



SolarShare Co-op members, investors and staff gather to celebrate the launch of the Goodmark roof-mount solar system in Toronto, Ontario.  
SolarShare photo

# The Other Innovation

## UNLEASHING CANADA'S CAPACITY FOR GOOD

Paul Klein and Tim Draimin

*While the Trudeau government has made innovation a pillar of its economic policy, there has been no targeted focus on social innovation. Despite Canada's comparatively secure government-funded social safety net, there are gaps in our social and sustainability fabric that can best be addressed by social innovators harnessing our capacity for positive, constructive change. The authors propose a 10-point plan for social innovation.*

Policy makers continue to view innovation through the lens of technology and business, but there's an important third dimension: social innovation, or how social behaviours and actions are influenced in ways that result in positive social and environmental outcomes.

Social innovation isn't new to this country—far from it. There is a legacy of made-in-Canada social innovations, including Housing First, the Registered Disability Savings Plan, the Women's Institute, Roots of Empathy and the Great Bear Rainforest Agreements. However, despite the fact that many charities, non-profits and busi-

nesses across Canada continue to put a priority on social innovation, solutions to the country's most pressing social challenges remain elusive and the costs to the country and to Canadians are simply not acceptable.

Globally, the Organisation for Economic Cooperation and Development (OECD) reports that Canada is falling in comparative mainstream innovation rankings, spending less on innovation in 2012 than in 2004. "Only 2.2 per cent of our firms even engage in innovation," said leading innovation researcher and Munk Chair of Innovation Studies Dan Breznitz. And, despite the fact that in 2016 the Economist Intelligence Unit identified Canada as the third best country in the world for social innovation, our social sector has been locked out of the innovation agenda and remains one of the least supported sectors in terms of innovation incentives and access to R&D infrastructure, capacity and capital.

With the OECD reporting that Canada's social spending exceeded \$300 billion in 2015, there is a direct economic case for social innovations that tackle root causes of social problems and deliver economic savings aligned to social or environmental well-being. The current and projected costs to the public purse are enormous and maintaining the status quo isn't an option. Too many Canadians don't have access to the medications they need or to dental care, real progress on climate change is far from where it needs to be and housing has become unaffordable. Indigenous people face even more challenges, including lack of clean drinking water, low levels of education and employment and lack of access to healthy food.

In the year of Canada's 150th anniversary, we need to ensure that Canadian businesses, charities and non-profits have what they need to deliver a better quality of life for everyone in the country. Meaningful social change has become a public priority—especially among millennials. According to the 2016 Cone Communications Millennial Employee Engagement Study, millennials consider

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a company's social and environmental commitments when deciding where to work (76 per cent), won't take a job from a company that doesn't have strong corporate social responsibility (CSR) practices (64 per cent) and want their employer to provide support and resources for them to make positive social and environmental changes at home (83 per cent).

The business sector has recognized the value of CSR. Great examples of Canadian leadership in this area include the Bell Canada Let's Talk program to break the silence around mental illness and the Home Depot Canada Foundation's Orange Door Project, which has made ending youth homelessness a priority.

Charitable organizations are the bedrock of vital social services needed by Canadians and many are considering new ways to achieve their mission in innovative ways. For example, Rise Asset Development provides low-interest business loans to individuals who have experienced mental health and/or addiction challenges, are interested in self-employment but are unable to secure traditional bank financing.

Some of today's most remarkable social innovation is taking place beyond CSR and charity. We're seeing promising social innovation in hybrid organizations that are tackling socio-economic problems in new ways.

Here are three examples:

1. The Rate Drop Rebate, a partnership between the government of Ontario, banks and credit unions, helps businesses grow by hiring people facing barriers to employment, including people with disabilities, newcomers to Canada and unemployed indigenous persons.
2. SolarShare, an Ontario-based co-

operative that has 1,350 members, gives residents and investors the opportunity to invest in community-based solar electricity projects that offer financial, social and environmental returns.

3. HireUp helps prevent and end youth homelessness by connecting employers to youth facing severe barriers to employment. It operates as a hybrid social enterprise, with a for-profit entity that links youth to work and a nonprofit that provides upskilling. HireUp has shared more than 300 jobs at companies such as Home Depot Canada, Walmart Canada and Scotiabank with youth at more than 50 service providers nationwide.

Unleashing the potential of social innovation will be impossible without significant change from Canada's public sector. Here are 10 recommendations that we believe are necessary to improve the lives of more Canadians in a way that will be sustainable for the country.

#### **1. Innovate innovation: Technology, business and social innovation**

A comprehensive strategy that integrates technology, business and social innovation and supports incubation, market access, procurement, talent development, social financing and partnership building. This will require new policy and funding to link economic and social goals and accelerate the integration of mainstream and social innovation.

#### **2. Make Canada's brand inclusive innovation**

Establish inclusive innovation as Canada's global brand, identified as all sectors combining strengths to develop new value capable of deploying solutions to Canada's

biggest challenges in lockstep with economic objectives.

### 3. Update policy to unlock Canada's powerhouse of social assets

Overhaul the regulatory environment in which social good operates. Enact a set of reforms to unlock critical social assets among charities and non-profits across Canada.

- i. Create an arm's-length agency to replace Canada Revenue Agency's outdated charities division as a regulator for charities and non-profits that also seeks to strengthen the sector's capabilities to deliver solutions in partnership with government and the private sector.
- ii. Modernize treatment of charity/non-profit earned income to unleash the growth of non-profit social enterprises.
- iii. Replace the "direction and control of funds" test for charitable grants with a "destination of funds" test to remove obstacles facing charitable activities with multi-sector, innovation partner-based arrangements.
- iv. Legislate a new federal incorporation form for blended or shared-value companies, such as British Columbia's Community Contribution Companies.
- v. Add social procurement to Canada's new innovation procurement policy to assist scaling existing and future evidence-based social innovations that positively transform outcomes for Canadians.

### 4. Accelerate "Social R&D"

Dramatically improving Canada's social performance will require the acceleration of research and development capabilities across the social sector.

- i. Broaden eligibility for R&D funding and other federal support programs to include nonprofit social impact organizations.
- ii. Support the development of social R&D open data infrastructure, metrics and

assessment to accelerate impact as a learning sector.

- iii. Expand and continuously update national well-being indices building on the Canadian Index of Wellbeing and the Social Progress Index.
- iv. Support a dedicated Indigenous Innovation Demonstration Fund (IIDF).
- v. Building on past programs like CURA at SSHRC and the two-year renewal of the Social Innovation Fund for colleges, provide long-term funding for the applied research capabilities of universities and colleges to strengthen knowledge building and facilitate experiential learning partnerships with community organizations and businesses.
- vi. Support development of a Pro Bono Marketplace for skills-based volunteering that gives social purpose organizations access to specialized skills, tools and resources to increase their management capacity and impact.
- vii. Expand resources available for Social R&D by establishing an arm's-length multi-sector and multi-department fund that aggregates, reviews, and disburses philanthropic, private and public capital for high-impact experimentation.

### 5. Shift government from silos to cross-sector co-creation

Break down silos and improve cross-sector collaboration by shifting from focusing innovation exclusively on building assets in-house (i.e.: each department hosts an innovation lab) to brokering partnerships with outside nonprofits and businesses for new collaborative hybrid platform supports.

### 6. Set 10 audacious goals for 2030

Use the just-announced Impact Canada Fund to establish 10 grand challenges for Canadian institutions and citizens to collectively solve by 2030. Align federal departments to champion and collaborate cross-departmentally and across sectors around their particular challenge.

### 7. Establish a multi-sector solutions finance agency

Provide financing vehicles for each stage of the social innovation lifecycle from ideation to scale including: catalytic first-loss capital, demonstration funding, social R&D, matching dollars for intermediary platforms financing performance and outcomes vehicles, and scale capital, especially aligned with the 10 grand challenges. Capital sources would include philanthropy, private equity, and public partners. Business Development Bank of Canada could be the host.

### 8. Create a National Inclusive Innovation Agency

Build on the experience of other national platforms like Nesta, the U.K. government's endowed foundation for innovation, establishing an endowment for an arm's-length agency to mainstream social innovation.

### 9. Create a National Social Innovation Council

A government-appointed advisory council tapping social innovation expertise and networks from the community and business sectors, to guide the deployment and evolution of integrating social innovation into the federal government's innovation agenda.

### 10. Support a national social innovation network

To successfully support the integration of social innovation into a next-generation innovation agenda, co-create a multi-city Social Impact Network to fast-track development of new collaborative hubs and partnerships for tackling complex challenges.

Canada has a unique opportunity to take up the mantle of leadership and advance social innovation as a cornerstone of Canada's Innovation Agenda. The time to act is now. We can't afford to wait. **P**

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