

MANIT**o**BA
RESE**A**RCH
ALLI**A**NCE

CED

IN THE NEW ECONOMY

Summary of Business Issues Related to CED in the New Economy

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SUMMARY OF BUSINESS ISSUES RELATED TO CED IN THE NEW ECONOMY*

The Manitoba Research Alliance on Community Economic Development in the New Economy (referred to throughout this document as the Research Alliance or the MRA) is a three-year research project to examine how communities might overcome obstacles and share in the benefits created by the New Economy. We identified Community Economic Development (CED), a development strategy that emphasizes local self-sufficiency, local decision making and local ownership, as a strategic response to assist communities in taking up the opportunities and meeting the challenges created by the transition to a New Economy.

The Research Alliance brings together academic researchers from the universities of Manitoba, Winnipeg and Brandon; senior government policy makers; and practitioners active in Manitoba's dynamic CED community (and elsewhere). The lead organization is the Canadian Centre for Policy Alternatives–Manitoba, a community-based research institute uniquely positioned to make such community-university connections. The team's Principal Investigator is Dr. John Loxley, Professor of Economics at the University of Manitoba. The Research Alliance was launched in late 2002, and it funded and oversaw over 40 individual research projects chosen to help meet the larger project's overall goals. This research was conducted by academics, students and community researchers, in many cases working in teams. These projects

have been successful, not only in their particular research findings, but also in providing opportunities for students and community researchers to receive practical research training. And they have bridged the gaps between academic disciplines, and between the university and the larger community. While focussing primarily on Manitoba, the composition of the Alliance enables it to draw on experiences from across Canada and beyond.

This publication is one of ten summary publications prepared by the Research Alliance. These publications, which we have come to call “kits,” describe the results of our research, and the kits are organized by audience or by theme. It should be emphasized that we are not — nor could we be — comprehensive in addressing these themes. Rather, we have identified a wide range of research results based on the specific research projects that we undertook. The themes and audiences for the kits arose out of the research, as we think these themes are the most effective way to organize the results.

The complete list of kits is as follows:

1. The impacts of the New Economy

* We are pleased to acknowledge the generous financial support of the Initiative on the New Economy of the Social Sciences and Humanities Research Council; via the Manitoba Research Alliance on Community Economic Development in the New Economy. For further information please see: <http://www.manitobaresearchallianceced.ca>.

2. The potential of Community Economic Development
3. Government policy regarding Community Economic Development and the New Economy
4. The role of gender in Community Economic Development and the New Economy
5. Aboriginal issues in Community Economic Development and the New Economy
6. Business issues in Community Economic Development and the New Economy
7. Education issues in Community Economic Development and the New Economy (aimed at educators)
8. Urban issues in Community Economic Development and the New Economy
9. Rural issues in Community Economic Development and the New Economy
10. Northern issues in Community Economic Development and the New Economy

These kits, along with the rest of the publications prepared by or for the Research Alliance, can be downloaded for free from www.manitobaresearchallianceced.ca. Much of the research has also been published by the Canadian Centre for Policy Alternatives — Manitoba (www.policyalternatives.ca/mb).

A note on sources

This particular publication is informed by all the research carried out, but in particular the information here has been drawn from the following individual projects:

An Analysis of Winnipeg's Information and Computer Technology Industry within a Community Economic Development Framework, by Melodie Friesen and Ian Hudson

CED Lens, by Byron Sheldrick

CED-Oriented Business Development Strategies for Winnipeg's North End, by Brendan Reimer

Economics for CED Practitioners, by John Loxley and Laura Lamb

The Effect of Information Technologies on Aboriginal Employment in the Airlines and Banking Sectors, by Kathleen Sexsmith and Aaron Pettman

"Government Policy Towards Community Economic Development in Manitoba," by Lynne P. Fernandez

High-Speed Internet, Understanding the Real Advantage, Maximizing High-Speed Technology to Enhance Production and Encourage Growth in Rural Areas, by Chaboille CDC

Identifying Employment Opportunities for Low-Income People within the Manitoba Innovation Framework, by Garry Loewn, Jim Silver, Martine August, Patrick Bruning, Michael MacKenzie, and Shauna Meyerson

Impact of Information Technology on Community Economic Development Processes in Northern Manitoba Communities, by Malcolm Cook, Tim Johnston, and Maxine Larway of the Northern e-BIZ Centre

"A Scan of Community Economic Development Organizations, Rural Communities and First Nations in Manitoba and their Participation in the New Economy," Carly Duboff

"The State of Community Economic Development in Winnipeg," by John Loxley

State Policies to Enhance the New Economy: A Comparative Analysis, by Michael Mackenzie, Jim Silver, and Byron Sheldrick

Training Aboriginal Workers for Manitoba Call Centres: Public-Private Partnerships and the Public Good, by Julie Guard

Training Options that Would Increase Employment Opportunities for Local People in Resource Extraction Projects in Northern Communities, by Nancy LeBlond and Sasha Brown

The Winnipeg Garment Industry: Industry Development and Employment, edited by Raymond Wiest

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SUMMARY OF BUSINESS ISSUES RELATED TO CED IN THE NEW ECONOMY

What Is the New Economy?¹

In recent years, a New Economy has emerged, one in which information and knowledge play a central role. The emergence of the New Economy has been credited with generating robust economic growth, new and challenging employment opportunities, new wealth-creation possibilities and the promise of greatly enhancing the productivity, and, hence, incomes, of people in the rest of the economy. Information technology also offers new opportunities for leisure, education, lifestyle and access to government services.

Some researchers have been quick to caution that the extent and “newness” of the New Economy should not be overstated. Historically, all capitalist economies have experienced cycles of upturn and recession, with the upturns often the result of technological innovations. Information technology is, no doubt, a major innovation, but the fundamental elements of the economy remain in place. Evidence suggests that the only sectors that have experienced extraordinary economic growth in the New Economy are the computer information technology-based sectors.² And, since many businesses have already bought and incorporated the new technology, growth in these sectors will level off.³

There is also evidence that the benefits of New Economy growth have not been distributed evenly, and the New Economy may even have hurt the most vulnerable, creating permanent job insecurity. A “dual-segmented” labour force intensifies the split between high-paying, flexible jobs and deskilled, low-wage, non-unionized, service-sector jobs.⁴

Not surprisingly, given that there is not even general agreement about whether and to what degree a “New Economy” actually exists, there is no foolproof, touchstone definition for the term.

“The benefits of New Economy growth have not been distributed evenly”

However, a number of authors see it as being underpinned by three major structural changes: a rise in general education levels; the development and availability of new information technology; and the increase in “invisible” trade in services, mergers and acquisitions, and the flow of information. This definition was adopted by the Manitoba Research Alliance as a starting point, and was used by many of the researchers on our team. In addition, MRA researchers were especially sensitive to larger changes to the structure of the economy engendered by New Economy

developments. For example, the movement of manufacturing and garment industry jobs offshore — as described elsewhere in this publication — has resulted from a combination of policy changes to liberalize trade and technological innovations that make it possible for the industries to move.

The New Economy in Canada: “Clusters”

There is a growing body of academic literature conceptualizing the New Economy. Out of this, one theoretical approach that has gained particular prominence is “cluster theory,” which seems to best explain the development of the New Economy in Canada.

Research on “clusters of innovation” stresses the importance of proximity in the process of innovation. Since the early 1990s, clusters have emerged as a widely influential public policy idea, and many governments have made formal attempts to foster clusters of innovation and new economy development. A “cluster” is essentially a group of interconnected companies, suppliers and institutions (such as universities) that both compete and cooperate in a field. They are all located in the

“The New Economy in Canada is clustered in four of its largest cities”

same geographic area, which could be a city or a region (Silicon Valley, for example). The geographic concentration gives the area critical mass. Innovation is partly driven by competitive pressures — especially early in the life of a cluster — but, over time, collaboration between members increases as levels of trust are increased, niches are identified and roles defined.

Cluster theory offers a way to understand the shape and character of the New Economy in Canada, as Canada’s knowledge-based economy is concentrated in four regional clusters: Montreal (biotechnology, computer telecommunications and aerospace); Ottawa (telecommunications); Toronto (software, computer hardware, biotechnology and internet applications); and Vancouver (computer software, biotechnology and wireless

communications). By one estimate, these four clusters make up 80% of the country's innovation capacity.⁵

The result of this has been that the major benefits of the New Economy have flowed to areas that were already relatively highly developed economically. Yet, it is not inevitable that this phenomenon continue. For example, Michael Porter, considered the guru of cluster theory, has argued that inner cities may have capacities and characteristics that would make them attractive for New Economy initiatives.

The New Economy in Manitoba⁶

The New Economy is intimately linked with the information and computer technology (ICT) sector (in fact, it is often *defined* as the ICT sector, although, in reality, it is broader than just that). The New Economy in Canada is largely concentrated — or “clustered” — in a few large cities, primarily in Quebec and Ontario, and secondarily in British Columbia and Alberta. In comparison to the rest of the country, the ICT sector in Manitoba is relatively small and growing relatively slowly. It is also located primarily in one urban

“The New Economy in Manitoba is small and growing slowly, and centred in Winnipeg”

centre: Winnipeg. According to the 2001 Census, fully 85% of the ICT sector employment in the province is located in Winnipeg, compared to 63% of all provincial employment.

In Manitoba, the ICT sector has historically made a smaller contribution to GDP than is the case nationally. The growth of the ICT sector in Manitoba has lagged behind the industry's growth in the nation as a whole. Compared to Manitoba, the Canadian ICT sector experienced much stronger growth during the boom years of the late 1990s, but it also suffered through a much more precipitous fall during the bust years after 1999. In other words, Manitoba seems to have had the misfortune of missing out on the boom, but the good luck of avoiding the bust.⁷

The overall numbers hide an important distribution between ICT goods and services. ICT goods manufacturing is highly concentrated in Ontario and BC, which produce 85% of the national output in this sector.⁸ In contrast, this sec-

tor actually declined in Manitoba by 5% between 1997 and 2002, while it grew in Canada by 35%. Manitoba has had more success in the services component of the ICT sector; it has enjoyed a fairly steady expansion.

IT Strengths and Weaknesses in Manitoba

The ICT industry in Manitoba has some distinctive strengths. These include: a well-educated IT workforce; strong IT educational and training programs located in the province; a well-developed network of research and development facilities supporting the industry; and the presence in the province of an advanced telecommunications infrastructure, including widely available high-speed access.

Despite its strengths, the IT industry in Manitoba, as elsewhere, faces serious challenges. These include: a very globally competitive environment; an exceptionally rapid pace of technological change; a reliance on export markets, particularly in the USA, and, thus, a considerable dependency on the strength of American markets and on the relative value of the Canadian dollar; and the need to continue to produce the highly skilled people who are able to meet these industry challenges. In the IT sector, as in advanced manufacturing, the ready availability of skilled personnel is essential for the continued success of the industries.

Manitoba's IT industry is supported by an extensive network of research and development organizations and industry associations, and is a part of an emerging cluster of expertise regarding the Life Sciences, particularly in such important areas as health and bio informatics and medical imaging. The industry is strongly export-oriented, with the USA being the primary export market. In 2003, Manitoba's IT industry employed 15,000 people, up from approximately 12,000 in 1987.

Effects of the New Economy on Selected Manitoba Industries⁹

Agriculture

Agriculture has long been central to the rural economy in Manitoba. It is, in many ways, still an "old economy" sector, but the New Economy has provided opportunities for growth in certain agricultural sectors. These include the rapidly expanding livestock industry, the potato industry and genetically modified canola. Technologically advanced production techniques, including the use of genetically modified organisms and biotechnology, have increased agricultural production rates. Yet, growth in certain portions of the agricultural sector has actually been accompanied by a fall in the number of farmers. The New Economy and the accompanying technology-based industrialized model have benefited large (often transnational) agri-business corporations, at the expense of the family farm.

Ikerd defines agricultural industrialization as a three-stage process: industrial specialization is followed by standardization, and finally by consolidation. The result of the final stage, in which fewer people hold more power, has come to be known as "vertical" and "horizontal" integration. "Horizontal" refers to a company merging with another company, and "vertical" refers to mergers between firms up and down the supply chain, such as a fertilizer company merging with a food-processing company. Both vertical and horizontal integration tend to reduce competition and increase the relative power of large firms in the marketplace.

Banking

The 1980s and 1990s witnessed a period of rapid restructuring in the banking industry, due, in no small part, to technological innovation. The introduction of ATMs and back-office processing technologies dramatically decreased the costs associated with handling and processing transactions, new software increased the ability of banks to manage customer databases, and telephone and computer banking emerged as alternative means

“New technologies have affected the composition and location of the workforce in banking”

of providing financial services. The technologies used in the banking industry can be classified into one of two categories. “Front-office” services are those in which banks deal directly with customers (e.g., internet banking), and “back-office” refers to operations that are generally invisible to the customer (e.g., information exchanges between banks and other creditors). Front-office banking technologies, which include ATMs, telephone banking, electronic funds transfers and on-line banking, among others, are attractive for banks due to their cost efficiency relative to traditional retail services. Lending institutions can clearly stand to make significant productivity gains by using information exchange technology.

It has been argued that the increasing use of IT in banking facilitates industry consolidation by affecting the efficiency of size, geographical dispersion and activity. For example, banks can expand geographically without a large investment in new branches by offering internet banking services, although the reduction in branches translates into a reduction of staff. Furthermore, telephone centres reduce traffic at branches, allowing staffing to be trimmed. Jobs are lost as a consequence of mergers, because duplicate positions are eliminated and similar operations are

consolidated. This reduction in employment is justified by the argument that the employment of tellers and other staff will be replaced with the employment of marketing staff and financial advisors in line with the New Economy shift to “knowledge workers.”

In other words, the increasing use of IT in banking has effected an increase in demand for highly educated workers, as well as a concurrent decrease in demand for workers without a post-secondary education. The increasing demand for “knowledge workers” in banking is also the result of competition between banks to offer consumers a customized bundle of financial services and to target customers with high profit potential. IT has also enabled alliances between competitors in the financial services sector. In sum, new information technologies have facilitated a shift in the location of work, which has helped to redefine the employment relationship in a way that has not been advantageous for employees in the industry. Recent technological advances have enabled banks to implement flexible and diverse employment practices.

“Production has moved overseas — Winnipeg’s garment industry has lost 2000 jobs in the past ten years”

The Garment Industry

The garment industry has a long history in Winnipeg. During the 1990s, the industry prospered in Manitoba — in 1996, it was estimated that apparel manufacturing was the second-largest industry in Manitoba, with 115 companies employing 9000 workers. Much of that recent profitability can be attributed to increased mechanization and deskilling, both of which reduce labour costs. There has also been an industry-wide shift from increasing manufacturing efficiency to mov-

ing manufacturing offshore to take advantage of cheap labour in less developed countries. (The industry used to operate behind high tariff walls, which were mostly eliminated during free-trade negotiations in the 1980s and 1990s.) Therefore, the domestic focus on technology has changed from increased mechanization to increased communication between offshore contractors and domestic producers, in addition to faster and more accurate design and pattern making. Thus, the labour market in the Winnipeg garment industry is changing; as the requirements for skilled sewers decreases, the demand for skilled marketing, sourcing and design staff is expected to increase. Overall, the movement of production facilities overseas has meant the loss of approximately 2000 jobs in the Winnipeg garment industry in the last ten years. This trend is expected to continue.

New production and communications technology allow firms to place orders and reorders automatically and more efficiently, and to communicate with offshore production facilities. The latter is becoming increasingly important. To take just one example, Western Glove Works, long a centrepiece of the Winnipeg garment manufacturing industry, has moved 90% of garment production offshore. Once a new garment has been designed and the pattern developed and graded, information and instructions must be sent overseas.

Call Centres¹⁰

Approximately 75% of Manitoba's jobs are in the service sector, compared with 69% for Canada as a whole.¹¹ This is also an industry that seeks to expand in the region, promising more employment for job-ready workers. These and other qualities have led the province to include it among the "strategic priority" industries targeted for development under the Innovation Framework announced in 2003.¹²

Call centres are already a significant part of Manitoba's economy. Manitoba has over 90 call centres, most of them in Winnipeg, employing almost 11,000 workers, or just under 2% of the total

provincial workforce and almost 3% of Winnipeg's workforce.¹³ The province's advantages for the industry include its central time zone, which enables employers to maximize staffing during regular working hours. Manitoba has the technological, educational and social infrastructure necessary to support the call centre industry. Its workers are relatively well educated and have the "neutral accents" sought by many call-centre employers. Many are bilingual or multilingual, an important advantage for the majority of call centres that service the US and international markets. In the past three years, 68% of Manitoba's primary contact centres sold to the US market and 48% sold to overseas markets.¹⁴ These attractions have been augmented by provincial policies designed to draw call centres to the region. In addition to subsidies and loans to call centres through the 1990s, these include the province's exceptionally low real estate and occupancy costs, business taxes, telecommunications and hydroelectric rates, which ensure low start-up and operating costs for call centres.¹⁵

What Is Community Economic Development?¹⁶

The last several decades have witnessed the evolution of a renewed, multi-faceted and comprehensive development ideology that is referred to as Community Economic Development (CED). CED seeks either to bring impoverished communities into the mainstream economy or to develop alternative economic institutions or systems that work for them. CED is a strategic attempt to increase individual, family and community wealth and self-determination through a blend of social and economic factors, ultimately creating a better community.¹⁷

CED has been subject to an eclectic range of definitions. To some, CED covers any economic development initiative, be it private, public or community driven, taking place within some definition of 'community', usually a geographic one. According to this view, there is no necessary inconsistency between orthodox economics and CED. In keeping with the more demanding definitions of CED now coming to dominate the literature, more radical departures from the orthodoxy seem necessary.¹⁸ These define CED as a social process in terms of decision making; they replace the individual 'consumer' with the collective community; they see the meeting of collective 'needs' taking precedence over the satisfaction of individual consumer 'demands'; they take a long view of economic activities as opposed to that of short-term profit maximization; and they see economic decisions as being inextricably linked to social, environmental, political and cultural considerations.

Within this more demanding view of CED, there are two schools of thought. The first, associated with a more radical, communal, tradition, sees CED as a form of social organization alternative to capitalism. The second has a more limited vision,

seeing CED as a desirable and workable approach to dealing with particular problems facing communities. These problems are a direct outcome of the way in which capitalism differentially and unevenly affects certain communities, and CED is seen as a way to help fix them. Adherents to the first school are often found working alongside those of the latter.

The most complete set of CED principles are those underlying the Neechi model of CED. Neechi Foods Co-op Ltd. is an Aboriginal worker-owned cooperative retail store in inner-city Winnipeg. The idea of this approach is to build a strong, inward-looking, self-reliant economy, which is based on goods and services consumed by people who live or work in the community. In theoretical terms, it is a "convergence" strategy of economic development.¹⁹ It favours cooperative ownership, small scale production and popular control over

"The Neechi Principles have been widely adopted as a benchmark in Winnipeg's large and active CED community"

economic decision making. It is a holistic approach, in which the safety, health and self-respect of residents are of paramount importance.²⁰ The principles on which it operates are as follows: production of goods and services for local use; use of local goods and services; local reinvestment of locally generated profits; long-term employment of local residents; local skill development; local decision making; improved public health; improved physical environment; neighbourhood stability; human dignity and solidarity among communities and businesses following these principles.

Notwithstanding the ongoing debates about how to define CED, the Neechi Principles have been widely adopted as a benchmark in Winnipeg's

large and active CED community, and as a theoretical starting point by the MRA and most of the individual researchers working on projects under the MRA. Several researchers attempted to refine or restate a definition of CED, but all these redefinitions remained broadly consistent with the Neechi Principles. For example, Friesen and Hudson extracted components from a number of works to define CED as “placing the community at the centre of economic development — such that the community is both the beneficiary and the prime mover. By matching local resources with local needs, community members are able to realize their higher-order non-economic needs, as well as their basic material needs.”²¹ Fernandez adopts a definition prepared by the BC Working Group on CED, which takes CED to be “a community-based and community-directed process that explicitly combines social and economic development and is directed towards fostering the economic, social, ecological and cultural well-being of communities.”²²

The State of Community Economic Development in Manitoba

Many commentators have noted that Winnipeg is rapidly becoming a focal point in Canada for CED. In an address to the CED Gathering held in Winnipeg in 2003 on the theme of “Maintaining Momentum,” Loxley listed reasons for this: CED in Winnipeg is guided by a clear set of principles (the Neechi Principles); CED activists in Winnipeg have demonstrated a willingness to engage nationally in promoting the philosophy and practice of CED; there is a strong institutional base for CED in Winnipeg, with the Community Education Development Agency, Assiniboine Credit Union and SEED Winnipeg, among many other institutions; government support for CED has improved markedly since 1999; charitable foundations have become more active in supporting CED; there is a supportive academic environment for CED.

Manitoba Communities that Could Benefit from the Development of CED Businesses

The New Economy appears to hold real potential to counter the effects of social and economic exclusion. For individuals living in disadvantaged communities, such as those in the inner city or in remote rural locations, the benefits might be realized directly through New Economy jobs and increased productivity, or through related phenomena, such as better educational opportunities, greater access to government and better state services.²³ That is the promise.

The challenge is that disadvantaged communities typically lack many of the characteristics that would attract New Economy industries. For example, inner cities are frequently characterized by skills shortages, lack of education, low literacy levels, high rates of drug and alcohol dependence, lack of infrastructure and a transient workforce. Rural, northern and First Nations communities in Manitoba also have low general education levels, tend to lack workers trained in the use of new technologies, and have limited access to broadband and IT equipment.

Urban Communities²⁴

Manitoba, like much of the industrialized world, is facing a skilled labour shortage. Loewen et al. surveyed the literature on this issue. Winnipeg is especially likely to be a localized “hot spot,” suffering from an acute shortage of skilled workers. Unemployment rates in Manitoba, and specifically Winnipeg, have consistently been among the lowest in the country.²⁵ Winnipeg is a slow-growth city (increasing at an annual rate of 0.04%) in a

province that loses about 1000 skilled young workers each year to provincial out-migration. Losing young people is contributing to the greying age structure of the city, where, in 2001, 17.2% of residents were over 60 years of age.²⁶ The tight labour market and demographic aging in Winnipeg point to looming labour shortages, the beginnings of which are already being felt by employers.

In Winnipeg, concealed by statistics that predict a labour shortage, there exists a sizeable community with a different demographic story from

“Winnipeg’s Aboriginal population is young and has relatively low levels of employment”

the population as a whole — the Aboriginal population. Manitoba has one of the highest proportions of Aboriginal residents in Canada and Winnipeg has more Aboriginal residents than any other Canadian city, making up 8% of the population in 2001.²⁷ It is this component of Winnipeg’s population that holds the key to turning around the city’s demographic fortunes. The Aboriginal population is much younger than the population as a whole, with a median age of 24.7 years in 2001, notably younger than the median age of the general Winnipeg population, 37.1 years.²⁸ So, while Winnipeg’s general population begins to age, the growing Aboriginal population will slow that aging down and provide large numbers of young new entrants into the labour market in coming years. Although Aboriginal children represent “the economic future” of the province, the Aboriginal population in the past has been significantly under-represented in the labour market.

Nearly half of Winnipeg’s Aboriginal population live in the inner city. As in other metropolitan areas, Winnipeg’s inner city has been declining for decades, and has become an area with concentrated poverty, unemployment and social prob-

lems. Disconnected from the mainstream world of work, and living in an area of concentrated poverty, disadvantaged inner-city residents represent a large population of Winnipeggers who are not benefiting from meaningful employment, and are thus not contributing to Manitoba’s economy to the extent that is possible.

Rural Communities²⁹

Since the Second World War, rural Manitoba has seen significant farm consolidation, but that trend — in which ever-fewer families rely on the family farm as their primary source of income — has been exacerbated in recent years. According to the 2001 Census, from 1996 to 2001, the total number of farms in Manitoba declined by 13.6%, while the average farm size rose. There seems little doubt that globalization and the structural adjustment of Canadian agriculture are affecting rural Manitoba. In general, the family farm is disappearing in the face of high capitalization requirements and the concentration of land ownership. A parallel trend is that rural population growth is essentially stagnant.

Many rural communities in Manitoba have made major investments in the establishment of the infrastructure needed to allow them to pro-

“Many rural communities are investing in and receiving the benefits of the New Economy”

vide high-speed internet access to local citizens and businesses. The village of St-Pierre-Jolys and the Rural Municipality of De Salaberry, located half an hour’s drive south of Winnipeg, is one such community. This community is located in relatively prosperous southern rural Manitoba, and so it does not face the same barriers to New Economy development that many rural communities face. A case study of the community (Chaboille CDC) found that, even though the lo-

cal community development corporation acquired the capacity to offer high-speed wireless access in its district in 2004, many people are still not taking advantage of this opportunity. The technology has benefited businesses in a range of sectors, including retail, tourism and manufacturing, and it has contributed to creating and maintaining employment in the area, most significantly by attracting two call centres. Yet, survey and interview results suggest that uptake of the technology by local people and businesses is still lower than it should be. It is limited by three main barriers: many people in the community feel that it is still too expensive; an older population (typical for a rural area) is slow to adopt new technology; and there is insufficient promotion of the technology's advantages by local government.

Northern and First Nations Communities³⁰

Northern Manitoba is geographically vast and sparsely populated. According to the 2001 Census, northern Manitoba accounted for only 7% of the

“Broadband access holds great promise for northern Communities”

province's total population. Northern Manitoba also has a very high proportion of Aboriginal people — 68%, according to census data. And the northern population is young — the greatest number of northern Manitobans fall within the 5–14 and 25–44 age categories. This means that there are a large number of youth who will join an already young labour force within the next five to ten years.

Many communities in rural and especially in northern Manitoba can be geographically isolated, some accessible only by air or rail. Broadband internet access holds great promise for remote rural and northern communities. Customers can be attracted with an effective Web site. Work can

be done in remote locations and transmitted electronically to customers. Even the need for IT services can itself become an opportunity, as communities can create companies to offer such services to local businesses, as well as to those in neighbouring communities. Other economic development opportunities that the New Economy offers rural and First Nations communities can be found in such sectors as call centres, banking, e-health and natural resources management.³¹ It

“Many rural and northern communities still do not have broadband access”

is important to point out that, in addition to direct job creation, New Economy tools have also become very beneficial for education and training in rural communities.

Yet for many communities these *opportunities* for economic development are really *opportunities lost*. The greatest problem for rural communities is the availability and reliability of internet access. According to Industry Canada, more than one third of Canadians do not have access to broadband internet through commercial operators. The federal government provides broadband to a number of rural and northern communities, but, as of 2005, there were still about 4200 Canadian communities (average population 1500) that do not have access to broadband. A survey (Duboff) of rural communities found that 95% are still connected to the internet through dial-up. Northern First Nations communities are even more excluded from access to the technology. A handful of these communities have high-speed internet access through a satellite modem, but the rest rely on dial-up. Telephone service in northern Manitoba is shoddy and rife with technical glitches, and has no operators who can speak Cree. Most northern communities continue to access the internet through long-distance phone lines,

meaning that residents are paying very high fees for very poor service.

Fewer than one in five households in northern Manitoba First Nations communities have a computer, and, of those, just under half are connected to the internet. First Nations have limited capacity to offer many public-access computers. In short, the internet plays a very limited role in the lives of most northern First Nations people.

State Policy Issues³²

Policies Relating to New Economy Business

For at least two decades, many jurisdictions have put greater emphasis within their economic policies on the development of New Economy industries. This policy reorientation is based on two broad assumptions: that New Economy initiatives are essential if a jurisdiction is to achieve global competitiveness; and that New Economy developments, either directly or indirectly, will replace the jobs lost through deindustrialization and the decline of manufacturing.

“The state plays an extremely active role in supporting New Economy businesses”

An examination of state policies aimed at promoting the New Economy reveals that the state plays an extremely active role in developing and supporting New Economy initiatives. This takes the form of policies designed to lure industries to locate in particular jurisdictions, as well as resources dedicated to supporting the capacities needed for New Economy firms to grow. In general, a significant conclusion to be drawn from this is that the New Economy development has relied to a very great degree on state assistance and investment. A relatively limited and consistent set of state policy initiatives are being pursued across jurisdictions. A related significant conclusion is that there has been very little by way of state policy designed to direct New Economy development and jobs into disadvantaged communities.

What Do State Policies to Enhance the New Economy Look Like?

Most jurisdictions have established government ministries or offices dedicated to the promotion and advancement of knowledge, science,

technology and innovation. New Economy policies in advanced industrial nations rarely explicitly integrate both social and economic objectives.

New Economy policies and initiatives can be divided into four categories:

1) The innovation and investment Environment

This includes the general environment created by government tax policies, trade agreements and the system of regulatory policies to protect private and public interests. It also includes policies specifically aimed at innovation and investment in knowledge-based sectors. These policies are broad-based and market-driven. They condition the general investment and business environment.

Governments in the last 20 years have reduced taxes in order to attract and retain investment and expertise. This is of particular concern in a knowledge-based economy characterized by mobile firms with few material assets. To attract and retain knowledge-based firms, governments also offer tax incentives specifically directed toward innovation, science, technology and research. The most common is the Research & Development (R&D) tax credit. Canada has one of the most favourable R&D credit programs in the OECD.

2) Direct investment in public infrastructure and expertise

This category includes all policies aimed at supporting and creating research facilities, research parks, higher education facilities, telecommunications infrastructure and public networks of expertise and knowledge sharing. These policies are broadly aimed at the creation of a highly skilled and educated workforce and the development of new public knowledge. Education is a central component of public investment in the New Economy. Governments are building a remarkable number of new educational institutions dedicated to science, technology, engineering and innovation.

3) Public support for private firms

Most industry-support programs in the developed nations have been reconfigured over the past two decades to be more broadly available and to contain a smaller element of explicit subsidy. There are, however, many ways in which governments provide direct support to New Economy firms, intended to help mitigate the uncertainties of high-risk, knowledge-based ventures and investments.

To take one key example, business incubators are designed to nurture enterprises during the earliest and most vulnerable stage of development. Incubators provide access to all the services available through government programs and business service centres, but most also provide subsidized office space and access to specialized facilities, such as research labs, that might otherwise be unavailable to new enterprises. Incubation has become a pervasive phenomenon. The rapid pace of technological development makes incubators a particularly useful device for knowledge-intensive firms. Survival and success rates for incubated companies are much higher than for non-incubated start-ups.

4) Marketing or branding

This category includes those initiatives aimed at attracting new investment or expertise to a national or regional knowledge-based economy. These initiatives are not material in nature. Initiatives in this category include advertising campaigns or web-based portals that provide information about demographics, workforce quality, tax policies, expertise availability, infrastructure availability, the state of the existing knowledge-based economy and the general quality of life in the jurisdiction.

Business and Employment Planning and Development³³

Business development strategies vary greatly from community to community, based on the circumstances, assets and imaginations of the people involved. (This is especially true in a CED context, since CED attempts to be sensitive to the character and needs of each individual community.) While the most visible strategies are the ones with direct business impacts, it is important not to overlook the benefits and vital importance of the less visible, indirect business development strategies that strengthen the broader business community.

Generally, strategies can be grouped into four categories: strengthening existing businesses, attracting outside businesses, new business creation, and creating a vibrant business environment. Existing businesses can be strengthened through efficiency improvements, which can be achieved by enhancing management practices and business planning through business counselling and mentoring, and by establishing an early warning system that enables the community to more effectively address potential job losses from business closures, downsizing or relocations. Business attraction involves the enticing of existing business from one community to another, which results in new jobs for the benefiting community and perhaps also new goods and services. However, the net benefit may be tempered if the attraction incentives are costly for the community and the attracted business is not committed to the community for the long term. New business creation can be realized by facilitating the emergence of new, privately owned businesses or by community organizations themselves creating enterprises. The latter approach is seen to be a vehicle by which to provide revenues for community organizations, ensure target group and transitional employment, provide quality and democratic employment op-

portunities, ensure the provision of goods and services that are of benefit to the community and maintain a holistic CED-orientation to the business operations. The creation of a vital business environment is the category with the widest range of potential strategies, which may include: increasing consumer traffic, alleviating safety concerns along with cosmetic and image enhancement, improving housing stocks, acquiring and managing

“The third sector aims to integrate economic and social goals, and often takes a CED approach”

real estate, facilitating networking and capacity building, advocating for policy changes, ensuring that taxes paid in the community come back to benefit the community and raising the level of education and technology in the business and wider community.

The business community and government have long been assumed to have primary responsibility for business development. However, in the last few decades, a third sector has emerged (particularly in communities from which traditional businesses have disinvested) that aims to address economic and social agendas in an integrated manner. This third sector often adopts, whether explicitly or not, the principles of CED.

Winnipeg contains a prime example of urban-community disinvestment. The northern section of the inner city, also known as the North End, was once a thriving hub of commercial and social activity. It is now characterized by poverty and a stagnant or even deteriorating business environment. At the same time, the North End has also embraced the emergence of CED as a development strategy as much as any other community in Manitoba. Therefore, the North End is a rich subject for investigation. A report prepared for the MRA by Reimer examined the various business development tools and strategies currently being

employed in Winnipeg's North End. The report was based in part on numerous interviews and focus groups with key informants.

The Role of Government

The federal government does not deliver economic development strategies targeted at small geographic zones such as the North End. Western Economic Diversification (WD) does assist projects that may be accessible by North End business developers, but WD's is a much broader geographical and conceptual mandate. The Aboriginal community in the North End may be able to take advantage of federal business development programs. However, according to one respondent, inter-governmental initiatives have tended to complicate development strategies, especially when it is up to small, grassroots businesses to determine jurisdictional responsibility.

The provincial government has taken real and important steps to support CED business development, both directly and indirectly. These are described in more detail below. However, most of the province's business development strategies

“Most of Manitoba’s business development strategies appear to be geared toward large-scale investments in industry attraction, expansion or retention”

appear to be geared toward large-scale investments in industry attraction, expansion or retention. Hundreds of millions of dollars are invested in the creation or retention of hundreds of jobs, resulting in a very high investment-dollars-per-job ratio. Additionally, none of these large-scale efforts benefit Winnipeg's North End. While the province would not focus disproportionately on the North End, the fact that these efforts omit

Winnipeg's most disinvested community altogether is disconcerting. Respondents did acknowledge the province's Neighbourhoods Alive! program, which targets disinvested communities for CED. However, several respondents noted that, while Neighbourhoods Alive! did make a difference, it was “a far cry from the serious money approach that the province takes for locations such as Winnipeg's downtown.”

“The Innovation Framework did not lay out strategies for drawing members of disadvantaged communities into key growth industries”

The municipal government has supported, to some extent, business development in the North End. The city government facilitates Business Improvement Zone (BIZ) structures in which the businesses in a zone pay an additional business levy to the BIZ, which is spent as the BIZ sees fit. The BIZ idea has not been very successful in the North End, in part because the tax base is simply insufficient to sustain any significant strategies and initiatives.

The Innovation Framework for Manitoba³⁴

In 2004, the Province of Manitoba released An Innovation Framework for Manitoba, which outlined a strategy aimed at ensuring that Manitobans benefit from economic development in targeted industries expected to be future growth industries. Six clusters of industries were identified, with each supported by a coherent strategy for ensuring that Manitoba will become a player in these industries.

While the preamble to the document acknowledged the importance of drawing members of disadvantaged communities into the paid labour force of those industries, it did not lay out clear strategies for doing so. A report prepared for the

MRA by Loewen et al. argued that filling this gap should be an important priority for the province. The authors conclude that the government should partner with the business community, educational institutions, unions and community-based organizations to create a workforce intermediary for advanced manufacturing industries in Winnipeg. Such an organization would be charged with bringing together diverse stakeholders from across the region, organizing, supporting planning, and overseeing multiple partners and funding streams toward common goals.³⁵ In particular, provincial government resources would be needed to enable the intermediary to become established, and then to perform the full range of employment development functions that are necessary.

CED Policy in Manitoba³⁶

CED initiatives are typically developed outside the state by small, grassroots organizations. Yet, they are frequently dependent on state investment in order to be viable. The communities in which CED strategies are employed are, almost by definition, under-resourced, and because CED is a non-market intervention, the role of government is crucial.

“The role of government is crucial”

The federal government does not have policies or departments specifically targeted at CED. Nonetheless, there are a number of ways in which it supports CED. For example, the Community Economic Development Program (CEDP) is meant to provide long-term development opportunities in employment and business. Western Economic Diversification administers programs and services intended to advance innovation, entrepreneurship and sustainable communities. WD sees itself as a facilitator of partnerships. It is able to partner with the province, other federal departments and with municipalities.

Provincial Government CED Policy³⁷

At the provincial level, the government has participated in CED initiatives such as housing and physical improvements, employment and training, education and recreation, safety and crime prevention and affordable housing, and has supported CED organizations such as SEED Winnipeg, The Jubilee Fund, Community Ownership Solutions and North End Community Renewal Corporation. The province supports three Community Development Corporations in Winnipeg, one in Brandon, and one in Thompson. It has also es-

established a Community Enterprise Development Tax Credit that may become a significant tool for North End business development. This tax credit is a non-refundable, 30% personal income tax credit for resident investors in eligible community enterprise development projects. In 2001, a major step was taken with the adoption of the CED Lens, a comprehensive government-wide plan to integrate and implement CED principles into its broader policy framework.

The CED Lens is overseen by the Community and Economic Development Committee of Cabinet, which is chaired by the premier and includes six ministers.

Opportunities and Recommendations

Take advantage of looming skilled-labour shortage in Winnipeg

The provincial government should partner with the business community, educational institutions, unions and community-based organizations to create a workforce intermediary for advanced manufacturing industries in Winnipeg. In particular, there would seem to be greatest potential to realize such goals in two sectors: advanced manufacturing and information technology. (This recommendation overlaps with the next one.)

Employment development: building on CED strengths and best practices³⁸

Winnipeg's employment development environment would benefit greatly from being made more systematically networked. In particular, **workforce intermediaries** would achieve this goal in targeted industries. Such organizations would be charged with bringing together diverse stakeholders from across the region, organizing, supporting planning, and overseeing multiple partners and funding streams toward common goals.³⁹

The employment development environment should also become:

- **More employer-driven.** Experiences in Winnipeg and elsewhere show that employer involvement in training frequently leads to good jobs. The employers interviewed by Loewen et al. identified a number of characteristics of potential employment development programs that would make such programs more appealing to employers. Those characteristics include: a coop or internship component; training allowances or subsidies for employers; the full involvement of any unions from the first stages; financial assistance to support students through the training period.

- **More interventionist.** If employers restructure jobs, qualifications and recruitment processes to better meet the needs of disadvantaged workers, they are much more likely to integrate those people into the workforce.
- **More culturally competent.** A large proportion of Winnipeg's low-income population outside the labour market are Aboriginal. Cultural barriers need to be overcome if bridges to good jobs are to be built.

Additionally, any employment development programming should take into account the following **best practices**:

- Focus on good jobs (full-time, permanent, paying a living wage and with some opportunities for advancement).
- Simulate the workplace by holding similar expectations in terms of punctuality, attendance and teamwork.
- Provide post-employment supports.
- Create an urban Grow Bonds venture capital program similar to the current programs available in rural municipalities. Under this program, the premium is guaranteed by the government. An individual investor may make a return, but if not, their initial investment is not at risk.
- Encourage the province to hand over the ability to issue Grow Bonds to CED organizations, who could then raise the capital.
- Establish business development centres operating as one-stop-shops to provide business planning and counselling, financing or financing facilitation, networking opportunities, and other such resources and technical assistance.
- Establish community development corporations in targeted communities.
- Locate more government office space in targeted communities, so as to occupy now-vacant properties, provide income to community-based organizations who own commercial property and locate public services in the communities that use those services.

Establish and support urban business revitalization tools

In a report prepared for the MRA, Reimer identified a number of tools that have strong potential to support business development in targeted Manitoba communities.

- Initiate inner-city “tax holidays” (may or may not include the urban reserve concept), or tax credits. Tax credits have already been used successfully in rural Manitoba. The successful New Hampshire model gives up to a 75% tax credit to corporations that invest in CED activities.
- Establish a program similar to CentreVenture, which has helped reinvigorate downtown Winnipeg. A version could also work in the North End, Spence, or West Broadway neighbourhoods. Such a program would provide publicly owned buildings to a CED enterprise.

Establish Community Renewal Corporations (or similar organizations)

CED in the North End is benefiting from the existence of the North End Community Renewal Corporation, which has a mandate that covers the whole North End. It employs a holistic CED approach and democratic structure, is accountable to the community and has charitable status, which allows access to a wider range of resources. Such an organization can provide coordination and facilitate collaboration across sectors.⁴⁰

Promote real estate development

In Winnipeg's North End, the North End Community Renewal Corporation has headed

up the purchase of vacant or under-used properties for CED purposes. Enhancing development and occupation in this way increases consumer traffic, revises unused buildings, improves safety and creates employment opportunities for local residents.⁴¹

Establish business Incubators⁴²

Business incubators are designed to nurture enterprises during the earliest and most vulnerable stage of development. Incubators provide all the services available through government programs and business service centres, but most also provide subsidized office space and access to specialized facilities that might otherwise be unavailable to new enterprises. Incubation has become a pervasive phenomenon. Survival and success rates for incubated companies are much higher than for non-incubated start-ups. Each incubator offers specialized services but the primary purpose and method is generally the same — incubators provide extensive services and expertise to emerging and vulnerable enterprises. They ‘incubate’ or protect young companies from the market until they are mature and stable enough to go out on their own.

Incubators could develop useful partnerships with organizations that already support CED, such as SEED Winnipeg or the Women’s Enterprise Centre. Their focus could be on target communities such as youth, low-income people, local residents and Aboriginal people.

Priorities for CED Practitioners

Stabilizing and diversifying the funding of operations

It is generally acknowledged that the success of CED in recent years in raising grant funding from the government for operations also contains the seeds of a potential vulnerability should government or government policy change. Three possibilities for addressing this issue are: a) reducing dependence on any single grant source by diversifying funders as much as possible; b) seeking to build an endowment or trust approach which, in effect, means obtaining funding up-front for use in future years; and c) building up personal or corporate donations through the new tax credit program. Each of these presents its own challenges, but pursuing them is worthwhile, given what is, potentially, at stake.

Promoting social enterprises

There is a widely held view in Manitoba that for CED to make a significant impact, the community must move aggressively into building commercially viable social enterprises. A number of unique opportunities are on the horizon, which could make this moment in history a pivotal one for social enterprises in the city. The Winnipeg floodway extension has just begun, the largest civic infrastructure project by far. A new spate of Hydro dam building is about to start in the North. Provision has been made for partnerships with local First Nations communities. There may be logical extensions to social enterprises in Winnipeg. A new wave of infrastructure spending is about to commence in the city, funded, in part, by senior levels of government. Each of these may present economic opportunities for social enterprises. There are proposals for building a road up the east side of Lake Winnipeg and, again, the potential spin-off benefits for companies in Winnipeg

are huge. Momentum is also building for expansion of programs to provide accessible housing, especially for recent immigrants and possibly on a cooperative basis. There is a growing interest in alternative delivery mechanisms in the social service area, and these might be ideal for social enterprises. Each of these opportunities offers the possibility of pursuing social enterprise on a scale large enough to promise viability, the possibility of decent wages and salaries, the potential of significant linkages among a number of social enterprises and a degree of stability that can only be envied by existing social enterprises that struggle for survival in the highly competitive and fickle commercial service sector.

Humanizing the management of CED organizations

If CED is to truly offer a more socially acceptable, people-centred, alternative approach to development, then the community must address the issue of management of CED institutions of all types. CED cannot replicate the top-down, autocratic management styles of the private sector, driven by the bottom-line pursuit of profit, and expect to make any meaningful progress toward its larger goals. The CED community in Winnipeg must allow and encourage democratic structures of management with genuine worker input and horizontal decision-making structures, must seek out and promote democratic, participatory, management styles, and must change the way some local CED organizations deal with staff. There should be clear, representative, structures for dispute resolution and the provision for mediation. Staff should be encouraged to join trade unions. The CED community in Winnipeg should also begin to pay more attention to the provision of adequate salaries, benefits and terms and conditions of service. We should pay particular attention to working hours and pension provision. CED must not be allowed to become just another source of cheap labour. Indeed, since the purpose of CED is to increase community and individual assets,

if the elements of good pay and decent jobs are not present, the initiative is almost certainly inconsistent with CED.

Taking advantage of opportunities in rural communities

In a report prepared for the MRA, Duboff expressed optimism about the economic opportunities that new technologies offer rural communities. The internet potentially allows rural businesses to reach a global market.⁴³ It should be noted, however, that such an approach is only partially consistent with CED — for example, it does not meet the first criterion of the Neechi Principles: production of goods and services to meet local needs. Nonetheless, there is nothing to say that rural enterprises could not use new technology to meet a number of other CED goals. Three key opportunities are as follows:

- There is a need for new technology itself. Communities can create companies that will offer IT services to neighbouring First Nations and rural communities.
- Call centres have proven to be a useful industry for communities with limited other options. Manitoba already has a strong call-centre industry — concentrated in Winnipeg — thanks in part to its central North American location, the “neutral” accents of Manitobans and government targeting of the industry as a priority for subsidization.
- Manufacturing can now operate in rural areas, receiving orders electronically and shipping the goods to customers directly.

Enhancing training in the North

Many northern communities want to have access to basic skills training within their own community. It is recommended that government continue to develop partnerships with community colleges and community-based organizations for addition-

al community-delivered programs aimed at young adults and adults, in communities not currently serviced. These programs should include basic literacy and numeracy skills, academic upgrading, employment/job readiness skills, testing and assessment programs, and technical training directly linking high-demand occupations and local employment opportunities. Similarly, it is recommended that government work with industry to design training programs and encourage industry partnership in these programs.⁴⁴

Notes

- 1 This section draws most heavily on Graydon and Duboff.
- 2 Bobe, 2002; Tabb, 2001, cited in Graydon, p. 16.
- 3 Delong, 2002; Tabb, 2001, cited in Graydon, p. 17.
- 4 Hudson, 2001; Yates, 2001, cited in Graydon, p. 16.
- 5 Niosi, 2002.
- 6 This section is based primarily on Friesen and Hudson and Loewen et al.
- 7 Calculated from Statistics Canada, *Trends in Provincial and Territorial Economic Statistics: 1981-2002*, Table 1, p. 21.
- 8 Statistics Canada, 2002, p. 19.
- 9 This section draws on Doucette and Koroluk, Weiss et al., and Sexsmith and Pettman.
- 10 This section draws most on Guard and Duboff.
- 11 Manitoba Industry, Economic Development and Mines, *The Manitoba Economy: Strength in Diversity*. http://www.gov.mb.ca/iedm/invest/busfacts/economy/ec_diversity.html
- 12 Manitoba Energy, Science and Technology, *Manitoba Innovation Framework*, News Release, 23 April 2003. <http://www.gov.mb.ca/est/innovation/index.html>.
- 13 KiSquared, *Winnipeg Customer Contact Centre Industry Research Study: Final Report* Winnipeg, Manitoba: KiSquared, 10 November 2004; Social Development Canada, *Winnipeg Labour Market Bulletin*, December 2004. www.sdc.gc.ca/en/mb/lmiquater4_04/wpg12.shtml.

- 14 KiSquared, *Winnipeg Customer Contact Centre Industry Research Study: Final Report* Winnipeg, Manitoba: KIsquared, 10 November 2004, 29.
- 15 Julie Guard, *Manitoba's Call Centre Explosion: A Preliminary Overview*, Toronto: United Steelworkers (USW), 2003. http://www.steelworkers-metallos.ca/program/adminlinks/docs/call_guard.pdf.
- 16 This section draws most on Loxley and Lamb, Friesen and Hudson, and Fernandez.
- 17 Reimer, p. 87.
- 18 See, for instance, Canadian CED Network, 2004; Loxley, 1986.
- 19 Thomas, 1974, cited in Loxley and Lamb, p. 2.
- 20 Loxley, 2002, cited in Loxley and Lamb, p. 2.
- 21 P. 4.
- 22 P. 1.
- 23 See MacKenzie and Duboff for fuller discussions of these points.
- 24 This section draws most heavily on Loewen et al.
- 25 Manitoba Intergovernmental Affairs and Trade, 2004.
- 26 City of Winnipeg, 2004.
- 27 Mendelson, 2004, p. 9.
- 28 Statistics Canada, 2003b, 2003c.
- 29 This sections draws most heavily on Heald, Chaboillee CDC, and Hamilton. For more information see Rempel, and Doucette and Koroluk.
- 30 This section is based on LeBlond and Brown, Duboff, Northern E-Biz Centre, Cameron, Annis, and Everitt, and Martin, Falvo and Chotka.
- 31 Duboff, section 3.2.1.1
- 32 This section draws on Mackenzie, Sheldrick, and Silver.
- 33 This section is based primarily on Reimer.
- 34 This section is based on Loewen et al.
- 35 For a longer discussion, see Loewen et al., p. 17.
- 36 This section is based on Fernandez.
- 37 This section is based on Sheldrick, and Fernandez.
- 38 Loewen et al., pp. 48–50.
- 39 For a longer discussion, see Loewen et al., p. 17.
- 40 Reimer, p. 91-92.
- 41 Reimer, p. 93.
- 42 This section is based on Mackenzie, Sheldrick, and Silver, and Reimer.
- 43 Duboff, 3.2.1.1.
- 44 LeBlond and Brown, p. ii.

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