

Social Enterprise as a Tool to Stimulate Economic Development
and Drive Social Outcomes in Newfoundland & Labrador

UNTAPPED POTENTIAL





OPENING REMARKS

Chelsey MacNeil

Director of Social Enterprise

Ally Jamieson

Manager of Research & Evaluation

Adam Smith

Social Enterprise Hub Manager

Ayon Shahed

Director of Strategic Development

Sheldon Pollett

Executive Director

cmacneil@choicesforyouth.ca
709-754-0446

Over the past two years, momentum has been building behind a new approach to social issues in St. John's and throughout Newfoundland and Labrador. Across governments, community organizations, and business there has been a push to explore new ways to tackle complex social and economic challenges. It is clear that creativity, collaboration and innovation are key to unlocking new opportunities for our economy while building more vibrant and inclusive communities. In particular, there is a shift across sectors and across the labour market towards leveraging social enterprise as a sustainable business model to create social change.

Choices for Youth has been a part of this shift. For over eight years, we have been operating social enterprises in St. John's to train and employ at-risk and homeless youth. Our social enterprise portfolio includes operations in the construction, manufacturing and retail sectors. We have first-hand experience starting and growing sustainable businesses — all with a mandate to train and employ vulnerable youth while providing a range of supports they need to succeed in the workplace.

As practitioners, we have accumulated a vast amount of experiential knowledge on what it means to build social enterprises in Newfoundland and Labrador. This white paper analyzes the current national social enterprise landscape and explores the opportunities and challenges in our provincial context. Sharing insights on the social and economic value of social enterprises through the analysis of policies, best practices and academic research from across the country offers key recommendations to build a thriving and social enterprise ecosystem in Newfoundland and Labrador.

EXECUTIVE SUMMARY OF RECOMMENDATIONS





It is with a spirit of collaboration and sense of possibility that we will collectively elevate the social enterprise sector in our province to its next phase of evolution. The time is now for governments, institutions and organizations in our province to take the lead in this work.

Effective social enterprise and procurement strategies have the potential to deliver on the policy and mandate priorities of multiple departments across the province. As a tool, these strategies will have a significant impact on economic activity, labour market participation, poverty reduction, and social and economic inclusion. Our specific recommendations to achieve this are:

1. Build the Capacity of the Provincial Social Enterprise Sector. This includes creating better access to business development resources for social enterprises and aligning new social enterprise development with current economic development initiatives. The following actions have been identified to achieve this recommendation:

- i. Create social enterprise business incubation programming by leveraging existing Community Business Development Corporations. In the spirit of co-creation, create programming that reflects modern approaches to social enterprise development.
- ii. Broaden eligibility requirements of business development resources to allow participation of non-profit and community-based organizations.
- iii. Develop a dedicated, practitioner led, province-wide network of social enterprises.
- iv. Create a digital portal for social enterprises that are designed to connect and educate practitioners and provide up to date resources and information.

2. Expand Market Access and Opportunities for Social Enterprises. This includes integrating social value and social outcomes as explicit and prioritized components of the provincial approach to procurement. The following actions have been identified to achieve this recommendation:

- i. Create a social procurement working group comprised of government, industry and social enterprise practitioners that will identify key procurement opportunities in the province
- ii. Adopt third party accreditation/certification to ensure that local social enterprise is consistent with nationally accepted principles. Currently, Buy Social Canada is the nationally recognized certification organization. It is our recommendation that the government of Newfoundland and Labrador, in coordination with practitioners, work closely with Buy Social Canada throughout the consultation process to bring other provincial and national best practices to the table.

iii. Build capacity in the sector to promote social enterprise supplier readiness. This development work will be as a result of the identification of opportunities determined by the working group.

iv. Launch a pilot program with Newfoundland and Labrador Housing Corporation modelled after Manitoba Housing best practices to capitalize on current social enterprise construction opportunities.

3. Apply Standardized Tools for Evaluating Social Enterprises. This includes the application of Social Return on Investment and the Demonstrated Value Framework as tools to evaluate, understand and promote the impact of social enterprises. The following actions have been identified to achieve this recommendation:

i. Increase accessibility to tools and resources to generate valid and reliable data.

ii. Build expertise and understanding of Social Return on Investment (SROI) in partnership with community organizations.

iii. Link social outcomes across multiple departmental priorities.

iv. Through the practitioner-led network, generate materials that capture the quantitative and qualitative data to engage stakeholders.

v. In partnership with academic institutions and sector organizations, engage in a provincial research agenda that will inform policy.

4. Create an Integrated Policy Environment. Working to connect key departmental commitments and policy goals will facilitate collaboration and progress across all social and economic priorities. Linking the social enterprise and provincial procurement strategies with the goals of the *Poverty Reduction Strategy (2014)* and *Towards Recovery (2017)* is an example of integrating policy goals with social and economic goals. The following actions have been identified to achieve this recommendation:

i. Examine and adapt other provincial regulatory changes that have created more favourable conditions for the startup and growth of social enterprises.

ii. Use poverty reduction and employment strategies as investments in people and programming that tackle the real life challenges facing vulnerable and marginalized populations

iii. Increase collaboration between practitioners and policy makers to identify policy barriers in transitional and supported employment programs.

iv. Invest in social enterprise as a transitional employment model that helps recipients create a path to independence.

v. Leverage procurement opportunities to broaden market access for social enterprises and encourage public/private/social partnerships.

1.0

OVERVIEW OF SOCIAL ENTERPRISE IN CANADA



It is with a spirit of collaboration and sense of possibility that we will collectively elevate the social enterprise sector in our province to its next phase of evolution. The time is now for governments, institutions and organizations in our province to take the lead in this work.

According to the *Canadian National Social Enterprise Sector Survey Report* conducted in 2016, a social enterprise is defined as: “A business venture owned or operated by a non-profit organization that sells goods and services in the market for the purpose of creating a blended return on investment, both financially and social/environmental/cultural”.

According to this report, of the social enterprises in Canada:



26%

PROVIDE EMPLOYMENT SUPPORTS

19%

PROVIDE TRAINING FOR WORKFORCE INTEGRATION

19%

GENERATE INCOME FOR A PARENT ORGANIZATION

81%

OPERATE TO ACHIEVE A SOCIAL MISSION

45%

OPERATE TO ACHIEVE A CULTURAL MISSION

27%

OPERATE TO ACHIEVE AN ENVIRONMENTAL MISSION

43%

ADDRESS POVERTY REDUCTION

(Elson, Hall, & Wamucii, 2016)



The *Canadian National Social Enterprise Sector Survey Report* indicated that in 2013/14 social enterprises provided paid employment for at least 31,000 workers in Canada and those workers earned collectively over 442 million in wages and salaries. Those employed included at least 23,000 people as part of the mission of the social enterprise.

(Elson et al., 2016)

The *Canadian National Social Enterprise Sector Survey Report* indicated that in 2013/14 social enterprises provided paid employment for at least 31,000 workers in Canada and those workers earned collectively over 442 million in wages and salaries. Those employed included at least 23,000 people as part of the mission of the social enterprise (Elson et al., 2016).

The report found that social enterprises provided training designed for workforce integration for 116,000 people and provided services to over 5.5 million people (Elson et al., 2016). These social enterprises reported total revenue of 1.2 billion in 2013/14. Additionally, the following are insights derived from the surveyed social enterprise operations:

- **All had a range of social mandates, with 50% focused on poverty reduction.**
- **76% focused on labour market participation and operate across a range of sectors from health and social services to trade, finance, food and tourism.**
- **The average number of jobs created was 27 per social enterprise.**
- **The average number of individuals who received training was 95 per social enterprise.**
- **Over 75% reported breaking even, with 40% doing so without grants.**
- **Rural operations focused on culture and food accessibility.**
- **Urban operations focused on employment development and housing.**

(Elson et al., 2016)

Closer to home, social enterprise in Atlantic Canada is a significant economic driver. In Nova Scotia alone, social enterprises generated at least \$127 million through the sale of goods and services in 2013 (Government of Nova Scotia, 2017). Nova Scotia social enterprises averaged \$1.3 million in total revenue, \$865,000 in total sales and \$131,000 in net profits. The study also shows that social enterprise is a strong economic driver in Nova Scotia and provided paid employment for at least 5,630 people, and generated over \$83 million in wages and salaries in their province.

What We Heard: Social Enterprise, released in by the Government of Newfoundland and Labrador in 2017, notes that there are many definitions for social enterprise and the term can mean different things to different organizations (Government of Newfoundland and Labrador, 2017, pg.5). Consultations with sector leaders identified a significant need to define the term in a provincial context that is inclusive of appropriate sectors.



EVOLUTION OF SOCIAL ENTERPRISE IN NEWFOUNDLAND AND LABRADOR

The 2016 report, *Ready for Takeoff: Social Enterprise in Newfoundland & Labrador*, published by Community Sector Council NL, Mount Royal University and Simon Fraser University provides an overarching view of the social enterprise landscape in our province. Key highlights of this work are shared here.

SOCIAL IMPACT OF THE SOCIAL ENTERPRISE SECTOR IN NL

- ▶ The 30 participants in of the survey trained more than 1200 people, provided services to over 70,000 people, and involved at least 568 volunteers in their work during 2014.
- ▶ 57% of respondents worked to address poverty by targeting people with employment barriers, low income or homeless.
- ▶ 43% of respondents had an employment focus, revealing that they provided employment, trained or targeted people with employment barriers.

ECONOMIC IMPACT OF THE SOCIAL ENTERPRISE SECTOR IN NL

- ▶ \$10 million in revenue from these 30 organizations alone, including over \$6 million in sales revenue for the year 2014.
- ▶ \$5 million in wages and salaries paid to 815 full-time, part-time, and seasonal employees in 2014.
- ▶ Of the organizations surveyed, 63% identified a social mission, 50% a cultural mission, 23% an environmental mission, 27% focused on employment development, 27% on training, and 13% on income generation for a parent company.
- ▶ On average, the surveyed social enterprises had been in operation for 22 years. Some of the oldest in operation are cooperatives that have operated across several industries including fisheries, retail, and banking.

2.0

CHALLENGES AND BARRIERS FOR SOCIAL ENTERPRISES IN NL



UNDERSTANDING THE SOCIAL ENTERPRISE BUSINESS MODEL

Social enterprise is a relatively new term but an established practice throughout the province. Community organizations have frequently looked at creative revenue models to achieve their social missions and to help support administrative and overhead costs. Although the social enterprise sector has evolved tremendously over the past thirty years, the formalization of business models, a clear and accepted definition of social enterprise, and the application of mechanisms to support and evaluate social procurement are all lacking.

Internally, this presents challenges for staff, senior management and boards of directors in planning and operating businesses that balance social and economic outcomes. Defining success for a social enterprise is important and processes must be setup to assess desired social outcomes, financial viability, and performance of the business. Demonstration of success requires a different kind of reporting from traditional business models, and results beyond the income statement must be examined.

Social enterprises focus on a blended Return on Investment (ROI), which often means bearing additional social costs to business operations costs. This higher cost of production can be a barrier to pricing for bids, cash flow, and income for business reinvestment.

(LePage, 2014)

Furthermore, stakeholders throughout the community and government partners need to have a clear idea of problems they are trying to solve and how specific interventions are expected to achieve social outcomes. These understandings inherently link the business and market elements of the social enterprise model to approaches designed to contribute to the overall success of the organization and its mission. This means that revenue generation in these types of operations should not be designed to replace existing funding, but should instead be used as a complementary and powerful approach to achieve a social return on investment and contribute to improved social outcomes.





Market Opportunities and Financing

Social enterprises, like most small and medium-sized enterprises, must find a market for their goods and services. Their success and growth is dependent on their ability to capitalize on demand at an optimal market price for both the consumer and social enterprise and the delivery of quality goods and services.

In addition to the business-to-consumer and business-to-business marketplace, there are many barriers to access markets, such as the scale of government tenders and infrastructure projects. Beyond market access, financing can also be a challenge for many social enterprises as many are structured as non-profit entities and/or charitable organizations.

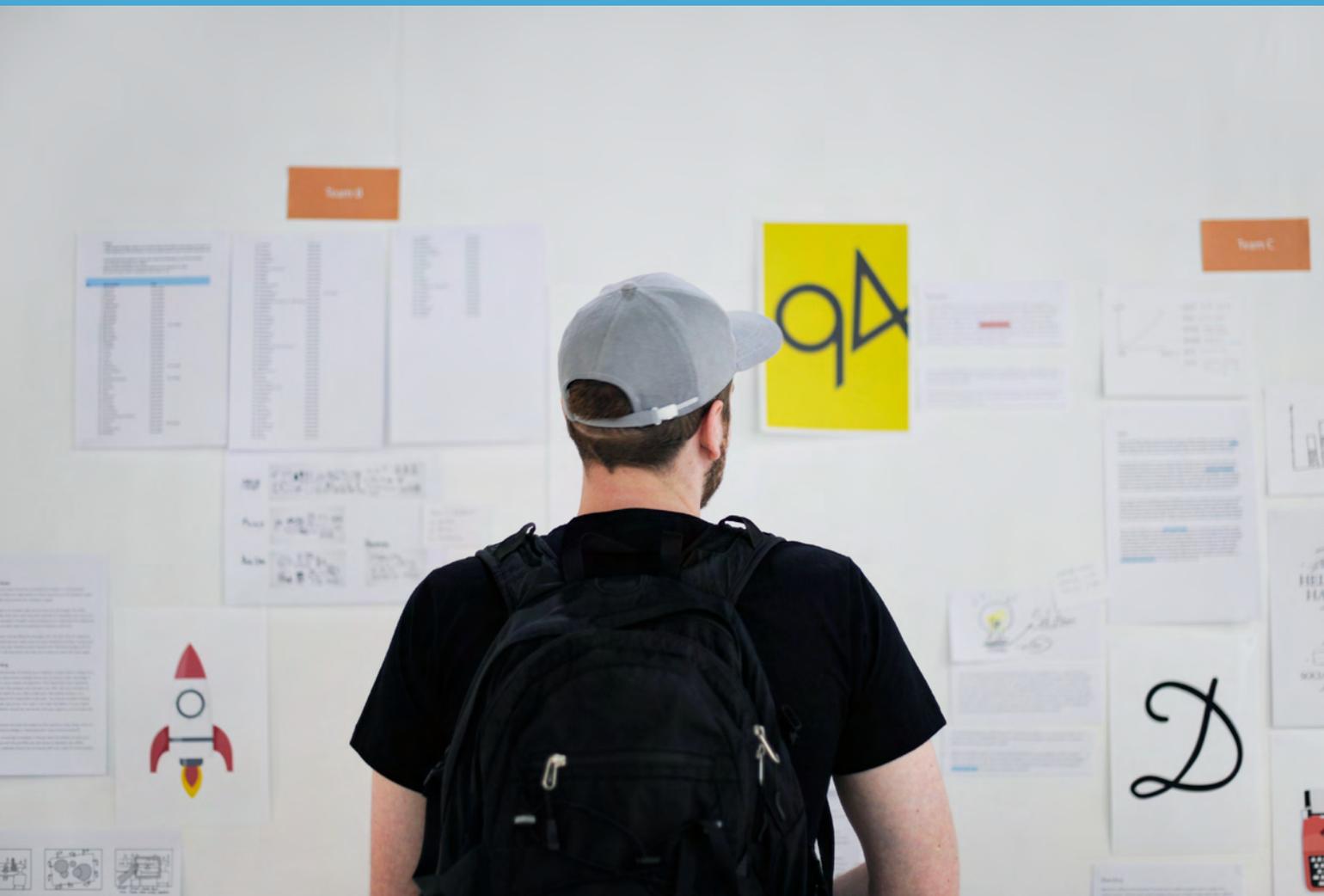
Capacity to Scale Up

Building on the previous challenges described, scalability can be a concern for many social enterprises. Limited access to capital and finance tools can make it difficult for operations to scale to meet demand. Establishing the conditions to scale a social enterprise goes beyond basic business practices as they must include the resources to maintain and scale social outcomes as well. As most social enterprises in Newfoundland and Labrador operate inside a parent charitable/non-profit entity, scaling business operations can also be a strain on existing administrative and infrastructure resources.

Procurement Policies

There is currently no mechanism to evaluate or prioritize social outcomes and impact in place for policies framing procurement processes. These processes already exist for environmental and community investment considerations and could be modified to include social outcomes and impact as core considerations. This kind of policy amendment to existing policies requires leadership and commitment at the government level to modernize procurement legislation and the public tendering act.

OPPORTUNITIES TO UNLOCK POTENTIAL



Economic Innovation

Social enterprise represents a significant opportunity for regional economic activation in Newfoundland and Labrador. As the province faces growing social needs combined with significant economic challenges, there is an urgent need to adapt new strategies and perspectives in the pursuit of economic development outcomes. Social enterprise contributes significantly to addressing systemic economic problems currently identified by government and reflected throughout **The Way Forward** report. As evidenced by the *Canadian National Social Enterprise Sector Survey Report*, taking this approach has the potential to create new jobs and training opportunities, while addressing costly social challenges.

Greater Social Impact and Inclusion

A disproportionate number of young people, seniors, members of minority communities, and people with physical and mental health challenges in Canada are either unemployed or otherwise detached from labour markets, with increasing numbers transitioning onto income support programs. Systemic marginalization has hindered opportunities for many people to utilize skills and expertise within the job market. Social enterprises offer one avenue for displaced workers to engage in skilled employment with supports in place to retain housing and food security, engage in preventive and life-sustaining healthcare, and engage in community activities that foster wellness in social and financial contexts. It is an approach that has numerous inspiring examples including the Hungry Heart Cafe (NL), Impact Construction (NL) and Good Foot Delivery (ON).

Access to training and employment for marginalized populations also represents a major step towards reducing the number of individuals caught in cycles of poverty. As individuals move towards employment this also minimizes the long-term utilization of income support services, while introducing new tax-payers to the system.

An Enterprising Non-Profit Sector

Over the last twenty years, the non-profit sector has responded to the challenges of diminishing and restrictive funding sources and increasingly complex social issues with an innovative and strong commitment to their community. A healthy and supportive social enterprise sector offers an opportunity to allow the dedicated people of our province to combine business goals with socially beneficial outcomes. Their rich understanding of local market and social needs is a resource that can be leveraged with this approach to provide goods and services in local marketplaces, and to offer social value, such as job creation, poverty reduction and revenue for charitable purposes (LePage, 2014).



Choices for Youth (CFY) recently released *We are Ready*, a report that outlined key findings on issues facing youth in regions across the province and opportunities to build partnerships to address them. Through the summer and fall of 2017, staff from CFY hosted consultations throughout the province to inform plans to expand its own programming and social enterprises outside of St. John's and to gather input to inform province-wide planning around these issues.

Throughout this process, it was identified that securing employment for at-risk youth is a challenge in communities across the province. While there are many training and employment programs available, most are not suited for young people facing complex and concurrent challenges of low education levels, unstable housing, family breakdown, criminal justice involvement, substance use, and mental health. Many of these youth want to work, but are not yet ready to be in a workplace unsupported in addressing the profound challenges confronting them. Social enterprise and transitional employment programs can provide a stop-gap to help young people move towards traditional employment.

Existing business opportunities in communities across the province represent opportunities for social enterprise development focused on employing at-risk youth and paired with service providers to ensure success in the workplace and labour market (Choices for Youth, 2017).

A PROGRESSIVE PUBLIC POLICY ENVIRONMENT

There have been encouraging policy indicators from the federal and provincial governments that social innovation is a priority. Both levels of government have also demonstrated a commitment to social justice issues across departments. As practitioners, we are encouraged by this commitment and alignment of federal and provincial mandates. Specifically, Prime Minister Trudeau has indicated that social procurement is a priority in the mandate letter to Minister Qualtrough:

“Modernize procurement practices so that they are simpler, less administratively burdensome, deploy modern comptrollership, encourage greater competition, and include practices that support our economic policy goals, including innovation, as well as green and social procurement.”

- Mandate Letter: Minister of Public Services and Procurement Mandate Letter (October 4, 2017)

The province's commitment to modernize procurement strategies is a critical component of this work. As outlined in *The Way Forward* (2016) report:

The new legislation and regulations will take into consideration: innovation and contribution to local economic growth, best value for money, social, economic and environmental priorities, purchasing efficiencies and the scaling goods and services procurements.”

- The Way Forward, Action 1.19

Additionally, given the range of social outcomes that can be embedded within social enterprises, coordinated and progressive action on the province's social enterprise and procurement strategies will help propel the outcomes of the All Party Committee on Mental Health and Addictions (Towards Recovery), Workforce Innovation Agenda, Poverty Reduction Strategy, Housing and Homelessness Strategy, Strategy for the Inclusion of Persons with Disabilities, and the Premier's Taskforce on Improving Educational Outcomes.

RECOMMENDATIONS



#1 BUILD CAPACITY OF THE PROVINCIAL SOCIAL ENTERPRISE SECTOR

The Way Forward states on its opening page “Together we will achieve a strong, diversified province with a high standard of living. The determination and drive of Newfoundlanders and Labradorians will be supported by responsive, innovative and efficient programs and services” (The Way Forward, 2017). Social Enterprise, by design, represents an opportunity to mobilize an established provincial community to think innovatively about challenges in their communities from a social and economic lens.

Social Enterprises Need Access to Business Development Resources

Community-based organizations are can help solve both social and economic challenges through the development of the social enterprise sector. This represents a significant opportunity to empower communities to be independent and innovative. But, like any business, they cannot do it without investment, resources and access to support.

There is a growing ecosystem of innovation supports throughout the province where participants have access to business incubation, development services and connection to resources to nurture the technology sector. The social sector should have access to comparable but independent services available to community organizations to support the development and growth of social enterprises through a practitioner-led network.

Social Enterprise Sector Must Be Aligned with Current Economic Development Initiatives

The work to align the social enterprise sector with current economic development initiatives has already begun with the implementation of a Social Enterprise Fund at CBDC's, including Metro Business Opportunities, and the St. John's / Mt. Pearl Community Business Development Corporation. The YMCA of Newfoundland and Labrador has also run capacity building programs in St. John's and Bonavista for entrepreneurs and social enterprises. The further utilization of these initiatives specifically to build capacity for enterprising non-profits will be important moving forward. In order to truly build capacity for this sector, we must also look towards modern incubation strategies designed for social business practices.

Calls to Action for Recommendation #1

- 1.** Create social enterprise business incubation programming by practitioners and leverage existing Community Business Development Corporations to deliver programming.
- 2.** Broaden eligibility requirements of business development resources to allow participation of non-profit and community-based organizations.
- 3.** Develop a dedicated, practitioner led, province-wide network of social enterprises.
- 4.** Create a digital portal for social enterprises that are designed to connect and educate practitioners and provide up to date resources and information.

#2 EXPAND MARKET ACCESS AND OPPORTUNITIES FOR SOCIAL ENTERPRISES

The various levels of government represent the largest group of purchasers of goods and services in the economy. The federal government has changed how companies operate by making environmental performance part of the criteria to compete, thereby creating conditions for companies to make sustainability a priority. If the baseline principal of lowest cost was the only criteria, companies would be in a competitive environment that would be a “race to the bottom” and make economic decisions that potentially would result in exploitation of scarce resources. Without policy interventions there is a substantial risk that human and environmental resources are exploited, creating major societal consequences that could cost exponentially more than the initial cost savings.

Building on Existing Procurement Processes

“Social procurement can be understood as the use of purchasing power to create social value. In the case of public sector purchasing, social procurement involves the utilization of procurement strategies to support social policy objectives.”

(Barraket and Weissman, 2009)

Creating the Economic Conditions for Success through Social Procurement

The case for social procurement is rooted in opportunity and an extension of what is already being done by other sectors. If the marketplace is incentivized to purchase products and services from those who can demonstrate social impact and value through access to public procurement dollars, there is a tangible opportunity for social enterprises to scale their business.

“Consider the full impact of the Provincial Government’s procurement process, not just the life of the contract. There is an opportunity to realize best value for money, social, economic and environmental priorities through the new Act Respecting Procurement by Public Bodies (not in force).”

- What We Heard: Social Enterprise, pg. 6

To combat these issues, a multi-pronged approach is required. Social enterprise represents an economic and social opportunity to leverage existing resources to achieve measurable and diverse results. These outcomes range from generating employment and economic activity through the sales of goods and services to government savings across departments through the income support system, decreased interactions with the justice system and beyond. These outcomes are being achieved by social enterprises across Canada and in Newfoundland and Labrador. Operating businesses that exist with a social mandate assists governments in the pursuit of yielding positive systemic social issues in a collaborative and innovative way.

In order for social procurement to be successful, the buyers must also be diverse. Through government policy initiatives, there is an opportunity to influence procurement strategies of anchor institutions and crown corporations such as Memorial University, Newfoundland and Labrador Housing Corporation and Eastern Health. Social procurement allows for alignment of community values with these institutions and leveraging existing resources to provide opportunities for social enterprises to deliver on market based needs.

Social Procurement Examples

Diversity Foods, Manitoba — Through a contract to provide the food services for the University of Winnipeg, Diversity Foods, a social enterprise, trains and employs over 80 people in food and service related skills, and purchases from over 80 local growers. Using a social procurement lens, the University stays within budget, meets or exceeds the quality expectations, and makes a major contribution to employment development and small business growth (LePage, 2014).

CAUSEWAY, Ottawa — In 2012, Causeway and Ottawa Community Housing (OCH) initiated a pilot project for Causeway's landscaping social enterprise, Good Nature Groundskeeping, to provide basic landscaping services for a handful of OCH properties. OCH is Canada's 4th largest community housing provider with over 32,000 tenants and an operating budget over \$150M. Over the three-year pilot, Good Nature Groundskeeping began earning more work and revenues, moving from \$56,000 in its first year to over \$100,000 by year three as OCH gained confidence in their capacity to deliver quality services. In the winter of 2016, Ottawa Community Housing added a "value-added social enterprise" component to their procurement process when appropriate to a specific tender. That value-added component recognized the important contributions social enterprises can make for their tenants. This value-added component was developed in conjunction with Causeway and paved the way for Good Nature Groundskeeping to move from a pilot project to competitive procurement. The lessons learned from both Causeway and Ottawa Community Housing in their journey can be applied and replicated in other communities across Ontario and Canada (Causeway, 2017).

BUILD, Manitoba — BUILD in Winnipeg provides employment training for street connected people through a contract with Manitoba Housing to insulate their properties. The province saves heating and cooling costs and hard to reach youth are engaged in the labour market (LePage, 2014).

Building Up, Toronto — Based on successful non-profit social enterprise models across the country, Building Up was developed in Toronto to improve our city's environmental efficiency, affordable housing stock, and most of all – to create a real pathway for individuals experiencing barriers to enter apprenticeships and careers in the trades. Building Up connects the dots by: giving housing providers an opportunity to connect work that needs to get done in their buildings with the people in their buildings that need the work; and by helping construction unions meet their need for skilled labour by supplying them with individuals from the community that are looking for sustainable careers. Building Up links business needs to community needs in everything all of their work and act as a vehicle for win-win-win partnerships.

Innovation in Corporate Social Responsibility

Corporate social responsibility has been a part of contemporary business practice since the 1990's. There was a strong movement against the power that corporate entities had over communities, labour practices, use of resources and the social costs of operating businesses. Corporate social responsibility practices are mostly philanthropic in nature, investing in communities through recreation, arts and culture and social causes.

The case for social procurement as an innovative tool beyond corporate social responsibility for private industry is a compelling argument. If social enterprise can provide a company with the goods and services it needs to procure, why wouldn't it use those existing needs to create a substantial opportunity to make social change? This can be accomplished without any additional means or resources besides what is already budgeted for goods and services that the company needs to purchase. As Newfoundland and Labrador has a resource based economy, community benefit provisions are an essential part of negotiations with industry.

The economic climate in Canada today has led the private sector to assume a more active role within the communities in which they do business. A strong partnership among government, major corporations and small businesses will allow for a more equitable distribution of wealth, the creation of employment opportunities, and creation of an expanded customer base (LePage, 2014).

Calls to Action for Recommendation #2

1. Creation of a social procurement working group that will identify key procurement opportunities in the province comprised of government, industry and social enterprise practitioners.
2. Adoption of third party accreditation/certification to ensure that local social enterprise is consistent with nationally accepted principles. Currently, Buy Social Canada is the nationally recognized certification organization. It is our recommendation that the government of Newfoundland and Labrador, in coordination with practitioners, work closely with Buy Social Canada throughout the consultation process to bring other provincial and national best practices to the table.
3. Connect capacity building strategies to promote social enterprise supplier readiness. This development work will be as a result of the identification of opportunities determined by the working group.
4. Launch pilot program with Newfoundland and Labrador Housing Corporation modelled on the Manitoba case study and past pilot projects.

#3 APPLY STANDARDIZED TOOLS FOR EVALUATING SOCIAL ENTERPRISES

Evaluation of the economic and social goals in social enterprises is commonly influenced by both production and funding, but the “entrepreneurial nature” of the business model often competes with the expenses of charity or membership aspects of the organization (Manetti, 2014). As the social enterprise landscape expands, developing methods and tools for evaluating their economic and social impact will become to guiding future investment decisions.

Social Return on Investment

Social Return on Investment (SROI) is a performance measurement tool designed to understand and report on social, environmental, and economic value generated by social enterprise organizations (Millar & Hall, 2013; New Economics Foundation, 2004). Simply put, SROI's are used as an accountancy means to cost-benefit analysis that assigns “...monetary values to social and environmental returns to demonstrate wider value creation.. in relation to the relative cost of achieving those benefits (Millar and Hall, 2013, pp. 926-927). Established as an evidence-based measurement to understand and share value, the application of SROI provides insights on the true value of a social program or social enterprise.

Because social enterprises generate both financial and social value, the two values interconnect in ways that represent both quantitative and qualitative indicators. As such, SROI's use a Blended Value Accounting analysis to identify, understand, and measure value created by social enterprises (Manetti, 2014). Where possible, SROI's use blended values to monetize outputs and outcomes related to economic performance and social objective outputs through financial proxies (Mook et al., 2007; Manetti, 2014). In this way SROI's offer the ability to monetize outcomes “...identified through qualitative stakeholder engagement, producing a transferable evidence base that can be communicated to a wide range of audiences.” (Watson & Whitley, 2017, p. 879).

SROI IN ACTION

As a core component of our Social Innovation Project with the Federal Government of Canada, Choices for Youth has partnered with Sametrica to develop a Social Return on Investment (SROI) measurement platform and framework to capture social and economic profiles of both stable and changing dynamics of service users, employees, and community social values. This is currently being piloted across four program and business areas: Family Reconnect Program, Momma Moments Program, Centralized Employment Support Program and Social Enterprise.

The platform incorporates feedback from our social enterprises and practitioners in the field to ensure that any changes in programming or St. John's community at large is adapted into analyses as dynamics evolve over time. While stable measures are developed to ensure profiles capture immediate outputs, repeated-measure data analysis offers the ability to use understandings of stable and changing dynamics to inform social enterprise decision-making through evidence-based evaluations of program effectiveness. Accordingly, the Sametrica platform has the potential to ensure CFY can quantify the impact of social values based on built-in indicators linked with both social and economic measures.

A Framework to Demonstrate Value

In 2009, 16 organizations operating social enterprises across Canada helped create a detailed report examining the Demonstrating Value Framework (2009) utilized a National Advisory Group to outline a model approach that would match both social enterprise and social investor objectives. An additional 9 organizations that offered direct or indirect supports to social enterprises, participated in this work with in-depth interviews taking place between 2006-2007. The overarching goals guiding this group were to "...move the social enterprise sector towards improved practices in performance and impact assessment, leading to improved stakeholder accountability, and better sharing and communication of innovative practices, learning and social value creations." (p. 7). Key tools used by social enterprises participating in the Demonstrating Value Framework initiative included:

- Social Return on Investment (SROI) models
- Strategic planning and management systems
- Data management systems
- Social accounting and reporting audited by a third party
- Program level evaluation frameworks to examine objectives, procedures, and identify medium- and long-term outcomes; secondary purpose to collect information that can offer insights about change or evolution of business
- Social enterprise-specific financial accounting designed to enhance understanding of the financial needs of the organization
- Investor tracking systems to track performance and impact of investment

(Demonstrating Value, 2009, p. 5)

Calls to Action for Recommendation #3

1. Increase accessibility to tools and resources to generate valid and reliable data
2. Build expertise and understanding of SROI in partnership with community organizations
3. Link social outcomes across departmental priorities
4. Through the practitioner-led network, create materials that capture the quantitative and qualitative data to engage stakeholders
5. In partnership with academic institutions and sector organizations, engage in a provincial research agenda that can inform policy

#4 CREATE AN INTEGRATED PUBLIC POLICY ENVIRONMENT

There is a clear opportunity to explicitly apply social enterprise in governmental strategies and policy recommendations. Many social enterprise activities generate income, create employment, target marginalized populations and even contribute to the provincial GDP. These measurements are important but the social savings are also significant. Government savings in income support, healthcare, justice system interactions and other social considerations are important to measure. Social enterprise should be positioned in government departments as a strategic tool to align departmental objectives and to achieve better outcomes.

New Legal Structure Options

Although social enterprise is not a new practice for non-profits, the current legal structures both provincially and federally are not optimally designed for non-profits to operate businesses. In the provincial *What We Heard* social enterprise report, the department has committed to "...review new legal forms designed for social enterprise, such as British Columbia's Community Contribution Companies and Nova Scotia's Community Interest Companies (organizations that meet additional legal requirements and have explicit community purpose.)"

We support this commitment to further examine legal structures and support the efforts of the provincial government in this research.

The Income Support System as a Tool for Transitional Employment

As highlighted by the 2016 report, *Ready for Takeoff: Social Enterprise in Newfoundland & Labrador*, published by Mount Royal University, Simon Fraser University and the Community Sector Council NL, a large portion of the social enterprises in our province target poverty by attempting to employ individuals with significant barriers to employment, low income, or experiencing homelessness. For this broad population, Income Support is often their only means of consistent income, providing access to necessities such as food and shelter. While Income Support is the backbone to supporting the most marginalized individuals in our communities, it is also the cornerstone on which to build for the future, with inherent mechanisms designed to provide opportunities for clients of the system to transition into the workforce.

The Newfoundland and Labrador Poverty Reduction Strategy recognizes the importance of a stronger social safety net for those experiencing, or at-risk of experiencing, poverty. Income Support is identified as the foundation of that social safety net. Specifically listed within the strategy is a need for "increased supports for persons with disabilities, enhanced supports in the justice system, increased access to affordable housing, improved access to necessities for people vulnerable to poverty, and increased income support rates." (Government of Newfoundland and Labrador, 2014). The strategy also prioritizes supporting people to join and remain in the workforce, acknowledging that "employment is the best path out of poverty." (Government of Newfoundland and Labrador, 2014).

The government has also taken steps to increase the ability of Income Support clients to generate income by participating in the labour market with increases to wage exemptions, implementation of a 30-day overlap of benefits when securing employment, and extension of prescription drug and dental health programs for those entering the workforce. While these have brought about positive outcomes for those transitioning into full-time employment, for those who are using part-time employment as a means to build the skills and experience necessary to achieve that goal the system remains restrictive. Earning too much can disrupt rent and benefit distribution without providing a significant increase to income after earnings deductions are applied, in effect disincentivizing part-time participation in the labour market. Adjustments to this system are required to create healthier incentive structures and must account for the importance of housing, transportation, health care, education and food in an individual's path to coming off of Income Support.

Again, social enterprise initiatives can directly help achieve the objectives of the Poverty Reduction Strategy to provide increased access to affordable housing, necessities for people vulnerable to poverty, and increased income support through labour market access for those with significant barriers to employment such as "visible or non-visible disabilities, low literacy and numeracy skills, limited or no direct work experience, complex needs including homelessness and addictions, lack of social or life skills, as well as victims of violence." (Government of Newfoundland and Labrador, 2014). Where a large portion of the social enterprises in the province specifically target these populations in an effort to combat poverty, creating an aligned policy environment within systems like Income Support is critical to achieving the desired social outcomes.

Calls to Action for Recommendation #4

- 1.** Examine and adapt other provincial regulatory changes that have created more favourable conditions for the startup and growth of social enterprises.
- 2.** Use poverty reduction strategies as investments in people and programming that tackle the real life challenges facing vulnerable and marginalized populations.
- 3.** Increase collaboration between practitioners and policy makers to identify policy barriers in transitional and supported employment programs.
- 4.** Use social enterprise as a transitional employment model that helps recipients create a path to independence.
- 5.** Leverage procurement opportunities to broaden market access for social enterprises and encourage public/private partnerships.

CLOSING REMARKS

Unlocking the potential of the social enterprise sector will take strong collaboration between governments, private industry, community organizations and social enterprise practitioners. Leadership and action at all levels are required capture the opportunities presented by this sector and can inspire economic and social innovations across the province.

This sector is bold and resourceful, is unafraid of tackling complex challenges, and has experience problem solving for some of the most pervasive social issues in our province. Harnessing that energy and dedication, introducing progressive policy and regulatory changes, building capacity, and investing in social enterprise development will propel this province forward in a fair and equitable way for all Newfoundlanders and Labradorians.



REFERENCES

- All-Party Committee on Mental Health and Addictions (2017). *Towards Recovery: A Vision for a Renewed Mental Health and Addictions System for Newfoundland and Labrador*. Newfoundland and Labrador. http://www.health.gov.nl.ca/health/all_party_committee_report.pdf
- Centre for Addiction and Mental Health (2013). *The Aspiring Workforce: Employment and Income for People with Serious Mental Illness*. Mental Health Commission of Canada. Ottawa, ON.
- Demonstrating Value (2009). *Developing the Demonstrating Value Framework: Detailed Report*. Vancouver, BC.
- Elson, P.R., Hall, P., Rowe, P., Smee, J., Wamucii, P. (2016). *Ready for Takeoff: Social Enterprise in Newfoundland and Labrador*. Community Sector Council Newfoundland and Labrador. St. John's NL
- Elson, P. R., Hall, P., & Wamucii, P. (2016). *Canadian National Social Enterprise Sector Survey Report*. The Institute for Community Prosperity Mount Royal, Simon Fraser University Burnaby, BC, Canada; <https://ccednet-rcdec.ca/en/toolbox/canadian-national-social-enterprise-sector-survey-report>
- LePage, D. (2014). Exploring Social Procurement. Accelerating Social Impact CCC, Ltd. Vancouver, BC.; <https://static1.squarespace.com/static/58530be0579fb3e60fd6b1a4/t/594561888419c26c3040aea7/1497719178225/Exploring+Social+Procurement+%282%29.pdf>
- Manetti, G. (2014). The Role of Blended Value Accounting in the Evaluation of Socio-Economic Impact of Social Enterprises. *Voluntas*. 25: 443-464
- Millar, R. & Hall, K. (2013) Social Return on Investment (SROI) and Performance Measurement. *Public Management Review*, 15:6, 923-941,
- Minister of Public Services and Procurement Mandate Letter (October 4, 2017). Ottawa, ON. <https://pm.gc.ca/eng/minister-public-services-and-procurement-mandate-letter>
- Mook, L., Quarter, J., & Ryan, S. (2012). *Business with a difference: Balancing the social and the economic*. Toronto: Scholarly Publishing Division, University of Toronto.
- New Economics Foundation (NEF). (2004) *Social Return on Investment: Valuing What Matters*. New Economics Foundation. London.
- Province of Newfoundland and Labrador. (2016). *The Way Forward: A vision for sustainability and growth in Newfoundland and Labrador*. St. John's, NL.; https://www.gov.nl.ca/pdf/the_way_forward.pdf
- Province of Newfoundland and Labrador (2014). Newfoundland and Labrador Poverty Reduction Strategy: Progress Report. St. John's, NL. http://www.cssd.gov.nl.ca/poverty/pdf/prs_progress_rpt_accessible.pdf
- Province of Nova Scotia. (2017). *Advancing Social Enterprise in Nova Scotia*. Halifax, NS; <https://novascotia.ca/business/docs/social-enterprise-framework.pdf>
- Sametrica. (2017). website: <https://www.sametrica.ca/>
- Smee, J. (2017). *We Are Ready: What we heard about services, supports, and opportunities for at-risk youth outside of St. John's*. Choices for Youth. St. John's, NL.
- Watson, K.J., Whitley, T. (2017). Applying Social Return on Investment (SROI) to the built environment. *Building Research & Information*. 45(8); 875-891

For over 25 years, Choices for Youth has been changing the landscape of support services in Newfoundland and Labrador. Through innovative programming and social enterprises we help at-risk youth secure stable housing, education and employment, while working toward family stability and better health.

With a focus on prevention, intervention, and support, our hope is to help youth make a healthy and stable transition to independent living.



UNTAPPED
POTENTIAL



JAN 2018