives adopt the characteristics and features of the general environment in which they exist. This makes it impossible to generalize about the ties between co-operatives and specific political ideologies. Melnyk provides the examples of the kibbutzim of Israel that viewed themselves as “islands of socialism” and of the communes in China that considered themselves as “fulfilments of Marxist-Leninism.” This being said, he believes that the co-operatives that operate in societies where capitalism and the marketplace predominate fall under a liberal democratic banner. North American co-operatives would fit into this category. Co-operatives and other collective forms of enterprise that develop where the state dominates the means of production and distribution belong to the second category. Models of the third category (socialist) generally have a more negative view of private property, are more community-oriented in structure, and are more multi-functional in nature. Co-operatives belonging to the fourth tradition (communalist) generally have a very high degree of member commitment in which collective production and consumption are fundamental. A number of religious communes would thus fall under this last heading.

Melnyk’s analysis dates back to 1985 and refers mostly to models of the old social economy. The new social economy initiatives seem to be a blend of the liberal democratic and socialist traditions since, although they challenge the belief that the market is the exclusive means of regulating the economy, they do not disown the market per se. Indeed, the social economy does not belong to a specific political ideology but rather, to a certain extent, promotes its own based on recognizing the social dimensions of the economy and on putting forward a kind of development that will take this into consideration. The type of development espoused by the social economy, especially in its more recent version, is neither traditionally social-democratic (where social issues are the exclusive domain of the state and redistribution the only possible regulatory mechanism) nor neo-liberal (where social issues relate only to individuals who do not take part in the market economy and whose needs are unprofitable). Instead, it seeks a model of economic and social democracy where social issues would concern both the state (redistribution) and society (reciprocity, market). The economic players would then be more numerous, not only including trade unions, but also women, community groups, youth, and other members of the community. This could not work, however, without a number of difficult socio-economic transformations such as the

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\(^8\)This book is the principal reference for the information in this paragraph. Specific citations are from page 9.
reduction of hours worked, greater worker democracy, more collective services, and so on (Lévesque & Mendell, 2001).
Empirical Issues:
The Social Economy as a Field of Practice

QUEBEC

The particular cultural, political, and especially economic contexts of a society play a significant role in the development of the social economy. These factors contribute in large part to the way in which the social economy is markedly different in Quebec than in the rest of Canada, both in the size and breadth of the sector as well as in the sophistication of its structures. Indeed, the position occupied by the social economy in Quebec in the production of goods and services as well as in more social fields is important enough for some to claim that a “Quebec model” of the social economy exists.

CONTEXT: THE QUEBEC MODEL OF DEVELOPMENT

The context for the recent rise of the social economy in Quebec can be described by what some call a “Quebec development model” (Dupuis, 1995). Near the end of the 19th century foreign and English-Canadian capital controlled most of the large natural resource manufacturing sector, whereas francophone Québécois owned only family businesses in industry and agriculture (Hamel & Forgues, 1995). In the 1920s and 1930s a new model of development emerged, one based on co-operation and an anti-state and anti-socialist perspective (in line with the social doctrine of the Catholic Church and the corporate ideology then prevailing). It appeared to be a way to build up the presence of francophones in the economy and fostered, over the years, the development of co-operatives in agriculture and in savings and credit. This had the effect of making Quebec a relatively traditional but economically different society that included, until recently, a form of non-partisan economic nationalism espoused, albeit with some differences, by both federalist and sovereignist Quebec political parties.

State intervention replaced this model at the end of the 1950s. Modernizing Quebec during the “Quiet Revolution” required the setting up of a number of crown corporations in strategic sectors (in terms of self-reliant economic development) such as the steel industry, mining and exploration, business funding, hydroelectric power, forestry, cultural industries, and pension fund management (Gagnon & Martin, 1973). This resulted in an economic structure made up of a complex web of large co-operative, state, and private institutions and businesses, including the largest concentration of co-operatives and crown corporations in Canada. In the following decade both the Quebec and federal governments implemented regional development programs to improve Quebec’s economy and society, and the federal government’s regional development initiatives and industrial policy since then have also contributed greatly to upgrading manufacturing and other infrastructures. This broad range of initiatives has enabled the emergence of myriad small businesses and a few giant companies such as Bombardier (transportation), Cascades (pulp and paper), and Québécor (media).

After a period of confrontation with a relatively radical labour movement in the 1970s, a new spirit of co-operation appeared in the early 1980s with the arrival of economic summits
that brought the various social players together as partners seeking solutions to the widespread economic crisis. This trend continued, as exemplified by the 1989 private sector Job Forum and by the 1996 Summit on the Economy and Employment. Thus, there is a 30-year-old tradition of tripartite — state, labour, private sector (including co-operatives) — collaboration, to which women’s groups and other community-based movements have recently been added. For reasons apparently arising from the distinctiveness of Quebec society, co-operation among the various social players goes further and appears easier than in other provinces. This may, in part, be related to the fact that a greater percentage of workers in Quebec are unionized than in Canada as a whole (Courchesne, 1996). It should also be noted that the two main labour unions, La Fédération des travailleurs et des travailleuses du Québec and the Confederation of National Trade Unions, are involved in economic development through their investment funds.

The participation of community groups in this process is the result of a cohesion and a maturity that have their origins in the large number of rural social animation activities and urban community development initiatives of the mid-1960s that today would be considered part of the social economy (Côté & Harnois, 1978; Lesemann & Thiénot, 1972; Lévesque, 1979). In the decade that followed hundreds of community-based service organizations emerged in fields relating to living conditions (Bélanger & Lévesque, 1992). During the 1980s new organizations in poor Montreal neighbourhoods and in some semi-rural regions re-ignited interest in community development and encouraged the rise of new community-based economic projects (Gareau, 1990; Ninacs, 1991). Since then hundreds of community organizations in Quebec have established multi-sectoral roundtables for concerted action — such as community economic development corporations (CDECs) in urban centres and community development corporations — as well as labour force development organizations and training businesses (Ninacs, 1995). Quebec community groups have thus been long involved in working with and empowering marginalized and disadvantaged populations. It is therefore not surprising that a large number of leaders in Quebec’s social economy have their roots in these movements, and bring with them an experience based on commitment and innovation to offset their meagre financial and material resources.

Two major events brought the concept of the social economy to the forefront of public debates in the media and within various organizations. The first event was the Women’s March Against Poverty in June 1995, which called for a program of “social infrastructures” to support all types of community groups as well as the development of a new economy that would speak to the issues of women’s exclusion from the labour market and the often unpaid and usually undervalued work that women accomplish for society’s benefit. Since the beginning of the 1990s, some women’s groups had already begun investigating how women’s centres could be used to help alleviate poverty (Belleau & D’Amours, 1993); and, following the march, the women’s movement held seminars to explore the involvement of women’s organizations in local and regional development (Pelletier, 1995). However, it was the march that spurred a second look at the social economy as an alternative in the struggle against unemployment and social exclusion that have victimized many people, especially women (Guay, 1997). Following the march, a steering committee on the social economy was struck, made up of representatives of women’s groups and three Quebec government

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*This event brought together management, unions, and other non-government sectors without the public sector with the aim of fostering teamwork between all partners to stimulate job creation, especially for youth (Payette, 1992, pp. 99–117).*
departments (Employment and Solidarity, Status of Women, and Income Security; Natural Resources and Regional Development; Health and Social Services), to advise the government on actions regarding the social economy.

The second event, a socio-economic summit organized by this same government at the end of March 1996, had as its purpose to establish a plan of action in light of the economic and social crises facing Quebec. For the first time, women’s groups and other community groups were invited to participate on an equal footing with the more traditional sectors (private sector, labour, state). Against all expectations, these new players introduced a ray of hope into the difficult discussions on what to do about unemployment and job creation by suggesting approaches that blend economic and social development within specific sectors of the economy. At the end of the summit, a task force on the social economy — the Chantier de l’économie sociale — was set up to draft recommendations for a fall session of the summit. Following that meeting it was decided to assist the task force’s work by creating a follow-up committee, which, for all intents and purposes, became an interim social economy secretariat. These events stimulated a wide-ranging discussion on the social economy and revealed significant differences in substance regarding its definition and role in a context of budget cutbacks in the public service.

Finally, public programs related to local development, job creation, life skills and employability development, and community services are also part of the context since social economy enterprises generally call upon these same elements. While the list is too long to present in this working paper, it is worth noting that programs falling under provincial jurisdiction will most likely be different in Quebec than in many other provinces. Along these lines, a unique feature of the health and social services system here is the network of local community service centres (CLSC) and the roughly 325 community organizers that they employ. Many of these individuals, if not most of them, have been active in setting up social economy initiatives. Similarly, another incubator for such projects has been the Quebec Network of Healthy Cities and Villages, supported jointly by the Quebec Ministry of Health and Social Services and the approximately 125 member municipalities.

THE QUEBEC MODEL OF THE SOCIAL ECONOMY

Given the context of weak capitalist structures in French-speaking Quebec and a social climate of consensus and commitment, collective enterprises (co-operatives and government bodies) have developed here much more than elsewhere in Canada. If there is such a thing as a Quebec model of the social economy, it should not be seen as an ideal or standard but rather as a model having a particular set of characteristics. At least five elements are typical of the configuration: (1) recognition by all stakeholders of the potential of the social economy for local development and job creation; (2) adoption of a relatively consistent development strategy, at least for some sectors, that combines government financial and technical assistance with continued autonomy of these businesses and organizations; (3) importance of sectoral consolidation and local governance; (4) recognition of the social economy as a full component of the economy; and (5) a diversity of institutional forms (Lévesque & Ninacs, 2000).

According to the Chantier de l’économie sociale (2001), the social economy sector in Quebec includes 4,764 businesses (2,303 co-ops and 2,461 non-profits) with total revenues
of $4.2 billion and offering 49,450 jobs. This compares relatively well with other sectors of the Quebec economy, such as mining ($1.2 billion), communications ($6.6 billion), and construction ($8.2 billion). It is worth noting that these figures represent enterprises based on collective entrepreneurship, having market activities, creating permanent jobs, and incorporated as non-profits or as co-operatives. Furthermore, financial co-operatives, worker-shareholder co-operatives, the two largest agricultural co-operatives, community organizations, and training businesses are not included in these figures.

Overall, the following is a snapshot of Quebec’s social economy (excluding community-based service organizations and advocacy groups) (McCagg, 2001):

- 972 caisses populaires and caisses d’épargnes (financial services co-operatives and credit unions), the former being present in most large urban neighbourhoods and rural communities, and the latter being primarily workplace-based
- Of the approximately 200 (out of a total of 557 in Canada) consumer co-operatives, about 80 are in the food industry, about 30 are in funeral services, and approximately 90 are school-based co-operatives
- 141 production co-operatives, of which 40 per cent are involved in forestry
- 196 worker co-operatives, a quarter of which are also in the forestry sector
- Just over 100 non-profit and co-op home-care service enterprises offering services to over 35,000 people across Quebec. Most of these are less than five years old, and their creation has led to 3,800 new jobs
- An unknown but considerable number of non-profit businesses in other fields, such as the arts, leisure, and recycling, including about 650 child-care centres and 135 child-care agencies
- A little more than 40 worker-shareholder co-operatives, through which workers hold up to 49 per cent of their company’s voting stock
- 119 job co-operatives that seek to promote the social and economic integration of a dozen youth — aged 14 to 17 — in co-operative businesses, sometimes run year-round but usually as summer projects lasting from 16 to 18 weeks
- 124 multi-stakeholder or solidarity co-operatives (a legal framework created in 1997 and based on an Italian model, wherein two groups of members must be present in its governance structure — users of services provided and workers, and wherein a third membership group is also possible — one that brings together outside individuals or organizations that have a vested social or economic interest in the co-operative’s success. This last group can be made up of community members, who are neither workers nor users, for example suppliers or representatives of key players).
- About 1,200 housing co-ops and non-profits, excluding municipal low-income housing units
- 36 training businesses, sometimes referred to as “integration enterprises.” These are most often non-profit organizations incorporating a training-based, social integration framework within an enterprise engaged in producing goods or services. The goal is to provide job and life skills development in a true work setting, generally accompanied by job-search and placement services, to particular client groups within
a limited time frame. Training businesses are geared towards “exit” strategies where trainees are expected to leave the initiative by finding a job elsewhere or returning to school.

Not included in this inventory are the endless number of federations, confederations, local and regional roundtables, and umbrella groups that bring together these initiatives by sector, type, market, and territory.

In some sectors — notably housing co-operatives, worker co-operatives, and non-profit child-care centres — the development strategy adopted has produced results that many consider exemplary. For example, roughly 21,500 housing units were created between 1973 and 1994 by 1,100 housing co-ops (Girard, 1995), 103 home-care social economy enterprises were set up between 1996 and 2000 (Chantier de l´économie sociale, 2000), and the vast majority of the 659 child-care centres and 134 child-care agencies operating five years ago were under direct parent control (Girard, 1995) (the number has since grown). These success stories would not have been possible had it not been for a combination of public and private (co-operative) sector programs and organizations unique to Quebec that provide financial support and technical assistance to the social entrepreneurs. Indeed, the Quebec model of the social economy cannot be disassociated from an intricate support system that includes

- 120 Local Development Centres (CLDs), including eight CDÉCs in Montreal, that offer technical assistance and referral services to new and existing businesses, enterprises in the social economy, as well as entrepreneurship training. CLDs also have specific small local investment funds for existing social economy enterprises and start-ups. Supported by the Quebec government and local municipalities, CLDs bring together, on their boards of directors and in their committees, various economic and labour market partners, including stakeholders in the social economy such as women’s groups and community organizations;

- 11 regional development co-operatives (CDRs), financed by the Ministry of Industry and Commerce on the basis of number of jobs created, that offer technical assistance primarily but not exclusively to manufacturing and commercial co-operatives;

- social economy regional committees (CRÉS) in all but one of Quebec’s 17 administrative regions, whose role is to (1) develop the portion of the region’s strategic plan devoted to the social economy, (2) ensure that representatives of local social economy enterprises are represented on each local development centre’s board of directors, and (3) coordinate actions between local and regional players in the social economy. Each CRÉS also serves as a relay of sorts with the Chantier de l´économie sociale, thus interweaving strategic regional and local planning, information, and decisions, both by sector and by territory. (It should be noted that each administrative region has a development council that also has an investment fund for innovative and “structuring” projects.); and

- the Chantier de l´économie sociale, whose current 30-member board of directors is made up of representatives from umbrella organizations of various social economy initiatives, networks of local development organizations, social economy regional committees, labour unions, social movements, research committees, and a few specific organizations supporting social economy initiatives. No other organization plays as commanding a role as the Chantier in the development of the social economy.
in Quebec. Originally, its general mission was to serve as an intermediary on all matters relating to the social economy between the Quebec government and almost everyone else. While it does this, it also plays an organizational role, overseeing the development of new sector-based development programs, coordinating the work of regional and local social economy committees, exploring ways to increase training opportunities, and promoting research and development in the field. Its leadership role on most questions, through its links to the regional committees on the social economy, its seat on the board of the Quebec Social Investment Network (RISQ), its ties to the Social Economy Labour Force Adjustment Committee (CSMO-ÉSAC), and its involvement in most research projects on the social economy, ensures that strategic planners, technical assistance providers, and financial backers share its vision on the social economy. The Chantier’s strategic approach has been to focus on developing social economy enterprises in key markets such as home care, child care, forestry, funeral services, and recycling while consolidating local financial and technical assistance for new social economy ventures.

While the cornerstone of development is the technical assistance provided by these various structures and ongoing support through professional training opportunities, research and development, and advocacy targeting policy-makers, many social enterprises would not have begun or prospered without funding and financial assistance for both debt and equity. Quebec ranks first for risk capital representing 40 per cent of funds available in Canada; it also has the greatest number of regional, local, and community development funds. Five years ago a study found 254 Quebec funds with assets approaching $1 billion (Lévesque, Fontan, & Klein, 1996; Lévesque, Mendell, & Van Kemenade, 1997; see also Lebossé, 1998). While the governments of Canada and Quebec were involved in many of these funds, the Quebec Federation of Labour (QFL)’s Solidarity Fund (30.8 per cent), the Mouvement Desjardins11 (10.6 per cent), and the private sector (9.6 per cent) were also sources. The funds vary significantly in terms of the territory they cover, the amount of money provided, as well as type of venture funded — notably high-tech start-ups and social economy enterprises. For example, FondAction ($167.2 million12), in tandem with the Confederation of National Trade Unions (CNTU)’s co-operative development consulting arm, concentrates primarily on smaller initiatives, especially those in the social economy. Similarly, the RISQ, the Quebec Social Investment Network ($23 million), offers financing and technical assistance, in conjunction with CLDs, to emerging social economy enterprises. Furthermore, there are a number of tax credits to encourage investment in these funds, in certain specific types of ventures, and in some co-operatives. For example, the Ministry of Industry and Commerce oversees a tax credit available to co-op members and employees who invest in their co-operative. Despite this support, under-capitalization is still a major problem for most social economy initiatives in Quebec — and for worker co-operatives in particular (Neamtan, 2001). While the number of potential lenders is impressive, many will often lend to social economy initiatives only if other lenders are involved. Thus, elaborate

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10Three quarters of these funds are also analogous to social economy initiatives in that they target not only profitable investment but also social objectives such as job creation and regional and local community development (Lebossé, 1998, pp. 25–75).
11The Mouvement Desjardins is the Desjardins network of caisses populaires (financial services co-operatives), savings and credit unions, insurance mutuals, and investment firms taken as a whole.
12As of August 1, 2001.
financial packages have become commonplace in Quebec’s social economy, even for debt financing (Lebossé, 2000).

CANADA (OUTSIDE OF QUEBEC)

The development of the social economy seems less clear cut in the rest of Canada, perhaps because the co-operative and non-profit movements are less intertwined.

Cultural, regional, and historical differences have led to a mosaic of social economy models (Melnyk, 1989). For example, many co-ops in Atlantic Canada emerged from the adult education Antigonish Movement. In the Prairies wheat pools were set up to counter what was considered exploitation by corporations controlled in Eastern Canada. One of the world’s largest credit unions, VanCity, was established in British Columbia. And in Alberta the Calgary Co-op Association Limited is considered the largest consumer co-operative in North America, with nearly 40 per cent of the local retail market, including sales of food products, hardware, clothing, furnishings, petroleum products, building materials, travel services, and pharmaceuticals. The 170 member co-operatives of Co-op Atlantic and their 226,000 members had $1.3 billion in revenues in 1999 (McCagg, 2001). Roughly 133 Aboriginal co-operatives in the northern regions of the Arctic, mostly among Inuit and Inuvialuit, respond to wide variety of needs, the most common being the provision of food and supplies in remote communities and the marketing of arts and crafts and food products (Hammond-Ketilson & MacPherson, 2001). Overall, the combined assets of non-financial co-operatives in Canada were $17.4 billion in 1999. Among financial co-operatives, credit unions and caisses populaires reported assets of $114.3 billion, eight co-operative insurance companies have over $16 billion in assets, and two trust co-operatives administer over $143 billion in assets in 1999 (McCagg, 2001). Including financial co-operatives, Ross (as cited in Restakis, 1998) estimated that there were over 14 million co-op members across the country.

There were also approximately 175,000 non-profit corporations registered in Canada in 2000 (Canada Customs and Revenue Agency, as cited by nonprofitscan.ca, n.d.). Not only is the range of activities carried out by these organizations vast, but also their methods of organization also vary widely. Unlike co-operatives, non-profits do not perceive themselves as part of a unified social movement. Attention to the non-profit sector is a relatively recent development, resulting in part from recent US (Rifkin, 1995) and other international (Salamon & Anheir, 1997a) studies, from increased promotion of the sector supported by organizations such as the Coalition of National Voluntary Organizations and the Canadian Centre for Philanthropy, and from public programs such as the federal government’s Voluntary Sector Initiative, and the International Year of Volunteers.

Generally speaking, where co-operatives overlap with the non-profit sector — particularly for housing, daycare, and health-care services — co-ops seem to be closer to new social economy models; and the remaining co-ops, that are mostly active in competitive markets, to the old social economy (Jetté, Lévesque, Lucie, & Vaillancourt, 2001; Vaillancourt et al., 2000). Recent research conducted in New Brunswick, Ontario, and Saskatchewan on the role of new social economy initiatives in the health and welfare field indicates that they have made a significant contribution in the years preceding and following the advent of the welfare state (Vaillancourt & Tremblay, 2001). Indeed, the number of non-profit organizations increased notably during the rise of the welfare state and afterwards; this
would seem to refute the idea that progressive social policies have a negative impact on volunteering, charitable activities, and co-operation (Browne, 1999). Though few networks exist outside of sectoral federations, this study indicates that provincial governments seem all too willing to delegate responsibilities in the health and welfare sectors — either to community groups and related co-operatives or to the private sector for profitable activities and to families for the rest — without adequate support programs (Vaillancourt & Tremblay, 2001). Although some see this as proof of state devolution in a neo-liberal perspective, this study also suggests that provincial government “dumping” of social assistance tasks on to local shoulders has encouraged (or forced, depending on the point of view) some community-based organizations to reposition themselves or to capitalize on their competitive advantages. The recent awarding of a $1,000,000 grant by the Ontario Ministry of Health to the Ontario Council of Alternative Businesses (2001) to create employment opportunities for psychiatric survivors may be an example of this last finding.

ELSEWHERE IN THE WORLD

Given the roots of the social economy, it is not surprising to note that this sector is well established and recognized in western European countries (Defourny & Monzón Campos, 1992). Indeed, within the European Union the social economy represents 6.4 million jobs (4.4 per cent of total employment), with 59 per cent of this total in the associative sector, 34 per cent in the co-operatives sector, and 7 per cent in the mutual sector (Leach & Unsworth, n.d.). Co-operatives in particular have blossomed all over the world; the International Co-operative Alliance, founded in 1895, has member organizations from more than 100 countries that are active “in all facets of economic activity including agriculture, banking, energy, industry, insurance, fisheries, housing, tourism, and consumer co-operatives” (International Co-operative Alliance, 1996). Nevertheless, most of these sectors are associated with the old social economy.

The new social economy seems to be developing in most industrialized as well as in some non-industrialized countries. For example, a number of European states are supporting the search for new alternative forms of economic and social activity by creating legal frameworks that facilitate social entrepreneurship: The Italian parliament was the first to introduce the “social solidarity co-operative” in 1991; Belgium followed in 1995 by creating a legal form for a company set up for “social purposes”; Portugal introduced the status of social co-operatives with limited liability in 1999 (Defourny, 1999); and France is expected to introduce legislation soon. According to Browne, workers and consumers in personal social services are forming new networks in European countries to meet transportation, home care, child care, health care, and other needs. By resorting to volunteer work, self-help, and co-operation, workers and consumers define and redefine their needs, jointly constructing the supply and demand for personal social services, and create new local public spheres for public debate and reflection on social development (Browne, 1997).

The strategic focus of these initiatives could be termed “integration-through-work” (Defourny, Favreau, & Laville, 1998) based on the idea that poverty is a process (as opposed to a state of being) and that it progressively excludes individuals both economically (from the workforce) and socially (from networks and resources) as it gets worse (Bihr & Pfefferkorn, 1995; Castel, 1994; Clavel, 1998). Hence, intervention must take the form of labour market entry strategies that attempt to reverse the process of both social and economic exclusion.
through programs that are both multidimensional and incremental. The setting up of training businesses and social enterprises are the most prevalent models of this strategy, often resulting in comprehensive programs. In Belgium, for example, the 1990s saw new government support for training businesses, the creation of a new legal framework for social enterprises, a jump from 10 to 25 in the number of technical assistance agencies for social economy businesses, three new funds for investment and support of the social economy, and a national social economy census in order to facilitate partnerships and better promote their goods and services (Delespesse, 1998).

The situation in the United States is not as clear. There are numerous co-operatives that seem to be active in primarily old social economy markets as well as 38,000 non-profit co-operatives and 230,000 non-profit service providers (out of 1.13 million non-profit organizations overall) (Salamon, 1997). How many and which of these organizations could belong to the new social economy is not known. On one hand, social enterprises are emerging across that country with a focus towards market-based, non-profit activities (Bordeleau, Toye, & Schragge, 1999; Community Workshop on Economic Development, 1989; Dees, 1998; Emerson & Twersky, 1996; Hammack & Young, 1993; Krimerman & Lindenfeld, 1992; Skloot, 1988) and “venture” philanthropy-based partnerships in lieu of state support.13 On the other, the focus of many social enterprises is around issues of poverty and long-term unemployment based on welfare-to-work policies (Friedlander & Burtless, 1995; Gueron & Pauly, 1991; O’Neill & O’Neill, 1997) and individual development account (IDA) programs (Sherraden, et al., 2001), both of which are founded on collaborations between the private sector (often through foundations), federal or state agencies, and community-based organizations. Though there seems to be no attempt through these enterprises to replace the market as the determining regulatory mechanism, there are enough similarities with the new social economy to warrant further investigation of these strategies through a social economy lens. However, there does not appear to be much cross-sectoral communication or coordination between these different initiatives or their networks.

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13 A growing source of capital is found in a new breed of donors and foundations that call themselves “venture philanthropists” who seek a “social return on investment” (Community Wealth Ventures, Inc., 2001; see also Roberts Enterprise Development Fund, n.d.).
Practice Issues

THE ROLE OF THE COMMUNITY AND COMMUNITY ECONOMIC DEVELOPMENT

A community has a key role to play in economic development: it must reconcile economic imperatives with local social, environmental, and cultural concerns. To achieve this, it must be able to exert control over its economic resources. Such control is the focus of community economic development (CED). Indeed, CED is an institution-building process whereby marginalized communities lay claim to the economic resources needed to ensure individual and collective fulfilment (Ninacs, 1993a; Ninacs, 1993b). Thus, CED may be seen as a planned process of community empowerment and social change.14

Over the years, two main types of CED institutions have emerged: intermediary organizations and collective ventures. CED intermediaries are democratically controlled, non-profit, local development organizations that oversee and support CED efforts by bringing together diverse groups (business, labour, government, and community groups) to plan and coordinate development strategies in their communities. Although models of CED intermediaries vary according to local contexts, services provided usually include entrepreneurial support and technical assistance for new and existing businesses, skills-development and job-readiness training for the unemployed, and networking for both commercial and non-commercial purposes. In Quebec, CDÉCs, CDCs, and some CLDs are such intermediaries, with all CDÉCs and CLDs offering support services specifically to social economy initiatives. This seems to be rarely the case elsewhere.

CED intermediaries generally implement their strategies by fostering locally controlled business development and by setting up CED ventures. Prevalent forms of CED ventures are non-profit commercial ventures, community businesses, private democratically controlled service agencies, training businesses, worker-owned businesses, co-operatives, and micro-enterprise development programs such as loan circles. These organizations most often possess characteristics associated with social economy initiatives, respond to local needs, use local resources as much as possible, and frequently involve local players from different fields. Indeed, social economy enterprises and organizations that resemble them are sometimes referred to as “public-private projects” (in Japan) or as “community partnerships” (in Europe) (Ishigami, 1992).

Some scholars consider that CED and the social economy are intrinsically interwoven, with CED being a subset of the latter even though CED also supports the development of conventional businesses (Favreau & Lévesque, 1996; Quarter, 1992). While some may disagree on the relationship between CED and the social economy, it remains vital no matter how it is viewed. This is because a key feature of the new social economy is local commitment and management that ensures coordination between different sectors and authorities. This favours strategic planning, including the development of social economy

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14There are many definitions of the word “community,” but, in one way or another, they all refer to a group of people having something in common: values, services, institutions, interests, or a geographical space (Barker, 1995, p. 68). Common usage in CED associates the term to a territory (e.g. neighbourhood, city, village).
initiatives and a focus on both social and economic objectives, to ensure that projects are truly grounded in local priorities and needs (Lévesque, Mendell, & Van Kemenade, 1996).

Local commitment and management can also foster a synergy among projects and stakeholders that can either develop or build upon a community’s social capital. Often calling upon volunteer labour, in-kind donations, or other forms of community solidarity, new social economy initiatives are more dependent on a solid anchor of local support. Once the local social relevance of a project has been demonstrated, skills shortages can also be identified and the provision of appropriate training and technical support needs can be implemented. Indeed, new social entrepreneurs — most often social workers and community organizers — tend to lack financial and managerial experience. The Quebec experience is instructive here once again, as at least two provincial organizations are active in identifying training and technical assistance available in order to fit the needs of the sector.15

THE POVERTY MANAGEMENT GHETTO

Fundamentally, the social economy must not be a tool for managing poverty and social exclusion. This is one of the principal concerns of people who are wary of taking this approach (Panet-Raymond, 1999). Indeed, the current popularity of the social economy among some policy-makers has a lot to do with the persistent problem of poverty and social exclusion at a juncture that considers state intervention as being inherently pernicious. Moving individuals off welfare rolls and into temporarily subsidized social economy jobs can work in the long run only if the jobs are permanent, pay sufficiently to allow them to move out of poverty, and have working conditions that are both adequate enough to provide security and health and are adapted to their needs. Fostering the development of social economy initiatives must therefore be part of a broad, multi-faceted offensive against unemployment and poverty that should include a variety of measures such as reduced and reallocated paid working hours, fair sharing of productivity gains between workers and owners, good corporate citizenship, development programs that mobilize a community’s resources and encourage participation and empowerment, and support for CED (Lapointe & Vachon, 1997).

FEMINIST CRITIQUES

Few women are active in the old social economy, with the exception of financial co-operatives, where the majority of workers are women. Where women have a strong presence is in the new social economy, which has a concentration in the personal service sector. Tending to the needs of children, adults, and the elderly has always been women’s duty in the home as well as their usual source of employment outside the home. Thus, it is likely women will perform most of the tasks in social enterprises providing personal services and will have to solve related operational problems. Since salaries and benefits for jobs in this sector are generally quite low (D’Amours, 1996), women fear that they will not be compensated for the full value of their work (David, 1997). There is a real danger that the new social economy

15In the fall of 2000 the Comité Sectoriel de Main d’oeuvre de l’Économie sociale et de l’action communautaire completed a report on the training practices and needs for the community sector in general and the Carrefour québécois de développement local is in the final stages of a report on training resources for CED and for the local development sector in general.
can become an underpaid and precarious job ghetto for women (Jetté et al., 2001). To ensure this does not happen, the jobs created have to be steady, properly remunerated, and provide decent working conditions (Comité d’orientation et de concertation sur l’économie sociale, 1996). It is not really clear how the development of social enterprises can actually speak to the issue of women’s historical exclusion from the labour market or recognize the frequently unpaid and otherwise generally underpaid work that women accomplish for society’s benefit as long as market forces are largely ranged against a change.
Discussion: Policy Implications

POTENTIAL BENEFITS

When the social economy evokes a great deal of interest and passion, it is often because it broaches fundamental issues concerning current changes in the various production systems and labour market restructuring (Harrison & Weiss, 1998). Indeed, the challenge of enabling the least qualified segment of the population to leave public assistance programs is quite daunting; and, as the private and public sectors seem neither willing nor able to hire the people concerned, it requires expanding the job supply outside of these sectors. This is where governments often see the social economy as fitting in, by serving potential markets related to growing unsatisfied needs due to the welfare state having reached its limits and to the private sector’s lack of interest in low-profit activities. By satisfying these needs, the social economy can generate new economic activity and thereby enlarge the job supply by opening less specialized positions that characterize many of the industries in which social economy initiatives operate.

Furthermore, by enlisting a variety of public and private funding programs and counting on volunteers to offset various deficiencies, social economy enterprises are often able to hire or retain staff where private or purely public sector organizations cannot. This increased capacity for service delivery can also lead governments to consider the social economy as a cost-effective means of delivering collective services at a reduced cost. However, if the social economy is just another form of state service delivery, then its only advantage would seem to be cheap labour or less expensive management and infrastructures, or both. Neither solve fundamental social problems but rather play into the hands of governments seeking to divest themselves of their social responsibilities (Boivin & Fortier, 1998; Shragge & Church, 1998). If state recognition and support for the social economy is limited to contractual agreements for the delivery of goods or services, the relationship between the two will be reduced to a simple commercial subcontract instead of building solidarity and capacity in communities. When promoting social economy development, the players involved must have objectives that go beyond simple service delivery (such as controlling their own development), for the social economy seems most effective at reducing unemployment and poverty when it is guided by the broader objectives of maintaining and strengthening democracy and citizenship (Joyal, 1999).

This is why proponents of the new social economy seek “more synergetic welfare mixes” (Pestoff, 1998). The case of home-care services in Quebec provides a good illustration of what this can mean. To begin with, even though the labour movement in Quebec is relatively favourable to the development of the social economy, it has nevertheless voiced a number of objections related to the possibility that the new jobs created will simply be a transfer of those traditionally found in the public sector. Thus far, efforts have been made by all stakeholders to avoid job substitutions of any kind. Hence, during the advent of the over 100 or so home-care social enterprises between 1996 and 2000 in Quebec, state agencies harmonized the home-care services they were already providing with those provided by social enterprises. In all, 3,800 new jobs were created — although a few of these were legalized “underground economy” jobs — and no public sector jobs were lost with the advent
of the social enterprises. (The number of positions in state agencies actually continued to
grow by three per cent annually.) Furthermore, following a report in 1996 by a task force set
up by the provincial government indicating that the home-care needs of the elderly and the
disabled were woefully underserved, a public program to support demand was established.
This made it possible for over 35,000 new “clients,” most of them elderly or disabled, to
begin receiving home-care services and to remain in their homes instead of in institutions.
The vast majority of these clients either did not have access to services in the past or illegally
hired workers “under the table” — in other words, without providing them with employment
benefits. Thus, the activities of social economy initiatives can produce both added social
value and added economic value emanating from multi-sectoral collaboration.

New social economy initiatives most often emerge in essential fields or in localities
deemed not profitable enough for the private sector or too costly for the public sector. Fields
that require a substantial amount of financial capital — for buildings or equipment, for
example — are customarily excluded, as are those controlled by large corporations or having
significant entry barriers.16 A few years ago, the European Commission estimated that an
additional 140,000 jobs could be created in its member countries in 17 labour-intensive
service provision “job areas” such as home-care services, child care, assisting youth with
social integration problems, housing improvements, security, local public transport, local
shops, tourism, cultural heritage, local cultural development, waste management, protection
and maintenance of green areas, and pollution control (Commission européenne, 1995).
Beyond the economic value with the reduction of unemployment that such activities can
bring, especially when unemployed individuals with few or no job skills are targeted, the
social value of producing goods and services in these fields is also noteworthy since almost
all enhance the quality of life of community residents where they are provided.

Setting up training programs to qualify individuals for the labour market is a key
component of any program attempting to deal with unemployment, low incomes, and
poverty. New social economy initiatives, however, customarily go beyond job and life skills
development, and instead try to create steady jobs with decent working conditions. Social
practitioners and grassroots organizations often get involved in the social economy because
of the lack of economic opportunity available to their program participants. New social
economy initiatives differ from a number of non-profit commercial ventures by specifically
targeting job creation and not simply revenue enhancement. Some believe that social
enterprises are emerging because non-profits are turning to the commercial arena to leverage
or replace their traditional sources of funding (Dees, 1998; Ryan, 1999). This may be true in
some circumstances; but research seems to indicate that mission rather than money is a
primary concern of practitioners and organizations involved in setting up social enterprises
where creating employment opportunities for specific population groups is seen as an
inherent part of the mission (Bullen, Lawrence, Schwenke, Williamson, & Williamson, 1997;
Church, 1997; Church & Creal, 1995; Defourny, 1999; Hammack & Young, 1993; Laville,
1996; Salamon, 1997; Skloot, 1988).

16This does not mean that social enterprises do not exist in such fields. The opposite is true, especially the co-operative
model. One very well-known example is the Mondragón group of worker co-operatives in the Basque region of Spain.
This federation of 85 worker co-ops and 22 other companies either wholly or jointly held by the co-operatives provides
employment for over 34,000 people in several sectors: automotive, electronic components, construction, industrial
equipment, household goods, engineering, capital goods, and machine tools (Clamp, 1999; MacLeod, 1997).
Revenues generated and salaries paid by social economy initiatives contribute to overall economic growth in the same way as any small- or medium-sized business does. Furthermore, their contribution to developing local economies is often quite significant. For example, their financial transactions — sales, purchases, salaries, dividends, etc. — increase the amount of money in circulation within a community because they usually deal with local financial institutions, employ local people, encourage local suppliers, and have local members. Social enterprises also make good sense from a business development perspective for a number of reasons: local demand usually already exists in the form of a need; relatively small amounts of private or public funds can transform such demand into a market; these markets are relatively impervious to global economic variations; and exploiting them requires little start-up capital and can make use of local labour. Communities must, however, possess the capacity to develop these markets and to set up social enterprises to exploit them. Developing such capacity is basic to CED (Boothroyd & Davis, 1993; Lewis, 2000; Swack & Mason, 1987). This is yet another reason why social economy initiatives need to be linked to CED efforts and why much more public and private support is needed for experimentation and research in both (Wallace, n.d.).

In Quebec the insistence by promoters of the social economy that it deserves to be a full and equal partner in the social and economic dynamic is a significant and very conscious struggle. In other words, the social economy is not synonymous with a “starvation economy” from the point of view of either working conditions or quality of goods and services provided. This has translated into two generally accepted parameters for the jobs created by this sector. The first is that social economy sector jobs created must not simply be a replacement of public sector jobs. Second, the hourly wage of workers in the social economy must be decent — currently a minimum of $8.50 an hour (Chantier de l’économie sociale, 2001). At the same time, the public services provided must be of equal quality whatever the purchasing power of users. Finally, the Quebec social economy wishes to be integrated into the entire social and economic dynamic through partnerships that enable the transfer of innovations from one sector to another.

Full and unequivocal recognition of the social economy in its own right is indeed required in order to help its promoters, supporters, and especially practitioners take on the challenges related to moving into this field. Three challenges in particular were noted in a recent OECD publication (Sauvage, 1996):

- The risk associated with the rampant tendency in industrialized countries to tolerate experimentation for only a short period of time and to direct the most viable innovative practices towards the conventional private sector as soon as possible and the others to the state, even though some form of partnership between the initiatives and the two dominant economic models might be more constructive
- The risk of ghettoizing the social economy by either seeing it as merely a stock of cheap labour and a cost-efficient method of privatizing public services or by limiting its enterprises to less lucrative “collective utility” markets — that, in turn, results in establishing the social economy as a group of poverty management mechanisms instead of a vehicle out of poverty
- The risk of giving its mercantile dimension too much space and, with it, the danger of losing its social mission and eroding the community involvement often underlying some of its operations, especially those based on the dovetailing of commercial or
manufacturing activities and non-commercial ones where neither could have succeeded alone, and thus, in the long run, destroying its profitability.

The potential adverse effect of this last risk could give way, if compounded, to the commercializing of all facets of human existence and thus a reduced concept of the common good in which state intervention and mutual assistance are redefined as simple commercial transactions where citizenship is reduced to the selfish consumption of public services. The policy implications related to the development of the social economy are not just social or economic, but have a potentially broad societal import as well.

**ENABLING FACTORS**

The information contained in this working paper points to the following critical elements of successful social economy environments:

- Clear identification of what constitutes the characteristics of social economy initiatives and flexibility as regards operating models to ensure common understanding and to encourage innovation and diversity.

- Extension of the concept of economic viability to include revenues from public programs and foundations, so that social economy initiatives are not expected to finance the social component of their activities from commercial transactions.

- A collaborative social environment based on multi-sectoral participation, teamwork and consensus, with a focus on both building social capital and maintaining a safety net for everyone concerned.

- The participation of community and women’s organizations in decision-making processes and structures related to the social economy — and a preliminary phase of community organizing if there are none or very few in the community.

- The presence and active participation of community organizers and municipalities that support collective efforts (such as belonging to the Healthy Cities Movement under the aegis of the World Health Organization).

- The presence of community economic development intermediary organizations, the inclusion of social economy initiatives within local strategic plans, and the integration of support for social economy initiatives (financial and technical assistance) within these intermediaries.

- Recognition by all stakeholders of the potential of the social economy for local development and “good job” creation.

- State support for a development strategy that combines government financial and technical assistance without infringing upon the autonomy of social economy initiatives. The strategy should avoid both replication of models and restrictive regulation in areas such as markets and targeted clienteles, categories of people to hire, and commercial and non-commercial activities.

- State support, including the adapting of public job creation and business development programs, for the often long pre-start-up period of social enterprises required to
organize the individuals concerned and shape their activities according to target requirements and available resources

- Local support for social entrepreneurship and adaptation of legal and regulatory limitations to facilitate collective entrepreneurship
- A variety of funding sources for all forms of financial debt and equity requirements, including access to start-up capital adapted to the realities of social economy enterprises, where financial support is linked to knowledgeable technical assistance and founded on project support rather than program structure to ensure flexibility on the part of public and private authorities as well as local autonomy
- Employability and life skills development programs for unemployed individuals with few or no job skills where training and transition phases are adapted to the realities of social economy enterprises targeting long-term continuity and development
- Umbrella organizations and both sectoral and multi-sectoral networks on local and national levels that favour networking between old and new social economy enterprises
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