

1990
June

EDMONTON'S INNER CITY:
AN ECONOMIC DEVELOPMENT STRATEGY

By
Jonathan Murphy

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EDMONTON'S INNER CITY:
AN ECONOMIC DEVELOPMENT STRATEGY

BY

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NOVEMBER 1985

Corrected and reprinted

June 1990

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FOREWORD TO 1990 REPRINT

This document is largely unchanged from 1985. Kay Coward kindly typeset the original typed copy. Typographical corrections were made, and some obvious inaccuracies in the text have been corrected.

Although the document is now five years old I believe that it still depicts accurately the economic problems and their potential solutions in the inner city.

Further copies are available from The Edmonton Social Planning Council.

Jonathan Murphy

June 1990

ACKNOWLEDGEMENTS

(1986)

The Boyle Street Co-op wishes to thank the United Way of Edmonton, who made this study possible through a developmental grant of \$8,000.

The author wishes to thank all of those who assisted me in completing what I hope will be a useful document. In particular, I would like to thank Nancy Kotani, former Executive Director of the Boyle Street Co-op, for her invaluable contribution of time, energy and knowledge throughout the project. Further thanks are due to members of the Advisory Committee to this study: Randy Adcock, Larry Brockman, Lois Gander, Mark Holmgren, Laird Hunter, George Kelly, Nancy Kotani, and Peggy Robbins. Finally, I should like to thank Josephine So of the Jack Bredin Community Institute who kindly agreed to type this report.

I: INTRODUCTION

Community-Based Economic Development: A Third Way?

Historically, economic development in Canada has been seen as the responsibility of either private enterprise or government (or both).

The bulk of economic development has been carried out by the private sector (although often with considerable assistance from government). Having a resource-based economy, Canada is subject to rapid shifts in world demand for different primary products, as well as inevitable exhaustion of reserves in some localities. Private enterprise, which is accountable mainly to its shareholders, can respond to these shifts, by closing production in uneconomic areas, and developing new industry in more profitable area (e.g. multinationals) have proven most flexible in responding to market changes.

Private industry, however, has a record of leaving older industrial areas in a dismal social and economic position. In Canada, the shift to oil from coal over the last thirty years proved immensely beneficial to Alberta, but left a large number of coal-mining communities virtually destitute. Similarly, many companies have moved away from the core of cities (where land is often expensive, transportation is difficult, and where expansion is often impossible) to suburban areas and even "new towns" (where zoning is not a problem, the workforce is often pliable and non-unionized, and concerns over the environment are less pressing).

The labour market permits many workers to move away from depressed areas to areas of expansion. Alberta's boom was to a considerable extent made possible by the sweat of workers from Quebec, the Maritimes, and Newfoundland. But for the depressed communities, the loss of many of their most talented workers helps to exacerbate their difficulties. Self-sufficiency becomes even more difficult. One solution might be the abandonment of entire communities. In many single industry towns, this is what has happened. But for anyone who has witnessed the anguish of families forced to leave their lifelong home, closure must remain a last resort. Indeed, for the inner city community, abandonment has never worked: in the United States, where inner city dereliction is most advanced, the result is the creation of ghettos which breed every conceivable kind of social malaise.

Where private business fears to tread, government has traditionally attempted to fill its place. In areas such as industrial Cape Breton, N.S., vast sums of money have been invested to maintain ailing industry, and therefore retain the social fabric. The problem has been that, with the industries that are taken over being almost invariably in decline, the government "enterprise" is simply a form of charity, dependent upon the largesse of the current political masters. In addition, as government changes hands between the various political parties, their political base changes, and former priority areas for assistance become secondary. (The Liberal

governments federally had little interest in the West, where they had little support, but maintained a major presence in the Atlantic provinces. Under the Conservatives, this appears to have been reversed). State-owned businesses, therefore, have never seemed particularly secure, with a resultant difficulty in attracting quality management. With the exception of industries which have been taken into government hands to further national independence (e.g. PetroCanada), most state-run businesses have not been financially successful.

In areas such as the inner city and small rural communities, the model of large state-run businesses has not been appropriate as a method of providing employment and stability to the neighbourhood. In these areas, the traditional method of addressing unemployment has been through various job creation programs. The inner city of Edmonton, for example, has been the site of a number of short term projects.

Job creation projects have alleviated individual financial hardship in thousands of cases. Their goal, however, has almost always been to deal with the most pressing social problems, and the economics of the projects have always been secondary. Indeed, in order to avoid conflicts with private enterprise, most projects have not been considered self-sustaining, but rather as finite in length, and mainly or totally dependent upon government subventions. Often, the goal of these projects has been to improve fixtures in the community (such as recreational facilities). Although the community has a lasting benefit from the facilities created, the organizations involved in creating them tend to fold when the term of government

funding runs out, and the level of social and economic organization in the community is not permanently improved. Further, the availability of job creation monies is even more subject to the exigencies of government policies than is the case for state-run enterprises.

Rural communities in Canada have banded together to address the deficiencies of both private enterprise and government programs. For decades, the Co-operative movement has been a major factor in the lives of the people of the Prairies and the Atlantic and Pacific coasts. Subject more than most to the whims of the market, farmers and fishermen in particular have been forced to exert some control over their fate through the creation of economic organizations which are designed to serve them rather than external financial institutions. Producer co-ops such as Wheat Pools and fishermen's co-ops are the most prominent, but they have worked hand-in-hand with locally controlled financial institutions (credit unions), and a wide network of retail co-operatives.

This third sector of the economy has stabilized the communities it has served, and has also enhanced the community solidarity of those areas. At the same time, the third sector has proven financially successful, showing that business requirements and commitment to a local community can co-exist.

Community-based enterprises have also taken hold in many urban areas across North America. Credit unions exist in most provinces of Canada and U.S. states, and the retail co-op sector has also been successful in many Canadian cities.

Unfortunately, as cities have become more complex, many urban co-operative enterprises have worked in isolation from any specific community, and many of their policies have tended to mirror their colleagues in private enterprise.

Since the 1960's, interest has grown in a more coherent plan for community-based economic development in the depressed areas of North American inner cities. It has been recognized that many services withdrawn from these areas by private enterprise could be operated successfully by a community-based enterprise which could be more flexible in operations and profit requirements than a private company. In both Vancouver and Toronto, for example, community-based credit unions have successfully operated for a number of years. Free of the blanket rules for lending, etc., which encumber large financial institutions, these credit unions can tailor their policies to the needs and resources of their particular clients (both individuals, and community organizations). They have not suffered any greater number of bad debts than more traditional financial institutions.

Small scale manufacturing businesses have tended to move out of inner city areas over the past few years. Often this has been because rates of return are somewhat lower than possible in other areas (or other countries). A community-based business would not be under the same pressure from shareholders to relocate outside the community. Further, any "profits" from a business can be reinvested either in updating the plant, or in assisting other community businesses. Often, large corporations which have branch plants in inner city neighbourhoods simply return any

profit to a general pool, distributing some to shareholders (few of whom are likely to live in an inner city) and reinvesting the remainder in whatever business is showing the highest rate of return. Normally, this is not in the inner city, where plants are often outdated and where there may be limits upon expansion. Some private businesses simply run down their older plants until they are no longer viable, and then sell the land to property developers.

The potential for reinvestment in the community is perhaps the most exciting aspect of community based economic development. As any person can see from the dilapidated state of many of the businesses and residences in this area, current reinvestment in the inner city is limited at best. A successful community economic development project would improve the quality of life in the inner city neighbourhood, empowering the residents of the area both through participation in the workforce, which would not otherwise be possible for many; and by placing at least part of the economic power of the area in the hands of the community.

Community based economic development can operate along with both government and private enterprise. It offers an alternative both to private enterprise, which does not find inner city communities an attractive place to invest, and to government, which spends huge amounts of money through job creation and direct transfer payments in order to maintain economic stability. Community based enterprises can indeed benefit the whole society.

The body of this research document is devoted to an examination of the possibilities for community based economic development in Edmonton's inner city.

II. The Need for Community Economic Development in the Inner City of Edmonton

Located to the east and north of the downtown office core, Edmonton's inner city shares many of the same social and economic characteristics of inner city areas in the other cities of Western Canada. It is densely populated, with a heterogeneous population, suffering from consistently high levels of unemployment, poor quality housing stock, few services such as stores or banks, and very low average income levels.

It is traditionally the area of initial migration to the city. As the various waves of immigration to Canada occurred, the inner city became home for Chinese, Ukrainian, Italian, Chilean, Portuguese and Vietnamese groups. As these groups have become integrated with Canadian society, many of their members moved out of the area into the suburbs, although a considerable percentage still use the inner city as a service centre: ethnic stores and social clubs have remained in the area, and many former residents prefer to send their children to the inner city schools they attended.

In addition, the inner city is often the first stop in the urbanization of rural populations, especially, in Edmonton's case, the northern Indian and Metis people. As Northern reservations and settlements have become linked by road and air with the rest of the country, a high percentage of the young people from the North have decided to abandon the high unemployment and relative isolation of their communities in favour of city life. For them, the inner city represents an area where they can find

accommodation without discrimination, where they can retain contact with many of their friends from "back home", and where the pressures for conformity in lifestyle are not as stifling as in the suburban areas of Edmonton. Again, as Native people become established they often move out of the area, but continue to use its services, especially as meeting places and as a place to "let down one's hair".

This picture of a settlement area, assisting in the gradual urbanization of outsiders, is not entirely rosy. Whereas the period of economic boom permitted thousands to make the transition into middle-class suburban Edmonton, there have always been considerable numbers of people, especially from the Native community, who have not succeeded. Whether due to an inability to cope with the stresses of city life, or the extra handicap of widespread discrimination in employment and housing, or inadequate job skills, some people have not been able to integrate. Many or most simply return to their home communities, while others turn to alcohol or drugs or crime, the stereotypical "occupations" of inner city residents.

This picture is darkened considerably by the economic recession. While unemployment has risen steadily in all areas of the city, it has primarily affected those just entering the job market: youth, and recent immigrants to Edmonton. For the inner city, the situation has become desperate. Between 1981 and 1983 (when boom turned to bust), unemployment in three inner city neighbourhoods rose from 18.5% to nearly 32% (City of Edmonton, Planning Department: 1981, 1983). By 1983 unemployment in the Boyle Street/McCauley area had reached 33.9% and even

the relatively affluent (by inner city standards) neighbourhood of Norwood was showing an unemployment rate of 23%.

This economic blow came on top of the longstanding economic and social deprivation of the area. The incidence of poverty, as defined by Statistics Canada, was far higher than the citywide average in the last major census, 1981. As an example, in two of the five census tract areas in the inner city, over fifty percent of individuals were classed as "low income", compared with a city average of 31.7% (Statistics Canada, census tracts 34, 44, 45, 55, 56; 1981). Among families, the incidence of low income in the area ranged from 17.2% in the northern part of the area to 31.4% in the central McCauley/Norwood area. This compares with a city-wide average of 10.7%. It must be remembered, also, that these figures were gathered at the peak of the boom in Alberta.

Single parent families account for 17% of families in the area, compared with only 11.5% in the city as a whole. Further, families in the area are less likely to be stable over a period of time than in the rest of the city. Given that the vast majority of single parents are women, and average female earnings in the area were something less than \$10,000 per annum in 1981, it is clear that many of these families are suffering a considerable degree of financial deprivation.

Overall, income levels in the area remain low. In 1981, average income for males in the City of Edmonton approached \$20,000. In the inner city tract areas average male income ranged from \$11,191 to \$14,993. Among women, average

income ranged from \$7,235 to \$8,556, compared with a city average of \$9,607.

The dismal economic situation of the area has undoubtedly contributed to a rapid decline in school enrolments. The three schools in the McCauley neighbourhood showed a decline in enrolments of 35% over the period 1977 to 1983. Even this figure may be somewhat exaggerated, as some parents from outside the area prefer to send their children to the area's schools because of the special programs and ethnic diversity available here.

With fewer and fewer children living in the area, the population has begun to age considerably. The inner city has always been a point of departure from the labour market as well as a point of entry. Many aging unskilled workers make their home here during periods of unemployment (they have friends and can socialize easily here). People between the ages of 50 and 65 account for up to 18% of the total population, between 25% and 50% more than in the city as a whole.

Traditionally, this area has been a place for people who make their start in the city, and also a place where workers becoming marginalized by advancing age or disabilities could afford to live. Today, it is the latter population which has begun to dominate. With few employment opportunities young people tend to leave, and those who remain stagnate on welfare payments and pensions.

The decline in employment accompanies a decline in services in the area. As an example, the number of gas bars has dropped by three quarters over the past ten years. Schools have been closed, and many of the cheap hotels (each of which

employed twenty or more people) have fallen victim to property developers and parking lot owners. The only major developments in the area, the Stadium and the Light Rail Transit, provide few if any jobs for local residents, and their services are not geared to the local population. Most recently, one of the two supermarkets in the inner city has been closed, leaving one major food outlet to service a population of at least twenty thousand.

The Native Population

The Boyle Street Co-op and other social service agencies have always placed a great deal of emphasis upon working with the native population. At least seven thousand natives (mainly non-status Indians and Metis) live in the city, and they have historically suffered from higher levels of unemployment and lower incomes than the population as a whole. In 1981, when unemployment levels in Edmonton for non-natives were below 4%, the Native population had an unemployment rate of 11%.

Within the inner city, the native population is officially estimated at approximately 1,000 (City of Edmonton, 1983), or 5% of the total of the area. We believe that these figures are markedly underestimated for a number of reasons.¹ The actual native population of the area may well be double the official statistics.

Native families enjoy a far lower standard of living than the rest of the populace. In 1981, fully 53% of native families in the Edmonton area (Census Division #11) had total incomes of less than \$20,000, compared with only 27% of

non-native families. This is of particular concern given that native families are traditionally larger than average, and that there are more single parent families among native people than in the wider populace.

Social agencies in the area spend a considerable part of their time dealing with the casualties of native urbanization. Unable to find work due to societal racism, an absence of business connections, and little relevant work experience, natives frequently drift into the seamier side of inner city life: alcohol, drugs, and petty crime. This situation is most desperate among native men. If they are single they often do not qualify for any social assistance (other than the Single Men's Hostel or repatriation to their reservation). Many women are able to remain in a fairly stable, if unsatisfying situation, collecting welfare payments as single parents. Single women in the area who are not eligible for unemployment benefits or welfare payments are often forced into prostitution, which has increased along with unemployment.

Although the agencies attempt to alleviate some of the social problems which are an inevitable product of chronic unemployment and social alienation, they are well aware of the "band-aid" nature of much of their work. The reasons for urban native alienation are many and complex, but there is one outstanding factor: the lack of opportunity to participate in urban society's *raison d'être* - gainful, socialized employment. Without community-based economic development, the inner city will continue to decline in importance as a place of assimilation into the city, becoming entirely a ghetto for those who are excluded from the benefits of urban life.

The Potential Workforce for Community-based Economic Development

Few would dispute that unemployment and its accompanying social problems are endemic in this area. However, there are many who would claim that these are inevitable problems due to the nature of the populace. The statistics tend to refute this argument. For, if the unemployed were indeed unemployable, then the level of employment would remain constant through boom and recession. In fact, as mentioned earlier, unemployment rose dramatically in this area after 1981. What is most apparent is that an unusually high percentage of people here are only able to find steady work in times of boom: when other, more established workers cannot be found.

Part of this is due to the poor average level of education of workers here. Of the active labour force in the five inner city census tracts, between 10 and 17% have less than grade 9 education, compared with a city-wide average of 6.6%. Most of these people are able to find work only in manual and casual labour, which virtually disappears during a recession. In addition, the majority of people with minimal education are older workers who may have little chance or even incentive to improve their skills.

What may be more surprising is that unemployment is higher than the city average for workers with all levels of education:

**UNEMPLOYMENT RATE ACCORDING TO LEVEL OF EDUCATION
(StatsCan, 1981)**

	<u>Inner City Area</u>	<u>City of Edmonton</u>
Below Grade 9	9.5%	5.7%
Grade 9-13 (No Diploma)	9.7%	5.0%
High School Diploma/ Trade Certificate	6.0%	3.1%
University or Similar	5.3%	3.4%

Note: The scope of the inner city is defined in Appendix One to this chapter. It should be borne in mind that these figures date from 1981, and are the most recent available. There is no reason whatsoever to believe that the overall relationship of unemployment rates between the inner city and the Metro area should have changed.

We recognize that many of those with only basic education are quite limited in the scope of work that they can do. It would seem that their employment needs might be best served by an agency similar to Community Employment Services (a non-profit temporary employment agency which folded several years ago). However, the biggest discrepancy between Inner City unemployment rates and those of the city as a whole is among the population groups with at least some high school or technical training. Many in these groups can be integrated into work in a number of fields. Common barriers among this population are:

1. For single parents, poor babysitting services and an acquired dependence upon social assistance payments.

2. For the same population and some others: no local job opportunities; few inner city residents have cars. Taking children to day care and then continuing on to work by public transit can take three or more hours per day.
3. For new residents in the city, little experience in urban employment.
4. For natives, and some other ethnic groups, prejudice among employers.

These problems can be addressed by community-based economic development. Simply locating employment in this neighbourhood will ameliorate many of the difficulties. Transportation ceases to be a problem, the social agencies can arrange adequate day care when necessary, and discrimination should not be a problem. In addition, within the limits of a business, flexibility in work hours and conditions can be arranged.

The labour pool of reasonably well educated workers is quite large enough. Even in 1981, when there were over 6,000 workers in the area having some high school or technical training, over 400 were out of work. Now, we can estimate that figure is nearer one thousand.

Conclusions

1. The inner city has an exceptionally high level of unemployment.
2. In addition, it has the lowest average family income levels in the city, and an unusually high concentration of single parent families.
3. Historically, the area has been the starting point for the assimilation of newcomers, especially natives, into the city. The level of unemployment

threatens that role for the area, and creates the danger that the inner city will become a ghetto.

4. Unemployment is high even among the relatively well-educated, many of whom could work in a variety of jobs.
5. The labour pool of potential workers is sufficient to guarantee a supply of workers for community-based economic enterprises.
6. Private businesses have pulled out of the area. Community-based enterprises could fill the gaps, and assist in securing the stability of the neighbourhood.

TABLE ONE:
DEFINING THE INNER CITY
Boyle Street Co-op Service Boundaries

Notes: Any definition of the area is bound to be somewhat arbitrary. The area immediately to the North of 118 Avenue has most of the same characteristics of its Inner City neighbours. Riverdale, technically part of the Inner City, has recently acquired a fairly large middle-class population. We do not propose a strict geographic limit for the location of community economic enterprises.

III. The Decline of Private Business In the Inner City

In common with most areas, small businesses predominate in Edmonton's inner city. Of the 565 inner city businesses listed in Contacts Influential: Edmonton 1985, 80% employ fewer than six people. It is fair to assume that a majority of these are either individual or family businesses, with little opportunity for outside employees to be hired: convenience stores, one man sub-contractors, and various professional corporations (lawyers, architects, landscapers, etc.).

Normally, small businesses show the greatest turnover in terms of businesses being created and folding. Yet, the 1985 directory shows that fully 85% have been in operation for five years or over. About 13% have been operating for one to five years. Only one company is shown to have begun operations within the past year, and it has since folded.

Among the larger operations, the same pattern of stagnation and decline is evident. One hundred and thirteen businesses employ more than five people (excluding various government departments). Of these, all but six have been operating for over five years. Of the six created in the past five years, only one (Splash n' Dash, 11209 -86 Street) employs more than ten people. Two of the others are Chinese restaurants, and only one, Central Seat Covers, 9905 -106 Avenue, is involved in manufacturing of any description.

Private businesses are concentrated within retail and service sectors. Of the businesses with more than five employees, thirty percent are traditional retail stores of one type or another (including three 7-11 24-hour stores). At least the same number are also retail-type businesses: professional corporations, financial service companies, hotels and restaurants, and auto-repair facilities, etc. The manufacturing base of the area is exceptionally weak. Only fourteen businesses with six or more employees are involved in any form of manufacturing or industrial process:

<u>Company</u>	<u>Business</u>	<u>Employees</u>
Northwest Color	Photographic finishing	80
Bradburn Printers	Commercial Printing	6-10
Troock Furniture	Manuf. furniture	26-50
McGavin	Bread	Closed, 1985
Latco Manufacturing	Rebuilding auto trans.	Closed, 1985
Tru-fit Cabinets	Cabinet making	6-10
Central Seat Covers	Custom seat covers	6-10
EC Auto	Auto parts rebuilding	Closed, 1985
Winner Garments	Garment making	6-10
Canadian Bedding	Bed manufacture	6-10
Da Luigi Masonry	Masonry	11-25
Winco Printing	Commercial printing	6-10
Film Services (Alta)	Photographic finishing	6-10
Alberta Concrete	Manuf. concrete	80
Norwood Foundry	No information available	

As can be seen, even since the publication of the 1985 business guide, three of the fourteen have gone out of operation: McGavins, located at 105A Avenue, was

the largest of those companies and it consolidated its operations elsewhere in Edmonton (in the industrial West End). The other two companies simply ceased to operate at their inner city locations.

Of the two manufacturing businesses with over 50 employees, Northwest Color Labs and Alberta Concrete, only Northwest Color claimed to employ a significant number of local residents. The Alberta Concrete plant is smaller than it was a decade ago and it is now simply a division of the giant Lafarge Canada Cement whose main local plants are located on the edge of town.

Given the high level of unemployment throughout the city, it is not surprising that even those companies which are located in the area do not employ many local residents. It is possible to attract experienced workers from any area of the city, and few employers can afford to take the risk with unskilled and inexperienced local residents.

Of the non-manufacturing companies in this area, the largest are retail stores: Army and Navy which employs 250+ people (many part-time) and WW Arcade, employing 51+ (again, many are part-time). Army and Navy Stores, which attracts a city-wide clientele and workforce, appears to be relatively secure as a source of employment, although it lies immediately to the east of new developments in the downtown (Law Courts, etc.). WW Arcade, one of the oldest employers in the area is located immediately next to the site of Canada Place and opposite the Convention Centre. Once Canada Place is built, its future would seem to be limited, and WW

Arcade has already opened a large new store in the west end to which it could probably move its entire operation.

The only large food outlets operated in the area are the Safeway Stores. Already, within the last year, one of their two stores was closed (Jasper Avenue and 92 Street). Many Safeways have closed in the last year, especially in low income neighbourhoods, victim to competition from the superstores located on the edge of town.

Traditionally, the hotel industry has been one of the major employers of local residents, especially women. The inner city was once home to at least a dozen cheap hotels and bars, each of which employed up to twenty-five people. In the past five years, more than half of them have fallen victim to redevelopment (primarily government buildings: the Alberta Hotel and the New Edmonton Hotel were bulldozed for the Canada Place site; the Ritz and the Reno were closed for the Remand Centre and Canada Place). Currently, only five hotels remain: four on the 96th Street "drag" - the Royal, Empire, International and the York, and the Hub on Jasper.

Conclusion

Traditionally private business has proven ineffective in generating employment in this area. At the same time, many local businesses have ceased operations over the last few years, or moved their operations to another site. Some have closed as a result of redevelopment of the sites for office buildings (which are certainly not geared to the residents of this area). Some of the largest employers have allowed

their sites to deteriorate (example: Sealy Beds, on 112 Avenue) and now use the sites primarily as a distribution site, pending sale to land developers.

The private businesses which do flourish in the area are almost exclusively retail operations of one sort or another. The manufacturing base is extremely weak, and in a state of decline. This is particularly relevant in assessing the economic strength of an area. Products made in an area add to its economic viability and profits made are more likely to be reinvested in the business, assuring stability. Retail enterprises, especially those owned by outside companies (such as the large supermarket chains), often cause a transfer of income out of the area. Modern retail supermarkets operate with an extremely low staff/revenue ratio, and their capital investments are normally designed mainly to reduce staff rather than increase sales (e.g. automation of cashier functions).

IV: **Models for Community Economic Development**

Various models for Community Economic Development have been applied in the United States and Canada. These models vary from well-used forms such as co-operatives, to newer ideas, such as the creation of business "incubators". This section of the report will discuss some of the models, and take an in-depth look at three specific CED enterprises in Canada which have been successful.

Co-operatives. Co-ops have a long history in Western Canada. Their importance in the Prairie economy dates from fifty years ago, when farmers were required to obtain local control of finance and marketing for their businesses, due to the unsympathetic attitude of banks and other companies, who were not geared to the cyclical nature of the farming industry. Their success in this area provides a solid proof of the potential benefits of community economic self-help within communities which do not easily fit into the national economy.

A co-operative is an organization of individuals who band together to operate a business or service on the basis that voting powers in the organization are vested through membership as opposed to being related to the number of shares which are held in the operation. Shares cannot normally be freely bought and sold, and usually revert to the organization when the member either dies or leaves the business area. Within that framework, co-ops can range in operating model from collective (where all decisions are taken by all members) to a normal hierarchical model (where the members elect a board of directions, who in turn choose a director, who in turn hires

and fires staff and makes everyday decisions). As a result, the extent of community base and social commitment of a co-op can range widely. The co-op is a legal form which does not, in itself, guarantee that its operations will result in benefit for the community in which it is based.

Nevertheless, the particular legal requirements of the incorporation of co-ops undoubtedly serve to protect the initiatives of a CED group. Restrictions on share ownership can be used to protect a co-op from external buy-out, and membership can be drawn from a specific geographic area or group of persons. Surprisingly few CED groups in Canada have used the co-op formula, however, (elements of the Guysborough County CED businesses being a notable exception).

Worker co-operatives represent a particular form of co-op which could have applications in CED. In a worker co-op, membership is held by the workers in the business, who therefore are in a position to elect (directly or indirectly) the management of the business and determine the methods of operation of the business. A number of successful worker co-ops exist in Canada, although only a small percentage of these are operated by "disadvantaged" people. The Guysborough County CED project in Nova Scotia has been closely involved in assisting two continuing worker co-ops: a bakery (Canso Bakery) and a carpentry co-op. Both of these businesses employ people who are not highly skilled or educated in a traditional sense (the women who work at the bakery are mainly ex-fish processing plant workers, and the carpentry co-op is made up of men from a small rural black

community).

The experience of Ron Ryan (a founder of the Guysborough project, now a lecturer at the Coady Institute at Antigonish, N.S.) is that workers who have traditionally been given little or no control over their workplace are often quite reluctant to take the risks involved in taking over their own plant. They do not necessarily have an ideological commitment to the notion of self-government in the workplace, and are frequently overawed by what they see as the superior skills of managers and facilitators. Although they have been prepared to make financial commitment to the businesses through purchasing shares, they are not in the position to make any lump-sum payment, and banks are not normally interested in loaning money to them for the purpose of investing in a worker co-op.

Despite the drawbacks associated with the worker co-ops, they remain an attractive goal for facilitating community economic self-help. Through turning control of a CED business over to its employees, the facilitators of CED demonstrate their commitment to the abilities of the local residents and provide the workers with the opportunity and necessity of learning management and business skills. Given some of the difficulties noted above, a prudent plan for establishing worker co-ops in this locality might be to phase-in worker membership on the board of directors of an enterprise as the business becomes economically viable and stable, and to gradually reduce the involvement of CED developers. A continuing relationship could be secured through token membership on the worker co-op board of directors, and by

encouraging the worker co-op to lease property and receive financial assistance and advice from a central community economic development body.

Credit Unions are another co-operative institution which has been used to facilitate CED. A later section of the report will be devoted to the possibilities associated with a community controlled financial institution.

Community Development Corporations. Community development corporations establish business and social services under the umbrella of a locally controlled non-profit corporation. New Dawn Enterprises Ltd., of Sydney, N.S. is the largest CDC in Canada.

Normally, CDC have a wider goal than simply to secure the economic improvement of an area. They are involved in meeting unmet social needs, and in fostering a sense of community in an area through social programs such as street dances and community events. In Edmonton, the Calder Action Committee is an example. Its agenda is to strengthen the older and somewhat isolated community of Calder through both social and economic enterprise.

A problem with CDC has been that frequently the social agenda becomes the first priority. Often this is because financing for community improvements is readily accessible through various government make-work projects, and also because these projects quickly show tangible results. Businesses which do succeed under the C.D.C. umbrella are often government-subsidized in one way or another, as in the case of New Dawn's successful housing operation where Canada Mortgage and

Housing Corp. reduced rate mortgages form the foundation of the business (and, as a result, the housing operation is not permitted to show a profit). Calder Action Committee runs a successful non-profit daycare along the same lines.

CDC have been most successful in small communities isolated from the mainstream of an area (as in Cape Breton and Guysborough County, N.S.) or a city (as with the Calder Action Committee). These areas frequently lack social services as well as economic development. Here in the inner city, although there is an obvious lack of economic opportunities, there is a well-established range of social services. A CDC which was involved in social service provision would be competing with other organizations, something which is not the case in Sydney, N.S., for example.

The notion of a locally controlled development corporation could well apply to a project with purely economic goals, however. Enterprises which are set up in isolation from each other tend to rapidly develop their own agendas, and can lose contact with the wider needs of the community. In addition, any surplus revenues generated by individual operations will normally be invested only in that business, or distributed to individual members. The creation of a corporation which would have definite ties with each of the individual enterprises would provide benefits to both the individual enterprise and the organizers of C.E.D. For the individual organization, a central development corporation could provide initial advice and access to funds, as well as other negotiated (and billed) services, such as rented space, business expertise, market analysis, etc. In return, the central organization would receive

payment for its services, and possibly a share of revenues or profits. Of course, there are many forms for the links between the central organization and the individual business. Nanaimo and Guysborough County (both of which will be discussed in depth) often simply invest in the business on a debt or equity basis, and derive revenues from the repayments or dividends.

Small Business Assistance. Some disadvantaged groups and areas in Canada have placed the emphasis of their community economic development activities on assisting small businesses operated by people from the disadvantaged group or area. The Black community in Nova Scotia, for example, has helped its members to set up their own businesses through a Black Businessmen's Association, etc. These groups act as a resource of prospective entrepreneurs. They assist the prospective business through help with market plans, contracts, etc., but they do not directly invest in or direct the businesses, which are completely independent. Both the federal and the provincial governments provide similar types of assistance through the Federal Business Development Bank and the Small Business department of Tourism and Small Business. Specifically for Indian people, the Business Assistance for Native Albertans Corporation (BANAC) offers similar advice.

What is evident in this area is that the problems hampering most people from being economically productive are more chronic than can be helped through programs of advice and financial support. This similar problem has been noted by activists from various other disadvantaged groups, especially from black ghettos in the large

American cities. As a result, a relatively new method of economic development has been pioneered: the "incubator".

The business incubator has most often been sponsored by urban municipalities. Normally, it is located in a large warehouse or similar facility which is no longer needed by the city. Within this structure, a development corporation is established with the goal of promoting new small businesses. Assistance is given to potential small businesses in locating capital loans, etc. (some cities provide low-cost loans for this purpose). In addition to business know-how, the development corporation leases space to the embryonic business. With large warehouse facilities, the business can expand as necessary. Normally, rents are initially set at zero or a nominal amount. Over a period of three to five years, rental costs and fees for guidance are gradually raised to market rates. A typical structure might work thus:

- 1st year: 15% of market rent
- 2nd year: 30% of market rent
- 3rd year: 60% of market rent
- 4th year: 100% of market rent

As can be seen, the aim is to encourage the more established businesses to move out of the umbrella of the development corporation into their own facilities.

As the idea is relatively new, it is hard to say whether it will prove more economically viable than independent small enterprises. It is also closely bound up with the "free enterprise" spirit of the U.S., where conservative Blacks have seized

upon the idea as an alternative to public welfare programs. Projects in Seattle and Chicago have proven relatively successful. Here in Alberta the federal government's Employment Development Branch has sponsored a similar project in Camrose, which will come into operation in January, 1986.

The incubator idea does not deal with the possibility that the successful small businesses may well move out of the area as soon as their subsidized rents are phased out, and the vesting of ownership with individuals provides no guarantee that benefits of capital reinvestment and employment will accrue to the local populace. Despite this, the idea of one central location for community economic development is quite attractive. The City of Edmonton has a number of large warehouse-type spaces which are currently underutilized in the downtown area, and might be in a position to provide these to a local development corporation at a nominal rent. There is no reason why businesses established in that facility should necessarily be privately owned. The development corporation or its subsidiaries could own the businesses, or at least some of them. In many ways a mix of ownership models might be the preferable choice so that the advantages and disadvantages of each could be assessed over time.

Existing Models of Community Economic Development in Canada

The following section will discuss three successful CED projects in Canada. It should be read in conjunction with the three appended diagrammatic representations of each organization's structure. Information for this part of the report is derived from

personal visits to Nova Scotia and British Columbia.

New Dawn. New Dawn is the oldest of the three CED projects highlighted here. Its origins lie in the pioneering community development work of Father Greg MacLeod, a professor at the University College of Cape Breton, Sydney. Although New Dawn was not formally incorporated until the late 1970s, a fairly stable group of community activists had been working on the housing problems of industrial Cape Breton for a number of years. The initial funding of New Dawn was as a Health and Welfare Canada demonstration project (a fairly common source of start-up money for C.E.D.).

New Dawn operates as a community development corporation for industrial Cape Breton. Its board of directors, numbering about twenty and encompassing most sectors of local society (from steelworkers to lawyers), oversee the various projects which have been spun off from the central organization, and plan for new initiatives. In addition, many board members sit on one or more of the subsidiary boards which operate each of New Dawn's projects. No board member may remain on the board of directors for more than six years (three consecutive terms). The loss of many of the original board members over the past three years, due to the changeover rule, has hampered the organization to some extent by removing the most experienced people such as Father MacLeod, but this is inevitable if the organization is to grow beyond the personal visions of its founders.

New Dawn's assets are concentrated within the housing sector. Using reduced rate mortgages from the Canada Housing and Mortgage Corp., the Cape Breton Association for Housing Development has built up an impressive inventory of housing (both new and pre-owned) across Northern Cape Breton. Assets run to several million dollars, and the Association for Housing Development is the largest local builder of apartments and townhouses. The Association also owns eight commercial spaces, several of which have been financially disastrous, as the local private sector is in severe recession and new private business development is virtually non-existent.

Despite the success of New Dawn's housing developments, there are severe limitations on its ability to provide for any costs or new investments outside the housing arena. The requirements of the CMHC are that the organization not show a profit and any transfer to New Dawn would qualify as such (although the Association does provide office space to New Dawn). New Dawn is therefore in the position of having large assets which cannot be employed for general community economic development. Further, over the past couple of years the CMHC has severely restricted new social housing investment with the result that the Association has been unable to build new accommodations from 1984 allocations.

The New Dawn Guest Home (another of the Organization's first initiatives) has been a success. Offering a home-like atmosphere for seniors, the Guest Home was originally operated by private owners who were unable to turn a profit. Now the Home is financially secure. Funded primarily by per diem payments from the

provincial government, the Guest Home serves two purposes integral to community-based economic development: it provides a quality service to local residents and also a secure source of employment. Employment conditions are safeguarded by the presence of a union within the Home: a somewhat unusual feature of C.E.D. projects. There has been one significant labour dispute; New Dawn staff felt that this was more a result of a personality conflict than a genuine contractual disagreement.

Tex Auto Parts, which operates a used car parts business, originated a project in collaboration with the Solicitor General's Department in Nova Scotia. It aims to employ ex-convicts in the business. Work involves developing a large inventory of cleaned and repainted used auto parts through cannibalizing used cars in local scrap yards. It is incorporated as a for-profit company, although up to the present time it has been dependent upon federal government L.E.A.P. funding for a portion of its revenues. Tex Auto Parts has enjoyed a chequered history mainly related to the market vagaries of the business. The operation is faced with a "Catch-22" whereby the business, with limited capital and a relatively slow turnover, cannot afford to maintain a complete inventory of all auto parts. However, a limited inventory means that the potential customer will not be satisfied up to 50% of the time. This problem has been exacerbated by the opening of a competitor only a few blocks away from Tex.

The job creation aspect of Tex has been successful. The ex-cons have largely worked out and the business also takes trainees on a short-term basis. Despite the

somewhat precarious state of the business, I did not find any critics of New Dawn who ascribed this to the nature of the employees. In truth the future survival of Tex depends upon a rapid shift to financial solvency, as the LEAP funding is due to expire within a year. New Dawn is considering steps to facilitate this: one of them is to involve the manager in some type of equity for profit-sharing arrangement. If this was carried through the probability is that the workers in the business would also be involved in the scheme. Given the state of the organization and the requirements of funders, Tex has not been able to make any administrative payments to New Dawn.

Highland Resources Ltd. is the non-profit consulting company associated with New Dawn. Currently largely inoperative, Highland Resources attempted to establish a locally-based consulting service. Before its inception governments needing consultation services normally employed consultants from Halifax and farther afield. The problem with HRL was that there was insufficient regular work to employ a consultant over a period of time. Attempts to rectify this by locating an office in Halifax proved costly and unsuccessful. Currently HRL is resurrected from time to time when the organization receives funds for a study, with the work being contracted out to local consultants. In addition H.R.L. has been used as a shell company by a youth training program sponsored by New Dawn.

Sydney Ventures Ltd. is a new operation established from funds provided by the federal government's LEAD program. Its aim is to identify potential business opportunities where lack of financing presents an obstacle. Operating as a lender of

last resort, Sydney Ventures is limited as to the businesses in which it can invest: only those with a poor prospect of solvency can be assisted. Sydney Ventures has received core funding of \$25,000 per year, plus \$225,000 loan capital. Again, no arrangement for the recouping of New Dawn's administrative costs has been established.

As a Community Development Corporation, New Dawn has also sponsored a number of non-economic projects. One of its early projects was to bring a number of new dentists to the area by building dental clinics. This proved successful and the clinics have been turned over to the dentists. New Dawn has encouraged the local Gaelic culture through cultural evenings and other social events. Currently New Dawn has established a Volunteer Resource Centre, which hopes to offer some of the same services as Edmonton's Volunteer Action Centre.

New Dawn has been an enormously positive organization within Cape Breton. It has focused the efforts of many of the most skilled residents of the area upon the major issue of economic decline. It has secured an improved housing stock for the area, and has provided many jobs over the years, some long-term.

Nevertheless as a model for community economic development elsewhere, New Dawn presents some difficulties. The most obvious of these is that Cape Breton is a unique society with few parallels in Western Canada. Its level of social solidarity is far higher than in Edmonton's inner-city and as a result progressive social and economic projects receive a high level of support from the social elite. The economic

situation across Cape Breton has been desperate for many years. This too tends to blunt many of the criticisms that we might expect from "free-enterprisers": it is quite clear that private business will not be able to fill the job shortages for many years, if ever.

Certain aspects of New Dawn's operations should not be repeated. The most obvious of these is the unclear link between the central organization and its subsidiaries. New Dawn has sponsored many organizations. Few if any have ever repaid New Dawn for the administrative expertise which is provided in the early years. Consequently New Dawn does not have a solid operating base let alone funds generated from businesses which could be applied to new projects. It is dependent upon LEAD funding for its operating costs. This causes a dependence upon government, detracts from the economic development orientation of the organization and is in any case not available for large urban centres such as Edmonton.

Former members of the New Dawn staff were quite critical of the direction of the organization. It was felt that the organization is drifting and that many of those involved do not have a full understanding of the ramifications of community economic development. This underlines that in establishing a core group to begin CED in this area, we must not simply appoint people because they are community residents or because they are well-meaning. The goal must be to involve those who have acquired or are prepared to acquire an extensive understanding and knowledge of CED. This will involve both careful initial selection and on-going training of new

people.

New Dawn's model, with a central development corporation controlling a number of subsidiaries, has the potential to create a dynamic organization where the independent operation of each business can be aided by the concentrated expertise of the central and where excess revenues generated by the individual organization can be used by the central organization for new investments. The specific nature of such a link is not clearly indicated in the New Dawn experience.

Guysborough County. Located in rural Central Nova Scotia, Guysborough County is a severely economically disadvantaged area. Lack of access to markets and the tendency for new projects to locate in the Halifax-Dartmouth metropolitan area exacerbates the already poor economic prospects of the region.

Approximately ten years ago a group of local residents responded to the federal government's Community Employment Strategy Program by forming the Community Employment Strategy Association. As with New Dawn Enterprises the board was composed of people from a wide range of backgrounds. This board in turn created two arms: MGCDIL and CGM Holdings. MGCDIL is the financial arm of the organization. It is in control of a large fund (initially \$500,000) which was provided by the federal government through funds made available by the cancellation of a program in 1979.

MGCDIL, which was originally completely controlled by the CESA, now has some board members from CESA but a majority of people who are appointed by

MGCDIL. Unlike New Dawn, MGCDIL does not normally take a controlling interest in the businesses which it supports. MGCDIL assists new businesses through loans and business advice. In the past, it has assisted companies of all types: from worker co-ops to privately owned businesses.

Two of the most interesting businesses associated with Guysborough are worker co-operatives. These are a bakery and a woodworking shop. The Canso Bakery in particular has been a success. The origins of the Canso Bakery are in a group of former fish-processing plant workers (mainly women) who organized together to fill a gap within the local market. Canso Bakery now employs approximately twelve people and distributes its products throughout the area.

Ron Ryan, former co-ordinator of the Guysborough County CED project and now lecturer at the Coady Institute in Antigonish, provided some valuable insights into the Canso Bakery. When initially formed the bakery workers received considerable assistance from outside experts (both within and outside MGCDIL). Although workers make up the majority of the board, there are still outside members. Over the years the bakery has proven financially successful but many of the workers ascribe this to the competence of the outside people and of the managers rather than their own efforts. However, in the past six months it has become apparent that the manager was concealing some difficult issues from the workers and at a meeting in the spring it was revealed that the business has a considerable operating deficit which may require some staff to be laid off. The manager was fired and the incident appears to

have strengthened the desire of the workers to make important decisions themselves. As an example workers have been able to discuss the possibilities of lay-offs, and have even raised the issue of who would be first to leave. Nevertheless the workers do not feel sufficiently confident to approach bankers without expert assistance (perhaps with good reason) and have again turned to people such as Mr. Ryan and others from the Coady Institute to back them up.

MGCDIL also helped a group of fish plant workers to buy out a fish plant which was to be closed. It was operated very successfully for several years but eventually the workers there decided to sell out (at a nominal price) to a private owner who has reaped considerable profits from the venture. This experience underlines the need for firm ties with a central development corporation which could provide funds and advice under conditions which might include a lengthy time-frame during which the business can only be sold with permission.

Apart from the `business' aspects of the CESA, it has also encouraged cultural groups. The Mulgrave Road Theatre Company, which has achieved a nationwide reputation for its productions dealing with Maritime issues, is under the CESA umbrella.

Mulgrave Road and some of the other businesses associated with CESA rent property from the other arm of the CED: CGM Holdings. CGM Holdings has control of all property belonging to CESA, and is a direct subsidiary of CESA.

In addition to the direct initiatives of CESA it also plays a lobbying and advocacy role within the area. As an example, Petro-Canada threatened to move a dock from the area because of the presence of union workers. Staff and board members of the Guysborough County project effectively lobbied both the company and the government on the issue, going as far as laying a charge of unfair labour practices before PetroCan finally gave in. CESA staff also help private businesses and agricultural concerns to receive sympathetic treatment from financial institutions even when MGCDIL itself is not involved with funding.

Guysborough County community economic development projects have been exceptionally successful. They have brought many new jobs to an area which would seem even more isolated and unattractive for investment than Cape Breton. The economic initiative has been flexible and has involved private enterprise when possible. In addition the cohesiveness of the organizing group has allowed it to play a political role within the area. Of course the relatively small population (c. 10,000) and the higher level of social solidarity has been a contributing factor which may not be present in the inner city of Edmonton.

Economic development experts at the Coady Institute and St. Francis Xavier University in Antigonish gave the following reasons for the continuing success of MGCDIL etc.:

1. *A large capital pool to begin with.* Too many CED projects, like all small businesses are undercapitalized from the beginning. The special grant made

available to MGCDIL avoided this problem.

2. *A very strong co-ordinator during the early stages.* Ron Ryan combines the two qualities which are most valuable in a CED leader; commitment to the community (he was born and raised in the area and lives there) and business competence (Mr. Ryan has an MBA and is also the owner of a local business). It may well be that Mr. Ryan's skills could not be adequately matched in a single person within the inner city. In that case there is a need to integrate people with each skill within the board and/or staff of a CED project.
3. *A strong central group of CED pioneers.* As with the New Dawn project, Guysborough was able to call upon the help and advice of experts (mainly from Antigonish). Such a group may not exist here where co-operative economic development has not been a significant factor over the past few years.
4. *A non-ideological approach.* Guysborough's CED projects have taken a number of different forms, depending on the strengths of those involved.
5. *A central development "corporation".* This allows the community activists to devote their attention to the expansion of CED rather than the trials and tribulations of each individual project. Further, the arm's length relationship with the individual projects gives those businesses the responsibility to look after their own affairs. If one aim of CED is to give people more power over their work environment (whether this is through the worker co-op arrangement or otherwise), then the originators of CED cannot be supervising day-to-day

activities.

Nanaimo Community Employment Advisory Society. NCEAS is the third of the projects to be discussed at length. This part of the feasibility study has been compiled after telephone and mail contact and a visit to Nanaimo.

NCEAS originated in much the same way as the Guysborough County CED project. In the mid-1970s, a group of community activists received funding from the federal government's Community Employment Strategy. Originally, the program focused on job training and short term work programs. In 1979, the Society submitted a proposal for developing a more diversified local economy through financial assistance to local enterprises. As a result the Society received a \$500,000 grant from the federal government (the same grant as was received by Guysborough County).

NCEAS has established a financial arm, the Colville Investment Corporation (see appended organizational diagram). This facilitates the operations of the C.E.D. project in two ways: firstly, Colville Investments is registered as a for-profit company, and therefore avoids the limitations of the Society (which is registered under the Societies Act). Secondly, the existence of the two boards permits a balancing of social and economic objectives. Members of the Society board are drawn from the community at large, and are generally community activists who place social concerns ahead of economic success. The board of Colville Investments is appointed by the NCEAS board but is primarily peopled by businessmen, who have a good understanding of the

requirements of a successful enterprise. It is the responsibility of the investment corporation to approve or refuse financial assistance and the terms which accompany any loan (or equity position). Three board members of the Society are always on the Colville Board and at least two of them must approve any loan which Colville is considering.

NCEAS/Colville does not operate its own economic enterprises as does New Dawn. Its help to businesses is restricted to taking a debt or equity position in the company. In previous years, the Society has been involved on the board of directors of various businesses as a result of equity positions which it has taken but it has now decided to discontinue that practice. This was because the Society people appointed to the board were often forced to spend a great deal of time dealing with the organizational difficulties of the enterprise (and were not in a position to do so because they did not have hands-on experience with the day-to-day operations of the company) and also because legal opinions suggested that the Society or Colville could be held liable for any losses of the enterprise. It was not felt that liability insurance could protect the Society/Colville members from personal liability.

As a result the Society and Colville Investments have determined that any further involvement in equity will be accompanied by a management agreement, monthly statements, etc. but no membership on a board of directors and no day-to-day contact. Having said that, it appears that the Society would prefer to avoid equity positions if at all possible.

Consequently the bulk of Colville's new investments are through loans to small businesses in the area. Although Colville does not have a policy against helping co-operatives or worker co-operatives, it has only been involved with one co-op of any description. All other loans have been with traditional small businesses, whether these are partnerships, sole proprietorships, or limited liability companies. Colville has a limit of \$25,000 on any loan, although a loan from Colville is normally accompanied by funds from another financial institution, whether this is a bank or, more normally, a credit union.

Colville Investment Corporation is in some ways similar to a venture capital operation, in that it will loan funds to businesses which are unable to get traditional financing. It differs, however, in several important areas. First, Colville staff who are financially qualified will provide advice and assistance to the prospective lender in producing adequate financial statements and prospectuses, etc. Then, Colville will assist the venture in applying for traditional sources of funds. The organization has spent considerable energies in cultivating a good relationship with several local credit unions, and their introduction of a prospective lender is of help. If the venture is unable to receive funds (or typically, is only given a portion of needs), then Colville will consider making a loan.

Colville is able to be more flexible than a bank in its lending policies. For example, they are prepared to take non-fixed assets as security, and the level of security required is usually around 50 cents per dollar loaned, whereas banks will

often require three or four dollars security for every dollar lent (because of the difficulty in collecting on a bad loan). Colville's rates are competitive with banks (and far less than a venture capital company). It is able to loan at about two per cent over prime rate, compared with 5% + with a venture company. Even the Federal Business Development Bank and its B.C. counterpart charge at least 1-1/2% more than Colville.

Despite the favourable conditions of Colville loans it suffers a very low level of defaults: in the region of 1-1/2% compared with 2+ % with the banks and far in excess of that with venture capital companies. Keith Hodgson, Director of Colville Investments Corp. ascribes that to the extra care which the organization takes with a new loan and also to the reluctance of Colville to close down a company because of a bad debt. Colville often finds that by helping a company through a bad time it is able to collect eventually on a loan, whereas a bank which has sufficient security will be tempted to simply call the loan and collect the security.

In the past couple of years, N.C.E.A.S. has spent a considerable effort in explaining its activities and goals to the local credit unions. The hope is that the organization will be able to access funds for new loans under preferential terms. Two possibilities have been considered: one is to have the credit unions round off all accounts to the nearest dollar below at the end of each month and to give the accumulated sum to the Society/Colville. The other idea is to request each C.U. member to give a dollar from their account to the Society for local job creation. The credit unions are considering these proposals.

In conclusion, Nanaimo Community Employment Advisory Society has enjoyed considerable success. It has conserved its initial assets and operates with a healthy surplus. There are several lessons which can be learned from N.

C.E.A.S. Firstly, the structure of the Society and its subsidiary, Colville Investments Corp., appears to work well. Social and economic objectives are balanced, although ultimate control lies with a community development oriented N.C.E.A.S. board. Second, the experience of N.C.E.A.S. with equity positions in subsidiaries should be explored further. Third, the strong financial background of both Colville's board and staff appears to be a key to the financial stability of the operation.

There are certainly a number of differences between the situation in Nanaimo and that in the inner city of Edmonton, however. I would question whether the skills exist within the local populace to form any significant number of private businesses without considerable help from a development corporation. Further, those who do have those skills may not be as committed to the inner city (which is after all only a part of a large city) compared with the private businessmen located in or near Nanaimo (whose reinvestment are very likely to be in the Nanaimo area). Economic revitalization in our area may well depend upon the active involvement of C.E.D. supporters in the establishment of enterprises. Under those circumstances ownership of C.E.D. projects might be better vested, at least in the early stages, in the development corporation itself.

Community Economic Development in Edmonton. Although the bulk of C.E.D. activity has taken place outside Edmonton, there have been a number of C.E.D. related projects within the Edmonton area. I will briefly outline some of those which have a relevance for the inner city.

Calder Action Centre. The Calder Action Centre is a community development corporation which has in the past had an economic agenda but is now primarily oriented towards maintaining the services and social and physical fabric of Calder. Calder is an older area of Edmonton, isolated from the central core by the CN railway tracks and fundamentally different in character from the suburban neighbourhoods which surround it. Given its isolation and the older nature of the neighbourhood, Calder began to deteriorate over the past couple of decades. Much of the housing stock was in a state of decay and many stores closed down.

By the mid-1970s, the situation was sufficiently serious that the area was designated for the R.R.A.P. home upgrading program. At around the same time a group of community residents banded together to administer the Neighbourhood Improvement Program. Eventually this group, incorporated as the Calder Action Centre and inspired by the example of New Dawn in Nova Scotia, initiated both social and economic ventures. The social ventures have included a seniors' drop-in, an after-school daycare and the renovation of a historic house in the area (which will eventually become a community museum). These ventures have generally proven extremely successful and continue to the present day. None of them, however,

generate any sort of surplus which could be applied to other projects.

The major economic initiative of the Action Centre was to establish a local home maintenance service. This operated successfully for a couple of years but it was always dependent upon a government grant for revenue. When the grant ran out the business generated was not sufficient to cover expenses and the project folded. Geri De Hoog, a leading member of the CAC, feels that two related factors accounted for the failure of the economic project. First, the population of Calder was too small to support the project and second, the circle of activists in the CAC was also too small to maintain a wide range of activities.

Currently the individual projects of CAC operate autonomously through sub-committees of the board which meets only rarely. One point which should be learned from the C.A.C. experience is that we must not limit our activities to such a small service area that only insufficient revenues can be generated.

Neegan. Neegan, which is the Cree for "second chance", was an inner city based bush-clearing service. It operated for two or three years in the mid-1970s and proved a successful enterprise until some of its employees disappeared with equipment belonging to the company.

Neegan's aim was to employ men who had been in jail. It successfully negotiated a contract with Parks Canada to clear bush at the Elk Island National Park and when the operation folded had also secured another contract for Northern Alberta. Neegan is interesting for us because it employed men who are from the

inner city milieu in an occupation which has traditionally been popular among Natives. There is no reason why it (or a similar project) could not be resurrected as part of a Community Economic Development strategy.

Community Employment Services. C.E.S. was a temporary labour office which operated for a number of years in the late 1970s/early 1980s. C.E.S. was initially established in order to compete with private casual labour offices which are located in the inner city and which tended to take advantage of the casual labourer's poor market position.

C.E.S. operated in much the same way as a normal casual labour agency, opening early in the morning and placing men on mainly physical labouring duties. C.E.S. was able to offer slightly higher wages than the private businesses, and the intention was that any surplus generated would be used to improve housing for street people (many of whom worked through C.E.S).

C.E.S. ran into difficulty when the boom of the late 1970s ended. In addition some people formerly involved with the operation suggest that the acquisition of expensive computer equipment added to CES's financial difficulties. As a result, CES wound up its activities.

There have been various suggestions that C.E.S. or a similar business could be reactivated. The problem at present is that the economy remains weak and during these periods there is only minimal hiring of casual labour. One proposal has been to investigate obtaining casual labour contracts from the provincial government which

has recently closed its own temporary labour service. This merits further discussion and investigation.

Community Income Tax Services. C.I.T.S. was an income tax refund service which was established with the primary goal of closing down several private services which were exploiting local poor people. Its secondary objective was to negotiate a change in the law as it applied to tax refund services (there was no regulation of these operations at the time).

CITS operated for three years in the late 1970s. The impetus for the service originated with members of Student Legal Services, notably John Haunholter (now a lawyer in Edmonton). Workers at C.I.T.S. assisted clients to fill out their income tax forms and calculated any refund owing. After a check with Revenue Canada to ensure that the person was not defrauding the service in one way or another, the client was given a loan from the CN Credit Union for a percentage of the tax refund expected. After the Service received the actual refund check from Revenue Canada, the client was refunded the remainder of the amount owing, minus interest and a small fee (payable to the CN Credit Union for membership).

CITS closed down by 1980 as a result of changes in the law applying to tax refund services. These changes, which regulated the operations of the tax refund companies and limited their "take" to 15% closed all of the disreputable companies and C.I.T.S. felt that its task was complete. The changes in the law came about exclusively as a result of the publicity generated by the Student Legal Services and

C.I.T.S.

Despite the closure of CITS there remains a market for a tax discounting service. The number of people using the services primarily offered now by H&R Block and Bentax has skyrocketed during the recession and even though there are regulations governing profit margins, the business is extremely profitable. However, there have been many suggestions by the federal government that the law will soon be further tightened. In view of the uncertainty surrounding the future of tax refund services, it is not recommended that this business be considered at this time.

Conclusions

1. The single feature which is consistent among successful C.E.D. projects is the existence of a central development corporation of one sort or another. The dilution of an expert group into a range of different projects takes away from the capacity of the C.E.D. initiative to maintain momentum and expanding horizons. Further, in an isolated enterprise business failure will usually result in the loss of the expertise gained from running that business (even though failure is often due to market conditions rather than any incompetence). A central organization which operates at arms length from the businesses it sponsors (whether it owns them or not) can survive the loss of one business and learn from that experience. In addition, the creation of single businesses without links to a central body can lead to drifting away from the original mandates of the organization (e.g. the business could move out of the area, fail

- to reinvest profits in the community, or become prone to buy-out).
2. Links between a central development corporation and its subsidiaries/lenders must be clear and must allow for a reasonable return on capital and payment for services rendered. Failure to achieve this can result in the situation New Dawn faces, where its subsidiaries operate successfully but never repay New Dawn for its administrative expenses.
 3. As far as possible, a C.E.D. project must avoid dependence upon time-limited job creation projects. These government projects are not primarily designed to assist community economic self-help. The conditions attached to them tend to skew economic endeavour towards social objectives (e.g. hiring quotas for certain groups) which can hamper the wider social goal of economic self-sufficiency.
 4. The creation of a fairly large initial capital pool was of great help to both Guysborough County and N.C.E.A.S. Although the source used for those projects is not now available, alternative sources of lump-sum capital should be investigated.
 5. Several different forms of community economic development have been outlined (co-ops, CDC's, private business assistance, etc.). If possible, a C.E.D. project in the inner city should sponsor businesses using different models (e.g. create a worker co-op, operate a wholly-owned subsidiary, make a loan and give financial advice to a privately-owned business). The notion of a business

incubator, where several fledgling businesses operate in a single location and receive business advice from a development corporation, could facilitate an experiment with several different forms of enterprises.

6. There is a need to foresee the potential conflicts between the wider social agenda of a C.E.D. project and the everyday economic decisions which have to be taken. The model employed by N.C.E.A.S. seems to work well in this area.
7. Business experience is a vital component of all successful C.E.D. projects. People with training and/or experience in business must be incorporated into both the board and staff of such a project.

TABLE 2
Community Economic Development Projects
New Dawn (Cape Breton, N.S.)

Note: Although all of the operations above are wholly owned by New Dawn enterprises, there is discussion as to feasibility of selling a part share in Tex Auto parts to its new manager who is interested in profit sharing. Of the above operations only Cape Breton Assn for Housing Development and New Dawn Guest Home are financially viable without government grants at present. In particular, New Dawn enterprises has no clear financial arrangement for recouping its costs in set-up and consulting for its subsidiaries and is almost completely dependent upon government grants.

V. FINANCIAL INSTITUTIONS AS A TOOL FOR COMMUNITY ECONOMIC DEVELOPMENT

Financial institutions are the glue which holds a modern economy together. Conversely, lack of control over the provision of financial services is evidence of powerlessness within the economy in general. This situation has sparked the formation of many credit unions and caisses populaires throughout Canada. In almost every case, the community financial institutions have come into being to address problems with the traditional banking system operating in that particular community. With the caisses populaires in Quebec and Western Canada, the special needs of the members centered around the desire of Francophones to maintain their own language and culture when doing business, and to counter the negative attitude of elements of the Anglophone financial establishment. In Western Canada, the Great Depression and attendant tightening of credit for farmers and homeowners provoked the formation of co-operative credit societies and later, fully-fledged credit unions.

Outside Canada, community controlled financial institutions have been formed to assist co-operative retail and manufacturing concerns. The most well-known and successful example is in the Basque territory of Spain, where worker co-operatives have become the most important employer in the Mondragon region. The worker co-operative network is held together by common association through the Caja Laboral Popular. This financial institution provides both technical and financial assistance to new and continuing worker co-operatives in the area which now employs about 10,000 people. Shrewd manipulation of investments in the private sector permits the

Caja to offer preferential rates on loans to worker co-operatives and thus ensure that the individual members do not leave the umbrella of the Caja by borrowing from another financial institution. Although the Caja is controlled by a board of delegates from individual co-operatives, day-to-day decisions are made by the staff of the Caja, who therefore exert considerable control over the direction of the "Mondragon Experiment". In France the worker co-operative movement exists on a nationwide basis, with over 1,000 individual worker co-ops. Although the relationship between individual enterprises and financial institutions is not as close as in Mondragon, the central organization of worker co-ops does have a financial arm which lends money when needed. In addition, the co-operative movement and the French government have collaborated in establishing a new credit agency, which can offer loans at preferential rates.

Within Canada the relationship between credit unions and community economic development, whether co-operatives or otherwise, has not been as strong. Many credit unions, especially those in the larger urban centres, have come to mirror banks in their operational practices and tend to regard innovative business forms as risky investments. This is often compounded, of course, by the business inexperience of the proponents of community economic enterprises. Communities across Canada have often responded to suspicion of their business competence by establishing their own credit unions. The black community in Dartmouth, N.S. area has established the George Washington Cleaver Credit Union. Natives in Alberta have established their

own trust companies and credit unions for similar reasons (cf. Peace Hills Trust and Saddle Lake Credit Union).

Another alternative to credit unions as financiers of local enterprises has been the development of investment corporations such as Colville Investments in Nanaimo, B.C. and M.G.C.D.I.L. in Nova Scotia. These locally controlled corporations, although not credit unions per se, have served their communities through providing loans at preferential rates and with free business advice to local small businesses. Normally, their initial capital pool has been provided by government, and as a result, they must operate as lenders of last resort.

A Community Financial Institution in Inner-city Edmonton? A community controlled financial institution in the inner city has two potential purposes: first, the provision of banking services to people who are badly served at present by traditional bankers; and second, as a lender and adviser to local businesses (whether these are community or privately owned). These two functions are sufficiently different that they should be considered separately, although one institution could serve both functions if each were separately considered viable.

Personal banking services are extremely limited within the inner city. Only one bank is located in the area, a branch of the Bank of Nova Scotia on 111 Avenue. Even credit unions are marked in their absence, apart from two designed for the Ukrainian and Chinese ethnic groups, and the Firefighters Savings and Credit Union on the northernmost edge of the community. Consequently, inner city residents (an

unusually high percentage of whom have no vehicle) are forced to travel downtown or to 118 Avenue to do their banking. This situation has worsened over the past few years as the banks have abandoned their previous commitment to "community banking", whereby branches were located in poorer areas of the major cities and deliberately oriented in atmosphere and banking practices towards the needs of local residents. The Toronto Dominion Bank, once the leader in "community banking", has made an explicit decision to close all of its community branches or to convert them into traditional operations.

Even when local residents do travel to a bank they are frequently offered inadequate service. For persons living on social assistance, opening a bank account can be impossible. Even if the customer has the requisite number of pieces of identification (which can be difficult as many residents do not have any form of credit card and do not hold a driver's license), the bank will hold the first month's cheque for up to three weeks before it has cleared the system. Naturally, those living on social assistance cannot possibly wait this period of time for their money. Although cheque cashing rules have been relaxed somewhat for provincial government cheques at one downtown bank, the line-ups at the end of each month are phenomenal and even here several pieces of ID are required. Indian Affairs cheques and any other cheques (such as a paycheque) are not accepted.

As a result, many local residents use the services of "MoneyMart", a private operation located in the inner city, which will cash cheques without identification

and without waiting, for a fee. This fee can be up to 10% of the cheque's value. More typically, the MoneyMart will take 6% from a first time user and three percent on each subsequent occasion. As social assistance rates are calculated upon the basis of minimum needs (and even these are grossly underestimated; see Family Budgeting Guide, Boyle Street Co-op, 1985), any reduction in the actual moneys received will result in hardship. The provincial government has made several public statements about plans to change its method of paying assistance but nothing has materialized to date.

Apart from problems of access to banking services, community residents also lose money to private companies when collecting refunds of tax from the federal government. Despite legislation limiting the percentage of a tax refund which can be taken by a tax refunder, H&R Block and Bentax still deduct 15% of a tax refund for the convenience of an immediate refund rather than waiting the four to eight weeks that the government takes to process forms mailed in to its offices. Assuming an average refund of \$500 and a wait of six weeks, the interest charged by these companies is phenomenal:

<p>A. Mailed to Revenue Canada</p> <p>Tax Refund \$500.00</p> <p>Cost of Preparation <u>\$20.00</u></p> <p style="text-align: right;">\$480.00</p>	<p>B. Through Tax Discounter</p> <p>Tax Refund \$500.00</p> <p>Service Charge @ 15% <u>\$75.00</u></p> <p style="text-align: right;">\$425.00</p>
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Effective rate of interest on \$480.00 loan for six weeks (assuming \$20.00 preparation charge): 99.6% p.a.

Tax discounters are the responsibility of the federal government. Again, the government has promised to act to curb the activities of the discounters but has yet to do so.² The uncertainty of the situation would make it very difficult for a community financial institution to offer a similar but more reasonably priced service, as it could not depend upon the revenue from such a business.

It is quite obvious that inner-city residents receive inadequate service from the banking system, both private and co-operative. Nevertheless, there are a number of dangers involved in establishing a service in the area (whether it be a credit union or a trust company) to meet the needs outlined above.

The first is that the turnover of ordinary banking business (deposits, personal loans, etc.) has to reach a high level before the organization could afford to hire full time staff. Experience in Quebec with the Caisse Populaire d'Entre Aide showed that small credit unions face a "Catch 22" situation: without adequate availability of banking services (especially lengthy hours of business) people are unwilling to deposit their funds. Without adequate deposits the institution cannot afford staff to remain open or the costs associated with full banking services (cost of cheque clearing, access to PIN system, ¹ etc.). Some small credit unions have overcome this, notable the Bread and Roses Credit Union in Toronto, the CCEC Credit Union in Vancouver, and the Women's Credit Union in Ottawa. In all of these cases, however, the credit

¹New legislation has now been proposed in the area.

unions could rely upon a fairly large pool of depositors: people who are politically committed to the goals of the credit union. They are prepared to accept the restricted services available as price of their commitment. No large group of individual investors could be found to match this in Edmonton. If such a credit union were to succeed here it would have to rely heavily, at least in the outset, on quasi-institutional investors such as local churches and social agencies. The dependence upon "corporations" runs against the prevailing philosophy of the credit union movement: that is an organization of individuals.

More lucrative sources of income for community financial institutions could be explored such as tax refund loans and cheque cashing for a fee. These are relatively risky propositions, however, especially as government is considering restricting both practices. The possibility of fraud exists with both services and the private operators could quite easily put a small institution out of business by temporarily reducing their charges for the services to a level with which we could not compete.

Concluding this discussion there is certainly a need for upgrading the availability of financial services within the inner city. Personal banking services, however, are not particularly profitable and if we were to engage in that business it would likely be on a break-even basis at best, certainly in the early stages. An alternative to establishing a brand new credit union or similar in this neighbourhood might be to work with an existing credit union to persuade them to open a branch in this area offering some of the services which are currently unavailable. Such a strategy might

also facilitate access to loans for community enterprises.

Earlier in this section we identified support of community enterprises as a second potential role for a locally-based financial institution. The examples cited from other localities showed that a central financial body, providing both loans and advice, was an important ingredient in the success of community-based businesses. In Canada, the Nanaimo Community Employment Advisory Society and the Guysborough County CED projects both regulate assistance to local businesses through investment corporations. Thus the social goals of each enterprise, which may be admirable, are examined with a mainly financial perspective: will the operation succeed and thus be able to pay off the loan? This has proven superior to the method adopted by New Dawn Enterprises, whereby the same organization which spawned the idea for a new enterprise also decides whether or not to fund it.

There are several alternative legal forms for a capital lending corporation. One is a credit union. Assuming that this somewhat unusual credit union receive approval from the Credit Union Stabilization Corporation, and the Director of Credit Unions, it could begin to assist small businesses as soon as it had obtained adequate deposits. Given that many local credit unions are in financial difficulty, it is probable that the regulatory authorities would severely restrict the activities of a new credit union. If we were to establish a credit union at the moment, we would probably have to operate for several years before the Stabilization Corporation would permit us to engage in considerable lending activity. However, incorporating a small credit union

at the present time might prove useful at a later date, although in the early period it would take up some presumably unpaid staff time.

The other credit union alternative is to involve ourselves in an existing credit union. This could be accomplished by one or more downtown agencies concentrating some deposits in a particular credit union and then involving ourselves in the general meetings of the organization, perhaps leading to representation on the board of directors. The Vancouver City Credit Union has undergone a similar process of internal education, leading it to show more interest in community endeavours. Pat Ryan, longtime credit union activist, stressed that this activity not be seen as "taking over" the organization, but rather as orienting the credit union towards more innovative lending practices. Credit unions in the mid-island region of Vancouver Island, B.C. have shown considerable interest in providing both financial and technical assistance to local community development initiatives whether this is through supplementing Nanaimo CEAS loans or in encouraging potential worker co-operatives. There is no reason, therefore, why the Alberta credit unions cannot follow the lead from B.C. If we decide to pursue this pan of action we should obtain detailed information from contacts in British Columbia, especially regarding the Vancouver City experience.

An alternative financial model calls for the creation of a Trust Company. Trusts, which are generally less restricted in their activities than a credit union, have been used as investment vehicles by people as diverse as Peter Pocklington and the

oil-rich Hobbema Indian bands. An advantage of trust companies over credit unions is that in dealings with government and private business they appear more "respectable", and do not have the "left-wing" image of the credit unions. Unfortunately, we do not have any contacts within the Trust Company Community and would have to establish these before we could judge their merits as a vehicle for community economic development. Currently our only potential links are with the Peace Hills Trust who do not seem interested in our initiative.

Most community economic development in Canada has been achieved without the creation of a bank-like financial institution. Nanaimo and Guysborough depend upon what are essentially venture capital corporations, albeit with special sources of capital and different lending priorities. Neither Colville Investments in Nanaimo or MGCDIL in Guysborough have found themselves hampered by their corporate form (Nanaimo, a for-profit corporation wholly-owned by the CED Society; in Guysborough a company limited by guarantee sharing a minority of board members with the CED Society). Both organizations have developed close relationships with local financial institutions (banks and credit unions). This may not prove as simple in Edmonton, where financial institutions can afford to remain more aloof from small community ventures (in smaller communities the small community ventures are often the only show in town). Consequently, should we decide to establish a special venture capital corporation as the debt/equity lending vehicle of the CED project, this move should probably be accompanied with a deliberate orientation of agency funds and energies

towards a credit union.

In investigating the specific legal form of a venture capital corporation, we should attempt to avoid any taxation of "profits" recovered through repayment of loans or dividends by the individual enterprises. As far as I understand, the NCEAS is unable to obtain a "prior ruling" on the taxability of its profits from Revenue Canada. Issues such as these obviously require the assistance of lawyers.

Conclusions. The first part of this section dealt with the possibility of establishing a financial institution in the area to provide services to local residents (cheque-cashing, etc.). Although there can be no doubt that such a service is needed, it would probably not be profitable at least in the short term. Income generated from such an institution would not be available for investment in community enterprises in the foreseeable future.

A more feasible plan might be to collaborate with an existing credit union to ensure the availability of services to local residents (perhaps by establishing a small branch in the area).

Successful community enterprises across the world have employed a financial institution as a central vehicle for accumulating capital and assessing the viability of proposed enterprises. The financial relationship between each enterprise and the central assures that the individual business will not diverge from the goals of the CED project. Loan repayments provide some financial stability to the Central CED Development Group (as opposed to the situation in New Dawn, for example, where

the central body is cash starved even while the projects it has sponsored are successful). A central capital pool simplifies the raising of money for each project and projects a professional image. Perhaps most important, a financial clearing house with some organizational identity separate from the "dreamers" involved in the policy direction of the organization would provide substantial safeguards against unwise investment. In this area I believe that we have much to learn from the example set by NCEAS in Nanaimo.

The specific legal form of such an organization remains to be determined. The credit union/trust company model has many advantages, especially if we wish to combine CED investments with services to the local public. Regulatory restrictions on credit unions and trust companies, however, should be thoroughly investigated by professionals. The simplest initial structure for a financial arm would be a venture capital corporation such as MGCDIL or NCEAS, although such a corporation might not have the same credibility with government or private business as a fully-fledged financial institution.

VI. TRAINING NEEDS FOR A COMMUNITY ECONOMIC ENTERPRISE

Education and training within a CED will be needed on several levels. As the operation moves from a concept into implementation, all those involved in the planning and administration will require an understanding of the operations of a business. Without the skills to properly analyze the direction of an enterprise a community resource group will be acting in the dark when making business decisions. As we move into the implementation phase we need to develop a plan for incorporating business people into the board and administration staff, as well as raising the business competence of the "social developers". The precise details of this plan should be worked out during the next phase of the project.

At this point, however, we need to consider some of the options for the training of potential employees in our businesses. Although we have identified our initial target group within the inner city as being people with at least some high school education or job training, many or most will have limited relevant job experience and will require both pre-employment counselling and job training. We can take two approaches to such training: it can either be incorporated within the job site or we can arrange suitable pre-employment training with an outside agency.

On-the-job Training. If we hire people who fit our general criteria (residency in the area, no gross social problems, some education or job experience), it is likely that we will find ourselves with employees varying widely in job motivation and skills. Some employees will be reliable and ready for work whereas others will have a limited

understanding of work requirements and no experience in similar job tasks. This will be complicated by hiring people with different cultural backgrounds who may have very different expectations of the work environment.

As a result, on-the-job training is likely to be a time-consuming and therefore expensive proposition. As a fledgling operation, we could not consider this option unless we receive substantial assistance from the provincial or federal governments.

At present, the provincial government offers two training-assistance programs, the Alberta Wage Subsidy Program and the Alberta Training Program. The Alberta Wage Subsidy Program, offered through Alberta Manpower, provides for a subsidy of \$2.50 an hour for new employees who were unemployed at the time of hiring and have been Alberta residents for three years. The period of subsidy ranges from three to six months and is not accompanied by specific training requirements. The employer is not obliged to keep the employee on after the six month period, although obviously this is encouraged. This program will continue until at least the Spring of 1987.

The other program offered by Alberta Manpower, the Alberta Training Program, is more directly tied to specific training programs. Again offered for between three to six months the ATP offers a wage subsidy for employers hiring unemployed Albertans with the intention of offering them a well-designed and supervised training program. There is no requirement that the employer maintain employment after the training grant expires, but the employer is offered a \$3,000 bonus for every trainee

who is still employed after one year. The specific details of the training program have to be worked out with the government prior to any hiring under this program. Both programs will consider only employees hired on a full-time basis (32-40 hours per week).²

The Wage Subsidy Program is relatively attractive to the CED project whether or not we offer an in-depth training program, as it comes with few strings and would help the operation in the early stages (when it is less likely to be financially successful), without being a permanent program upon which the operation could become dependent. The low level of the subsidy (50%, up to \$2.50) is probably insufficient for the organization to be able to hire people who had not been oriented to similar work by another agency or institution.

The ATP is more applicable to us, should we decide to go the route of in-house training. The subsidy level is more generous, although the six month limit on the length of the training might prove too short.

The federal government's employment programs have recently been overhauled to allow for the new government's emphasis upon job training rather than simple make-work projects.⁴ Government programs have been streamlined into six areas.

- Skill Investment
- Job Entry

²(1990) Most of the training-assistance funding programs have been altered or eliminated since 1985. However, in most cases, funding for training is now more readily available than previously.

- Job Development
- Skill Shortages
- Community Futures
- Innovations

Of these the Job Entry and Job Development programs are of most relevance for training although the innovations program could be of more general interest to a CED project and should be further investigated when more information about it is available.

Job Entry replaces the Youth Training Option with which it bears many similarities. The basic intent of the program is to provide training for young people and women out of the workforce for several years so that they will be ready for the job market upon completion of the program (usually a year in duration). A coordinator, paid on a fee-for-service basis, arranges both on and off the job training with the on-the-job training normally accounting for about 39 weeks of the 52 weeks total duration. Emphasis is upon training within the workplace, with production functions being assumed as part of the training rather than to produce revenues for the employer. The youth or woman is paid a training subsidy by Canada Employment and there is no cost to the employer or "workplace host".

Job entry provides a useful method for an employer to assess the qualities of a young person at no direct cost to him/herself. Nevertheless, for a small (probably struggling) CED business the responsibilities of acting as a host would add a burden

which could not easily be carried. Such a program could be considered if and when the CED project grew and became more financially stable.

Job Development replaces the Canada Works program and contains restrictions similar to that program: workers hired must have been unemployed for at least 24 of the last thirty weeks. Unlike Canada Works, however, the Job Development program places an emphasis upon training as well as job experience and arrangements can be made for payment to the employer for both on and off-the-job training as well as wage subsidies of up to 100%, depending on the nature of the organization involved. The program lasts for a maximum of 52 weeks.

Given that Job Development is geared towards the training of workers, it is a program which could well be adapted to the needs of a CED project. In addition, the³ provision of funds for training may well allow us to combine specific job training with external upgrading of skills and job motivation. However, the possibility of obtaining the funds must be allowed to not hamper the goal of self-sufficiency.

Two other federal government employment programs could help a CED project in a broader sense than simply training workers. These are Innovations and Community Futures. The Innovations program is very new and details are not yet available. The Community Futures program replaces LEAD (which was available only to smaller communities). The federal government's Canadian Job Strategy paper of June 1984 suggests that it may have a broader focus than LEAD which would not

³(199) These programs remain almost identical to those offered in 1985.

have been able to help our project:

The Community Futures program, now being developed ... will also help communities faced with chronic unemployment, communities which are struggling with economic decline but which still have some permanent growth and development opportunities (p. 20).

On this basis it is recommended that during the next stage of development of this project we explore the possibilities for capital and administrative assistance from the Community Futures and Innovations programs.

Off-the-job/pre-employment Training. One of the problems inherent in-house training of CED workers is that, at least in the early stages, our resources will probably be stretched simply operating the business. Therefore, an option is to hire people who are already trained in the appropriate type of work or to hire people with an understanding that they undergo a specific training program with an outside agency.

An initial problem in investigating training possibilities is that we do not have a clear idea of the type of business we will be operating, and therefore no clear idea of what training programs to investigate. There are, however, three basic types of programs:

1. Private vocational schools
2. Vocational college such as NAIT or Grant MacEwan Community College
3. Special needs vocational schools such as the Jack Bredin Community Institute.

Edmonton has a number of private vocational schools, ranging from truck driving school to bartending schools. Of these, only a few could possibly match our job requirements. These should be investigated at a later date, when specific business opportunities have been identified.

Both the Northern Alberta Institute of Technology and Grant MacEwan Community College have a number of vocational courses. Few of them, however, are specifically designed for the employment of disadvantaged people, or inner city residents. Most have fairly stringent entry requirements. All NAIT courses, for example, require at least Grade Ten. The only exception is the academic upgrading course, which provides entry to most courses for students not having sufficient high school education. Many students are unwilling to take this course unless they are sure their vocational field will be sufficiently well-paid to warrant attending the upgrading in addition to the vocational training.

Alberta Vocational Centres, both in Edmonton and Northern Alberta, have traditionally served many Native people, as well as new immigrants. AVC's offer a range of courses from basic academic upgrading to simple vocational courses. As mentioned previously, the work opportunities a small business can offer in the early years are unlikely to be sufficiently financially rewarding for employees to be able to afford to undertake both academic and vocational upgrading. Consequently, we could consider AVC either as a place from where we could recruit workers (there is a significant enrolment anyway from people in the inner city, unlike the other

community colleges), or where newly hired workers or potential workers could be sent in order to complete vocational upgrading. Current courses offered by AVC (1985) include Building Service Worker, Secretarial, Food Preparation, Mixology, Nursing Assistant, Offset Printing, Residential Aide, Native Handicrafts (AVC Grouard).

One disadvantage of AVC training is that subsistence payments under the AVT financial assistance package are as low or lower than social assistance. It might be possible to arrange for part-time training through one of the previously mentioned government employment training programs, whereby trainees could receive at least a moderate salary and part-time training. This problem does not arise, of course, if we simply hire college and AVC graduates, but then our pool of inner city based workers will be much smaller.

The third method of training workers, or of recruiting trained workers, is through one of the vocational institutes designed for special needs groups. There are several such institutes for the mentally handicapped, mentally disturbed, and physically impaired. We have not identified these groups for potential employment at this time, and will focus on those serving Native people and new Canadians.

Currently, there are two training/readiness programs which are geared towards native people and/or new Canadians: the Native Women's Pre-Employment Training Program, and the Jack Bredin Community Institute.

The Native Women's Pre-Employment Training Program (NWPETA) originated in 1978 as an independent Native-controlled society. It was taken over by Grant MacEwan College subsequent to the 1985 completion of the research for this study. Consequently, some of the following information may now be incorrect and should be checked with Grant MacEwan College.

The program aims to prepare Native women to enter or re-enter the employment field. Its program covers orientation to city life, increasing self-awareness, and employer-employee responsibilities. It does not train women for particular occupations, nor does it currently offer job-placement services.

NWPETA performs an important function in that many Native women, especially those from outside the city, do not have an adequate understanding of the requirements of the city workplace.

The NWPETA program lasts nine weeks, including a four-week work placement. Many trainees are hired on by the employer when the program concludes (this claim was unverified). Trainees are paid minimum wage during the course of the program, with Social Assistance top-up if necessary (*1990 - a training allowance rather than a wage may now be paid*).

The Jack Bredin Community Institute (JBCI) is an employment readiness and job-training institute. It accepts a wide range of employment disadvantaged people in its two programs: a secretarial program and an electronics program (*1990 - these program areas may now have changed*).

In 1985, of the 28 students in the office skills program, about 11 were Native women, whereas most of the 13 electronics students are Native men. The other students at Jack Bredin are all employment disadvantaged in one way or another. Many are recent immigrants to Canada for English is not the first language. Course last five months, and entry requirements are Grade 10 for the office skills program, and Grade 11 for the electronic program. Office skills students must have 20 wpm touch typing.

Jack Bredin is quite careful in choosing its students. They undergo a two and one-half hour interview, and a fairly high proportion of applicants are rejected. This differs from NWPETA. It has been reported since 1985 that the entry requirements are even more strict, and may have reduced the number of special needs students at the school. The logic behind the emphasis upon high motivation is to ensure students are not merely attending to "get the social assistance worker off their backs", an accusation which has been levelled against NWPETA.

Apart from training with the office equipment etc., students undergo fairly rigorous academic upgrading at the Institute. In the fourth month of the program, trainees work at a job placement for two weeks. The final week of the course is taken up looking for work with the assistance of a job placement worker.

Approximately 87% of the graduates of the office skills program find work. The electronics course has not been in operation long enough to know what the placement rate will be, though Peggy Robbins, founder and worker at the Institute,

feels that it may not be quite as high as the office skills program.

Most trainees at the JBCI receive subsistence funding through Canada Manpower. The level of remuneration is so low that many single people are deterred from attending, as they are not able to afford even some of the basic needed for attendance at the Institute.

By 1985, JBCI had gained a positive reputation. Its placement rate was extremely high, and it was certainly the most successful of the job readiness/training programs dealing with a native population. Changes effective from the late 1980's may have limited the accessibility of JBCI programs, and therefore their usefulness to a CED project.

Programs such as Native Outreach (now Native Employment Services Association) focus upon finding jobs for their clientele, rather than upon skill upgrading.

Conclusion

There are a fairly wide range of programs for skill upgrading, offered by federal and provincial governments. These often have the drawback that a significant percentage of the new employee's training would be inside the work environment. In choosing the route of in-house training, we run the danger of losing sight of the goal of economic self-sufficiency.

In 1985, this paper argued strongly for a contractual arrangement for the Jack Bredin Community Institute to provide training specific to our needs. Given changes at JBCI, and perhaps increasing flexibility on the part of other training institutes and colleges, JCBI may not be the only institution with which a CED project should negotiate.

VII: Concluding Recommendations

Preamble

The inner city of Edmonton suffers from the classic symptoms of urban core economic depression. This report highlights some of the features of the area's problems:

- *Chronically high levels of unemployment.*
- *A population dominated by those with few marketable job skills, older workers, and people from disadvantaged racial groups (especially Natives).*
- *Continuing low levels of investment in the area by private enterprise, and a weak or almost non-existent locally based entrepreneurial class.*
- *Deteriorating quality of housing stock and commercial space.*
- *Pressure for demolition of existing properties, to be replaced by large, capital-intensive projects (office buildings, transit development, sports arenas) which do not contribute significantly to the local economy.*
- *An aging population, evidenced by large declines in enrolments at local schools.*

On the other hand, the community has many strengths which deserve retention, and the potential for increased self-sufficiency. Some of these positive qualities include:

- *A long tradition of welcoming newcomers to the city, whether Native peoples from the North or refugees and immigrants from other countries.*
- *A strong sense of caring for one's neighbours and friends.*
- *A wealth of older workers with countless years of work experience in any number of different industries.*
- *A large pool of potential workers who are shut out of the regular job market because of the economic situation, lack of city work experience and/or racial discrimination.*

Therefore, in order to address this situation, it is recommended that:

- 1) A centralized vehicle be created to promote and assist economic development within the area.**
- 2) That this vehicle should be based upon the positive experiences of economic development corporations in other *depressed* areas of North America.**
- 3) That a local economic development organization would be committed to the following goals:**
 - **Increasing the employment opportunities of local residents, both directly by creating and operating locally-based businesses, and indirectly,, by improving the**

image of the community as a business location.

- **Reinvesting profits within the community, and primarily or exclusively in projects which will create further long-term employment opportunities within the area.**

- **Assisting only those businesses or potential businesses which are able to offer decent working conditions, are not exploitive, and whose need for employees matches skills available within the local community.**

- **Where possible, businesses created or assisted should produce goods or services which benefit the local community.**

4) That, at the outset, business activity should be designed to employ local residents who have at least some high school or technical education and/or previous work experience. At a later date, it might be possible to address some of the employment needs of those who are only marginally employable.

5) That an economic development corporation maintain an organizational separation between the policy and strategy elements of the organization on one hand, and the administration of a capital investment pool on the other hand.

6) That funds be sought for an initial implementation phase of an economic development project. This phase would include completion of the following tasks:

i) To secure the services of a competent community development professional, with appropriate experience in developing the structure of economic development corporations and in producing overall and individual business plans.

ii) To develop a prospectus for each of the co-ordinating arms of the organization (policy/strategic and financial). To establish the role and functions of each component of an economic development corporation. To prepare the incorporation of the organization under appropriate statutes. To assess potential members of the board(s) of directors of the organization, and to establish the appropriate command and control structures of the overall organization.

iii) To undertake business plans for specific business opportunities within the following general business areas:

- Personal/domestic service agency.

eg. homemaker service, janitorial.

- Production and/or distribution of Native handicrafts.

- Retail business of one type or another.

eg. supermarket, small restaurant.

- Small scale manufacture.

eg. button making, hospital garment manufacture.

- Recycling business.

eg. scrap metal, bottle depot, newspaper recycling, etc.

- Retail franchised business.

- Temporary employment agency.
- High-tech opportunities.
- Operating as a small business "incubator" (see earlier discussion).

These business plans would include, but not be limited to, the following elements:

- market analysis for the product or service: market survey (size of the market, current competitors, potential for growth of market, size of market needed to support the current number of producers plus one), potential for protected market situation (import replacement, consumer loyalty, etc).

- marketing strategy.
- potential distribution channels for goods/services; costs associated with the various options.

- options for financing the business. Capital requirements. Prospects for attracting outside investment. Fixed/movable asset ratio. Ongoing investment needs. Estimated breakeven period re/ a) variable costs, b) fixed and variable costs.

- organizational structure of the business. Control systems for costs, inventory, and personnel.

- financial prospectus for the business, containing the elements required by potential investors/lenders.

iv) To investigate potential sites for headquarters of an economic development corporation, and costs involved. To identify tactics for recruiting and training employees of the economic development organization.

v) To undertake the preliminary development of an investment capital pool. To undertake initial negotiations with:

- a) Public sector**
- b) Private foundations**
- c) Venture capital sources**
- d) Lending institutions**

APPENDIX ONE

AREAS FOR FURTHER RESEARCH

In a time and funding-limited project such as this, many important areas of investigation are inevitably skimmed over or excluded completely. Some areas for further work are outlined below:

1. Further investigation of business incubators. Unfortunately, there are very few longstanding examples of business incubators in Canada. Funding limitations did not permit us to visit some of the more successful examples from the inner cities of the United States. Consequently, it is recommended that during the next stage of the project contact be made with the following incubators:

Fulton-Carroll Center for Industry, Chicago

Contact Person: June Lavelle

Executive Director
Industrial Council of Northwest Chicago
325 Hayne Avenue
Chicago, ILL. 60612 Tel: (312) 421-3941

The business incubator is one of the most longstanding in a depressed "urban ghetto" area. It is now financially self-sufficient.

Pueblo Business and Technology Center, Pueblo, Colorado

Contact Person: Rich Garcia, Vice President

Pueblo Economic Development Corporation
301 N. Main Street, Pueblo, Colorado, 81003
Tel: (303)546-1133

Pueblo is a Western American city with a declining industrial base. It is of interest as it is one of the oldest business incubators to have been established with the support of the Control Data Corp., a large American conglomerate which has a division specializing entirely in incubators for depressed areas. In addition to the two incubators mentioned above, a staff person from the Boyle Street Co-op will be attending a conference in Edmonton on business incubators to be hosted in mid-November by the ministries of Small Business and Tourism and Economic Development. There will be several representatives of American business incubators at this conference and we hope to arrange meetings with them. A small incubator has recently been established in Camrose, Alberta, and we hope to maintain contact with that group commencing with the incubator conference.

2. Personal visit to the Downtown Eastside Economic Development Society's operations in Vancouver, B.C. The DEEDS operates in an inner city environment somewhat similar to ours. As it is a fledgling organization a visit within the next year would allow us to foresee some of the difficulties in the early stages of an economic development project.

Contact person: Martin Baker, Co-ordinator
DEEDS
219 Dunlevy Avenue
Vancouver, B.C. V6A 3A5
Tel: (604)689-1227

APPENDIX TWO

ORGANIZATION AND INDIVIDUALS CONSULTED IN THE COURSE OF PREPARING THIS REPORT

A. Community Economic Development Organizations

New Dawn, Sydney, Nova Scotia

Guysborough County Community Employment Strategy Association, N.S.

Micmac Friendship Centre, Halifax, N.S.

GRT Milton-Parc, Montreal, Quebec

Calder Action Committee, Edmonton, Alberta

Downtown Eastside Economic Development Society, Vancouver, B.C.**

Nanaimo Community Employment Advisory Society, Nanaimo, B.C.

Community Economic Development "Resource People"

Mary O'Neill, Sydney, N.S.

Tom O'Leary, Sydney, N.S.

Dal Brodhead, Secretary of State Department, Ottawa, Ontario

Judy Wright, Secretary of State Department, Ottawa, Ontario

Ron Ryan, Coady Institute, Antigonish, N.S.

Anthony Scoggins, Coady Institute, Antigonish, N.S.

Duncan McIntyre, Department of Extension, St. Francis Xavier University,
Antigonish, N.S.

John Hanratty, Sydney, N.S.

Rankin MacSween, Sydney, N.S.

Laird Hunter, Edmonton, Alberta

Dana Weber, C.O.D.A., Vancouver, B.C.

Geri de Hoog, Calder Action Committee

Alice Hanson, Boyle McCauley Health Centre

B. Individuals and Organizations Involved in Financial Services

Colville Investment Corporation, Nanaimo, B.C.

Peace Hills Trust, Wetaskiwin, Alberta**

Bread and Roses Credit Union, Toronto, Ontario**

Pat Ryan, Edmonton, Alberta

C. Individuals and Organizations Involved in Training

Jack Bredin Community Institute, Edmonton, Alberta

Native Women's Pre-Employment Training Association, Edmonton, Alberta

Options for Women, Edmonton, Alberta

Micmac Training Centre, Halifax, Nova Scotia

Alberta Vocational Centre, Edmonton, Alberta

Northern Alberta Institute of Technology, Edmonton, Alberta

Peggy Robbins, Edmonton, Alberta

D. Advisory Committee Members

Persons named below sat on an ad hoc committee reviewing the research during its preparation and provided invaluable advice and assistance:

Peggy Robbins	Jack Bredin Community Institute, Edmonton
Laird Hunter	Co-op Union of Canada, Ottawa
Lois Gander	Board of Directors, Boyle Street Co-op
Larry Brockman	Boyle McCauley Health Centre
George Kelly	Boyle McCauley Health Centre
Mark Holmgren	Operation Friendship
Nancy Kotani	Boyle Street Co-op
Randy Adcock	Employment and Immigration, Employment Development Branch

E. Miscellaneous

Statistical, demographic and other information was obtained from the following sources, among others:

Statistics Canada, Edmonton Office

Population Research Laboratory, University of Alberta

University of Alberta Library

Edmonton Public Library

City of Edmonton, Planning Department

City of Edmonton, Real Estate and Housing Department

Edmonton Economic Development Authority

Government of Alberta, Small Business and Tourism

****Denotes mail or telephone contact**

APPENDIX THREE

DRAFT BUDGET: PRELIMINARY IMPLEMENTATION PHASE, COMMUNITY ECONOMIC DEVELOPMENT

Length of project: 12 months

CED Worker	\$28,000
Secretarial/Administrative (half-time worker) responsible for all administrative support)	10,000
Benefits @ 10% of salaries	3,800
Recruiting costs	300
Travel: to CED sites within North America	2,500
Supplies (stationery, photocopying, etc.)	1,500
Office furniture (used/rental)	1,000
Telephone (installation, basic, long-distance)	1,500
Car allowance	1,000
Printing costs: final report	450
Professional/consulting fees legal, Business consultants	<u>2,000</u>
TOTAL	\$52,050

Budget Notes: the administrative support position would be half-time, and would involve phone-answering, book-keeping, typing, minute-taking at meetings, filing, and other administrative tasks.

Professional consulting would be necessary: a) for legal matters, e.g. relating to incorporation needs, etc., and b) for specialized business advice such assistance with market research and financial planning.

Line costs are consistent with those approved by projects officers funding similar CED proposals through the federal government's Employment Development Branch.

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