

CCEDNet's Proposal: A Communities Agenda in Canada

CCEDNet is recommending a series of federal initiatives designed to better support CED organizations, develop human capital, increase community investment and support social enterprise. Although these recommendations are most immediately targeted at the federal government, they should be implemented with active participation by provincial, municipal and First Nation governments.

All funding programs must be delivered through a coordinated strategy across government departments and agencies. We are not encouraging more and bigger government, or increasing dependency. Rather, we seek funding strategies that devolve resources in order to 1) increase the effectiveness of existing CED organizations and allow them to deliver greater results and 2) create catalysts for the development of new organizations.

1 Building CED organizations with multi-year, coordinated funding

CCEDNet proposes multi-year federal funding that recognizes the long-term nature of CED, the different stages of development among CED organizations, and the broad range of services and activities required to effectively implement CED. This involves grant support for initial community mobilisation and planning, and operating grants for community economic development organizations. This type of funding is critical to the success of other human capital and community investment measures.

For funding delivery, CCEDNet proposes that the Federal Government fundamentally alter its approach to regional and community economic development by adopting an integrated funding model. This model should better coordinate with existing provincial programs and be formulated to better meet the integrated funding needs of CED organizations.

2 Supporting Human Capital Development

CCEDNet recommends changes in federal government policies to ensure that all Canadians can obtain the training and other supports needed to participate effectively in today's economy. We support Provincial Labour Ministers, who recently called for \$700 million in additional federal investment in EI. However, this investment will not reach those who do not have access to EI funds. Additional funds targeted at marginalized populations are essential to the success of community renewal initiatives.

3 Growing Community Investment

CCEDNet is recommending three main initiatives intended to encourage community investment by the private sector – that is, investment into community enterprises and/or investment funds by financial institutions, corporations, and individuals.

- First, CCEDNet recommends the development of a national seed fund to capitalize community investment funds across the country. Existing community development financial institutions (CDFIs) such as those run by workers co-operatives, credit unions, labour funds, ethical funds, and community development organizations could cooperatively establish one community investment fund in each province. The rollout of this program should be incremental and flexible in order to meet differing investment climates and community needs across the country.
- Second, CCEDNet recommends a 30% tax credit and guarantee of capital attached to financial instruments (shares, bonds, etc.) to be defined by community investment funds in each province or territory. The tax credit should be available to both retail and institutional investors, and not preclude RRSP eligibility.
- Finally, charitable tax credits should also be extended to CED organizations focused on not-for profit activities, such that they can effectively raise capital intended to help declining communities by supporting social enterprise.

Access to Financial Capital

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not impossible to obtain due to the hybrid nature of these ventures, which provide both financial and social returns. Typical private sector financing focuses primarily on financial returns, while non-profit financing focuses on social returns. This leaves a gap in financing for many community-based enterprises.

Financial products currently available (except for direct grants and member shares in cooperatives) are confined to loans that must be paid back within 3 to 10 years. This means that community economic development enterprises have almost no financial product that allows for the investment of permanent capital in the organization.



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Strengthening Canada's Communities Towards a New Community Agenda

The Canadian Community Economic Development Network (CCEDNet) joins with others who are concerned about growing social and economic inequality across Canada. This is our case for a new "communities agenda" that uses the strengths of Community Economic Development (CED) to address the social and economic challenges facing our country.

Canada is regularly rated as one of the best places in world to live by organizations such as the OECD. However, Canada is also a society where these benefits are often limited to certain sectors and geographic areas. In the last 15 years, inequality has grown in Canada, creating a widening gap that is ever-more difficult for marginalized groups to cross. Innovation and productivity have suffered and real incomes have declined. In many communities, destructive cycles of poverty are

holding communities back from reaching their potential.

At the same time, some communities are creating vibrant, healthy environments through a community economic development (CED) strategy – a multi-purpose social and economic strategy for systematic renewal, conceived and directed locally. By taking a CED approach to development, these communities are making Canada stronger as they transform themselves into attractive places to live and work that are full of opportunity.

CCEDNet represents hundreds of CED organizations and practitioners across the country. We believe that CED has the potential to dramatically reduce inequality, foster innovation and raise productivity. For this to happen, broader and more sustained support is needed – a communities agenda in Canada.

RECOMMENDATIONS

- 1 Provide sustained, long-term funding for effective CED organizations. Integrate CED program and funding delivery such that existing and new organizations do not have to patch together funding from disparate resources.
- 2 Modify existing employment support programs to better meet the needs of human capital development, and implement new funding for those not covered by existing programs.
- 3 Use tax incentives to encourage community investment by companies, individuals and financial institutions and provide seed capital for community investment funds.



What is CED?

An integrated approach to improving communities

Community economic development is local action to create economic opportunity and enhance the social and environmental conditions of communities. Its strength lies in its long-term vision and integrated approach – CED concurrently addresses multiple issues. Strategic priorities include but are not limited to: structural economic change, local ownership of resources, social development, environmental stewardship, labour market development and access to capital. From rural coastal communities that have seen their fishing industry decline, to mining and forestry towns that are going through major changes, to urban neighbourhoods with high family poverty, to apparently wealthy suburbs that have increasingly marginalized populations, CED is being used to make a difference around the world.

Why is CED Needed?

Inequality is rising and communities are at risk

Across Canada, we are seeing some disturbing trends in persistently high unemployment numbers and growing wealth inequality.¹ A recent study by Statistics Canada found that wealth inequality significantly increased from 1984 through 1999 – while the poor were steadily getting poorer, the three wealthiest categories of Canadians increased their prosperity by 27% or more.² In contrast, many middle-income and poor Canadian families are struggling, as their financial assets would only last for five weeks if their household income were to disappear.³

Much of the wealth disparity we see today is due to a lack of support for human capital development. Despite good economic growth and falling unemployment in recent years, there are several signs that the combination of government cut-backs aimed at reducing Employment Insurance and Social Assistance rolls and economic trends towards greater part-time and temporary employment have increased income insecurity and poverty in Canada.⁴

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CED In Action

CED has a proven track for building wealth, creating jobs, fostering innovation and productivity, and improving social well being. In practice, this means groups of people coming together to support opening small businesses, co-operatives and employment support centres. It means setting up loan and equity funds, which target investment towards new ventures in communities that would not otherwise have access to capital. It means providing supports such as child care, skill development and job training. Following are just two examples of CED in action:

RESO: Integration Works!

RESO (Regroupement pour la Relance Economique et Sociale du Sud-Ouest de Montreal) is a community development corporation formed in 1989 to serve the five poorest neighbourhoods in the South West of Montreal. Since then, RESO has been implementing a multi-faceted strategy of employability programs, labour market services, and services to businesses. The organization is also involved land use, infrastructure development, consultation and promotion issues related to community economic development in the area, and the development of the broader Montreal region. RESO's remarkable approach is to bring together a wide coalition of interests and produce tangible results for all these interests. Recent statistics reveal that this wide range of integrated interventions is having dramatic success: for the first time in over 20 years, southwestern Montreal has halted the decline in its manufacturing base. And while some neighbourhoods faced social assistance rates of 35% to 50% in the 1980s, today the local economy is booming and RESO is grappling with the new problem of managing growth.

<http://www.resomtl.com>

Kitsaki Management Limited Partnership: Local ownership means local benefits

Troubled by the way northern resources were being extracted with few durable benefits accruing to aboriginal people, the La Ronge First Nation Band Council created Kitsaki Development Corporation (now Kitsaki Management Limited Partnership) in 1981 to establish businesses that would generate economic and social benefits for Band members. Today, Kitsaki has between 20% and 100% ownership interest in businesses ranging from bulk hauling and other mining support operations to hospitality, wild rice, financial services, catering and janitorial services, beef jerky and a sawmill. With annual sales from these companies totaling \$50 million in 1997, Kitsaki is one of the largest companies in Saskatchewan. By vesting La Ronge First Nation as a partner in businesses in the region's key economic sectors, Kitsaki has been an integral tool for the community to manage resources and create employment opportunities, allowing Band members to remain at home instead of having to seek employment elsewhere. By contributing resources to the Band Council, the Council has been able to accelerate development of other priorities within the community. Kitsaki is building an economic base and securing the future for aboriginal people in their own homeland.

Income inequality, income insecurity and poverty trends

- Income levels of low-income Canadians have yet to recoup their 1989 value.
- Poverty remains persistently above pre-recession levels and extreme poverty is increasing.
- Average unemployment has been increasing by decade since the 1950s, along with slowing economic growth and aging population.⁵
- 6.7 million Canadians were in vulnerable employment situations in 1999 because they lacked stable work or adequate employment income.⁶
- The overall trend in employment growth in Canada has seen an increase in jobs which are casual, part-time, contract-based, less well-paying and tied to fewer benefits than traditional forms of employment.⁷
- The number of involuntary part-time workers almost doubled in Canada from the 1980s to 1990s.⁸
- In 1998, annual wages and salaries of recent immigrants were one-third less than those of other Canadians. Hourly wages were 18% less.⁹
- Workers with disabilities typically are in the bottom third of wage-earning categories.¹⁰
- "Work fare" programs designed to move people off of Social Assistance seeming to have the consequence of making low-wage workers compete against former welfare recipients for jobs.¹¹
- First Nations, women, and visible minorities have the highest degree of income inequality within low-income categories. This is often due to the inability of these groups to permanently enter the labour market.¹²

In a time when Canada's productivity and GDP per capita are lagging, we cannot afford to leave so many out of the labour market.¹³

Community inequality

In the last 20 years, we have seen the number of low-income neighborhoods in Canadian cities explode from 334 in 1980 to 548 in 1995. Furthermore, certain demographic groups – immigrants, visible minorities, single parents, seniors, youth aboriginal and women among them – continue to experience disproportionately high incidences of poverty.¹⁴ Incomes in rural small towns are also uniformly below those of large urban centres, resulting in more persistent poverty.¹⁵

The following table illustrates just some of the impacts of this persistent poverty on health across the country:

Health impacts of poverty in Canada

Life expectancy	Individuals living within the poorest 20% of neighbourhoods are more likely to die of just about every disease than the well off. ¹⁶ 22% of premature years of life lost in Canada could be attributed to income differences. ¹⁷ Life expectancy in poor neighbourhoods lags behind rich neighbourhoods, despite some gains in recent years. Gaps for some death by some diseases, such as lung cancer in women, mental disorders and diabetes have widened considerably. ¹⁸ First Nation life expectancy is about six years less than overall averages for males and females. ¹⁹
Infant mortality	If infant mortality rates from richest neighbourhoods (4.0) was applied to poorest neighbourhoods (whose rate is 6.4) Canada would have had 500 fewer infant deaths in 1996. ²⁰
Illness	In 1997, tuberculosis rate among First Nations was eight times higher than that for overall population. Rates are similar for other infectious diseases – risk factors are poverty, overcrowded housing, inadequate sewage disposal, and a lack of running water. ²¹

Regionally, there is also strong disparity between wealthy and disadvantaged communities. The table below illustrates one provincial example of the contrast in socio-economic conditions between a selection of communities in BC facing major economic challenges, and the average for their province.

Coastal BC — Inequality in Community Conditions

Indicator	Bella Coola Valley	North Island	BC
Percentage of 18 year-olds not graduating (2000)	73.6%	41.4%	25%
Percentage of 25–54 year-olds without graduation (2000)	29.3%	30.4%	22.6%
Percentage of 25–54 year-olds without post-secondary education (2000)	53.1%	53.6%	46%
Teen pregnancy per 1,000 (1999)	75.1	64	26.6
Infant Mortality per 1,000 (1999)	15.6	10.1	4.9
Suicide/Homicide per 1,000 (1999)	9.1	9.9	5.3

Source: BC Stats, Local Health Area Profiles, 2001.

CED's Proven Success

Strong communities mean strong economies

Across the country, success stories illustrating the wealth, jobs and community health that can be fostered by CED abound.²³ A 2002 evaluation of just one program that supports CED, *Community Futures (Western Canada)*, showed that supported community enterprises generated \$1.4 billion in revenues from 1995 to 2001 and created approximately 30,000 jobs. The return on investment to government is remarkable: for every dollar of operating funding provided by WD to the CFDCs, between \$65 and \$81 in client revenues are produced.²⁴

In the United States, a national census conducted by the National Congress for Community Economic Development estimated that the productivity of community development corporations has resulted in:

- 71 million square feet of commercial and industrial space developed
- \$1.9 billion in loans to 59,000 small and micro-businesses
- 247,000 private sector jobs created
- 550,000 units of affordable rental and ownership housing build or renovated²⁵

Further, a 2003 CCEDNet survey of over 300 CED organizations shows CED to be a highly entrepreneurial sector, raising nearly \$1 in investment for every \$1 of government support, as illustrated in the following figure:

Sources of Revenue



Government total 56%

Non-governmental total 44%

The case for CED is clear – what are needed now are appropriate and effective policies that support the growth of this field across Canada.

What is Holding CED Back?

CED in Canada is currently limited by inconsistent and inadequate government support. In a 2002 CCEDNet survey, CED practitioners from across overwhelming chose "lack of government support" as their biggest hurdle to development, followed by local skill and capacity problems. Community enterprises are struggling to find substantial, patient equity capital that will allow them to grow their ventures over the long term.

CED Organizational Funding

For a CED organization to be successful, it must be able to plan for the long-term. Short-term, project-driven government funding that is split among disparate government departments with different and sometimes conflicting policies is inefficient and counter-productive. Most CED organizations struggle to maintain their own capacity to implement long-term strategic planning, organizational expansion, and staff development, all of which are critical. This clearly calls for multi-year, stable funding that encourages stability and growth.

An integrated funding approach is needed in order to better support the multi-faceted nature of CED and close the many gaps in existing programs and federal/provincial arrangements.

Human Capital Development

Healthy communities cannot develop and thrive without healthy individuals who have access to employment. At a time when looming labour shortages in a wide range of professions and trades threaten our future, it is critical to invest in the knowledge, skills and competencies of all Canadians, particularly those that are currently underemployed or chronically unemployed. Unfortunately, many Canadians cannot access the services and training supports they require to become firmly and productively attached to the labour force, particularly groups such as recent immigrants, part-time workers, the long-term unemployed, the disabled, and the self-employed.

CED organizations are currently hindered by inadequate and fragmented funding, and a lack of integration between the numerous federal departments responsible for labour market development and employment.

Access to Financial Capital

Community enterprises in Canada are currently struggling to finance their activities. Equity financing is often difficult if

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