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# Social economy, social policy and federalism in Canada

*Yves Vaillancourt and Luc Thériault*

*Translated by David Llewellyn*

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# **Social economy, social policy and federalism in Canada**

*Yves Vaillancourt and Luc Thériault*  
*Translated by David Llewellyn*

## **ABOUT THE AUTHORS**

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The Canadian Social Economy Research Partnerships (CSERP) will periodically publish research papers on the social economy. The papers will be by both scholars within the academy and by practitioners. CSERP hopes these papers will increase understanding of, and discussion about, the social economy and ideas, past, present and future.

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## Avant-propos

Voici quelques informations pour comprendre le contexte d'émergence de notre paper.

Le tout a commencé par une invitation d'Alain G. Gagnon, titulaire de la Chaire de recherche du Canada en études québécoises et Canadiennes (CRÉQC) de l'Université du Québec à Montréal (UQAM). Dans le cadre d'une série de trois symposiums d'une journée à l'automne 2004 et à l'hiver 2005, divers spécialistes étaient invités à faire une présentation sur les « enjeux et tendances du fédéralisme canadien » à partir d'un angle d'analyse particulier. Dans mon cas, j'étais invité à faire une présentation sur l'économie sociale lors de la séance du 28 janvier 2005. Ayant accepté l'invitation, j'ai préparé une première version du texte qui fut effectivement présentée et discutée ce jour-là.

Par la suite, Alain Gagnon invita les conférenciers à préparer une nouvelle version de leur texte qui serait publiée d'abord dans un ouvrage collectif en français puis dans un livre en anglais. À ce moment-là, en étant conscient que la version initiale avait avantage à être retravaillée en profondeur, que j'ai demandé à Luc Thériault de s'associer à moi comme co-auteur pour préparer une nouvelle version du texte. Luc a accepté et c'est ainsi que nous avons travaillé ensemble au long de l'année 2005 et au début de l'année 2006. C'était pendant la période des deux gouvernements libéraux dirigés par Paul Martin qui prit fin le 26 janvier 2006 avec l'élection du gouvernement du Parti conservateur du Canada (PCC) dirigé par Stephen Harper. Dans ce contexte, nous avons décidé d'utiliser les élections fédérales de janvier 2006 comme benchmark pour découper la fin de la période historique couverte par notre texte. Un tel choix devait s'avérer pertinent puisque, pendant les 26 mois où Paul Martin fut Premier Ministre (de décembre 2004 à janvier 2006), les dossiers de l'économie sociale et des garderies retenaient l'attention dans les relations fédérales-provinciales au Canada. Donc, notre paper examine les interactions entre l'économie sociale, les politiques sociales et le fédéralisme au Canada en privilégiant la période des années 1995-2005 et en conférant une attention particulière à l'influence de la dynamique québécoise dans l'évolution du fédéralisme canadien.

En mai 2006, notre chapitre est effectivement sorti en français dans le livre d'Alain Gagnon intitulé *Le fédéralisme canadien contemporain. Fondements, traditions, institutions* (Presses de l'Université de Montréal, Montréal,). Puisque le livre devait aussi sortir prochainement en anglais, à la demande d'Alain Gagnon, nous avons pris des dispositions pour que la traduction anglaise soit réalisée par David Llewellyn sans tarder. De fait, elle était disponible à notre grande satisfaction dès la fin de l'été 2006.

Depuis ce temps, le livre a été traduit et publié en Catalan et une traduction allemande est en préparation. Mais les choses ont évolué moins vite que prévu, en ce qui concerne la publication du livre en anglais. Aux dernières nouvelles,

le livre devrait sortir à University of Toronto Press (UTP) avant la fin de l'année 2008. Toutefois, comme nous avons hâte que la version anglaise de notre texte puisse être connue et servir, notamment dans les milieux qui s'intéressent à l'économie sociale, nous avons demandé à Alain G. Gagnon de nous donner la permission de le publier sans tarder comme « working paper » au Canadian Social Economy HUB. Cette permission nous a été accordée et nous sommes heureux que notre paper puisse enfin être diffusé en anglais. Nous remercions la direction du HUB pour son soutien.

*Yves Vaillancourt, 17 avril 2008*



## Foreword

Here is a little background on how our paper came into being.

It all began with an invitation from Alain G. Gagnon, Canada Research Chair in Quebec and Canadian Studies at the University of Quebec at Montreal (UQAM). At a series of three one-day symposiums in Fall 2004 and Winter 2005, various specialists were invited to make presentations on “issues and trends in Canadian federalism” from specific analytical viewpoints. In my case, I was invited to present on the social economy at the session on January 28, 2005. Having accepted the invitation, I drafted a first version of the text, which was presented and discussed at that session.

Alain Gagnon then invited the speakers to prepare new versions of their texts, to be published first in a collective volume in French, and then as a book in English. At that time, conscious that the original version stood to gain from being thoroughly reworked, I asked Luc Thériault to co-author a new version of the text with me. Luc accepted, and we worked together throughout 2005 and the first part of 2006. This was at the time of the two Liberal governments headed by Paul Martin, ending on January 26, 2006 with the election of the Conservative Party of Canada government, led by Stephen Harper. In that context, we decided to use the federal elections of January 2006 as the cutoff for the historical period covered by our text. This proved to be a timely choice, since, during the 26 months when Paul Martin was Prime Minister (from December 2003 to January 2006), the issues of the social economy and childcare centres were garnering attention in Canada’s federal-provincial relations. Our paper therefore examines the interaction among the social economy, social policy and federalism in Canada, with emphasis on the period from 1995-2005, paying special attention to the influence of Quebec’s own dynamics in the evolution of Canadian federalism.

In May 2006, our chapter appeared in French in Alain Gagnon’s book entitled *Le fédéralisme canadien contemporain. Fondements, traditions, institutions* (Presses de l’Université de Montréal, Montreal). Since the book was also to be issued shortly in English, at Alain Gagnon’s request, we made arrangements for the English translation to be carried out by David Llewellyn without delay. And indeed, it was available, to our great satisfaction, in late Summer 2006.

Since then, the book has been translated into and published in Catalan, and a German translation is in under way. But things moved forward more slowly than expected as far as publication of the book in English is concerned. The latest news is that the book is to be published by University of Toronto Press by the end of 2008. Nevertheless, since we are anxious for the English version of our paper to be known and used, particularly in those circles interested in the social economy, we sought Alain G. Gagnon’s permission to publish it immediately as a working paper through the Canadian Social Economy Hub. This permission was granted, and we are pleased that our paper can finally be circulated in English. Our thanks go to the Hub management for their support.

*Yves Vaillancourt, April 17, 2008*



## Summary

In this paper, our aim is to examine the links woven in Canada over the past 10 years or so among the social economy, changing social policy and Canadian federalism. First, we point to two traditions of research on the third sector in the international literature, one emphasizing non profit organizations, the other the social economy. Then we analyse trends in these two research traditions within Canada over the past 10 years. This leads us to note that, until 2003, practice and research on the third sector associated with the social economy were well-rooted in Quebec, while practice and research associated with the non-profit sector were established in the Rest of Canada; but we emphasise the fact that this segmentation tended to blur in 2004 and early 2006, insofar as both federal governments headed by Paul Martin took the concept of social economy into account and adopted policies which made room for its recognition and consolidation. Finally, in a third section, we look at the case of child-care services, which stood at the centre of an important debate on social policy reform involving the enhanced presence of the social economy and had repercussions on intergovernmental relations under the two Martin governments. We conclude by presenting some elements of critical analysis to explain why Paul Martin's national early learning and child care policy was not realized.



## Introduction

Reflecting on the links between the social economy and Canadian federalism means also examining social policy and its evolution over time, along with recent social policy changes in Quebec and Canada. This inevitably leads to an interest in the interfaces between public policy and Canadian federalism. We make no claim here to original work. The literature on the history of social policy and constitutional debate in Canada speaks volumes: most social policy specialists in Canada have to take the constitutional dimension into account and, conversely, many constitutional reform specialists have to consider social policy issues.

What is newer, though, is that since the early 1990s it has been virtually impossible to talk of the social policy reform under way in Quebec and Canada without talking in the same breath of the social economy or third sector, or at least of that part of the social economy which maintains links with social policy, particularly with policy taking the form of proximity services to socially vulnerable populations. This approach to the links between social policy reforms and civil society players is similar to that seen in certain writings of the Caledon Institute of Social Policy and the Canadian Policy Research Networks which stress the need to be open to a new social architecture for Quebec and Canadian social policy.<sup>1</sup> This “new architecture” for social policy specifically involves being open to a new model in which government intervention continues to be valued, as it was at the height of the Welfare State, but brings with it innovative mechanisms whereby the *État stratège* agrees to construct social policy with civil society players, notably those in the social or solidarity-based economy, in order to push back marketization and advance the general interest or common good.<sup>2</sup>

In previous writings, we emphasized that the social economy was an integral part of a Quebec model of “second generation” social policy without, however, implying that certain fundamental features of the Quebec configuration could neither exist nor be developed elsewhere in Canada or even the world.<sup>3</sup> In fact, our research over the past 10 years into the intersections between social policy and social economy or third sector initiatives was informed by our discussions with European and Latin American research teams interested in those issues. In Europe, researchers with a great interest in social policy often also look closely at the practices of the social economy and the third sector, and vice versa. This observation corresponds to a central conclusion of the major col-

**Most social policy specialists in Canada have to take the constitutional dimension into account and, conversely, many constitutional reform specialists have to consider social policy issues.**

1 K. Battle and S. Torjman, *Architecture for National Child Care*, Ottawa, Caledon Institute of Social Policy, 2002; J. Jenson, *Components of a Social Architecture for the New Century*, presentation made to the “New Century, New Risks” conference held at McGill University on November 18-19, 2004.

2 We have borrowed the concept of *État stratège* from L. Côté, B. Lévesque and G. Morneau, “Les conditions gagnantes pour un changement en profondeur. Une vision partagée, une gouvernance appropriée et un État stratège,” *Le Devoir*, November 8, 2005, p. A7.

3 Y. Vaillancourt, “The Quebec Model in Social Policy and Its Interface with Canada’s Social Union,” in S. Fortin, A. Noël and F. St-Hilaire, eds., *Forging the Canadian Social Union: SUFA and Beyond*, Montreal, Institute for Research on Public Policy, 2003, p. 157-95.

**We look at the case of childcare services, which stood at the centre of an important debate on social policy reform involving the enhanced presence of the social economy.**

lective work published under the direction of Adalbert Evers and Jean-Louis Laville as *Third Sector in Europe*.<sup>4</sup> The same cannot be said of the United States, insofar as the U.S. literature on the third sector has little in common with the literature on social policy, except perhaps on the role of third sector organizations in welfare reform.

Certainly, the interfaces between the social economy and social policy are less tangible in social policy areas where there is a form of monetary transfer to individuals (for instance, employment insurance, old age security and pension plans) than in social policy areas where collective services are delivered (for instance, home care services, childcare services, social housing and miscellaneous social services).

In this chapter, our aim is to examine the links woven in Canada over the past 10 years or so among the social economy, changing social policy and Canadian federalism. First, we point to two traditions of research on the third sector in the international literature, one emphasizing non profit organizations, the other the social economy. Then we analyse trends in these two research traditions within Canada over the past 10 years. This leads us to note that, until 2003, research on the third sector associated with the social economy was well-rooted in Quebec, while research associated with the non-profit sector was established in the Rest of Canada; but we will see that this segmentation tended to blur in 2004 and 2005, insofar as both federal governments headed by Paul Martin took the concept of social economy into account and adopted policies which made room for the social economy. Finally, in a third section, we look at the case of childcare services, which stood at the centre of an important debate on social policy reform involving the enhanced presence of the social economy and had repercussions on intergovernmental relations under the two Martin governments. We conclude by presenting some elements of critical analysis.

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<sup>4</sup> A. Evers and J.-L. Laville, eds., *The Third Sector in Europe*. Cheltenham, Edward Elgar, 2004.

## Traditions of research on the Third Sector

In the collective work they directed on the third sector in Europe, Evers and Laville identified two main research traditions in this field: an American tradition focussing on the non-profit sector, and a European tradition focussing on co-operatives and the social economy. According to these two authors, in the international scientific debates of the past 10 years on the third sector, the U.S. tradition had tended to hold sway, and the European tradition had thus been left on the sidelines. The plurality and richness of the resulting scientific analyses were all the poorer for this.

According to Evers and Laville, *the U.S. tradition of research* on the third sector, or U.S. legacy, emphasized the non-profit sector and the voluntary sector, focussing on the socio-historical specificities known in the English-speaking countries, particularly the United States. In that tradition, the third sector is conceptualized primarily on the basis of these two dimensions. The result is that co-operatives and other social economy enterprises are excluded from the third sector concept, on the pretext that they can generate surpluses that are tantamount to profits and that they can make more room for salaried employment than for the volunteer sector. The strong influence of this current stems from the comparative research project on the third sector conducted at Johns Hopkins University.<sup>5</sup> The conception of the third sector arising from this project was, over the past 15 years, the vision which most marked the international literature on this topic. This comparative research, owing to an impressive funding package provided among others by major U.S. and European foundations, gave rise to studies which measured the presence of the non-profit sector in no fewer than 26 countries. This vision had a major impact on the work found in such prestigious periodicals as *Nonprofit and Voluntary Sector Quarterly* and *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, a publication of the International Society on Third Sector Research (ISTR).<sup>6</sup>

On the other hand, also according to Evers and Laville, the *European research tradition* focusses on the social economy (co-operatives, mutual benefit societies and non-profit associations), and on the democratization of the economy and society. It is fuelled by the experimentation and socio-historical institutionalization that have prevailed in a number of European countries, France, Germany, Belgium and Italy among them. It has been legitimized for the past 20 years or so by certain policies developed within the political and bureaucratic bodies of the European Union which refer explicitly to the social economy and its three major components, namely, mutual benefit societies, co-operatives and associations.

<sup>5</sup> L. M. Salamon, H. K. Anheier et al., eds., *The Emerging Nonprofit Sector: An Overview*, Manchester, Manchester University Press, 1996.

<sup>6</sup> V. Hodgkinson and A. Painter, "Third Sector Research in International Perspective: The Role of ISTR," *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 14, No. 1, March 2003, pp. 4-5.

**Up until 1995, the concepts of third sector and social economy were little used in the scientific literature and in public debate in Canada and Quebec.**

By highlighting the specificity of the European tradition, which gives weight to the socio historical and theoretical contribution of social economy initiatives, Evers and Laville do not seek to diminish the legitimacy and relevance of the U.S. tradition and the theoretical inputs arising from it in public and scientific debates on the third sector. Rather, they suggest that, in order for debates in universities and organizations concerning international, continental and national policy to be meaningfully broadened and enriched, more room be given to dialogue between the two major traditions.

Evers and Laville's thesis has twofold merit. On the one hand, it has the advantage of decompartmentalizing and enriching debate in national and international associations interested in the third sector concept.<sup>7</sup> On the other hand, it helps cast new light on the scientific debate and, more broadly, the public debate concerning the third sector, non-profit organizations (NPOs) and the social economy in Quebec and Canada as a whole.<sup>8</sup> In fact, the distinction between these two historical traditions concerning the third sector is bound to lead to marked analytical and strategic fertility if we can successfully apply it to the entire history of the third sector in Quebec and the Rest of Canada.

When one looks more closely at the decade from 1995 to 2005, one can put forward two hypotheses. First of all, from 1995 to 2003, the European tradition was predominant in Quebec, while the U.S. tradition dominated in English Canada. Then, from 2003 to January 2006, the two traditions engaged in greater dialogue, with the result that, among other things, the European tradition penetrated to some degree into Canadian civil society and federal government policy.

### **Third sector and social economy**

Up until 1995, the concepts of third sector and social economy were little used in the scientific literature and in public debate in Canada and Quebec.<sup>9</sup> But this in no way means that certain practices relating to the third sector and social economy did not exist, as may be seen from the following:

- the history of the co operative movement began more than a century ago, in both English and French Canada;
- the often neglected history of mutual benefit societies also began in the late 19th century;
- private non-profit organizations, long known as charities, or simply private organizations, were part of the evolution of social policy not only in Quebec but throughout Canada from the early 20th century

<sup>7</sup> Y. Vaillancourt, "Bridging Social Economy and Third Sector," *Inside ISTR*, Baltimore, Johns Hopkins University, Vol. 12, No. 3, 2004, p. 5.

<sup>8</sup> Y. Vaillancourt, "Le tiers secteur au Canada, un lieu de rencontre entre la tradition américaine et la tradition européenne," *Canadian Review of Social Policy*, No. 56, pp. 23-39.

<sup>9</sup> C. Jetté, B. Lévesque, L. Mager and Y. Vaillancourt, *Économie sociale et transformation de l'État-providence dans le domaine de la santé et du bien-être: une recension des écrits (1990-2000)*, Sainte-Foy, Les Presses de l'Université du Québec, 2000, pp. 53-7.



onward. Private non-profit organizations therefore held a leading place both in Quebec legislation concerning public assistance, which was prevalent from 1921 to 1971, and in the federal legislation known as the Canada Assistance Plan (CAP) that was implemented from 1966 to 1996. In both series of legislation, the State actually stipulates that service providers from the non-profit private sector may complement the offering of public assistance services from the public sector;

- the federal government, from the 1970s until its withdrawal from the funding of new social housing programs in 1993, encouraged the development in the provinces and territories of new housing projects that gave preference to housing co-operatives and NPOs;
- community organizations have held a significant place in the evolution of Quebec social policy since the mid-1960s;
- the rise of community economic development has been seen in various regions of Canada, including Quebec, since the early 1980s.

So it is clear that the two traditions of research on the third sector that Evers and Laville talk about have been present *de facto* in the history of economic and social development in Canada for many decades. But in the scientific literature and public debate, the terminology specific to the two traditions is quite recent. For instance, the concept of social economy has been used in public debate and the scientific literature only for the last 10 years or so. It appeared in Quebec in 1995 and after 2003 spread rapidly to the Rest of Canada.

### From 1995 to 2003: two solitudes

#### *Quebec government recognizes social economy*

The social economy has had a significant place in the history of Quebec's economic and social development since the late 19th century, coming particularly to the fore following the Women's Bread and Roses March in Spring 1995. It is important to grasp clearly that recognition of the social economy was first of all a demand expressed by social movements before it became a government initiative. Therein lies the originality of the Quebec institutional context, which saw the emergence of public policy aimed at supporting the development of social economy projects. In this context, the Summit on the Economy and Employment in the fall of 1996 was a defining historical moment for the recognition and development of the social economy in more than 20 areas of socio-economic activity (childcare centres, home care services, social housing, sustainable development, social tourism, forestry co-operatives, etc.). Many of these social economy initiatives that garnered support from the social and political players attending the 1996 Summit were thus in an innovative way in line with proposals for social policy reform.<sup>10</sup>

<sup>10</sup> B. Lévesque and M. Mendell, "L'économie sociale au Québec: éléments théoriques et empiriques pour le débat et la recherche," *Lien social et Politiques*, No. 41, Fall 1999, pp. 110-2; Y. Vaillancourt, F. Aubry and C. Jetté, eds.,

**The Summit on the Economy and Employment in the fall of 1996 was a defining historical moment for the recognition and development of the social economy in more than 20 areas of socio-economic activity.**

**The Quebec government intervenes with respect to regulations and funding, but leaves social economy players considerable freedom with regard to management and delivery of services.**

It should be noted here that the *Chantier d'économie sociale* organization, as early as the 1996 Summit, played an intermediary role between social movements and the Quebec government to foster greater institutionalization of the social economy. The definition proposed by the *Chantier* and accepted by the socio economic and socio political players attending the Summit was broad and inclusive.<sup>11</sup> It made room for market and non-market components, to use terminology often heard since. In other words, it made room not only for enterprises selling or charging for their goods and services (for instance, childcare centre services at \$7 a day per child), but also for community or co operative organizations receiving public funding and offering their services without charge to vulnerable populations, for instance, a community organization offering labour force integration services to jobless individuals with mental health problems. Over the years, though, the definition of the social economy has narrowed in certain settings, and this has had the effect, with regard to public perception, of reducing the social economy merely to its market components. That is why some people consider that the policy of recognition of community organizations adopted during the 1990s and 2000s lies without the framework of the social economy. The 1996 definition, which includes community service-oriented and advocacy organizations in the large social and solidarity-based economy family, seems preferable to us.<sup>12</sup>

From 1996 to 2003, the recognition of the social economy received at the 1996 Summit translated into the development of many social economy practices, some of which were associated with original social policy reforms. Indeed, it should be specified that recognition was also given to community organizations which, within the inclusive definition of the social economy, are part of what some parties call the non market social economy. In the context of the work carried out by the *Laboratoire de recherche sur les pratiques et les politiques sociales* (LAREPPS), we have often looked at the question of the emergence of these new socio economic practices and policies which can lead to social innovations. That is what led us to talk of the "fragile" but real emergence of a new, more democratic, solidarity-based development model found for instance in the fields of social housing, daycare services, and development of the employability of socially vulnerable individuals. The Quebec government intervenes with respect to regulations and funding, but leaves social economy players considerable freedom with regard to management and delivery of services.<sup>13</sup> Thus, in certain areas of changing social policy, notably social housing,

*L'économie sociale dans les services à domicile, Québec City, Presses de l'Université du Québec, 2003, pp. 73-81.*

11 *Chantier de l'économie sociale, Osons la solidarité, Rapport du groupe de travail sur l'économie sociale, Montréal, Chantier de l'économie sociale, October 1996, 63 p.*

12 Y. Vaillancourt, F. Aubry, M. Kearney, L. Thériault and L. Tremblay, "The Contribution of the Social Economy Towards Healthy Social Policy Reforms in Canada" in D. Raphaël, ed., *Social Determinants of Health, Toronto, Canadian Scholars' Press Inc., 2004, pp. 314-7; M. Kearney, F. Aubry, L. Tremblay and Y. Vaillancourt, L'économie sociale au Québec: le regard d'acteurs sociaux, Cahiers du LAREPPS, No. 04-25, Montréal, UQAM-LAREPPS, 2004, 36 p.*

13 Y. Vaillancourt and J.-L. Laville, "Les rapports entre associations et État: un enjeu politique," *Revue du MAUSS, No. 11, 1st semester 1998, pp. 119-35; G. Larose, Y. Vaillancourt, G. Shields and M. Kearney, "Contributions of the Social Economy to the renewal of policies and practices in the area of welfare to work in Québec during the years 1983-2003," Canadian Journal of Career Development, Vol. 4, No. 1, 2005, pp. 11-28.*

childcare centres and domestic home services, the Quebec government favours accredited social economy service organizations rather than private for profit organizations. On the other hand, in other fields, such as residential resources for functionally dependent elderly people, over the past 20 years Quebec has left the door open wide to competition from the private for profit sector.

*Federal government recognizes voluntary and non-profit organizations*

The fact that, until 2003, all of Canada except Quebec was marked by the U.S. rather than the European third sector tradition does not mean the social economy did not emerge outside Quebec. It means this concept, subjectively and politically, has no resonance among the players concerned in both civil and political society, with rare exceptions, such as Jack Quarter, who has been using the concept for more than 15 years.<sup>14</sup>

Some significant events stemming from the federal government, civil society organizations and researchers illustrate this statement:

1. The Voluntary Sector Initiative (VSI)—known in French as the ISBC (*Initiative du secteur bénévole et communautaire*, or Voluntary and Community Sector Initiative)—was developed by the federal government from 1999 to 2004. (This initiative received far more exposure and commentary in English Canada than in Quebec.) The federal government invested \$94 million over five years to support the VSI. This budget was used to run the *National Survey of Nonprofit and Voluntary Organizations* (NSNVO). From 1999 to 2004, the VSI led to numerous meetings, establishment of various working groups and drafting of numerous papers which enabled government leaders and senior officials as well as leaders of non-profit and voluntary organizations to work together to identify priorities, objectives and means of action. The VSI was evidence of a degree of recognition of the voluntary and community sector by the federal government, a recognition that was developed in a context of somewhat asymmetrical relations between the State and the third sector.<sup>15</sup>
2. Canadian social organizations which conducted studies on the third sector did so most often by adopting the definition and theoretical framework of the U.S. tradition. To be convinced of this, one has but to look at the work on the third sector carried out by the Canadian Centre for Philanthropy,<sup>16</sup> the Canadian Policy Research Networks (CPRN), the Canadian Council on Social Development (CCSD), the Caledon Institute of Social Policy and the Queen's University School of Policy Studies (Kingston, Ontario).

<sup>14</sup> J. Quarter, *Canada's Social Economy. Co-operatives, Non-profits, and Other Community Enterprises*, Toronto, Lorimer, 1992, 208 p.

<sup>15</sup> See the VSI Web site ([www.vsi-isbc.ca](http://www.vsi-isbc.ca)).

<sup>16</sup> M. H. Hall, C. W. Barr, M. Easwaramoorthy, S.W. Sololowski and L.M. Salamon, *The Canadian Non-profit and Voluntary Sector in Comparative Perspective*, Toronto, Johns Hopkins University and Imagine Canada, 2005, 39 p.

**Canadian social organizations which conducted studies on the third sector did so most often by adopting the definition and theoretical framework of the U.S. tradition.**

**During the two short-lived Martin governments in Ottawa from December 2003 to January 2006, the importance and visibility of the concept of social economy would indeed increase considerably in Canada outside Quebec.**

3. Since the late 1990s and early 2000s, a number of recognized social policy specialists have begun to take an interest in the third sector by adopting the dominant definition of the Johns Hopkins University project. Consider, for instance, the recent writings of Keith Banting, Kathy Brock, Thomas Courchene, Judith Maxwell and Susan Phillips,<sup>17</sup> not to mention some of the literature in the social policy field concerning disabled people which points to growing sensitivity as to third sector organizations' role in advocacy and alternative delivery of services.<sup>18</sup>

In fall 2002 and winter 2002-2003, to discuss the interfaces between the social economy (or third sector) and changing social policy, Yves Vaillancourt, one of the authors of this text, toured Canada, visiting nine provinces to initiate a discussion based on the findings of a book published in English concerning the configurations found between government and the social economy in four Canadian provinces, namely, Saskatchewan, Ontario, New Brunswick and Quebec.<sup>19</sup> In the public appearances during this tour, the idea of fostering a dialogue, or even a cohabitation, between the Canadian and the Quebec third sector traditions was put forward. In the locations visited, in particular Manitoba, British Columbia, Newfoundland and Cape Breton, the Quebec social economy experiment elicited a great deal of interest and echoed similar experiments under way in those areas. During the two short-lived Martin governments in Ottawa from December 2003 to January 2006, the importance and visibility of the concept of social economy would indeed increase considerably in Canada outside Quebec.

### **Closer cohabitation in Canada between social economy and third sector**

The Liberal government of Jean Charest, which came to power in Quebec in spring 2003, does not, unlike the previous PQ government, appear to have clear ideas on the social economy. This may be seen in the shilly-shallying concerning daycare centres since fall 2003. Few Charest government spokespersons are able to incorporate the concept of social economy in their public

17 K. G. Banting, *The Nonprofit Sector in Canada. Roles and Relationships*, Montreal and Kingston, McGill-Queen's University Press, 2000; K. L. Brock and K. G. Banting, eds., *The Nonprofit Sector and Government in a New Century*, Montreal and Kingston, McGill-Queen's University Press, 2001; T. J. Courchene, *A State of Minds. Toward a Human Capital Future for Canadians*, Montreal, Institute for Research on Public Policy, pp. 111-20; K. L. Brock, ed., *Improving Connections Between Governments and Nonprofit and Voluntary Organizations*, Montreal and Kingston, McGill-Queen's University Press, 2002; S. D. Phillips, with assistance from H. Echenberg and R. Laforest, *A Federal Government – Voluntary Sector Accord: Implications for Canada's Voluntary Sector*, Ottawa, Voluntary Sector Initiative, February 2001; S. D. Phillips, "SUFA and Citizen Engagement: Fake or Genuine Masterpiece?" in S. Fortin, A. Noël and F. St Hilaire, eds., *Forging the Canadian Social Union: SUFA and Beyond*, Montreal, Institute for Research on Public Policy, 2003, pp. 93-124.

18 *Federal/Provincial/Territorial Ministers Responsible for Social Services*, IN UNISON: A Canadian Approach to Disability Issues, vision paper, Ottawa, October 1998, p. 24; D. Cameron and F. Valentine, eds., *Disability and Federalism. Comparing Different Approaches to Full Participation*, Montreal and Kingston, McGill-Queen's University Press, 2001; A. Puttee, ed., *Federalism, Democracy and Disability Policy in Canada*, Montreal and Kingston, McGill-Queen's University Press, 2002.

19 Y. Vaillancourt and L. Tremblay, eds., *Social Economy: Health and Welfare in Four Canadian Provinces*. Montreal/Halifax, LAREPPS/Fernwood, 2002.

statements. The only one to have done so is Minister Michel Audet, who has responsibility for regional development. His tone was reassuring at the National Community Economic Development (CED) Conference in Trois Rivières in May 2004 when he publicly announced the renewal of a \$450,000 annual subsidy to support the *Chantier d'économie sociale's* work. But when one looks at what he actually said,<sup>20</sup> one sees that he shows interest solely in the market component of the social economy and does so in a "quasi-market" way. Not without having given several signs boding the worst (i.e., abandonment of a universal policy), the Charest government, to start with, basically maintained the parameters of the previous policy while raising the cost of daycare places from \$5 to \$7 a day for each child. Nevertheless, in fall 2005, it launched into projects to restructure the governance of daycare centres which gave rise to serious concern in the daycare network and, more broadly, among stakeholders interested in promoting the social economy.

Paradoxically, just as the social economy seemed to be losing favour with the new Charest government in Quebec City, Paul Martin's two governments,<sup>21</sup> in power in Ottawa from December 2003 to January 2006, showed a strong interest in the social economy. Many federal departments did not wait for Paul Martin to be formally installed in power to begin showing an interest in the social economy, since Jean Chrétien's replacement by Paul Martin had been scheduled several months ahead. Thus senior officials in the Department of Human Resources Development Canada (HRDC) had organized a one day symposium on the social economy in early December 2003, with a view to preparing the ground.

Following the June 2004 elections, the Liberal Party of Canada held on to power, but with a minority government. So Paul Martin found himself at the head of a fragile government which could be forced to return to the electorate at any moment. Despite this, the issue of the social economy continued to hold an important place in the government program.

Two Speeches from the Throne, in February and fall 2004, mentioned the social economy. In Prime Minister Martin's response to the Throne Speech, he used for the first time an analogy that would subsequently be repeated in speeches by federal government representatives: "[...] We intend to make the social economy a key part of Canada's social policy tool kit."<sup>22</sup> While frequently used by the Prime Minister and his Cabinet, this promising expression was not often explained, though. Subsequently, several Martin government spokespersons, including Eleni Bakopanos, Parliamentary Secretary to the Minister of Social Development with special emphasis on Social Economy, repeated that "the social economy has emerged as a significant new priority for the Govern-

20 M. Audet, *Speaking notes for the opening ceremonies of the National Community Economic Development Conference, Hôtel Delta, Trois-Rivières, May 19, 2004*, 9 p.

21 We feel it is important to make a clear distinction between the two Martin governments. The first was a majority government which held power for seven months, from December 2003 to June 2004; the second, following the June 2004 elections, was a minority government which held power for 19 months, from June 2004 to late January 2006.

22 P. Martin, *Address by the Prime Minister in Reply to the Speech from the Throne, February 3, 2004, Ottawa*, 21 p.

ment of Canada.”<sup>23</sup>

The Martin government’s first budget speech, for 2004–2005, announced \$132 million in new funding over five years to support the social economy in Canada as a whole. This sum would primarily be earmarked for improving “the access of social enterprises to programs and services for small and medium-sized enterprises.”<sup>24</sup> Within the overall envelope, an amount of \$15 million over five years was to pass through the Social Sciences and Humanities Research Council of Canada (SSHRC) to support partnership-oriented research on the social economy in Canada as a whole. In November 2005, the SSHRC also announced funding for four multidisciplinary research teams with the mandate to study the reality and issues with respect to the social economy in four major regions of the country, namely, the Atlantic Provinces, Quebec, Southern Ontario and the Prairie Provinces (Manitoba and Saskatchewan). Two other similar grants would be announced by the SSHRC in early 2006, one for the region of Alberta and British Columbia and the other for Canada’s Far North.

The social economy was also mentioned in the speeches made by Ken Dryden, Minister responsible for Social Development Canada (SDC) in the two Martin governments. SDC and Canada Economic Development (CED) were in fact the two federal departments with the more explicitly stated mandate to promote social economy projects. But, rather surprisingly, these two departments did not always seem to be on the same page in terms of how the social economy operates, nor did they appear to define it in the same way. It was as if SDC were more interested in the non-market social economy, and CED in the market social economy.

Paradoxically, while the federal government was beginning to look at the issue of the social economy, it seemed no longer to be interested in the VSI. Launched for five years (1999–2004), this experiment was not renewed at the end of that period, even though the latest evaluations produced in fall 2004 were highly positive and conducive to its renewal. But the VSI did also come under Social Development Canada. Curiously, the issues of the VSI and the social economy do not appear to have been dealt with under a consistent, integrated government approach. This is possible insofar as the VSI, by opting for the U.S. tradition of the third sector, never saw itself in the market component of the social economy represented by social economy enterprises and co-operatives. Moreover, the social economy that the Martin government was interested in appeared to want to focus exclusively on market activities. Thus, since the VSI had little if any interest in associations and non-profit organizations which had market activities, whereas the social economy that the federal government

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<sup>23</sup> E. Bakopanos, *Speaking Notes: Luncheon remarks on the second day of the conference “New Century, New Risks,”* Montreal, November 19, 2004, p. 3.

<sup>24</sup> K. Dryden, *Notes d’allocution devant le Comité permanent du développement des res-sources humaines, du développement des compétences, du développement social et de la condition des personnes handicapées (Speaking notes before the Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities),* House of Commons, Ottawa, November 23, 2004, 6 p. (Mr Dryden’s English speaking notes no longer being available on the Department of Human Resources and Social Development Canada Web site, we have provided our own translation.)

wished to support appeared to be interested only in market activities, it comes as no surprise that the two third sector approaches stood side by side like two solitudes within the same government.

Nonetheless, while the federal government's definition of the social economy (just like the Quebec government's) was quite restrictive and expressed in economic terms, this government sometimes appeared to exhibit a broader vision and to have a social bent. So it was that Ken Dryden, in his speeches, did not miss the opportunity to associate the social economy with the creation of a Canadian "social policy tool kit," one of whose main components will be the development of "a broader federal policy framework to establish the foundations for the social economy across Canada." He thus gave concrete examples of the social economy which refer not only to economic development, but also to social development, stating that the social economy is present everywhere—a daycare centre, "a housing co op, a seniors support service, or a local community economic development organization."<sup>25</sup> These are the types of manifestations of the social economy which particularly interest us and which we shall be looking at more closely.

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25 *K. Dryden, op. cit., p. 5.*

**In fact, the federal government appeared little concerned with integrating the social economy into social policy programs such as old age security, employment insurance, group services for veterans and Aboriginal communities or initiatives to combat child poverty.**

## **Federal presence in early childcare services**

Surprisingly, the social policy issues involving interfaces with the social economy in which the federal government appears to have been the most proactive over the past few years are precisely those issues in which it intervenes indirectly. In fact, the federal government appeared little concerned with integrating the social economy into social policy programs such as old age security, employment insurance, group services for veterans and Aboriginal communities or initiatives to combat child poverty. But those are indeed social policy fields over which the federal government has full jurisdiction and in which it may intervene directly through its own programs and not via provincial and territorial programs. In these social policy areas which come clearly under federal jurisdiction, then, might it not be reasonable to imagine that the social economy could one day become a source of social innovation as it has been in certain social policy programs under provincial jurisdiction? The question needs to be asked. But in the meantime, the social policy issues in which the federal government has been interested in the past few years, and in which it has established a link with social economy initiatives, come under social policy fields, such as social housing, or programs concerning the disabled, and early learning and child care services. The daycare portfolio, which was central to the Martin governments' action and to federal-provincial relations from 2003 to 2006, will provide a helpful illustration of this.

### **Federal-provincial interfaces with respect to daycare services after 1996**

From 1966 to 1996, the Canada Assistance Plan (CAP) was still in effect, and at that time 77% of the daycare services under provincial responsibility were delivered by non-profit organizations. Management and delivery of this type of services, which are part of the social economy, were particularly frequent in provinces which had elected social democratic governments, Manitoba, Saskatchewan, British Columbia and Quebec, for instance. But some provinces, Alberta, New Brunswick and Newfoundland among them, had a larger proportion of service suppliers from the private for profit sector. Moreover, owing to the somewhat selective spirit of the CAP, the provinces were invited to implement a restrictive daycare services policy targeting low-income families. In actual fact, a number of provinces pushed back the limits that were imposed on them and developed their daycare services during the 1970s. But during the 1980s and 1990s, in the context of the budget cutbacks that were rampant in both Ottawa and the provinces, the number of daycare places held steady in Canada as a whole, while advancing slightly in some provinces, including Quebec.<sup>26</sup>

<sup>26</sup> Y. Vaillancourt and L. Tremblay, eds., *op. cit.*, pp. 39-40; E. B. Ferguson and S. L. Prentice, "Consumer Involvement and Control in Child Day Care: A Legislative Analysis," *Canadian Review of Social Policy*, No. 47, Spring



Since the demise of the CAP in April 1996, the federal government has continued to participate in the joint funding of provincial and territorial daycare service programs. It does so through the Canada Health and Social Transfer (CHST), a comprehensive program of federal transfer payments which uses the single block funding method and underwent a 30% crash diet when it appeared in 1996. Since the late 1990s, the federal government, whose surpluses were rising farther than expected, signed agreements with the provinces to increase the transfers paid under the CHST, but with the proviso that the increases granted would be devoted exclusively to provincial health expenditures. In other words, the other components of the CHST earmarked for provincial spending on postsecondary education, income security and social services, including the components used for childcare services, received the smallest share, and their real value declined constantly from 1996 to 2006.

### **Quebec childcare centre reform: a benchmark for the federal government**

Ironically, it was as a result of the disappearance of the CAP in 1996 that Quebec was in a position to launch a daring childcare centre policy, a policy that would break with the selective approach of previous decades and rapidly become a benchmark for socially progressive forces in Canada as a whole. In this policy implemented from 1997 onward, we can identify the following features:<sup>27</sup>

- the choice of a public policy focussing on structuring the supply of services rather than supporting demand;
- the universal focus making it possible to target the needs of children aged 0-6 in all social classes, and not only children of low-income families, whence the objective of increasing the number of places significantly and rapidly in order to reach 200,000 in 2006;
- preference, but not exclusivity, given to suppliers of services from the social economy sector, this being conducive to parents' participation in the democratic management of childcare centres;
- mixed funding building primarily on the financial contribution from the Quebec government (\$1.4 billion in 2005), but calling on user parents for a modest additional contribution (\$7 a day per child) which is compatible with the principle of accessibility or affordability. In this mixed funding, the public purse accounted for approximately 85% of the costs of the provincial program;
- a dual goal emphasizing the child's emotional, cognitive and social development and encouraging women's access to the labour market;

2001, pp. 45-58; L. Lauzière, "Child Care for a Change!" *Perception*, Vol. 27, Nos. 1 and 2, 2004, pp. 1-3.

<sup>27</sup> See Y. Vaillancourt and L. Tremblay, pp. 37-42. *Canadian Policy Research Networks Inc. (CPRN), Final Report: Child Care Policy Conference, Ottawa, University of Ottawa, October 18, 2002, p. 11.*

**In the early 2000s, the Quebec childcare centre reform began to become a benchmark for those interested in the development of early learning and childcare services.**

- government regulations to ensure quality standards;
- unionization of a third of the employees, which had the structuring effect of improving working conditions for childcare workers throughout the sector.

In the early 2000s, the Quebec childcare centre reform began to become a benchmark for those interested in the development of early learning and childcare services in social organizations, social movements and political spheres in several regions of Canada. Through the dissemination of papers on the topic from universities and social milieux, the Quebec reform elicited growing interest in milieux concerned with promoting better family social policies across the country. But the federal government took its time reacting.

### **Childcare services under the Chrétien governments: more promises than progress**

It was not until the Martin government came onto the scene in December 2003 that the federal government took more serious initiatives. Yet over the previous 10 years, under various majority Liberal governments headed by Jean Chrétien from 1993 to 2003, the childcare services portfolio had been presented on several occasions as a priority in the Liberals' platform. In the Red Book presented during the 1993 electoral campaign, the promise was made of a national childcare program that would be funded 40% by the federal government, 40% by the provinces and 20% by parents. Then, during 1994, the same promise was repeated in public debates and before parliamentary committees concerning the Axworthy reform, which came to nothing when the re engineering proposed in Paul Martin's February 1995 budget was preferred to it.<sup>28</sup> During the ensuing years, the Chrétien government, full absorbed in its pursuit of a balanced budget, forgot some of these promises of social reform, including the development of a national daycare program. Nonetheless, in March 2003, during the Chrétien government's final year,

*the federal, provincial and territorial governments [without Quebec] concluded a new multilateral framework agreement on early child learning and care (MFA-ECLC). [...] For the first time, federal funds can be channelled into developing the supply of quality care: capital and operating costs, fee subsidies, wage enhancements, training, professional development, and quality assurance. [...] Moreover, unlike CAP's provisions, this agreement permits subsidies to commercial child care operations.<sup>29</sup>*

With the Multilateral Framework Agreement on Early Learning and Child

<sup>28</sup> Y. Vaillancourt, F. Aubry, M. Kearney, L. Thériault and L. Tremblay, "The Contribution of the Social Economy Towards Healthy Social Policy Reforms in Canada: A Quebec Viewpoint," in D. Raphael, ed., *Social Determinants of Health*, pp. 318-21.

<sup>29</sup> R. Mahon, *Early Child Learning and Care in Canada: Who Rules? Who Should Rule? Discussion paper prepared for the Canadian Council on Social Development's national conference on child care in Canada, "Child Care for a Change!"* Winnipeg, November 12-14, 2004, pp. 9-10.

Care, the federal government undertook to pay \$1.05 billion to the provinces and territories over five years, for fiscal years 2003-2004 to 2007-2008. Although it did not take part in drawing up the multilateral initiative, the Quebec government was to receive its share of federal funds, or \$247 million over five years.

### **Childcare services: a priority for both Martin governments**

When he took over from Jean Chrétien as head of the Liberal Party of Canada and the federal government in December 2003, Paul Martin had program objectives and elements through which he intended to distinguish himself from his predecessor. As we saw earlier, the social economy was featured in his program. The objective of promoting the establishment of a national daycare program taking its inspiration from the Quebec childcare centre model was one of his major priorities. For the Martin team, the federal Liberal government's action in the daycare sector during the 2000s was to be similar to what a previous Liberal government had done, during the 1960s, in the health care field. Whence the announcement in the Speech from the Throne on February 2, 2004:

*Readiness to learn is shaped at the earliest stages of childhood. That is why early childhood development is a national priority. That is why we will accelerate the implementation of the federal-provincial agreement on early learning and care.<sup>30</sup>*

But as we know, the first Martin government lasted only a few months. It was during the spring 2004 electoral campaign that the promise to invest \$5 billion over five years for a national early learning and child care services system was often mentioned. Occasionally, federal Liberal party spokespersons let it be understood that the daycare services program they were referring to took its inspiration from the Quebec childcare centre model, and this clearly, but not always explicitly, implied that the social economy was to be part of the arrangement.

Martin returned to power, but this time he was at the helm of a minority government. Throughout the second Martin mandate, the early learning and child care services portfolio was indeed treated as a priority by Ken Dryden, the minister responsible for the portfolio. Since the child care services field was under the provinces' jurisdiction, the federal minister responsible for the portfolio, in order to move forward in this area, had to reach a successful agreement with the provincial and territorial governments. He had to work to establish a consensus through federal-provincial meetings with his provincial counterparts. To pull off this delicate operation, he could also apply himself to presenting arguments in public aimed at garnering support from public opinion. And that is just what he set about doing throughout the fall of 2004, through his

<sup>30</sup> P. Martin, *Address by the Prime Minister in Reply to the Speech from the Throne, February 3, 2004*, p. 13.

interventions in Parliament, but also by means of speeches given at conferences or in meetings with civil society groups.

To understand clearly the main steps taken by the federal government in the Early Learning and Child Care (ELCC) portfolio during the second Martin government, we should remember the following elements:

- During the spring 2004 electoral campaign, an electoral promise from the Liberal Party of Canada to spend \$5 billion over five years for a national ELCC program;
- In fall 2004, identification through federal-provincial-territorial meetings of social development ministers of the main principles to be highlighted in future federal-provincial-territorial agreements concerning ELCC;
- In the February 2005 federal budget speech, announcement of \$5 billion over five years set aside for implementation of the ELCC policy;
- During 2005, negotiation and signing of bilateral agreements in principle on ELCC between the federal government and provincial governments;
- In fall 2005, negotiation and signing of three funding agreements concerning ELCC with three provincial governments, namely, Manitoba, Ontario and Quebec;
- The agreement with Quebec was signed on October 28, 2005. Under this agreement, the estimated amounts of Canada's contribution to Quebec were to be \$152.8 million in 2006-2007, \$269.7 million in 2007-2008, \$269.1 million in 2008-2009 and \$268.4 million in 2009-2010.<sup>31</sup>

In short, the process established for reaching funding agreements involved, first, the signing of an "agreement in principle," second, the drafting of a "[provincial] action plan corresponding to the wording and spirit of the agreement" and, third, the signing of a "funding agreement."

In presenting his ELCC policy, Minister Dryden, both in the House of Commons in Ottawa and elsewhere, stressed that it involved a "national system" that had to be defined and applied in a climate of federal-provincial co operation and, at the same time, specified that "flexibility" was needed in order to overcome a large number of hurdles before putting the program in place.

This is how Dryden presented the proposal in the House of Commons on October 19, 2004:

*It is time for a national early learning and child care system. It is*

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<sup>31</sup> Canada and Quebec, *Funding Agreement, October 28, 2005. Canada-Quebec Agreement on Early Learning and Child Care*, p.2.

*time because in the way in which we live, in what we want and need for our children for the future, the Canadian people have said that it is time.*

*We have a long way to go. It is a big task. As we have learned through our history, we cannot do it alone. We have to work with others, together – with the provinces and territories, with our other partners. (...) We have to be flexible. Find accommodation. Discuss. Work out. Compromise. Rigid ideologies don't work for us.<sup>32</sup>*

**The said Canadian “national system” was to stem from the coherent juxtaposition of 13 provincial and territorial systems.**

In speaking here of a single “national system,” Minister Dryden was setting the bar very high by referring to the objective of setting up a pan-Canadian national program in an area of provincial jurisdiction. Seen from a provincial perspective, in particular Quebec’s, such an objective was not without ambiguity, since the said Canadian “national system” was to stem from the coherent juxtaposition of 13 provincial and territorial systems. The federal minister was well aware that national consistency in the ELCC field in Canada could emerge only insofar as the federal government, using its spending power and offering the provinces and territories “conditional grants,” could bring those very provinces and territories to develop provincial and territorial ELCC systems that would share a number of common characteristics. In that regard, Dryden was relying on the provinces for their acceptance of and compliance with certain common principles likely to foster a degree of consistency in Canada as a whole, all the while being aware that provinces and territories did not all share the same focus with respect to family social policy. That was no small challenge.

In early November 2004, a federal-provincial-territorial meeting of Ministers concerned with the ELCC portfolio took place in Ottawa. This meeting enabled Minister Dryden and his provincial colleagues to agree on four principles which were intended to be the equivalent in the ELCC field of the five principles of the Canada Health Act. Subsequently, these four principles would be summarized and expressed in the bilingual acronym, “QUAD”:

“Q” for Quality

“U” for Universally inclusive

“A” for Accessibility

“D” for Developmental

In presenting these four principles on November 12, 2004, at a well-attended national conference of the Canadian Council on Social Development held in Winnipeg on early learning and child care, Ken Dryden, referring to the federal-provincial conference of a week earlier, explained the meaning of the four

<sup>32</sup> K. Dryden, *Response to Speech from the Throne: What is the Canada that is reflected in this Speech from the Throne?* Online. Available HTTP: < [http://www.kendryden.parl.gc.ca/pub\\_details.asp?lang=en&pubID=742](http://www.kendryden.parl.gc.ca/pub_details.asp?lang=en&pubID=742) > (accessed September 7, 2006).

**The four principles summarized by the acronym QUAD remained throughout 2005 at the heart of negotiations between the federal government and the provinces.**

principles in these terms:

*We agreed to the basic definitions for each of those QUAD principles. That quality means regulated. To ensure that there are basic standards for health and safety, staff training and ratios and other elements we know are important for healthy child development. [...] inclusive [...] universality [...] means [...] the system should be open, without discrimination, to all children, including children with special needs.*

*Accessibility, meaning that the system is affordable for and available to parents. Developmental, meaning programs promoting the achievement of cognitive, physical, emotional, and social development goals for children reflecting the family and community context.<sup>33</sup>*

That is what Ken Dryden liked to present in November 2004 as “the basis for a national early learning and child care system.” It is interesting to compare this basis with that identified by the experts invited by the Canadian Council on Social Development (CCSD) who had been responsible for preparing the discussion papers and presenting them at the national conference in Winnipeg. These specialists, notably Rianne Mahon on the one hand, along with Gordon Cleveland and Michael Krashinsky,<sup>34</sup> expressed views that were well in tune with the QUAD principles. But they drew attention to the importance of a fifth principle inspired by both the old CAP tradition and the Quebec daycare centre model. This principle was the equivalent of the fifth principle in the Canada Health Act. It looked at the management and delivery of services, specifying that it was preferable that these should be performed by organizations from the public sector or the non-profit private sector rather than by commercial private sector organizations. This was a way of referring to the preference in principle found in the Quebec daycare centre model, that is, the preference given to management and delivery of services coming under the social economy. But this fifth principle was not formally incorporated into the QUAD, no doubt because the federal government knew it would be unable to impose this in its negotiations with those provincial governments that were attached to the delivery of services through the private, for profit sector.

Thus the four principles summarized by the acronym QUAD remained throughout 2005 at the heart of negotiations between the federal government and the provinces. They are found in the agreements in principle signed with all the provinces and the funding agreements signed with three provinces (Manitoba, Ontario and Quebec). As the negotiations advanced, Minister Dryden fell into the habit of talking less spontaneously of a single “national system” of

<sup>33</sup> K. Dryden, *Speaking Notes for the Honourable Ken Dryden, Minister of Social Development, at the Canadian Council on Social Development's national early learning and child care conference entitled "Child Care for a Change!"* Winnipeg, November 12, 2004, p. 8

<sup>34</sup> G. Cleveland and M. Krashinsky, *Financing Early Learning and Child Care in Canada, Discussion paper prepared for the Canadian Council on Social Development's national conference on child care in Canada, "Child Care for a Change!"* Winnipeg, November 12-14, 2004.

ELCC, and more of provincial systems in the plural inspired by a “shared national vision based on the QUAD principles, which the federal, provincial and territorial governments all agreed on last fall.”<sup>35</sup> Then the Minister of Social Development added with great optimism:

*And the great thing is that in five or 10 years this will have grown and advanced in a way we cannot even imagine today [...] We will no longer have a mosaic of good and bad services or missing services. We will have, in each province and territory, a comprehensive early learning and child care system.*<sup>36</sup>

As Dryden was expressing himself in these terms on November 24, 2005, he was about to embark on an electoral campaign which led on January 23, 2006, to the loss of power for the Liberal Party of Canada and the arrival in power of the Conservative Party of Canada, a political party which preferred a family social policy based on supporting demand (for instance, the \$1,200-a-year family allowance for each child aged under 6), rather than supporting supply (for instance, the ELCC policy).

As a minority government fully aware that it could be thrust into an electoral campaign from one month to the next, the Martin government, between June 2004 and January 2006, did everything it could to implement its national ELCC policy successfully, that is, to sign agreements in principle and funding agreements with as many provinces as possible so as to be in an advantageous position to speak of its achievements during the upcoming electoral campaign. In that context, the four principles of QUAD were quite specific on certain points, in particular in favouring a family social policy that would involve structuring supply rather than demand, to the displeasure of such provincial governments as Alberta and New Brunswick and an opposition party, like the Conservative Party of Canada, which had a preference for a restructuring of demand that would take the shape of support for families’ purchasing power.<sup>37</sup> Indeed, this explains why negotiations with New Brunswick dragged out.

Negotiations with Quebec, however, remained delicate for other reasons, which we will merely touch on here. On the one hand, Quebec was the province where the early learning and child care policy experiment which inspired the federal ELCC policy originated. On the other hand, the Charest government in power since 2003 was not the one which launched the Quebec day-care reform in 1997. While its stand was in continuity with that reform, the Charest government was working hard to alter some of its features, such as the emphasis on a management method favouring the social economy formula.

<sup>35</sup> K. Dryden, *Notes pour l’allocution de Ken Dryden, ministre du Développement social, à l’occasion de la signature d’un accord de principe sur l’apprentissage et la garde des jeunes enfants (Speaking Notes for Ken Dryden, Minister of Social Development, on the signing of an agreement in principle concerning early learning and child care)*, Fredericton, November 24, 2005, p. 2. (Mr Dryden’s English speaking notes no longer being available on the Department of Human Resources and Social Development Canada Web site, we have provided our own translation.)

<sup>36</sup> K. Dryden, *op. cit.*, Fredericton, November 24, 2005, p. 2.

<sup>37</sup> See L. Thériault, “The National Post and the Nanny State: Framing the Child Care Debate in Canada,” *Canadian Review of Social Policy*, No. 56, pp. 140-8.

**The federal minister  
praised the policy  
developed some eight  
years previously by  
the Parti Québécois  
government.**

So the federal government knew that the Charest government needed federal joint funding to share the burden of \$1.4 billion in public funds devoted annually to the Quebec program of daycare services. But it also knew that Quebec, under the provincial Liberals as under the PQ, was likely to be intractable as regards negotiating conditions imposed by the federal government in an area of provincial jurisdiction. This series of elements raised once again the touchy issue of asymmetry, a term Prime Minister Martin was heard occasionally to mutter, *sotto voce*, because he knew full well that too much asymmetry granted to Quebec would be liable quickly to become an unacceptable irritant in the eyes of other provinces.

Despite all these pitfalls, a “final agreement” on funding was signed between Quebec and Canada on October 28, 2005. Without being able to analyse it here, we would point out that, in the speech he gave in Montreal to announce this agreement, Minister Dryden made some astonishing statements. In fact, expressing himself in terms likely to ruffle the feathers of the Charest government, the federal minister praised the policy developed some eight years previously by the Parti Québécois government. Then, after describing this policy, Dryden went on the praise it further: “That represented a significant advance because, until that time, no province or territory was ready or willing to show us, or capable of showing us, what an ambitious early childhood system could look like.” He went on to add that this system was a success and that Quebec’s actions had been a powerful inspiration. He ended his speech by pointing to “Quebec’s leadership on early learning and child care” in Canada.<sup>38</sup> As to the contribution of the social economy to the Quebec “success story,” though, he remained noncommittal.

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38 K. Dryden, *Notes d’allocution pour Ken Dryden, ministre du Développement social à la signature d’un accord sur l’apprentissage et la garde des jeunes enfants* (Speaking Notes for Ken Dryden, Minister of Social Development, on the signing of an agreement concerning early learning and child care), Montreal, October 28, 2005, pp. 1-2. (Mr Dryden’s English speaking notes no longer being available on the Department of Human Resources and Social Development Canada Web site, we have provided our own translation.)



## Conclusion

In this chapter, we wanted to look at the interfaces among the social economy, social policy and Canadian federalism over the past 10 years (1995-2005). To that end, we adopted from the outset some conclusions from a review of the international literature on the third sector which draw attention to the coexistence of two research traditions. In identifying these two traditions, we sought less to oppose them to one another than to take a stance theoretically and practically in favour of their complementarity. That prompted us, in the first section of the text, to indicate our preference for a broad, inclusive definition of the social economy which makes room for non-market components (for instance, publicly subsidized community organizations which provide their services free of charge), as much as for market components (for instance, daycare centres which ask parents to pay \$7 a day per child).

In the second section of the text, we proposed a comprehensive review of links among the social economy, social policy and Canadian federalism over the past 10 years, taking account of the distinction between the two traditions of the third sector and the two main components of the social economy defined inclusively, as explained in the first section. This review allowed us to draw attention to two periods that stand out from 1995 to 2005.

During the 26 months when Paul Martin was at the helm of the federal government, that is, from the transition from Chrétien to Martin in December 2003 until the Martin government's defeat at the polls on January 23, 2006, we can note significant changes in terms of interfaces among the social economy, social policy and federal-provincial dynamics. Unlike his predecessor's governments, Martin's two governments expressed a strong interest in social economy initiatives, at least those coming under the market social economy. During the months prior to his coming to power, Martin had let it be understood that he intended to give some degree of priority to the social economy. Then, under his leadership, the social economy had an undeniable importance, and this had an impact in terms of public policy on both the social and the economic fronts. This means that the interfaces between social economy and social policy achieved clear visibility under the Martin governments.

Paradoxically, the social policy portfolios most affected are not those in which the federal government intervened directly and that came under its own areas of jurisdiction (for instance, social policy concerning Aboriginal communities), but in fact those in which it intervened indirectly through conditional grants to the provinces and territories and that belonged to areas outside its jurisdiction. That is why the issues of the interface between social economy and social policy during the Martin governments were sensitive areas on the federal-provincial relations front. Whence the interest in illustrating our paper using the case of the early child care services portfolio examined in the third section of the chapter.

**This means the social economy was a significant ingredient in the provincial example that inspired the Martin government, since preference was clearly given to non profit daycare centres, with regard to daycare centre management and service delivery.**

The daycare services portfolio is worth taking a close look at during the period from 2003 to 2005, because it has represented a priority for the Quebec government under the Quebec Liberal Party since 2003, as it did under the PQ from 1996 to 2003, but also for the federal government during Paul Martin's reign.

To begin with, the proposal for a "national program" of early learning and child care (ELCC) services, involving a financial commitment of \$5 billion over five years, had been given a great deal of publicity during the spring 2004 electoral campaign. This project, as both Prime Minister Martin and several members of his Cabinet frequently stated, drew its inspiration from the innovative daycare centre reform driven in Quebec, since 1997, by PQ governments. This means the social economy was a significant ingredient in the provincial example that inspired the Martin government, since preference was clearly given to non profit daycare centres, with regard to daycare centre management and service delivery, in the family policy launched by Minister Pauline Marois back in 1997. But in Martin's national policy, the relationship to the social economy will not be explicitly assumed; this does not mean that it was not implicitly recognized as being an important factor. In fact, the principle whereby the management and delivery of ELCC services come under the social economy or non profit organizations accredited by the provinces and territories would not be retained as one of the four principles of the acronym QUAD (Quality, Universally inclusive, Accessibility and Developmental) retained following federal-provincial-territorial negotiations conducted in early November 2004. These four principles, while not incorporating the principle of the social economy, represented requirements that were restrictive for certain conservative provinces. In fact, such provinces as Alberta and New Brunswick would have liked to use federal subsidies without being required to develop family social policy going in the direction of restructuring of the supply of ELCC services. Their vision led them instead to prefer structuring demand, in the name of parents' freedom of choice.

This conservative vision corresponds to that of the Conservative government headed by Stephen Harper, who, shortly after he took power in February 2006, announced his intention of implementing his promise to structure demand by offering an allowance of \$1,200 per child aged under 6 effective July 1, 2006. He also announced his intention to honour until March 31, 2007, the funding agreements signed with only three provinces, that is, until the end of the second year of those agreements. This meant he would be cancelling the provisions of the agreements concerning the final three years, and this would mean a funding shortfall of more than \$800 million for Quebec.

When one takes stock of the unfinished implementation of Paul Martin's national ELCC policy in the wake of the January 2006 elections, one may wonder how to explain what happened. Why was Martin's policy not realized?

On the one hand, one can respond that the very fact of forming a minority rather than a majority government limited Martin's freedom of movement

during the period between spring 2004 and January 2006. Certainly such an explanation has some truth to it. On the other hand, though, one can emphasize the fact that the Martin government aimed to develop a “national system,” that is, a pan Canadian system, in an area of provincial jurisdiction. So this placed the government on a tightrope and exposed it to some tricky pitfalls on the federal-provincial relations front. This was because the federal discourse concerning the single national system, in this public policy field, had to be reconciled one way or another with the initiatives of 13 different provincial and territorial governments so as to build 13 different ELCC systems. Clearly, the 13 provinces and territories were interested in receiving federal funding. But the conditions for federal subsidies that suited some parties did not always suit the others. Quebec, for well-known socio political reasons, wanted no conditions, even though its own innovative program had inspired the national program and even a good part of the four principles or conditions established in the agreements in principle. Provinces such as Manitoba and Saskatchewan, with their social democratic governments and their traditional affection for cost-sharing programs, had no problem with the four principles of QUAD and could even have gone along with a fifth condition stipulating that management was to come under the social economy. Other provinces, such as Alberta and New Brunswick, along with the Conservative Party of Canada headed by Stephen Harper, did not like what they perceived as the excessively restrictive nature of QUAD insofar as the program presupposed that the provinces receiving federal money would have to commit themselves, one way or another, in favour of the development of daycare places for young children aged under 6 in their provinces. These two provinces signed an agreement in principle like the others, but only after insisting on the insertion of wording indicating that daycare services developed in their provinces could come under commercial daycare centres. When all is said and done, how can one talk of a national early learning and child care (ELCC) program whose Quebec source of inspiration involves heavy use of the social economy, while respecting the jurisdiction of 13 provincial and territorial governments in an area of intervention that comes under their responsibility first?

With the advent of the Harper government in Ottawa, a new chapter in the story is now beginning. The very idea of a national early learning and child care policy becomes obsolete for the new government, and if federal-provincial relations are likely to assume a new hue, this will probably be generated by other portfolios, not early child care.

**Quebec, for well-known socio political reasons, wanted no conditions, even though its own innovative program had inspired the national program and even a good part of the four principles or conditions established in the agreements in principle.**

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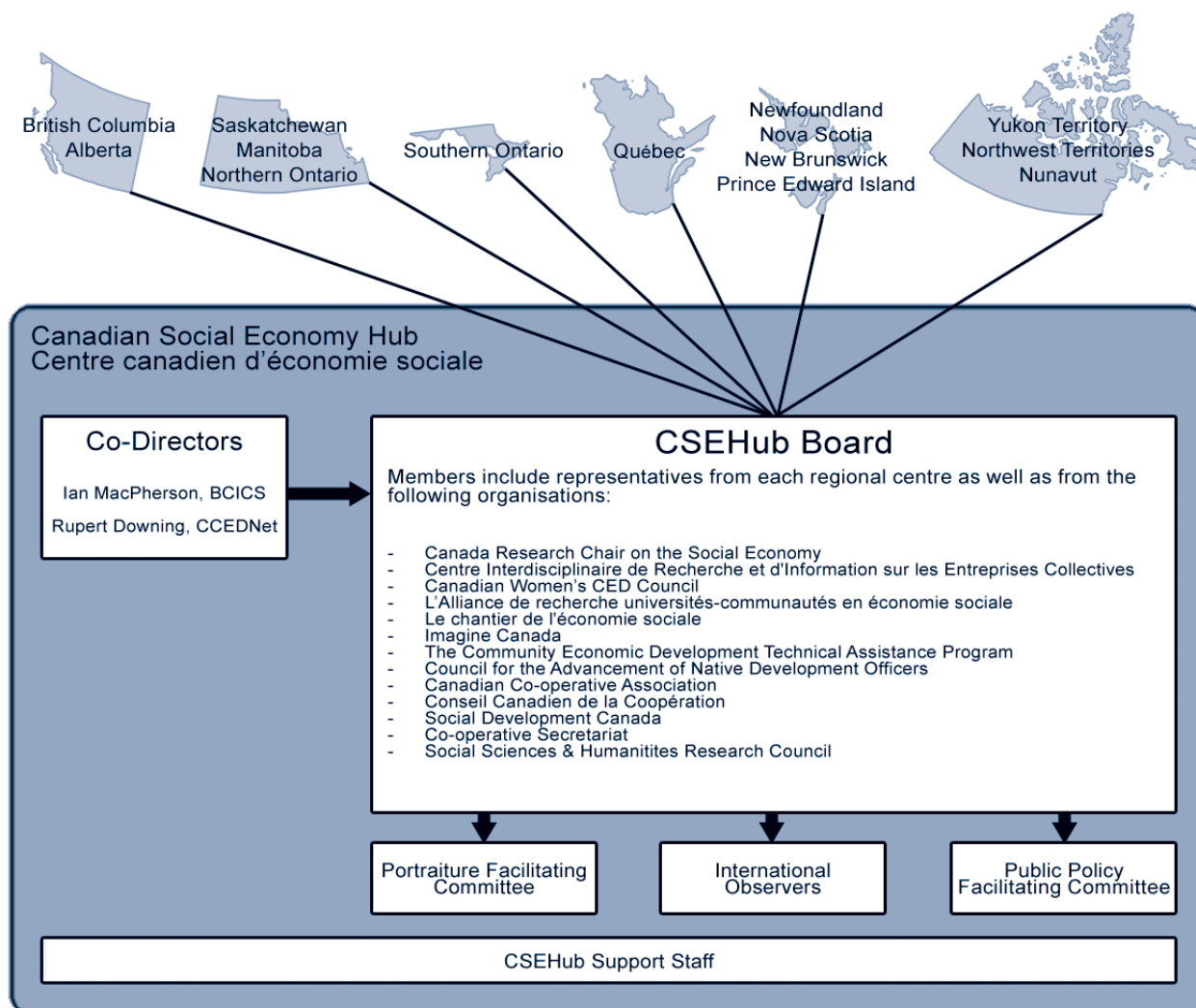
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