

BROTHERHOOD
OF ST LAURENCE

COMMUNITIES AT WORK

THE FUTURE OF WORK

Elizabeth Vaneveld

**BROTHERHOOD OF ST LAURENCE
FUTURE OF WORK PROJECT**



**LESSONS FROM AUSTRALIA AND OECD EXPERIENCE
OF EMPLOYMENT DEVELOPMENT INITIATIVES
1980-1994**



Elizabeth Vaneveld

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THE FUTURE OF WORK

PREFACE

The Brotherhood of St Laurence's Future of Work projects has examined the changes which are reshaping work in Australia; the implications of those changes for individuals, families and communities; and the challenges which they pose for the Australian community as a whole. The project had the support of three eminent Australians as project patrons Dr H C Coombs, Professor Ronald Henderson and Ms Lillian Holt. The project also benefited from the advice provided by an advisory committee comprising people from business, the trade union movement, research and academic institutions and the community sector.

The Brotherhood's aim in undertaking the Future of Work project was to identify the actions which will be needed to:

- improve the position of those who are, or are likely to be, most disadvantaged and marginalised;
- prevent the creation of new forms of disadvantage and inequality; and
- ensure that all Australians have an adequate standard of living and a meaningful place in society.

The project combined a range of activities including research and policy development, the fostering of community dialogue and discussion and the development of a demonstration project.

A crucial issue is how we create more and better jobs for the future. A key assumption underlying the project was that without some change in direction or additional measures, the Australian economy will not generate enough employment for all those who need or

want to be employed. Ways need to be found to create additional employment as well as ways to redistribute employment if the needs for adequate income and meaning provided by employment are to be met.

This paper is one of a package of materials produced as part of the Enterprise and Innovation strand of the Future of Work Project. The major theme which linked the activities undertaken through this strand was exploration of the means by which actions by individual enterprises or by communities can contribute to the maximisation of aggregate employment outcomes. The focus of the work was on those market-based actions which could be taken by individual enterprises or by communities as distinct from the action which government might take in the areas of economic, trade and industry policy, although this focus did not preclude consideration of specific government initiatives which might support or facilitate action by communities.

Since the late 1970s various types of community enterprises have emerged in Australia and other countries as a response to the problems associated with economic decline and rising unemployment in many local communities. They have usually been initiated by community or local government organisations as a way of creating jobs and providing services in local areas, especially in the face of the threat which industry closures and job losses have posed to the social and economic fabric of local areas. The experience of community enterprises indicates that they have been an important vehicle for training, work experience and job creation in local areas during periods of immense change.

While in some situations community enterprises have been designed to meet short-term goals, in others they have developed as viable community businesses. *Communities at work*, in reviewing the activities of community enterprises in Australia and overseas over more than ten years, provides a clearer understanding of the potential role they could have in increasing overall levels of employment.

Communities at work is intended to assist communities or organisations interested in establishing enterprise activities where the emphasis is on community economic development and employment creation. It should be read in conjunction with other publications produced for the Enterprise and Innovation strand of the Future of Work Project — *Signposts for future employment* and *Community Enterprise*.

THE FUTURE OF WORK

GLOSSARY

ACTU

Australian Council of Trade Unions.

community business or community enterprise

Enterprises or businesses which aim to provide employment and to produce goods and services which the local community lacks. They are managed by governing bodies which include local representation and seek to retain community control of the enterprise. The businesses can be subsidised through grants and training schemes and any profits are recycled into the local economy. Any profits made from business activities go either to create more employment or to provide local services or to assist other schemes of community benefit.

co-operative

A legal structure that enables the profit and assets of a business to be democratically controlled and owned by the co-operative's shareholders. Trading, production and community advancement co-operatives have been established to foster local economic development.

intermediary organisations

Organisations that foster local economic initiatives by offering a broad range of services to clients (be they individuals or groups).

local economic development

A process by which local government and/or community-based groups manage their existing resources and enter into new partnership arrangements with the private sector,

or with each other, to create new jobs and stimulate economic activity in a well-defined economic zone. There is an emphasis on the social as well as economic development of a community.

local economic development agency

Any organisation carrying out economic initiatives across a local or regional geographic area.

local employment initiatives

Employment generating activities which are:

- developed in response to needs, problems, opportunities and resources of specific communities;
- created and controlled by individuals and groups in the communities in which they are located; and
- concerned with the creation of viable employment.

local enterprise development (LED)

Enterprise development based in the local and/or regional economy. Can include enterprises that are either 'not for private profit' or 'for profit'. Includes community enterprises, municipal enterprises, worker co-operatives, micro enterprises, small business and self employment.

micro enterprise

Describes enterprises in the 'not for private profit' or 'for profit' sectors that have between one and five employees.

municipal enterprises

Commercial activities undertaken by local government authorities.

NAGLEI

National Advisory Group on Local Employment Initiatives. A body established by the Federal Government in the mid-1980s to provide advice of local employment initiatives as viable options for permanent job creation in Australia.

OECD

Organisation for Economic Co-operation and Development.

regional development corporations / organisations

Formally constituted organisations comprising a variety of stake-holders who support the development of regional and local economies. These stake-holders can include federal and state government, local government authorities, educational institutions, prominent business people and community organisations committed to local employment generation.

self employment

'For profit' businesses established by individuals who generally work on their own and who may sub-contract or hire additional labour as required.

small business

Commercial enterprises that employ up to fifteen people and that are usually managed by the owner of the business.

small business support agencies

Agencies which provide support and services for small businesses. Including banks, government funded agencies established to support micro enterprise and small business ventures, professional associations, and privately owned professional service agencies such as legal and accountancy firms.

social economy

A term most commonly used in Europe to describe the third sector.

third sector

Organisations which are neither private nor public sector, neither profit oriented nor state controlled. The sector includes both production organisations like co-operatives and community businesses, and consumption organisations like housing associations and credit unions. Third sector organisations are established for a social purpose and although they must generate enough revenue to meet expenditure and investment requirements, commercial goals exist within the context of social objectives.



COMMUNITIES AT WORK

1

INTRODUCTION

This report presents the findings of an extensive review of Australian, North American and European literature undertaken to survey OECD experience of local and regional employment development initiatives over the past fifteen years.

The literature review focused on:

- recent developments in regional and local economic development initiatives;
- lessons and issues which have persistently arisen in Australia and overseas;
- new initiatives of interest;
- third sector type activities which were significant in terms of their employment impact;
- strategies and mechanisms for financing employment generating and third sector type initiatives;
- strategies and structures for facilitating community ownership of such initiatives; and
- trends in local economic development which offered particular insights for the future development of initiatives designed to create employment, especially in relation to people who are disadvantaged in the labour market.

A background paper prepared in 1986 by the National Advisory Group on Local Employment Initiatives (NAGLEI) was used as a starting point for the review. The NAGLEI paper's main purpose was 'to assess the potential benefits of far greater development of similar initiatives in Australia ... because of their potential to contribute to the realisation of other policy aims' (NAGLEI 1986, p. 5), most particularly their potential to reduce the social and economic impact of growing unemployment in Australia. The paper outlined the context for local economic development/growth internationally and discussed specific initiatives in OECD countries which had significantly contributed to the creation of jobs in economies characterised by high and escalating unemployment. In a discussion about Australia's efforts to reduce equally high levels of unemployment, it was argued that various Federal and State Government policy directions would need to be evaluated and co-ordinated to establish conditions conducive to the development of local economic development initiatives in Australia. The Advisory Group favoured greater levels of development for two main reasons which were described as the minimum case and the maximum case.

The minimum case

Local economic development (LED) should be supported for its potential to offset the cumulative negative impacts of necessary restructuring by providing additional ongoing employment for particular groups and within given localities (NAGLEI 1986, p. 6).

The maximum case

In addition, in the more medium term LED is capable of making a substantial and active contribution to the efficient realisation of other policy aims by providing an infrastructure of opportunity at a local level (NAGLEI 1986, p. 6).

The Advisory Group strongly believed that their research, discussion and observation suggested that:

[N]ot only does the raw material for targeted development of (LED) already exist in the Australian situation but also that we can benefit from a critical evaluation of experience elsewhere in the OECD in the course of developing a strategic response to these possibilities (NAGLEI 1986, p. 6).

Ten years later, this report analyses what has happened to LED in Australia and overseas since the early 1980s. It focuses on developments relating to initiatives which achieve social objectives through economic means. This segment of the economy has been referred to as the third sector or social economy because it falls between the public and private sectors and links social benefit and economic performance to support a community's quality of life and participation in democratic processes. In Australia, the third sector includes: not for private profit enterprise organisations, trading and production co-operatives, housing co-operatives, credit unions and non-government community welfare groups.

Overall this report seeks to address the following questions:

What enterprises, projects, strategies and policies in the third sector are especially significant?

What do they signal or 'signpost' for the future of local and regional employment development?

What are the implications of new initiatives, processes, policies and projects for local and regional employment development?

What are the lessons emerging in the 1990s at the local level that are critical to employment growth, especially in areas of high unemployment?

The report also signposts some critical structural problems that must be resolved if third sector based economic activities are to gain a more significant foothold in the mainstream Australian economy. For instance, a lack of intermediary agencies to support and finance the sector is one factor holding back development.

This report summarises the findings of the literature review in six sections:

- ➔ Chapter 2 explores the macro-economic conditions that gave rise to the emphasis on local economic development throughout the OECD. It defines two broad types of LED activity and proposes that the specific conditions and circumstances supporting these developments are often unique to countries, regions or localities.
- ➔ Chapter 3 presents an overview of the various forms local economic development has taken including 'community business' and worker co-operatives. The significance of community business is assessed with particular reference to Scotland which has been a testing ground for the concept within the OECD. The impact of worker co-operatives in OECD countries is examined as are the reasons why a worker co-operative movement did not take hold in Australia. A further three critical issues drawn from the experience of community enterprise development during the 1980s are outlined:
 - the need to create mutually supportive enterprise networks;
 - remaining connected to community interests; and
 - understanding and using 'business'.
- ➔ Chapter 4 briefly examines the role of selected intermediary organisations including the Esperance Local Enterprise Initiatives Committee in Australia, local enterprise agencies and cooperative development agencies in the United Kingdom and community development corporations in the United States. The impact of intermediary organisations is also considered using Australian, British and United States examples. Three key issues emerging from the work of local enterprise intermediary organisations are outlined:
 - the fusing of local economic development and welfare policy;
 - the role of 'partnerships';
 - the negotiation of contradictory pressures and paradoxes.

A range of alternatives for financing local economic development is also offered

based on the work of Sue Dahn, Paul Fitzgerald and the Federal Government's Taskforce on Regional Development. A range of problems associated with financing the sector are also discussed.

- Chapter 5 looks towards the year 2000 by outlining some of the more successful enterprise initiatives underway in the 1990s. Some signposts critical to the survival of community business are also described.
- The Afterword describes the 'windows of opportunity' for local economic development in Australia in the 1990s and beyond.

Each section of this report is informed by a literature review of 137 publications published in OECD countries. In addition, telephone interviews were undertaken with key informants around Australia who had observed or participated in the development of third sector or local employment initiatives over the past ten years.

2

LOCAL ECONOMIC DEVELOPMENT

→ The need for new approaches to maximising the employment content of economic growth is underlined by the scale of (the cost of unemployment), coupled ... with the now widespread belief that macro-economic policy is, in and of itself, unlikely to secure a substantial reduction in unemployment in the foreseeable future.
NAGLEI 1986, p. 17

AN INTERNATIONAL RESPONSE TO A GLOBAL CRISIS

Local economic development is:

a process by which local government and/or community-based groups manage their existing resources and enter into new partnership arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in a well-defined economic zone (Blakely 1989, p. 58).

A process orientation is emphasised because local economic development involves:

- the formation of new institutions;
- the development of alternative industries;
- improvement in the capacity of employers to produce better products;
- the identification of new markets;
- the transfer of knowledge; and
- the nurturing of new firms and enterprises (Blakely 1989, p. 59).

In the 1970s and early 1980s, the factors influencing the development of local economic development in OECD countries were embedded in various macro-economic crises which resulted in double-digit unemployment figures in many countries. Governments concentrated on restructuring their economies in the belief that in the longer term renewed economic benefits would 'trickle down' to those who lost their jobs as industries died, regions collapsed and local communities fragmented and in some instances ceased to exist.

In general, economic restructuring throughout the OECD during this period affected three different kinds of geographically-based communities.

- Communities situated around 'smokestack' industries that were massively restructured or closed down.
- Communities reliant on a mass production, space intensive manufacturing sector. During past economic upheavals these communities could fall back into services sector employment, however this sector was no longer creating enough jobs during the 1980s to keep pace with manufacturing jobs lost.
- Rural communities dependent on secondary industries which closed down leading to a marked deterioration of the local services sector as a source of employment. Historically, people in rural communities coped with economic downturns by migrating to other regions and/or cities; however by the 1980s lack of employment opportunities made this a less viable and attractive alternative (Blakely 1989, pp. 12-13).

While regional communities in the OECD suffered the devastating effects of large scale unemployment, many individuals experienced debilitating recurrent unemployment. In Canada, for example, it was found that 69 per cent of those who experienced unemployment over the eight years 1975 to 1982 had two or more spells; roughly 35 per cent of persons who experienced unemployment had four or more spells and seven per cent had more than eight spells (NAGLEI 1986, p. 11). Therefore during the 1980s the underlying rate of chronic unemployment was considerably higher than is often thought:

Once this is grasped and placed in the context of lower overall growth, rapid structural adjustment and the capital deepening (as opposed to the labour utilising) nature of much new corporate investment ... one begins to realise how strong the present tendencies to increased social division may prove to be (NAGLEI 1986, p. 11).

The restructuring of capitalist economies around the world in the 1980s fuelled Australia's unemployment problem. The impact of changes in the world economy on Australia was acknowledged in a paper delivered to the Bureau of Industry Economics Conference in Sydney in 1986:

Structural change in the world economy will cause significant difficulties for major exporters of agricultural and mining products for the next decade; this structural change, given Australia's reliance on these products for its exports, will make it difficult to overcome our balance of payments problems. These will be most readily

solved if we can achieve a significant strengthening in the competitiveness of our manufacturing sector in both the domestic and international markets. In the absence of such strengthening, balance of payments adjustment is most likely to be achieved at the cost of domestic growth (Jolley quoted in NAGLEI 1986, p. 17).

The NAGLEI report further added:

In order to prevent unemployment rising, it is almost certainly necessary to achieve consistent growth of over 3 per cent; in order to reduce it substantially below 600,000, growth of at least 4 per cent per annum will be required (NAGLEI 1986, p. 19).

Governments were, on the whole, not unmoved by the plight of unemployed people and most concentrated their immediate efforts on providing remedial programs through various education and training schemes aimed at assisting people to gain new skills so that they could compete more effectively in a dramatically changing job market. In themselves, these programs were not designed to create permanent jobs.

By the late 1970s, it was already clear in most OECD countries that conventional approaches to ameliorating the effects of macro-economic restructuring regionally and locally were proving ineffective. Furthermore, considerable costs in fiscal terms were experienced by governments through the loss of direct and indirect taxes while at the same time national budgets were experiencing massive increases in social security expenditure. These problems tended to increase the readiness of governments to consider new approaches to the problem of generating employment. As NAGLEI reported:

The need for new approaches to maximising the employment content of economic growth is underlined by the scale of (the cost of unemployment), coupled ... with the now widespread belief that macro-economic policy is, in and of itself, unlikely to secure a substantial reduction in unemployment in the foreseeable future (1986, p. 17).

A variety of alternative local and regional responses to the crisis of unemployment sprang up throughout the OECD. In many places, communities were not content to endure the social and economic consequences of high unemployment and took opportunities to exercise control over their region's economic destiny. A range of local economic development initiatives were implemented. Some, such as the establishment of enterprise boards in the United Kingdom, were created and implemented by local, regional and central governments. Other initiatives, including self-managed companies, companies created for, and by, unemployed people, community businesses, and various self-help networks, sprang up in communities and regions with little more to lose. Still others, including some worker co-operatives, had been established in the 1970s and had grown out of individual and collective commitment to radical social change. Together, these projects and initiatives were dubbed 'local economic development' because one of their primary goals was to build employment for, and with, the current population of a community (or a segment of that population) rather than relying entirely on attracting to a region or locality employers who might require a different labour force than those who were unemployed (Blakely 1989, p. 121). Employers who had no direct association

with a local area were seen to be less committed to retaining jobs within that area and more likely to relocate to other areas if circumstances altered.

INITIATIVES FUELLED BY SPONTANEOUS REACTION AND LOCAL CONDITIONS

In the early 1980s, in inner urban Melbourne, some public housing tenants, community workers and church people started thinking about ways to:

... make people's lives different rather than make their poverty more bearable. The plan was to encourage people to form businesses committed to employing local people and giving them a say in management (Vickery 1989, p. 26).

Various State and Commonwealth Government employment schemes were used to provide training for the largely unskilled workforce and to provide some start-up capital for a number of new enterprises. By 1989, eight enterprises were underway in the Flemington-Kensington area including: a gardening service, a credit cooperative, a conveyancing agency, a high-rise security firm, a catering enterprise, a low-cost group accommodation venue and a community local investment fund. All provided employment for low-income people, many of whom had endured periods of unemployment or underemployment (Victorian Council of Social Service 1987).

About the time the high rise security service was being established in Flemington, another group of community-minded people met in Esperance, a small town in Western Australia, to hear about a radical plan for creating jobs in the area. Ernesto Sirolli, then an adviser to the State Minister of Agriculture, proposed that an organisation be established 'not to initiate anything but to assist people to put their own ideas into practice and turn them into a viable business or job' (ELEIC 1994, pers. comm., December). In April 1986, The Esperance Local Enterprise Initiative Committee (ELEIC) was launched. In its first ten months of operation 58 jobs were created in Esperance 'at an average cost of \$551 per job, creating a saving of \$377,000 to the Government from unemployment benefits and an additional cash flow for Esperance of approximately \$3 - 4 million' (ELEIC 1994, pers. comm., December). By 1990, communities in Queensland, New South Wales, South Australia, Victoria and New Zealand had all established local committees operating on the same basic philosophy (ELEIC 1994, pers. comm., December).

These two initiatives, one in urban Australia and the other in its rural heartland illustrate the two main types of local economic development prominent in OECD countries during the 1980s:

intermediary organisations (like the ELEIC) that fulfilled a facilitating, catalytic role in local enterprise creation and employment generation; and employment generating enterprises (like the Kensington network) that embrace the local employment initiatives definition of local origin and control and combine the goals of additional employment and market viability (NAGLEI 1986, p. 29).

Local economic development is not then a single product that can be 'replicated through the adoption of unitary national government programs' (NAGLEI 1986, p. 29), for as one commentator observed reviewing local economic development in Europe in the early 1980s:

[S]uccessful self-reliance appears to result from the spontaneous reaction of individuals and groups at the local level to the situation in which they find themselves, rather than from the application of a doctrine handed down from the centre with implementation entrusted to officials brought in from outside (NAGLEI 1986, p. 29).

It is important to bear this in mind when identifying critical success factors, and drawing out key lessons for employment development initiatives. For within the overarching framework of unemployment and underemployment in OECD countries, the specific conditions and circumstances contributing to local economic development are often unique to countries, regions or localities. The development, for instance, of an extensive network of co-operatives in the Emilia Romagna region of Italy in the 1980s cannot be 'effectively analysed without reference to local traditions of collective action and the history and role of the Italian Communist Party in regional government' (NAGLEI 1986, p. 30).

Similarly, the establishment of many inner urban Community Development Corporations in the United States 'clearly reflects the Civil Rights Movement, the decline of the "rustbelt" and the relative failure of the subsequent (centralised) War on Poverty' (NAGLEI 1986, p. 30). In the United Kingdom the differences between Local Enterprise Boards and Enterprise Agencies 'reflect tensions and structures peculiar to that society' (NAGLEI 1986, p. 30).

Some commentators have even considered the impact of feminine and masculine cultural values on a country or nationality's valency towards social co-operation in order to understand why developments emerged as they did. For instance, Roger Spear (1994) suggests that in 'masculine' cultures, and here he cites Australia and Italy as examples, 'performance is what counts; money and material standards are important, ambition is the driving force. Big and fast are beautiful, "machismo is sexy" ' (Spear 1994, p. 4). He considers the Netherlands and Sweden to be examples of feminine cultures 'where it is the quality of life that matters, people and the environment are important, service provides motivation, small is beautiful and unisex is attractive' (Spear 1994, p. 4). Closer to home, Hugh Emy suggests that:

Strongly individualistic cultures in Anglo-Liberal countries like America, Britain and Australia have sanctioned adversarial behaviour and attitudes which undermine social co-operation and prevent the development of concerted adaptive strategies ... [These] cultures place too much emphasis on self-interest or private language. They lose sight of the need to define and pursue long-term community needs. The economic and property rights of the individual to acquire wealth overshadow the individual's duty to assist with the development of society. The public interest is defined too much as the sum of individual interests (1993, p. 202).

As NAGLEI emphasised:

In any attempt to draw out useful lessons for another national situation from such a diverse experience (as evident in OECD countries) it is important to keep these differences in mind (NAGLEI 1986, p. 30).

3

COMMUNITY ENTERPRISE DEVELOPMENT



[c]ommunity businesses provide an important avenue by which people with various forms of labour market disadvantage can enter the workforce in a supportive work environment, providing a launch pad into other forms of permanent employment
City of Melbourne 1990, p. i.

AN OVERVIEW OF COMMUNITY ENTERPRISE DEVELOPMENT DURING THE 1980S

In a low-income, inner urban region of Melbourne the activities and needs of eight community businesses including a credit union, a public housing security service and a catering enterprise leads to the formation of Macaulay Community Enterprise Network. Meanwhile, in Hackney, London, Bootstrap Enterprises assists another group of disadvantaged people to create their own jobs in one of 13 affiliated small worker co-operatives. In Kyabram, Victoria, a small group of residents concerned about the stagnant, dying economy of their town meet with a facilitator funded by the State Government's Rural Enterprise Victoria scheme to 'brain storm' possible community business ideas that have the potential to revitalise the town's economy. In Mondragon, Spain, 100 industrial co-operatives linked into one network and employing more than 21,000 co-operative members are restructuring their enterprises spurred on by the potentially devastating impact of macro-economic restructuring in Spain and other parts of Europe. In Canberra, Revolve, a recycling enterprise, is established at a city tip with the aim of creating more local employment and raising public awareness of recycling. In Scotland, the Association of Community Enterprises in the Highlands and Islands celebrates its 10th birthday and its achievement of creating a network of 23 community-owned businesses in some of the most remote parts of Scotland.

During the 1980s, these local enterprise initiatives shared at least one thing in common. All were using community-based enterprise development to create jobs and expand services in their local communities or regions. They sought to combine profitability with various forms of collective ownership and other collectively defined social goals. In OECD countries this form of enterprise largely fell into four main categories:

- co-operatives;
- municipal enterprises;
- community business enterprise; and
- socially focused enterprises.

All but the last category are distinguished from conventional limited companies, partnerships, corporations and the wider business sector by particular forms of incorporation and ownership. Socially focused local employment initiatives (aiming to provide a given service for social reasons or to generate employment for particular disadvantaged groups) may take a more conventional legal form while nevertheless being distinguished by their overall operating ethos and aims. All of the above categories refer to enterprises that are dependent for survival on success in the market place. Within this parameter, however, the maintenance of employment is generally considered to override the goal of profit maximisation (NAGLEI 1986, p. 39).

The following discussion primarily focuses on community business and co-operatives.

Community business/enterprise

Community enterprises or businesses aim to provide employment and to produce goods and services which the local community lacks. They are managed by governing bodies which include local representation and seek to retain community control of the enterprise. The businesses can be subsidised through grants and training schemes and any profits are recycled into the local economy. Any profits made from business activities go either to create more employment or to provide local services or to assist others schemes of community benefit.

In Australia in the early 1980s the number of community businesses increased when Commonwealth and State Government employment programs provided community organisations with the opportunity to establish enterprises. It is unclear how many enterprises were established in Australia during this period because their existence was fragmentary and largely unco-ordinated. This was exacerbated by the closure in 1989 of the National Clearinghouse on Local Employment Initiatives which attempted to establish a database of initiatives in Australia. However a database of community businesses operating in Victoria identified forty-six such businesses in 1987 (Victorian Council of Social Services 1987).

In 1984, the City of Melbourne established an Economic and Employment Division (disbanded when the City of Melbourne was restructured in 1993). One of the Division's tasks was to provide assistance and advice to community businesses in all areas of their

business operations, including enterprise development, management and training (City of Melbourne 1990, p. 6). In the 1988/89 financial year, the value of the advice and assistance offered was around \$150,000. A year later this had dropped to less than \$50,000 as the Division set about handing back its 'supportive role' to 'the community' (City of Melbourne 1990, p. i). At this time, the Macaulay Community Enterprise Network moved towards establishing a development agency which sought to provide for the direct service needs of community enterprise ventures in Melbourne. As an intermediary agency for community business in Melbourne, its role included:

- developing business planning material targeted to community business;
- provision of training programs including 'marketing' and 'cash flow planning';
- providing consultancy to community business in all areas of business operation including management, employee relations and legal structures;
- assisting community businesses to carry out reviews of their business operations; and
- advising and assisting interested community organisations in the establishment of new community businesses (City of Melbourne 1990, p. 7).

In the United Kingdom, community businesses were established or supported by intermediary organisations described by NAGLEI as:

hybrid community development bodies seeking, as a primary object, to generate additional employment in low income areas of chronic unemployment (1986, p. 43).

Many of these agencies had an abiding interest in supporting the development of community businesses, with surpluses from profitable businesses being used to develop other socially useful projects. In either or both roles, intermediary agencies in the United Kingdom tended to be better resourced by their local authorities than in Australia. Eisenschitz and Gough report that a survey in 1988 found that:

90 percent of local authorities had at least one officer engaged on economic policy with Metropolitan districts on average employing the most (29) ... [Some] such as Birmingham with 300 staff in the mid 1980s were able to undertake varied and large scale programmes ... [F]unds to firms, premises and business advice were provided by the majority, while around half funded training schemes, information technology centres and co-operatives (1993, p. 20).

By comparison, Windshuttle and Burford (1987), in their survey of local intermediary organisations in Australia, found that it was unusual for a local authority or a local government area to be involved in employment generation activities on its own, primarily because the scale of local government in Australia was much smaller than in the United Kingdom. The City of Melbourne through the work of its Economic and Employment Division was cited as a model for other local government initiatives for two reasons:

[Its] greater contribution to employment and industry research and a greater willingness to intervene directly in the regional economy than councils have previously

regarded as appropriate (Windshuttle and Burford 1987, p. 79).

Interestingly, the researchers could only find one local council, the Glenn Inness Shire Council in New South Wales that had set up a community business — a small wood and metal workshop — in association with members of the community (Windshuttle and Burford 1987).

Whilst it is not entirely clear where the community business model first originated in the OECD, a community business and co-operative movement had emerged in the United Kingdom in the late 1970s in the Western Isles of Scotland. The Highlands and Islands Development Board in turn had based their initiative on successful developments in the west of Ireland (McEnery 1989). By 1989, there were over 120 community enterprises in Scotland with more than 50 of them situated in the Strathclyde region:

Most are multi-functional in that they run more than one business or project, all are democratically controlled by their members from the local community, assets are owned in 'trust' by the community company for the community and profits are reinvested in new business projects or in community benefit schemes (McEnery 1989, p. 9).

In 1986, Britain's conservative government became interested in using community enterprise to solve the seemingly intractable problems in various inner cities, especially in their public housing estates. For example, the Urban Aid programme met the cost of equipping community business premises and the wages of key management staff. It has been estimated that nine out of every ten community businesses would not have been able to start in the way they did without Urban Aid funding (McGregor 1993).

In 1989, *Community Enterprise UK* was formed to create a national network of community enterprise activists and supporters.

In the United States, many of the Community Development Corporations (CDCs) focused on community business especially in the late 1970s and early 1980s. As noted later in this report, many CDCs dropped this form of enterprise because of the risks involved.

Co-operatives

The modern co-operative movement in the United Kingdom is 150 years old and traces its birth to the establishment of the first successful co-operative in 1844 by the Rochdale Equitable Pioneer Society. Their original aims were translated into a set of principles defined by the International Co-operative Alliance in 1966 which have guided the development of co-operatives around the world since then. The principles are:

- ➔ open and voluntary membership;
- ➔ democratic control by one member, one vote;
- ➔ fair distribution of economic results, according to labour or consumption rather than ownership of capital; capital should receive fixed, rather than variable interest;
- ➔ the provision of education in co-operative practices and principles; and

- co-operation between co-operatives. (New Statesman and Society Supplement 1994, pp. 3-4)

Quarter (1992, p. 39) has identified eight basic models around which co-operatives are organised. In the first four models, the co-operative provides a very specific service that impinges on its members in a limited way. People working in these co-operatives are employees of the co-operative rather than a distinct member group.

These models are:

- marketing co-operatives (for example a taxi co-operative) which are formed to meet a common need and the members for other purposes operate separately from each other;
- consumer co-operatives in which the members are consumers or users of a service such as food retailing, farm supplies, housing, child-care, and so on;
- second and third tier co-operatives where the members are other co-operatives, for example, wholesalers for retail food co-operatives, credit unions; and
- co-operatively held subsidiaries which are companies owned by a parent corporation which is a co-operative.

In the remaining four models the workers have a more direct role in the governance of the organisation:

- worker co-operatives where the workers are the members;
- multi-stake-holder co-operatives — a 'leading edge' model in which there is more than one membership group, including the employees;
- multi-stake holder co-operatives — applied to crown corporations; and
- worker-shareholder co-operatives in which the multi-stake holder principles are applied to the private sector.

Bearing in mind all the types of co-operatives in existence, the expansion of worker co-operatives was particularly noticeable in OECD countries during the 1980s. This is perhaps because in a time of severe economic uncertainty, they were seen to :

explicitly recognise the social aims and impact of economic activity and [seek] to heal the conflict between workers, managers and shareholders by vesting each of the three functions to some extent in each of the people involved in the enterprise and ensuring that all get a share of the fruits (Ekins 1986, p. 283).

In 1986, the International Co-operative Alliance had affiliates in 65 countries with a combined membership of 355 million. Only 1.6 per cent of this membership represented individuals in worker co-operatives (Ekins 1986, p. 283). However, throughout the 1980s, the number of worker co-operatives increased substantially in the United Kingdom and other parts of Europe, notably France, Italy and Spain (Ekins 1986; NAGLEI 1986). In France, for example, some 66 percent of existing co-operatives were established between

1980 and 1985, employing 20 percent of the total number of wage earners in the co-operative sector (NAGLEI 1986, p. 39). In the United Kingdom only a dozen enterprises were registered by the Industrial Common Ownership Movement in 1975. By the end of 1982 there were over 600, with new co-operatives forming at the rate of one per day and failing at a rate of only two-and-a-half per cent of those formed, a far lower rate than for small business as a whole (Ekins 1986, p. 282).

Much of this growth was a response to the severe problems individuals and communities faced as macro-economic restructuring began to bite in the 1970s. However, as NAGLEI (1986, p. 39) observed 'its depth and breadth has clearly been furthered where a substantial co-operative sector had developed significant support mechanisms [before this period]'. This was especially so in France, Italy and Spain where various types including worker, producer, industrial and farming co-operatives had been well established for many decades. In the Emilia Romagna region of Italy, for example, over 90,000 people were employed in worker co-operatives in 1985 in a wide variety of production and service industries (NAGLEI 1986, p. 41). In Mondragon, in the Basque region of Spain, more than 100 industrial co-operatives had been established by 1988, with a workforce of 21,000 generating sales of about \$US1.57 billion (Mathews 1993, p. 40).

In Australia, credit, trading, producer, community settlement, rental housing and community advancement co-operatives (including a large number situated within Aboriginal communities throughout Australia) were making a significant contribution to the Australian economy during the 1980s. In Victoria alone by 1990 co-operatives had a membership of 869,604 and assets totalling \$2,159 billion (Griffiths unpub., 1992, p. 2). Australia, however, had no worker co-operative tradition to influence local growth. Indeed, in some states legislation restricted the development of worker co-operatives. Therefore efforts to create them in the 1970s and early 1980s had little success:

Even though governments funded co-operative development for years, the number of successful experiments was such that it would be an exaggeration to say that a worker co-op 'movement' exists in Australia (Pixley 1993, pp. 164-165).

According to Pixley, all efforts to 'build grass roots enthusiasm' for such a movement were hindered by the 'lack of a worker co-operative tradition in Australia and [by] opposition to co-operative development by the union movement' (1993 p. 187).

Interestingly, one of the more successful co-operatives operating in Australia was (and still is) the Hunter Valley Labour Co-operative in Newcastle which was established in 1986 by the Metalworkers Union to provide industry with a skilled and reliable short-term workforce. By 1995, the Co-operative had twenty full-time staff in four locations in Victoria and New South Wales. It employed more than 600 people at any one time and had a turnover of \$2 million per annum. All profits are ploughed back into the enterprise and training for workers seeking employment through the agency (O'Neill 1998).

THE SIGNIFICANCE OF COMMUNITY ENTERPRISE DEVELOPMENT IN SELECTED OECD COUNTRIES DURING THE 1980s

In 1990, the Economic and Employment Division of the City of Melbourne, undertook a

survey of six community businesses in the Melbourne area to identify and quantify the economic and social impact of these businesses in their local economies. The survey results indicated that the businesses had 'a considerable impact on local economic activity and welfare, maximised by their preference for local sourcing of materials, services and labour' (City of Melbourne 1990, p. i). Indeed, based on an extrapolation of the amount spent locally by the six community businesses under study, the researchers estimated that the 26 enterprises operating in the Melbourne area in 1990 would have spent 'around \$1.2 million in total in their local economies or approximately \$25,000 per enterprise' (City of Melbourne 1990, p. 20). The researchers concluded that based on their study:

[C]ommunity businesses provide an important avenue by which people with various forms of labour market disadvantage can enter the workforce in a supportive work environment, providing a launch pad into other forms of permanent employment (City of Melbourne 1990, p. i).

Notwithstanding the purported impact of community business in Victoria during the 1980s, in Australia more generally its development was fragmented. Therefore its significance has been hard to quantify. A more comprehensive picture emerges from the United Kingdom where the level of activity has been far greater, especially in Scotland where in the nine years to 1987 the number of trading companies escalated from three providing 20 jobs to 126 providing 3,680 jobs (Herrmann & Ward 1989, p. 159).

NAGLEI itself was especially impressed with one Glasgow-based initiative, Strathclyde Community Business (1984) Ltd (SCB), a partnership between the Regional Council, existing community entrepreneurs and the conventional business sector (NAGLEI 1986, p. 44). In the mid 1980s, SCB offered legal advice, business planning, start-up grants, loan funds and specialist management assistance to new community businesses in areas with very high unemployment:

Some 30 community businesses providing 1,000 jobs are now trading in the Strathclyde Region; the activities they span include printing, gardening and landscaping, contract cleaning, security, hairdressing, retailing, building and construction, handicraft production and furniture manufacture. The core activities of SCB itself are supported by the local authority, the Central Government Manpower Services Commission and EEC Social Fund (NAGLEI 1986, p. 44).

Since 1984, various studies have been concerned with the impact and significance of community business in Scotland during the 1980s. Moore and Skinner (cited in Willmott 1989, p. 106) suggested a number of criteria for assessment of these activities including:

- ➔ the personal development of participants;
- ➔ the community effect, material and psychological; and
- ➔ temporary and permanent jobs created.

Willmott concluded that:

The first two elements are difficult to measure ... If we focus on employment ... then

the effect is so far limited ... Community businesses have provided a number of temporary jobs and some more permanent self supporting employment (1989, p. 106).

He acknowledged that there had been some indirect social savings due to the reduction of crime, vandalism and ill-health and through the provision of services which previously did not exist. However these had not been measured.

In discussing another study undertaken in 1986 by McArthur, Willmott concludes:

at present, community business remains far removed from the ideals ... Some new economic activity has been stimulated in deprived areas and jobs and incomes have been provided for marginal workers in the labour market. But this constitutes only a small dent in the problem and most community businesses remain fragile concerns, dependent on outside support and subsidy (1989, p. 102).

Some years later, McArthur cited a study commissioned by the Scottish Office in 1986 to test the cost effectiveness of the 4.2 million pounds that Scotland had received over six years to support community business:

The study endorsed earlier findings that community business jobs were targeted towards disadvantaged workers in high unemployment communities but serious economic questions were raised. The cost per job created varied widely across community businesses. Furthermore, the issue of commercial viability was far from resolved. There were some hopeful signs, but most community businesses were still dependent on public sector subsidy in the form of grant aid. The sector as a whole was not demonstrating an ability to achieve economic self-sufficiency, and at the same time sustain the social and community benefits which had generated an interest in the community business idea in the first place (McArthur 1993, p. 229).

McArthur's concern appears to be well placed. Community business enthusiasts advocate that community business empowers disadvantaged communities by creating jobs for those who are unemployed. The evidence in the literature, however, does not provide unanimous agreement on this point. A particular question (although references to it are somewhat oblique) is whether the value of the employment generated exceeds the levels of subsidy received.

McArthur, for example, suggests that by 1990 about 4500 people were working or training in or in association with community businesses in Scotland:

However, at most, only around one-quarter of these were employees of the businesses themselves. A similar proportion were participating in adult or youth training schemes organised by the businesses or were engaged in seasonal or home production work. The remainder were employed by other businesses or community projects which rented industrial or commercial space from community businesses (McArthur 1993, p. 230).

Eisenschitz and Gough propose that a variety of government schemes and funding policies arising out of bi-partisan 'centre politics' and used by community business advocates

and others to seed enterprises of one kind or another for the unemployed 'have worsened the position of the most disadvantaged by consolidating the competitiveness of the better qualified' (1993, p. 244).

Looking at the problem from another point of view, the OECD (1984, p. 25) observed that governments are reluctant to take into account the 10 to 15 year subsidies that are likely to be required to properly support community business ventures intended to create meaningful jobs for the long term unemployed. One result is that some businesses (or schemes) become:

squeezed between the state and the private sector; this is reflected in the large subsidy to many community services making them vulnerable to cost cutting exercises. Yet a shift towards more market forms is opposed by private sector competitors [and] business interest has become sporadic and selective by area and populations; if its sponsorship is a guide, the majority of services will remain with the state (Eisenschitz & Gough 1993, p. 148).

Strathclyde Community Business Ltd is one project that has received a great deal of public funding — some 3.6 million pounds between 1982 and 1988. In 1988 Piedad, in association with Scotland's Training and Employment Unit, undertook a study of SCB for the Strathclyde Regional Council to test how it had performed over the first four years of its life. McArthur summarises the conclusions:

The ... study sharpened concerns about the ability of community businesses to achieve commercial viability and concluded that community business should still be seen as an experiment in economic development in disadvantaged communities. The researchers argued that local authority support for SCB should be continued for a further few years, but at a more cautious level than some advocates for community business are calling for (1993, p. 222).

McArthur does not detail the specific concerns and problems at SCB that moved the researchers to offer their caution. Reviewing a number of research projects and studies of community business, McArthur further proposes that:

Detailed investigation into the factors which determine success and failure is urgently required ... [M]uch of the literature has been produced by enthusiasts and is characterised by an absence of critical appraisal ... Indeed the stock of failed community businesses which can be found presents a mine of experience that researcher can exploit (1993, p. 222).

McArthur offers his own account of a community business failure by focussing on the events leading to the demise of Barrowfield Community Business (BCB) which was based in Glasgow's east end, one of the city's most deprived areas, on a housing estate 'notorious as one of the toughest' (McArthur 1993, p. 228). BCB comprised a housing estate mobile security patrol and a landscaping company set up to subcontract to a company funded by the Glasgow District Council to co-ordinate an environmental improvement scheme. Another commercial activity involved developing a managing

agency for a major employment training scheme. A final activity (never fully developed) involved converting a derelict block of former council houses into small business workshop spaces. It is beyond the scope of this report to detail Barrowfield's story; however McArthur's (1993, pp. 227-228) summary of factors leading to Barrowfield's collapse may usefully point to some potentially fatal pitfalls for similar endeavours. These include:

- disastrous management decisions over the first two years of the initiative's life;
- the ready availability of grants and contracts, without introducing other checks and supports geared towards the community business's organisational capacity;
- growing quickly into an organisation employing more than 300 regular and temporary workers with an ill-equipped and flawed management structure;
- no clear view by the Board of Directors, 'a handful of unemployed people at the helm of a growing and complex commercial organisation', about their role and management;
- no directors on the board who had business experience 'yet they presided over an increasingly complex business operation running several subsidiary enterprises'; and
- failure by Barrowfield's intermediary organisation, Strathclyde Community Business Ltd. to adequately support, develop, train, fund and monitor community businesses under its jurisdiction.

Taking a more general view, McArthur also suggests that while a community development approach by intermediary agencies has allowed many community businesses to start up in Scotland, community development processes have been:

less successful in instilling harder-edged commercial and business development skills. Strengthening community business in this respect is urgently required if the sector is to enjoy a secure future based upon a substantial number of viable enterprises (1993, p. 229).

Community business's lack of credibility and significance in the macro-economy is fuelled by at least three inter-related factors (OECD 1984, p. 44):

- community business's aim of collective management or at least shared responsibility;
- the sectors of activity in which community business operates; and
- the size of individual community businesses.

Management styles that are perceived as 'alternative' can affect suppliers and customers who may not wish to deal with, in this instance, collectively managed organisations and who may, along with other players in the economic system, put pressure on those organisations to abandon their more innovative processes and practices (OECD 1984, p. 44).

Community business ventures in the 1980s, in the main, occupied sectors 'which ordinary private firms are ignoring, and in spheres which have not yet demonstrated profitability by market standards, or for which there is as yet no consumer demand' (OECD 1984, pp. 44-45), leading to funding and capital investment problems (issues which are taken up in more detail later in this report). Furthermore community business is charged with not just creating additional jobs which, as noted, is difficult enough, they are also concerned with creating new kinds of jobs. Eisenschitz and Gough (1993) suggest that the innovation required to do this cannot be disassociated from the search for activities suited to these aims. Yet, if community businesses are to be truly significant then they cannot be satisfied with marginal or peripheral types of production linked to very narrow market gaps because this can leave the enterprise vulnerable to attack for creating 'bad jobs' that disregard working conditions and that are on the frontier between the official economy and the shadow economy.

As we have already seen, the whole mood surrounding community business in the United Kingdom and especially in Scotland has:

been optimistic and perhaps less critical than it could have been. Indeed this may have helped elevate community business to a level of importance that it does not currently justify. Certainly, there are impressive successes that one can point to. But sadly, these are few and far between. In areas with a longer history of community business activity, the field is littered with failed enterprises and a growing disillusion with the concept. For example, some 35 enterprises were recorded in central Scotland in 1982. Only 15 of these were still trading in 1990 (McArthur 1993, p. 222).

If bottom line quantitative measures of success are not complemented by other measures of social benefits for those employed and local communities, community business activity is likely to be subject to increasing scrutiny and critique, particularly in an economic environment which is increasingly calling for less government funding of welfare.

At the same time, whilst there has been a critique of community business in terms of economic viability, there has been little comparative analysis of community business success and failure *vis a vis* other private small business. Community businesses have been charged with demands and expectations which have not been made of other businesses. Nor have the successes and failures been compared according to the subsidies and social returns generated through private sector activities in similar locations.

THE IMPACT OF CO-OPERATIVES IN THE 1980s

Co-operatives are involved in most aspects of society, in most parts of the world. They are voluntary associations of people, whose members do not have a personal claim on the co-operative's assets nor its surplus earnings (Quarter 1992, p. 16). While it is beyond the scope of this review to summarise the history of a movement, a few general observations are useful in understanding the very limited role that worker co-operatives have had in the macro-economy in Anglo-Celtic countries such as Australia, England and Canada.

The co-operative movement was founded largely as a reaction to the domination of capital during the industrial revolution. Even today, the movement is considered by many to be the only alternative to the 'crude duopoly of capitalist or state-sponsored enterprise' (New Statesman and Society Supplement 1994, p. iv). By the first half of the 20th century, co-operatives played a substantial role in the macro economies of the United Kingdom and Australia through various friendly and building societies, wholesale manufacturers, retail shops and other service sectors. In essence, this network of co-operatives demonstrated 'the durability of consumer-controlled distribution of goods and services' (New Statesman and Society Supplement 1994, p. iii) which is evident to this day. For instance, the enormous financial contribution of marketing and user co-operatives on the Victorian and Australian economy has already been noted.

However, the co-operative movement was not as successful in 'build[ing] a similar bridgehead in the field of worker-owned production and in housing' (New Statesman and Society Supplement 1994, p. iii). Interestingly, in the first decades of this century left-oriented factions within Labour parties in various countries, notably the United Kingdom, supported 'common ownership of the means of production, distribution and exchange' (New Statesman and Society Supplement 1994, p. iv), however when Labour Governments came to power for the first time they:

ignored [their] own inheritance and instead instituted state capitalism ... run by boards of appointees with no degree of local control or workers' control for one basic industry or service after another (New Statesman and Society Supplement 1994, p. iv).

Therefore, until the 1970s, worker co-operatives and the worker ownership movement in the United Kingdom experienced a long period of inactivity that was sown at the turn of the century when two Fabian theoreticians, Beatrice Potter (Webb) and her husband Sydney Webb used their influence in the Labour Party to turn socialists against worker co-operatives (New Statesman and Society Supplement 1994, p. v). Their argument, outlined briefly below, was persuasive in turning both the British co-operative movement and the International Co-operative Alliance away from worker co-operatives to a structure based on consumers or users of a service. The Webbs were critical of many aspects of the worker co-operative movement but it was their concerns about the impact of inadequate funding that 'slowly squeezed the demand for workers' control of production out of the co-operative movement' (New Statesman and Society Supplement 1994, p. v). As Quarter writes:

Beatrice Potter observed that worker co-operatives took hold in market sectors with low capital needs, but even so, the workers lacked the resources to recapitalise the business properly. To overcome this problem, workers turned to outside investors, with the consequence that they had to pay high rates of interest, thereby reducing the amount the members could pay themselves for their labour. In some cases they had to give outside investors voting rights, which sometimes resulted in loss of control. One consequence of the financial problems described by Potter is that members of the co-operative came to exploit hired labour in an effort to keep the business afloat (1992, p. 29).

Eighty years later, a substantial worker co-operative movement had at last been established in Britain as part of the third sector. Eisenschitz and Gough observed that while the third sector was more stable than conventional small business and compared favourably with other forms of job creation, it tended to be:

confined to labour intensive, low innovation and over crowded sectors, due to undercapitalisation and lack of technical and managerial expertise. The pressures of self exploitation are therefore intense. Moreover, their ownership form leads to inflexibility: they cannot be taken over or take over, they cannot easily diversify by setting up new plants, nor can they relocate outside the travel-to-work area of the participants. In these respects they are constrained compared with both the private sector and publicly owned enterprises. These rigidities are experienced most sharply by the more commercially successful co-operatives and often result in their conversion into conventional businesses (1993, p. 97).

Just as at the turn of the century, these problems made it difficult for influential groups like the union movement to embrace the worker co-operative philosophy because of instances where worker co-operatives had undercut commercial ventures causing employees to lose jobs (Pixley 1993, p. 179).

In Australia, the worker co-operative movement never got off the ground (an overview of what happened in the 1970s and 1980s is given later in this section). One can safely say that there is really no Australian tradition of worker co-operatives. There were several mining co-operatives in the 1860s and a few groups of printers and bootmakers formed short-lived co-operatives in Victoria during the 1890s recession. '[T]he last desperate efforts to set up co-operatives occurred during the 1930s' (Pixley 1993, p. 168).

Criticism by the Webbs aside, another reason why producer, marketing and user co-operatives have predominated in Anglo-Celtic countries may lie in the amount of time and energy required to keep worker co-operatives afloat. Producer and marketing co-operative members are not likely to be involved in the day-to-day management of their co-operative and beyond voting at the annual general meeting are unlikely to be required to contribute time and energy that would conflict with their principal work or social commitments. Furthermore, people working in these co-operatives are employees of the co-operative rather than a distinct member group (Quarter 1992, p. 31). Worker co-operatives, on the other hand, require a large time commitment to decision making and a substantial financial investment from members.

By way of contrast, the development of all forms of co-operatives, including worker co-operatives, fared remarkably better in Southern European countries especially after World War II. NAGLEI (1986 p. 41) suggests that in Italy, by the mid 1980s, there were about 17,000 worker co-operatives in the industrial, service and primary sectors. Total employment in the sector was 'almost certainly in excess of 400,000' with average employment in industrial worker co-operatives at approximately 200 per enterprise. NAGLEI proposed that four factors that characterised the Italian experience were broadly significant to the ability and potential of worker co-operatives to be credible generators of local employment creation:

1. Growth had been underpinned by the growing sophistication of worker co-operative associations to provide individual co-operatives with a variety of services including: technical assistance, marketing services and export promotion as well as financial servicing.
2. In areas such as Emilia Romagna where a critical mass had been reached (in terms of employment numbers, though this is implied, rather than specifically spelled out), the co-operative sector had been able to make a major contribution to the economic well-being of the area. In Emilia Romagna, for example, over 90,000 people were now employed in worker co-operatives in a wide variety of industrial, manufacturing and service industries. This diversity, combined with a high degree of local ownership and control over enterprises that fused economic and employment objectives, had enabled the region to rise from being eleventh to fourth most prosperous in Italy between the mid-1970s and the mid-1980s. These factors had also enabled a massive restructuring to take place without significant unemployment occurring.
3. A high degree of inter co-operative trade, whereby one venture is consistently providing input into another's production, is important to the sector's overall stability.
4. There is agreement across that sector that co-operatives should be profitable concerns, able to compete with public and private firms. Therefore the sector is not dominated by the least profitable and most intensive labour industries and neither are co-operatives treated as a welfare service for job creation. Co-operatives have demonstrated that they can achieve objectives beyond those of conventional firms and still be profitable. When restructuring has been necessary, or when closures have occurred among them, redundancies have been avoided; retraining programs have been carried out within the co-operatives and production has been diversified or else workers have been redeployed to other co-operatives.

Further insight into the last factor is provided in a report to the City of Melbourne's Economic and Employment Division by Bruce Wilson about his study of regional economic development in North East Italy in 1990. He observed that Emilia Romagna's co-operative sector was facing a significant challenge:

[A] recent round of bargaining with trade unions has resulted in an agreement that wages will be linked to the economic performance of the co-operative. The resulting flexibility in wage rates, including the possibility that they may be reduced, has crucial consequences and cannot work if the co-operative does not have good democratic practices. This seems to apply particularly to the phases of budget planning, as they are the key moments for all members of the co-operative to know how its commercial operation is going. It is thought that some co-operatives do not have any thorough budget planning process and this may ultimately cost them dearly (Wilson 1990, p. 12).

NAGLEI also cited Mondragon in the Basque region of Spain as an exemplary example of local enterprise development through the successful establishment of worker co-operatives. Ulgor, founded as a single co-operative in 1956 by 'five leaders and 16 co-workers' (Greenwood & Gonzales Santos 1992, p. 16), was in 1992 a complex of co-operatives employing over 19,000 worker owners in a total of 173 worker co-operatives. Ninety-four were industrial, 17 were construction, nine were agricultural food supply, six were service groups, 45 were education-focused, one was a bank and one was a consumer co-operative. These co-operatives have over 193 different product lines and therefore thousands of different products. They export about 30 per cent of their production. During the worldwide recession in the 1980s, Mondragon remained solvent without laying off significant numbers of members (Greenwood & Gonzales Santos 1992, p. 16).

In its report, NAGLEI (1986) attributed much of Mondragon's success to the role of its financial arm, the Caja Laboral Popular (CLP) which was set up in 1959 to tackle the problem of raising finance for Mondragon's initial enterprises. By the mid 1980s, the CLP acted not only as a financial coordinator in its role as a credit co-operative and local savings bank, it had also established a Management Services Division to provide strategic planning and other consultancy work to the co-operatives. The Division is organised around three main areas:

- ➔ promotion — product, market, product data bank, assistance to new launches;
- ➔ assistance — export, administration, accountancy, staffing and other commercial services; and
- ➔ engineering — town and country planning and the production and design of industrial buildings (NAGLEI 1986, p. 42).

The CLP also operates more than 140 branches employing 12,000 workers. It is one of Spain's largest banks and has accumulated so many financial assets that the capital requirements of the co-operatives now employ less than 30 per cent of its resources (Greenwood & Gonzales Santos 1992, p. 18).

A structure like the CLP does rely on the willingness of the work force to continually reinvest rather than distribute its surplus. Critics have argued that this involves workers accepting low financial returns, which is another form of self exploitation. Whilst interest yields are often below commercial alternatives, it should be recognised that this has been a deliberate and agreed policy based on the principle that long-term wider socio-economic gains, including local economic growth, job security and job creation are more important than short-term maximisation of returns (NAGLEI 1986, p. 42).

Mondragon's success cannot be explained by its financial systems alone however. In their longitudinal study of Mondragon, Whyte & Whyte (1991) considered one of Mondragon's strengths to be the development of an organisational culture that enabled leaders and rank and file members to resolve conflicts within a 'cognitive framework'

operatives have numerous benefits including job creation, ability to explore human relationships ... alternatives to worker alienation and so on. On the other hand, it is during times of economic stringency, high unemployment and technological change, the co-operatives become appealing to capitalists and governments as labour intensive 'sweated trades' to fill essential gaps at the bottom end of the economy. Much of the current interest in co-operatives in Australia derives from this motivation (The Co-operative Times as quoted in Pixley 1993, p. 174).

In the United Kingdom, the number of worker co-operatives grew from about 40 in 1968 to approximately 1200 employing some 8500 people in 1987. By 1992 - 93, the sector had grown to 1150 co-operatives providing some 10,782 jobs of which about one-quarter were estimated to be part-time (Cornforth & Thomas 1994, p. 4).

Related research analysed by Thomas suggested an average annual failure rate of up to 16 per cent. This is at the high end of the rates calculated for 1982 - 86 of between 10 and 16 percent but it occurred during a long period of recession where small businesses were also failing at a much higher rate than previously (Thomas 1993, p. 562).

Cornforth and Thomas (1994) suggested that the growth rate appeared to be slowing down and that the number of new co-operatives being formed had remained steady at about 300 new co-operatives a year since 1982.

There are a number of factors which can account for this drop in formation rate. Firstly, there has been a decline in the alternative movement and a corresponding decline in co-operatives being formed from this source. Secondly, there is some evidence that co-operatives have faced increased competition and that some have been squeezed out of the market. Co-operatives helped pioneer the market for wholefoods and radical books. However, both markets have been entered by large capitalist firms (Cornforth & Thomas 1994).

Another factor in the decline may be the demise of local authority supported Co-operative Support Organisations (CSO) in some areas due to a tightening of government funding for local authorities and a switch in priorities away from job creation. Cornforth and Thomas report on a survey of CSOs in 1991 that:

revealed many CSOs had diversified and were supporting other forms of co-operative and community business. The percentage of time supporting worker co-operatives had fallen. There was a greater emphasis on providing training, which probably resulted from the availability of money from the European Social Fund. In addition, some of the larger CSOs, in particular the Scottish Co-operative Development Committee began to put greater emphasis on promoting co-operatives as a way of rescuing ailing firms, a strategy that had been used successfully in Italy to create larger co-operatives (Cornforth & Thomas 1994, p. 4).

In 1992 the Industrial Common Ownership Movement (ICOM), the worker co-operative movement's peak body in the United Kingdom, agreed that full ICOM membership should

be open to all democratic worker-owned firms, thereby no longer giving priority to common ownership co-operatives. This enabled a growing number of other structures including Employee Share Ownership Plans (ESOPs) to join. These are businesses or public services (such as bus companies) that have converted to worker ownership since the late 1980s:

A recent estimate puts the number of ESOPs at over 100 of which perhaps only ten or so might be termed democratic ESOPs. ICOM's shift is in recognition of the importance of this movement and of their wish to maximise the number of worker takeovers or ESOPs that are set up with democratic worker control (Thomas 1993, p. 559).

THREE KEY ISSUES DRAWN FROM COMMUNITY BASED ENTERPRISE DEVELOPMENT IN THE 1980s

Three issues relating to the ability of community enterprises to create jobs are outlined below. These should be read alongside the key issues identified in Chapter Four of this report as there is often a symbiotic relationship between community enterprises and their support agencies. Issues relevant to one often impact critically on the other.

Issue one: The need to create mutually supportive enterprise networks

The literature relating to community enterprise development illustrates that most enterprises set up to combat locally based unemployment are small and likely to remain so. In most instances they play a valuable role in the local economy; however, they are essentially dependent on events occurring in the macro-economic arena. A key lesson arising from the Mondragon model that has application in the wider context of community enterprise, is the way in which visibility, credibility and economies of scale can be achieved through:

the grouping of co-operatives in the same local area under a general management and ... collaborative efforts in marketing and other services by co-operatives in the same industrial sector but different geographical areas (Whyte & Whyte 1991, p. 277).

Whyte and Whyte note that:

The leaders of Mondragon have been highly successful in building an integrated mini-economy. They have built strong base organisations and strong support organisations that link all the units so that each depends on some of the others and each contributes to the total complex.

Joint management makes it possible to centralise and build the capacity for strategic planning that enables member firms to be expanded and contracted and for new firms to be created within the same group. By itself, a co-operative lacks the staff to engage in such planning. (It is desirable for each co-operative to develop some capacity for strategic planning, and there is always the danger of allowing the group management to play too dominant a role in shaping the development of individual co-operatives. Nonetheless, the problems of how to balance the capacities of individual

co-operatives with the capacity for the management of the group should not obscure the advantage of group management (1991, pp. 235-236).

The benefits and problems associated with networking and to some extent 'thinking bigger' within the community economic development sector have received some consideration in the United Kingdom:

Where two or more co-operatives or community enterprises join together, some power and authority has to be carefully worked out which will retain a local democratic control but not deny the benefits of economy of scale. Thinking bigger has always put strains on democratic processes but that must be a challenge that is taken up rather than ducked. Otherwise small enterprises will be able to do no more than tinker in the margins.

Thinking bigger also means taking a new look at what can be done by structures and organisations controlled by local people. Too often local control and local development is assumed to be inevitably small-scale. A few small sub-contracts are put in the direction of Community Business or the workers co-operative, but never the main contract. Why not? To overcome that 'why not' means a strenuous campaign to convince local politicians and bureaucrats that it not only can be possible, — but should be — and is — possible. It also means concentrating on demonstrating that the quality of enterprises which already exist are worth building on (McEnery 1989, p. 12).

Issue two: Remaining connected to community interests

A critical success factor in the establishment of individual community enterprises and/or worker co-operatives revolves around issues of local or community based leadership and control in the start-up phase. It has already been noted, for example, that efforts by politicians and bureaucrats in Australia to establish worker co-operatives as a palliative to unemployment in the 1980s failed in part because they were 'top down' solutions. Currie has described what happened in Scotland when professional staff developed community business proposals, sometimes through to successful trading, without attempting to build up a substantial membership in the community or to establish a committee containing a significant number of legitimately representative members:

Experience shows that such community businesses often have almost insuperable problems in attempting to achieve any significant degree of community involvement or control at a later stage (Currie n.d., CB News Issue 41, p. 13).

In the United States, the Centre for Community Change, an intermediary organisation that has assisted thousands of community organisations to develop enterprises in the third sector, has said, reflecting on 25 years of this work:

So often, after an organisation has established its leadership and hired a staff, its projects or campaigns become its only focus. It realises the folly of this evolution only when it tries to do something such as push a bank to provide a loan but can get only a handful of people to show up at the community meeting with the bank. We have

learned that organisations must push themselves constantly to organise and involve their members (Centre for Community Change 1992, p. 66).

This focus on members, extended to include worker/owners and disadvantaged people who are recipients of various job creation schemes, is at the heart of successful community business start-ups and enduring enterprise development in the social economy.

Issue three: Understanding and using 'business'

It has been outside the scope of this literature review to report on the experience of Mondragon in anything but the most superficial terms. However, the review has illuminated a key issue that is critical to the success of enterprises seeking to generate social benefit and monetary profit. Mondragon's leaders:

have not looked on making profits as the fundamental purpose of their organisation, but they have, by necessity, recognised the need to generate profits or surplus as a limiting condition. Without the strength that comes from financial success, they cannot expect to attain the other objectives (Whyte & Whyte 1991, p. 275).

The inference is that community businesses must understand the process of business within a capitalist framework and be able to use it (albeit creatively) to achieve social benefits. As Mondragon's founder, Don Jose Maria Arizmendiarieta has said:

To build co-operativism is not to do the opposite of capitalism, as if this system did not have any useful features, when in reality it has been a very interesting experience in organisation and economic activity, and its efficiency cannot be doubted. Co-operativism must surpass it, and for this purpose must assimilate its methods and dynamism within the limitations and with the improvements necessary to support supreme human and personal values (quoted in Whyte & Whyte 1991, p. 254).

Currie offers one example at a very practical level of the difficulties that can occur when government subsidy protects a so-called enterprise from business reality. He suggests that some organisations have been in operation for three or four years, with the help of government assistance, and are unable to find a feasible business opportunity.

Has anyone heard of a private enterprise company set up to decide what business it might trade in?... The evidence suggests that a group of active people in a community with a bright idea — no matter how impractical the original idea may turn out to be — and help when requested from competent advisers are more likely to establish a successful community controlled trading organisation than a steering organisation without any initial awareness of business opportunities (Currie n.d., CB News Issue 41, p. 13).

Thomas describes a related problem for the community business sector — the weakness of its business ideas:

(T)hey have tended to lack innovation, imagination and in many cases inadequate market research. Indeed this weakness, has contributed to many community initiatives

being concentrated in marginal sectors of the economy with little prospects for future growth (1993, p. 16).

The issue, then, is for community businesses to meld the best processes that mainstream business has to offer with democratic management and production processes in order to build strong and more effective economic foundations that can generate viable businesses and secure long term social benefits just as Mondragon has done.

4

INTERMEDIARY ORGANISATIONS



co-operative development had been strongest where [support] agencies had taken a proactive approach, trying to stimulate and help communities to create new enterprises rather than a reactive approach of waiting for someone to seek advice.
Commission of the European Communities 1992, p. 137

THE ROLE OF INTERMEDIARY ORGANISATIONS IN THE 1980s

The Esperance Local Enterprise Initiative Committee (ELEIC) is an incorporated community organisation run by a management committee composed of local business people, officers of major public sector organisations (based both in Perth and Esperance), local government representatives and other motivated Esperance citizens. The committee supports facilitators who are employed to:

act as brokers between their grass-roots clients and the mainstream support providers, often translating information from the latter into a form amenable to the former ... They act to win what resources they are able, they do not attend overly to bureaucratic lines of responsibility and hierarchy or to organisational boundaries. Facilitators act to provide legitimacy and respectability for their clients in dealings with financial institutions; they assist with financial planning, marketing, feasibility studies and help build coalitions and partnerships among complementary enterprises. Assistance is often given on a bit-by-bit basis, thus obliging clients to work some things out for themselves and also to avoid wasting resources on people who are not really committed. Equally the facilitators can fulfil an important psychological function in building the confidence of clients with ideas but little belief in themselves (Moon & Willoughby 1990, p. 28).

The management committee's role is to:

avoid being a clumsy administrative encumbrance or irrelevant mechanism imposed on the facilitators. Rather it provides a range of useful supports and services for the facilitators. It plays a dual role of locating and legitimising the facilitators and their clients for the formal metropolitan-based institutions, while opening up and humanising the bureaucracies and formal bodies for the people of Esperance (Moon & Willoughby 1990, p. 28).

When ELEIC was established the development of regional policy was the responsibility of state governments. According to NAGLEI, policies and strategies to promote decentralisation away from the major cities was the predominant state government policy framework in place throughout Australia from the late 1960s to the early 1980s. The Commonwealth promoted the establishment of regional growth centres in the mid-1970s, but overall lacked a coherent regional policy.

In 1985, the Bureau of Industry Economics (BIE) published a thorough assessment of regional policies and the regional impact of structural change and concluded (in part):

that although regional disparities in Australia were not as marked as in many other developed countries, certain regions had been severely affected by structural change over the decade (to 1985) and had revealed only a limited capacity to adjust to these changes (NAGLEI 1986, p. 50).

At the time of the BIE survey only New South Wales had policies in place which addressed the ways regions were experiencing macro-economic change and even in New South Wales 'such policies account for only a small proportion of the total assistance required' (NAGLEI 1986, p. 51). By 1986 however, NAGLEI observed that:

reassessment of blanket regional policies, a degree of program reorientation, a greater emphasis on the need for local participation, and a more explicit concentration on indigenous development possibilities (were) evident in other States (1986, p. 52).

Federally, these developments were supported by a new range of labour market programs including the Community Employment Program (CEP), Mobility Assistance and Labour Adjustment and Training Arrangements (LATA) and the New Enterprise Incentive Scheme (NEIS).

From the beginning, ELEIC was entirely dependent on public funds which it used to pay for facilitator wages and administration expenses. Money from the Western Australian Government via the New Enterprise Incentive Scheme was used to provide start-up funds in the form of guarantees and loans to a small number of entrepreneurs who required them (Moon & Willoughby 1990, pp. 25 & 28).

According to NAGLEI, at the time the ELEIC was being established there were already a considerable number of local groups and organisations throughout Australia using labour market programs to support their work as local economic development intermediary agencies. In a survey completed in 1986, NAGLEI identified over sixty bodies including:

- regional agencies and development committees, mainly owing their origins to state based industry development programs;
- associations and non-profit-distributing guarantee companies formed for local implementation of labour market programs;
- regional organisations of councils engaged in developing strategies for diversification or sustainable growth in their areas;
- community based service organisations mainly engaged in job creation activities but also aiming to create enterprises employing particular client groups;
- educational institutions offering services and undertaking initiatives in support of local economic development and enterprise generation; and
- broadly based coalitions formed in reaction to persistent problems or the impact of structural changes in the local economy and frequently taking the form of guarantee companies (NAGLEI, 1986 pp. 52-53; Windschuttle & Burford 1987).

This mirrored developments in other OECD countries which created some of the infrastructure required to support the establishment of local employment initiatives. Intermediary organisations in the United Kingdom and the United States were principally:

- acting as promoters of innovative approaches to economic development and viable employment generation at the local level;
- acting as catalysts in the general process of enterprise formation and revitalisation by providing a range of interlinked services including research and advice, business planning and financial appraisal, technology support, marketing and training;
- acting as brokers accessing additional services and resources from a wide range of public sector agencies and from the private sector in the form of finance;
- on the cutting edge in the implementation of local strategies designed to offset the negative impacts of structural adjustments;
- playing a crucial role in kick-starting development and additional employment generation in depressed communities; and
- providing specialist assistance to the formation of particular types of employment generating enterprise, such as co-operatives and community businesses that matched local equity and control with viable employment generation (NAGLEI 1986).

In the United Kingdom, local enterprise agencies were being established in virtually all areas of the country, many under the auspice of Business in the Community. By late 1988, there were 41 trusts in Scotland and over 300 agencies in England and Wales (McEnergy 1989, p. 8). Organised as a partnership between industry and local government, they were essentially an advisory service to provide information, counselling and training to potential and existing entrepreneurs. 'In essence, they are the mechanism whereby big business helps the 'small person' and contributes to the development of the local

economy' (McEnery 1989, p. 8).

The worker co-operative equivalent of local enterprise agencies were local Co-operative Development Agencies often supported by Labour-controlled authorities as an important part of their local economic and job creation strategies (McEnery 1989). Strathclyde Community Business, a support agency for community co-operatives and similar local enterprise initiatives in the Strathclyde region of Scotland was (and still is) regarded as a model of good practice in the United Kingdom (Commission of European Communities 1992). Set up in 1984, their work shares some similarities with the Esperance model of using facilitators to assist people to turn their own good ideas into viable businesses.

However, their work is primarily focused on communities, not individuals and is considerably more pro-active. For instance, development workers (as their facilitators are called), contact community organisations in deprived areas, actively seeking new projects. 'Dynamisation' meetings are called and pilot groups of residents are formed. A study of the needs and opportunities in the local economy leads to a feasibility study conducted by the group with the assistance of the development worker. Eventually, a new enterprise is formed and begins trading supported by the development worker over the first two or three years (Commission of European Communities 1992).

Another interesting model during this period was the Association of Community Enterprises in the Highlands and Islands (ACE-HI), one of the first intermediary organisations generating local enterprise initiatives in Scotland. ACE-HI used co-operative companies to establish a network of 24 community businesses over ten years. ACE-HI is a particularly unique intermediary organisation in the United Kingdom because by 1987, it had effectively developed a second tier co-operative 'where advisory, training and support services are provided by a body owned, controlled and ultimately founded by the original community businesses themselves' (ACE-HI 1987, p. 14).

Community Development Corporations (CDCs) were the key intermediary agencies supporting local enterprise initiatives in the United States. During the 1980s more than 1000 CDCs were established, roughly doubling the total number of these groups (Centre for Community Change 1992, p. 65). CDCs are grounded in their communities and the formation of virtually all:

was sparked by one individual or a small group of people from the communities the CDC now serves. In a majority of cases, CDCs grew out of other ongoing community-based activities such as tenant organising or Community Reinvestment Act challenges. In most instances, one additional factor was also important, typically the availability of public or private funding (Vidal 1992, p. 2).

CDCs are local, private, non-profit agencies governed by boards of directors comprised of area residents, community and business leaders. The single most influential group is the staff who tend to share the role of agenda setting with the Board (Vidal 1992). Typically, CDCs engage in numerous activities, the mix of which shifts as circumstances change. Burger and Steinbach (1992) identified the most popular activities of CDCs below:

- *Enterprise development funds:* About 25 per cent of CDCs studied provided equity capital and/or loans to business enterprises. About 75 per cent were for amounts less than \$25,000 with half below \$10,000.
- *Self employment:* Some CDCs promote economic development through programs to stimulate entrepreneurship either as their primary activity or as part of a larger menu of business development initiatives. Typically, CDCs supply a combination of venture capital and loans as well as technical assistance to entrepreneurs. Some CDCs concentrate on supporting low-income women and other minority entrepreneurs.
- *Commercial industrial development:* Commercial real estate development is a major economic development target for a growing number of CDCs ranging from facade improvement along commercial strips to developing a shopping centre or industrial park. Major developments typically create hundreds of jobs.
- *Business incubators:* The idea is to offer common business services, technical training and in some cases, financial assistance to a number of small firms all under one roof.
- *Job training and placement:* Some CDCs were heavily involved in this during the 1960s and 1970s. It now remains a primary focus for a few. For instance, the Centre for Employment Training in San Jose, California has provided job skills training for more than 50,000 people in 25 communities throughout California, Idaho, Arizona and Nevada. The job training is short term and includes vocational counselling and job placement assistance.

THE IMPACT OF INTERMEDIARY ORGANISATIONS IN THE 1980s

In 1988, a comprehensive analysis of the Esperance Local Enterprise Initiatives Committee was commissioned by the Commonwealth Office of Local Government and the Western Australian Department of Regional Development and the North West to offer lessons to policy makers and others interested in emulating ELEIC's success:

Esperance [had] achieved something of a reputation for its fresh approach to local enterprise generation [in Australia] and for claims of creating a large number of new businesses and jobs at relatively low cost contributing additional cash to the Esperance economy with considerable saving in unemployment benefits.

The success was attributed to a philosophy which gives opportunity and responsibility to interested individuals to initiate and pursue their own ideas for enterprise. Economic and organisational formulas [were] disdained, with an emphasis instead being placed on individuals realising their own business visions with assistance from facilitators who are not pro-active but responsive.

Thus the role of the facilitators is to listen to the ideas of the would-be entrepreneurs and respond primarily in the provision of relevant technical, legal or commercial information. They are not expected to motivate the would-be entrepreneur but simply to act in parallel with the motivation and enthusiasm of their clients .

The Esperance philosophy was considered distinctive because it presented a model that had been espoused by the non-collectivist left of politics as well as the neo-liberal right in Australia (Moon & Willoughby 1990, p. 24)

This phenomenon of political consensus on the issue of local economic policy was also evident in the United Kingdom. Many people think that current local economic policy in Britain must be of the right, both because of the domination of national over local government and because being pro-business is now commonly thought of as being right. However the mainstream of local economic initiatives is pursuing a pro-business policy through a strategy which is not neo-liberal, involving a considerable degree of support and even direction by the state and other agencies (Eisenschitz & Gough 1993).

The Esperance model challenged the conventional protocols of the state because the project was considered:

antithetical to familiar notions of state action which would be characterised by equality of provision, strategy, subsidy, hierarchy and accountability, social and economic targeting, rules and procedures (Moon & Willoughby 1990, p. 24).

Nevertheless, this did not prevent ELEIC from obtaining significant state funding for its own activities and for the enterprises it supported. A crucial factor to ELEIC's success was the 'informed, imaginative and even entrepreneurial ability' of the facilitators to access and exploit a variety of State and Federal funding sources and programs to 'construct imaginative (enterprise focused) funding packages' (Moon & Willoughby 1990, p. 28).

From mid 1985 to mid 1988, ELEIC was associated with 54 business projects of which 45 were operating enterprises at the end of that period. Of this total, 29 were new businesses, 12 were existing businesses with new owners and four were diversifications of existing businesses. They had a combined annual turnover of \$7 million of which \$4 million was accounted for by two flagship enterprises both based in the fishing industry (Moon & Willoughby 1990, p. 25). A more recent summary obtained from ELEIC during the course of this study indicates that the organisation has been responsible (over eight years) for 280 businesses creating approximately 530 jobs with four businesses failing and 28 ceasing operations for various reasons (ELEIC 1994, pers. comm. December).

At the time of ELEIC's initial successes, Windshuttle and Burford noted that:

only a minority of organisations (in NAGLEI's national stocktake) had reached the stage where they could talk about the number of enterprises they had supported and the number of jobs they had either helped to create or helped to preserve (Windshuttle & Burford 1987, p. 40).

In 1988, Moon and Willoughby estimated the cost per enterprise created by the ELEIC over three years to April 30 1988 was \$9,696; the equivalent cost per net additional job is \$5,666. If only the costs of the core activities of ELEIC are included (excluding the

costs of the networks), the costs are \$6,481 and \$3,788. It is difficult to analyse these figures against the cost of job creation in other parts of Australia and equivalent OECD countries. First, the information on which to base comparisons is hard to obtain. Second, a variety of qualitative issues such as who gets what jobs, wages offered, general conditions of work, skills levels and the degree of part-time or casual employment would also need to be factored in. In the Moon and Willoughby study this information, critical to analysing the short-term and long-term social benefits of ELEIC, was not considered.

As we have seen, the ELEIC project is essentially a market-driven one revolving around the aspirations of individual would-be or already active entrepreneurs who through involvement with the project are freed from the administrative rationality and requirements of state bureaucracy. Bearing in mind that the project was established with the assistance of, and thereafter supported by, a Labor Government in Western Australia, Moon and Willoughby suggest:

(I)t could be characterised as something more than an economic market model as it emphatically links profit with notions of personal fulfilment ... (a) philosophy (that) runs clearly against the drift of the notion of the state being an economic and social manager and provider ... (However) that philosophy has only been partly realised: in practice the model has had a significant state input ... (B)y virtue of its redistributive capacity, the state has been able to provide the vital financial underpinning for almost every aspect of ELEIC's work without ELEIC being required to attend to Labor Government notions of distributive justice, equality of provision and uniformity of service (1990, pp. 32-33).

The role of local enterprise development intermediary agencies in the development of social co-operation and enterprise creation was researched as part of the ERGO programme, an extensive study by the Commission of the European Communities begun in 1988. The first phase of the programme ran for three years and was completed in 1991. It included:

- a literature review on labour markets and unemployment;
- a review of national policies for special measures to assist the unemployed; and
- a study on the levels, changes and distribution of unemployment in the Commission's member states and the European community as a whole (Commission of the European Communities 1992, p. 3).

One hundred and sixteen case studies were also undertaken covering every member state. The case studies evaluated the main types of local action, including the delivery of national programmes. Part of the ERGO programme evaluated strategies to promote co-operatives including the role of development agencies in this process. While these agencies are not specifically defined in the report, part of their role is to 'help communities to create new enterprises' (Commission of the European Communities 1992, p. 137), a role not dissimilar to many intermediary agencies throughout the OECD. In a detailed study of eleven co-operatives, ERGO concluded that:

co-operative development had been strongest where [support] agencies had taken a proactive approach, trying to stimulate and help communities to create new enterprises rather than a reactive approach of waiting for someone to seek advice (Commission of the European Communities 1992, p. 137).

This conclusion emerges from international comparisons of the scale of co-operative employment though no further details are given. A preferred process of enterprise promotion by development agencies is outlined, however. It begins with 'stimulating the community' (Commission of the European Communities 1992, p. 141) to create a local economic development plan and/or to identify 'general market entrepreneurs' (Commission of the European Communities 1992, p. 141) who are either groups or individuals. The process concludes with guidance and technical assistance during the early years of the enterprise to help it survive and grow. Interestingly, ERGO reports that Belgium and Portugal are the only known countries in the European community that provide special wage subsidies to assist the creation of co-operative development agencies:

Elsewhere co-operative promotion relies heavily on the institutions of the co-operative movement itself although co-operative development agencies have often been set up by local authorities in the United Kingdom (Commission of the European Communities 1992, p. 142).

It was noted earlier that in Western Australia the ELEIC had generated enormous support across the political spectrum. Indeed, interest in this approach had led to versions of the model being established in most of Australia's other states and New Zealand in the late 1980s. In the United Kingdom, during the 1970s and 1980s local enterprise agencies (LEAs) enjoyed similar political support:

They are now to be found virtually everywhere in the UK and appear to be subject to little criticism. Like motherhood and apple pie, they are almost universally regarded as a 'good thing' and represent a classic example of a 'policy fashion' at work. We have seen a seemingly inexorable increase in the number of LEAs in the past few years from an estimated 23 to over 250 in 1988. With royal patronage — in the shape of the active support of Prince Charles — it might be argued that LEAs are close to becoming a permanent feature of the policy landscape in the field of anti-unemployment and economic development policies (Moore & Richardson 1989, p. 112).

However, it is important to place the rapid growth of local enterprise agencies within the context of the phenomenon of small business growth during this period. Entrepreneurialism, small business start-ups and self employment were viewed as the way to economic self-sufficiency, especially in the United Kingdom.

But what of their tangible successes? In one survey commissioned by Business in the Community (BIC) in 1986, 47 per cent of local enterprise agencies reported no change in unemployment in their areas since 1983; 30 percent reported increases; and only 10 percent reported a decrease (a further 13 percent reported 'a change' but not the direction of the change). On average, local enterprise agencies had a full-time staff of 3.2 with each agency assisting an average 63 firms in 1981 and 315 firms in 1985. The majority

of funding to local enterprise agencies came from the public purse with the private sector providing only 27 per cent of cash resources (Moore & Richardson 1989, p. 113). In Esperance, the participation of the business sector was described as the 'missing factor' (Moon & Willoughby 1990, p. 34).

While it is difficult to produce 'robust data on the survival rate of firms assisted by LEAs' (Moore & Richardson 1989, p. 114), the BIC survey concludes that the failure rate in the first three years of operation is about one in six. This, the report argues, suggests that 'small firms assisted by enterprise agencies have a significantly better survival rate than the national average' (Moore & Richardson 1989, p. 114). A very rough estimate of the jobs created in any one year is 78,750. However this was considered nowhere near enough to replace original job losses in major industries such as mining and the steelworks. Furthermore, many of the jobs created were low-paid or part-time.

A further issue is that of displacement, that is the impact on existing firms of new businesses:

A new enterprise may take sales and business away from established firms in a locality; and thus, while jobs may be being created in one enterprise, the net impact may not be that significant.

For many enterprise trusts, the main client is the new small firm, often in the service sector, catering for a local market. This could well mean a significant displacement impact. Where firms are 'exporting' goods and services or offering new goods and services in the local economy, the displacement will be less (Moore & Richardson 1989, p. 120).

In general, during the 1980s, enterprise agencies in the United Kingdom were considered a cost effective way of creating jobs, though there was and still is considerable debate amongst commentators about the actual costs involved (Moore & Richardson 1989). On the surface it is clear even from the brief summary offered above that local employment agencies have contributed to the creation of jobs. However, some cautions have been offered:

We cannot be certain that the development of an enterprise or jobs is specifically attributable to any one factor such as support from an enterprise agency (because the agency is one element in a package of policies including training and job creation grants, low cost premises and loans (Moore & Richardson 1989, p. 120).

While debate simmered over quantitative analyses, much less attention was paid to qualitative impacts which are critical to understanding the social and economic benefits of local enterprise agencies. During the 1980s, there was considerable political debate in the United Kingdom about this point but there was very little locally generated data from which to assess the various claims being made (Moore & Richardson 1989, Pearce 1991, 1992, 1994). Research was done however on 'who gets what' or in other words, the distributional effects of jobs created through local employment agencies. A summary of the findings revealed that those getting jobs were not those who were being made unemployed. Moore & Richardson (1989) cited a study that found that as many as 45 per

cent of new jobs could be part-time employment for new labour market entrants that had little impact on existing levels of unemployment. In a survey of 100 firms receiving Government assistance, another study found that only 20 per cent had been started up by someone who was previously unemployed and only a handful of these were people who had been unemployed long-term. Furthermore, less than 20 per cent of those starting businesses and less than 50 per cent of their workers actually lived in the community in which the firm was situated (Moore & Richardson 1989).

Moore and Richardson note that these results should:

come as no real surprise. Labour markets do not function in isolation and rarely correspond to the spatial focus of particular initiatives. It is highly likely that people from outside the immediate area will benefit from the job opportunities, just as the residents of a locality may secure employment outside their place of residence. In some cases the fit may be much closer than in others (1989, p. 125).

The irony is that most local enterprise agencies operate from an assumption that by encouraging new economic activity in the local environment, the benefits will at best be directly available to the unemployed and at worst will filter down to the most disadvantaged people in a community over time. This assumption is supported by all sides of the political spectrum, even though the research consensus is that overall, employment opportunities for disadvantaged groups have not been achieved. Eisenschitz & Gough (1993) offer a detailed critique of how consensus/centre based Government policies in Great Britain ensure that disadvantaged long-term unemployed people miss out in job creation. At least four key reasons are offered:

- labour market policies aimed at competitiveness do not have mechanisms within them for the distribution of jobs to those who need them most therefore these policies tend to benefit those already well placed in the labour market thus excluding people who have been unemployed long-term;
- employers of firms in receipt of enterprise development subsidies generally favour experienced workers and discriminate against people who are unemployed;
- subsidised jobs near areas of high unemployment are taken by people from other areas; and
- measures to redistribute jobs (including equal opportunity legislation) are often ineffective; for instance, training programs fail to reach their target (Eisenschitz & Gough 1993, pp. 243-245).

As a result labour market programs favoured by the political 'centre' 'worsen the position of the most disadvantaged by consolidating the competitiveness of the better qualified' (Eisenschitz & Gough 1993, p. 243) ensuring that 'unskilled adults and the long-term unemployed (are) conspicuously lacking among the "enterprising unemployed"' (Moore & Richardson 1989, p. 125).

What impact then do local enterprise agencies have on increasing employment overall,

increasing employment for those who are long-term unemployed, and for increasing employment opportunities in regions hard hit by macro-economic restructuring? Moore and Richardson report that 'Few local enterprise agencies or trusts would make strong claims about their impact on unemployment' (1989, p. 118). They also state:

Economic objectives can be ambiguous in theory and contradictory in practice. There is no single correlation between job creation and reduced unemployment because of the way in which labour markets operate across the spatial boundaries of initiatives and because of the variable capacity of individuals to compete successfully in the labour market. (Therefore) employment might be viewed as only one measure of successful economic regeneration. Other indicators, including increased levels of investment in the local economy and the introduction of new technology in existing firms to make them more competitive, might be regarded as important long-term goals which could conflict with maximising job creation (Moore & Richardson 1989, p. 118).

As already noted, CDCs in the United States are non-profit, neighbourhood based, economic development organisations directly controlled by community residents. CDCs have grown out of various activist and social-political movements over the past three decades and operate much more explicitly in the American equivalent of the social economy, than do the local enterprise agencies in the United Kingdom.

The late 1970s and 1980s brought leaner times for even the most successful CDCs as they and other community agencies faced severe cutbacks in federal and state government funding during the Reagan years. To survive, many CDCs had to increase their emphasis on profit making activities which created tensions as management boards asked hard questions about the relationship between business functions and social responsibility (NAGLEI 1986; Blakely & Aparicio 1990).

In the late 1980s, two studies (Vidal 1992; Blakely & Aparicio 1990) focused on the impact of CDCs in transforming the economic circumstances of residents in low-income neighbourhoods during the 1980s. Vidal's study focused on 130 CDCs with comparatively high levels of activity, in 29 cities balanced by geographic region and city size. He used a team of researchers to visit sites and complete a very detailed site observer's report. Blakely and Aparicio researched CDCs in California only, using a survey format that elicited responses from 34 (or 58 per cent) of CDCs approached. Some general results are described which bear on the role of CDCs as intermediary agencies whose commercial goals support a variety of social objectives including alleviating poverty and revitalising low-income areas.

Both research projects identified the delivery of human services, in particular, housing, as the main activity undertaken by CDCs. Employment creation was ranked second with an average 64 per cent of CDCs engaging in this activity and the majority providing technical assistance and counselling to local firms. Management training and loan administration were also commonly undertaken. As intermediaries in the employment generation process, CDCs also commonly acted in a catalyst or liaison role. For instance, this included:

- persuading other agencies to provide services or help for neighbourhood businesses;
- encouraging companies to locate in a neighbourhood or to remain there;
- pressuring city governments to invest in neighbourhood infrastructure;
- bringing local business owners together for co-operative action such as streetscape improvements and collective purchasing of security services; and
- initiating or sponsoring new projects which are ultimately undertaken by others (Vidal 1992).

Vidal found that direct involvement in owning and operating a business is less common than are activities that facilitate the ownership and operation of businesses by independent entrepreneurs. Running a business demands a great deal of staff time and energy and business development was far less likely than other activities to strengthen a CDC's finances because of the risk involved. Therefore, perhaps not surprisingly, CDCs give up business development program activities more frequently than they do either housing or commercial real estate activities. Forty per cent of CDCs that had ever been venture capital investors and over 25 per cent of active business owners had ceased this type of work by 1988. Two factors contributed to this: federal and state funding for these activities declined; and problems facing businesses backed or owned by CDCs are similar to those plaguing small business generally.

Of all the activities CDCs undertake, Vidal found that financially supporting business development is the riskiest (Vidal 1992). Vidal cites the case of Bethel New Life in Chicago which owned and operated a garment manufacturing company that provided jobs for neighbourhood residents. Over time however, running the company sapped both the financial resources and the energy of the CDC, which spun off the company as a for-profit, minority owned corporation in which Bethel retained an equity interest. Although *Bethel* still owns and operates a small recycling centre, the group now feels it can have greater impact acting as a catalyst, organiser and sponsor of projects.

Neither study offers a detailed assessment or evaluation of the number or types of enterprises (and jobs) created because of CDC support:

Twenty-one percent of (CDC) business developers were responsible for a major improvement in the number of healthy companies in the neighbourhood and nineteen percent produced a major gain in local job availability; small improvements in these two areas were more common, achieved by an additional fifty-nine percent and seventy-two percent of CDCs, respectively (Vidal 1992, p. 97).

More than two thirds of business enterprise developers were able to influence the level of interest and activity in the neighbourhood of bankers, private developers and local government — an important requirement for attracting new resources into the neighbourhood (Vidal 1992).

In general, Vidal concluded that the process of engaging in economic development activity strengthens the CDC as an organisation and thereby increases its capacity to do additional development work. For CDCs, the most common organisational benefit of practicing economic development was greater visibility and reputation outside the neighbourhood (Vidal 1992).

The lack of success that intermediary organisations such as CDCs have had supporting or generating job creation at the neighbourhood level was the subject of a paper by Michael Teitz in 1989. He proposed that neighbourhoods are not a good base for the promotion of economic development. Indeed, in his view neighbourhood-based economic activity has generally not been successful due to a lack of financial resources, technical expertise and an appropriate conceptual framework. Neighbourhoods are:

unlikely to constitute economic entities around which economic development policy can be constructed. Although they are strongly influenced by economic conditions, neighbourhoods are best seen as social communities. Their economic dependence on city and regional labour, capital and real estate markets make neighbourhoods vulnerable to economically motivated forces of change. Efforts to resist or shape this change at the neighbourhood level are more likely to work if they are directed at political mobilisation and access of residents to urban labour markets, rather than direct job creation within the neighbourhood itself (Teitz 1989, p. 112).

He argues that the historic divorce of workplace from residence is now so far advanced in American cities that localised development efforts face great difficulties in raising incomes and bringing people into the economic mainstream (Teitz 1989).

The intermediary training and support role favoured by a growing number of CDCs as their contribution to enterprise development in their neighbourhood is supported by Teitz. He suggests it provides local populations with access to and the means to succeed in, the larger urban or regional labour market because the:

principal economic role for the neighbourhood is as a source of labour for production that is located elsewhere. As such the neighbourhood is primarily the locus of reproduction of labour than of production itself (Teitz 1989, p. 116).

THREE KEY ISSUES DRAWN FROM THE WORK OF INTERMEDIARY ORGANISATIONS IN THE 1980s

Issue one: The fusing of local economic development and welfare policy

Until the late 1970s and early 1980s, the business of job creation in OECD countries tended to be a matter for central governments alone. As high levels of unemployment became entrenched, local authorities, private and voluntary organisations and to some extent the business community began to seek ways of promoting economic and social development in regions hard hit by macro-economic restructuring. The role of central government changed to enabling and coordinating employment generation and other labour market activities rather than initiating and delivering them.

As a result, communities and regions that had been used to relying upon central government to solve their economic development problems through transfer payments or investments in local industry started to become increasingly active in mobilising local energies to create and foster new business opportunities (OECD 1993).

During this period, local economic development became a field on which wider debates about economic policy and its impact on disadvantaged individuals and communities was played out. Competing political prescriptions were tested in Australia and the United Kingdom and localness 'was turned from being contingent, even a hindrance to being a virtue' (Eisenschitz & Gough 1993, p. 28). In time, a broad consensus emerged about the role of local economic development in ameliorating the circumstances of disadvantaged unemployed people. For instance, by the mid 1980s in the United Kingdom, even the conservative politicians had agreed:

that special policies were needed for disadvantaged groups (as) members of these groups had not become entrepreneurs in any number. The mid-1980's boom left high unemployment among them, and the new largely service sector jobs which they took were low paid. One response was to convert enterprise into a welfare strategy. Encouragement of start-ups shifted from the redundant skilled workers of the early 1980's recession to disadvantaged groups including support for forms of enterprise such as worker co-operatives and non-profit community businesses which were sheltered from excessive market forces ... Local economic initiatives and poverty policy became increasingly fused (OECD 1993, p. 25).

In Australia a similar fusing occurred through the use of various community and welfare organisations as vehicles for implementing labour market programs such as the state funded Employment Initiatives Program (EIP) in Victoria and the Commonwealth funded Community Employment Program (CEP). These programs and their variations were established to assist people who were considered the disadvantaged unemployed: women, people from non-English speaking backgrounds and people who had been unemployed for long periods. Community based providers had to demonstrate that they were targeting these groups in order to gain job creation subsidies. During the 1980s, this form of employment creation was often criticised as 'make work, not real work' (Pixley, 1993).

The fusing of local economic development and welfare policy occurred because intermediary and provider organisations using labour market program subsidies were principally motivated by a desire to ameliorate the problems facing unemployed people. They were not especially focused on generating and establishing permanent job opportunities for people who were unemployed. In part, this was because they had little experience working with the business sector to create the partnerships, investment and infrastructure capable of achieving this. Conversely, intermediary organisations such as regional development bodies which could have assisted this process generally failed to do so because they had little 'on-the-ground' experience in bringing together key players. By the late 1980s, concerns (accurate or otherwise) about the ability of job creation programs to create 'real' increases in aggregate levels of employment rather than 'make work' jobs had arisen and these programs were phased out (Sue Jackson & Kerry O'Neill 1995, pers. comm. February).

Issue two: The role of 'partnership'

Intermediary organisations that developed to support local enterprise did not follow any one particular model. What they did share in common was a willingness to engage in partnerships with other organisations and sectors in order to mobilise maximum resources to make a substantial impact. At least 75 per cent of CDCs in Vidal's 1992 study for instance, received at least moderate levels of support, financially and in other ways, from state and local governments, religious institutions, local media, foundations and banks (Vidal 1992, p. 14).

In the United Kingdom, there have been numerous examples of the links which developed between different agencies. Many local authorities engaged in joint ventures with local and national companies, nationalised industries, and Chambers of Commerce to set up intermediary agencies engaged in a multiplicity of projects, tasks and information and services provision (Sellgren 1987, p. 66). Moore and Pierre researched the conditions at a local level under which partnerships were established and maintained between local authorities and the private sector. They concluded that there are two critical environmental factors: policy space and political stability (1988 p. 175). The former refers to a set of conditions which provides space for partnership initiatives from the private sector. These conditions included no ideological predisposition to radical alternative economic strategies, and a relatively minimal pre-existing program. Political stability had little to do with traditional party-political conflicts or ideological divisions but more to do with the generation of stable political rule which emphasised 'pragmatism' over 'ideology' (Moore & Pierre 1988, pp. 175-176). Moore and Pierre concluded that these partnerships represented:

ad hoc, informal and voluntary arrangements. However they (were) not simply examples of liberal pluralism because they unite different, often opposing interests and bring them into a policy making network as policy actors and not simply as outside pressure groups. We are really describing a grey area between corporatism and pluralism, markets and the State which exist(ed) in both liberal market Britain and social democratic Sweden (1988, p. 177).

It is more difficult to assess the issues faced by coalitions of interests and other forms of partnerships established to support local enterprise development in Australia during the 1980s because there appears to be little written about this experience. Some regions, such as Wollongong in New South Wales and Geelong in Victoria, were able to create and sustain dynamic partnerships between industry, local government and 'the community' in an effort to rejuvenate their regional economies.

Issue three: The negotiation of contradictory pressures and paradoxes

The concept of community was (and continues to be) both central to local economic policy and deeply problematic for it (Eisenschitz & Gough 1993).

The role of community in local economic initiatives is highly contradictory. Both capital and labour have ambivalent attitudes to community ties, using them here, undermining them there. Sometimes capital accumulation breaks up community and is opposed in its name; sometimes it benefits from collaborative social relations and

good quality labour power produced by community ... This ambivalence is exacerbated by economic crisis, which increases the importance of local ties to both capital and labour yet renders them increasingly fragile. Local economic policy thus faces profound difficulties in using and strengthening community (Eisenschitz & Gough 1993, p. 141).

A further problem is that 'community' is difficult to define because its meaning changes depending on circumstance. For some 'community' is defined as a geographical area. For others, it describes a statistical unit called 'the public' as in 'the community feels strongly that ...'. For others still, community is an active, self-conscious process, a living entity in which community members acknowledge their membership with that acknowledgment playing a part in shaping their subsequent actions. In the world of local economic development, 'community' can embrace each of these ideas as well as the decentralisation of economic processes and the pursuit of local and/or regional self-determination.

It is not possible in this report to discuss the complexities associated with the notion of 'community' in any depth. Eisenschitz and Gough (1993) offer an excellent analysis in a chapter entitled, *Community, locality and the erosion of place*. They conclude with a summary of contradictory pressures that local economic policy, and by extension, local employment agencies must straddle in order to work successfully within a 'community' construct or paradigm (Eisenschitz & Gough 1993, pp. 167-168). These pressures must also be carefully negotiated by enterprise organisations committed to successfully balancing social benefit and profitability. Eisenschitz and Gough's paradoxes are listed below:

- ➔ *Production and social life:* profitable production depends upon social life, yet how far can local economic agencies intervene in social life and how much responsibility can they take for it? Community enterprise attempts to bring work and society closer together and suffers tensions because of the conflicting demands from both sides.
- ➔ *The mobility and immobility of capital:* capital is often ambivalent about making a local commitment; because of the widely differing degree of spatial mobility among types of capital, commitment by one sector may be undermined by the behaviour of others.
- ➔ *Market and non-market reproduction of labour:* the commodification of reproduction and the welfare state increases wage pressures and transfers profits from high to low risk sectors. It also tends to undermine both unpaid social reproduction and community social ties.
- ➔ *Individualism and collectivity:* too much socialisation may undermine the appropriation of profits, while excessive individualism inhibits efficiency. Firms are encouraged to think of their relationship to locality whilst at the same time competition forces them to make individual decisions for survival.
- ➔ *Co-operation and discipline:* the balance between collectivity and individualism

is hard to maintain; the promotion of enterprise may conflict with maintaining industrial discipline.

- ➔ *Long and short term interests of capital:* rapid technical, organisational and financial change can lead capital to seek short-term solutions which can be in conflict with the potential long-term gains of social and political intervention in a locality.
- ➔ *The state and market discipline:* while capital may resent the ethos of the welfare state, it is often unable to step into the gaps left by its decline and requires welfare services for its stability.
- ➔ *Legitimacy and profitability:* community solidarity can be undermined by policies for increasing profitability through restructuring, technical change and intensification of work.

In each of these dimensions the two processes are not merely mutually opposed but mutually dependent. Local economic policy cannot simply support one process against the other but has to negotiate between them. Successful initiatives are therefore typically very delicately poised (Eisenschitz & Gough 1993, p. 169).

FINANCING LOCAL ENTERPRISE DEVELOPMENT

Local economic development initiatives are characterised by collective action, community benefit, common ownership of assets and small business entrepreneurial activities aimed at the generation and retention of wealth within a local community. Some activities include community banking facilities, the provision of quality housing managed by residents, the creation of community businesses to generate profits or the commitment to common ownership and collective responsibility within other kinds of enterprises. The key players are community businesses, workers co-operatives, credit unions, housing co-operatives, community development trusts, community benefit corporations. All of these are enterprises which have evolved from their own histories and traditions, yet they share common features:

- ➔ an involvement in trading;
- ➔ a commitment to achieving a social benefit through trading activity;
- ➔ the use of profits for reinvestment or for community benefit;
- ➔ the common ownership of assets; and
- ➔ a basic democratic structure which builds in accountability to the wider community the enterprise seeks to serve.

The social economy is aligned to the 'social market'. Proponents do not see welfare spending:

as an unnecessary diversion of resources to the ill-deserving, or as an obstacle to economic growth. The perspective is instead that collective responsibility for social misfortune must supplement individual responsibility in systematic ways ... The social

market thus tries to strike a balance between the duty of work and the rights to compensation and assistance when something beyond the individual's control goes wrong (Emy 1993, p. 217).

Enterprises within the social economy share something (1992) has described as the 'capital gap'. In Australia:

this appears to be in long-term unsecured finance for small business, equity finance for new and early stage businesses, new product or process development finance, finance for non-traditional proprietors or business types and finance for activities in declining growth and population areas (1992, p. 17).

Dahn's directory of financing initiatives for small business-generated community economic development lists reasons as to why access to finance plagues local enterprise development. Dahn lists these reasons as that local economic development projects:

- often do not have the collateral traditionally required by financial institutions and are therefore likely to be perceived as high risk;
- that are start-ups have a high reported failure rate which increases their perceived risk; and
- may have proprietors who are low-income individuals or who come from disadvantaged groups. Financial institutions may be unaccustomed to dealing with these professionally and may perceive them as higher risk propositions (1992, pp. 17-18).

Investment funds are not readily channelled into local economic activity because in an increasingly international money market they are intent on obtaining the highest return for investors. Where a fund has to meet a defined level of return, it becomes locked in to investments with a predictable rate of return, either government bonds or equities in leading blue chip corporations (Quarter 1992, p. 163). A lack of suitable investment instruments, especially for superannuation funds also creates investment complications (Fitzgerald 1987).

Funds for many local economic development activities in the OECD in the late 1970s and early 1980s were obtained from central governments by way of various labour market programs, local authorities and regional development funds. Over a number of years this base of support widened to include merchant banks, the European Community (through the European Social Fund), companies and philanthropic agencies such as the Gilbenkian and Ford Foundations. Non-financial or 'in-kind' support was also very important. This included local initiatives by the private sector in the form of seconded staff who provided their professional expertise to local economic development advisory services (Sellgren 1987, p. 66). The principal model underpinning financial arrangements was the notion of 'partnership' because if:

job creation (is) to be effective, it is critical to establish agreements, formally or informally among the various layers of central and local government, the private

sector and voluntary organisations. Without such partnerships, the chances of success are greatly reduced, since different groups and individuals attempt to tackle major structural problems without having the critical mass required, and there is a risk of duplication and counterproductive competition ... (Partnerships) undoubtedly complicate the process, especially for the unwary ... (T)he ultimate objectives and methods of operation of the institutions and individuals involved may not be complementary: for some job creation may be a priority, whereas for others, the development of local social and community services may be of primary concern. (Nevertheless) they are a sensible way of meeting the challenges of local development (OECD 1993, p. 10).

Local authorities created complex networks in order to tap various sources of funding because lack of adequate finance was the most frequent complaint from small and medium sized businesses in the OECD during the 1980s (OECD 1993, p. 9). Still, one of the critical aims of local employment enterprises, and to a much lesser extent community businesses, was to encourage, as part of a general freeing up of the marketplace, new patterns of private investment. The conservative political agenda was not to substitute public funding for a lack of private investment. However, as has already been noted elsewhere in this report, that strategy only met with limited success. In short, business resisted taking a leading role in local economic development initiatives in the United Kingdom and in Australia. In the United States, there was a greater willingness to cooperate because major corporations such as banks were regionalised unlike their counterparts in England which were (and still are) all located in London (Eisenschitz & Gough 1993, p. 229). In addition, the new approach to partnership in the United States was based increasingly on notions of 'civic entrepreneurship' and corporate social responsibility. This was associated with a shift in emphasis away from private enterprise being the socially responsible contributor to local charity, to being a new development partner (Blakely n.d., unpub.). However, in other countries, business involvement in local enterprise development continued to be perceived by business as high risk:

If politicians fail to regenerate a local economy then their policies or party will be blamed. The political exposure to which business is subjected in running local services, and the greater ability of the state to mediate such pressures, was one of the reasons for the development of local government services (Eisenschitz & Gough 1993, p. 232).

However a more important reason for the lack of private sector investment in local economies is based on the increasing mobility of capital in search of the greatest return on investment:

The more spatially immobile capital is, the lower the rate of profit it has to accept and the smaller its available investment funds tend to be. Capital that limits itself to a particular locality, such as co-operatives, community business and credit unions, tends to accept a lower rate of profit ... Again local economic initiatives face a contradiction: local loyalty tends to mean lower profit and investment and thus a limited future (Eisenschitz & Gough 1993, p. 176).

Despite the problems, Dahn reports that financing local economic development is not an entirely new concept in Australia. She finds that there are a significant number of community economic development funds currently operating at a very small scale and in local contexts (1992, p. 20). Fitzgerald, who prepared a report for NAGLEI on sources of alternative funding for local employment initiatives (Fitzgerald & Associates 1987), estimates that there were approximately 200 funds in operation in 1992 (Fitzgerald cited in Dahn 1992, p. 20). Dahn has broadly categorised the funds as outlined below:

- ➔ *Credit unions or co-operatives* — in which individuals are able to deposit funds and obtain loans. Their small size and legislative requirements about the amounts that may be lent to individual borrowers has limited their capacity for business lending and for local economic development.
- ➔ *Ethical investment funds* — provide depositors with opportunities to make investments after applying an ethical screen to activities; many of these investments are in equities and securities though some are in small scale business ventures.
- ➔ *Community investment funds* — are financial intermediaries comparable to conventional investment companies which are dedicated to local enterprise development; they are frequently structured as not-for-profit companies and make loans and investments in local enterprise and employment activities.
- ➔ *Commercial land investment funds* — are found in many locations around Australia and are essentially private, for-profit investment companies that have as their objective investment in local infrastructure and business activities.
- ➔ *Guarantee programs* — are usually operated as a partnership between an existing community development organisation and a financial intermediary. Small business proposals are assessed by the organisation and then referred to an existing financier with the backing of the organisation's guarantee in the form of a cash deposit or a letter of comfort over an asset of the organisation.
- ➔ *Community development bonds* — generally means that securities are issued to the public and then invested in designated areas. Examples include the Australian Conservation Foundation's Green Bonds and the Regional Development Bond Proposal for rural New South Wales.

Dahn suggests the impact of these financing activities is:

very limited due to the small size of their collective capital base (unlikely to be more than one-tenth of one percent of the total funds in the formal financial sector), their restrictions in geographic area and their limited investment options. Yet if the experience of the United Kingdom and the United States is any guide, the potential of these types of funds have for enterprise and employment creation and economic recovery is large.

In the United Kingdom and the United States a great deal has been done by government at all levels, by the private and community sectors in response to similar economic and social problems though in very different contexts. These countries have described

a wide variety of development finance institutions and techniques with varying degrees of success. The lessons from these programs and experiences can stimulate thinking and the development of the unique solutions required to address the employment and economic problems of Australia ...

(T)here is unlikely to be a single 'best way' of financing small business development. The solution most likely lies with the development of a range of complementary financial intermediaries and techniques to address the wide variety of needs (1992, p. 21).

In 1992, Dahn travelled to the United Kingdom and the United States to study the financing of initiatives for small business generated community economic development with the assistance of a three month Churchill Fellowship. The key lessons she drew from her research in both countries are illuminating and worth noting in this report:

- Successful small business finance mechanisms must address reliably identified capital needs that are not met by other sources.
- Each organisation must understand the critical mass it needs to survive.
- The focus should always be on access to capital rather than the cost of capital.
- New institutions should only be developed when other alternatives have been exhausted.
- The co-operation of existing organisations can help prevent the finance mechanism and its clients becoming marginalised.
- Partnership with the financial sector seems to have successful outcomes.
- The most successful organisations employ leverage as a key mechanism in their operations — the leverage of external funds, partner organisations resources, publicity etc.
- The agency must know its market, have credibility in that market and be highly visible in that market.
- The guiding principle of commercial viability for the finance provider and its clients must be applied.
- The availability of capital is only one aspect of small business development and the overall capacities of both entrepreneurs and employees need to be constantly enhanced.
- The guiding principles of running a financing business — low cost of funds, rigorous screening, strongly applied procedures, building equity and the turnover of funds must be practiced.
- Successful organisations employ a range of means to reduce the risk and the transaction costs of deals.
- Competent and dedicated staff that can build a community through small business development while running a viable financing business are vital.

- The best public sector mechanisms make the private capital market work better without complicated State administration but without pretending that the markets work perfectly well if left by themselves.

There is no single solution to the capital gap problem that prevents small business reaching its potential as a means of community economic development. The solution lies rather with a range of activities that create and build on strong partnerships between all sectors — government sector, private sector, financial sector and community and can meet the range of need (Dahn 1992, p. 171).

Dahn does make some recommendations for pilot projects that could be considered based on her research into 136 overseas programs. She suggests:

1. A State Capital Access Program for states like Victoria with an urgent need for small business-generated economic and employment development.

The Michigan Strategic Fund (MSF), considered an exemplar within the OECD (OECD 1993, p. 118), is a financial intermediary that has addressed job creation by financing small and medium-sized business in the State of Michigan. One of the Fund's four programs is the Capital Access Program which provides a non-bureaucratic, flexible tool for banks to make more loans by way of a portfolio insurance concept. When a bank makes a loan, the borrower pays a premium between 1.5 per cent and 3.5 per cent which is matched by a bank premium payment. The MSF then matches the combined total of both these premiums so that a total of between 6 and 14 per cent of the loan is earmarked as a loss reserve in the event of a default.

2. Elements of programs like the Hackney Business Venture, Lancashire Enterprises, LINC and Coastal Enterprises to stimulate economic and employment development in regional and local areas.

These are smaller funds designed to help people in specific areas who run or want to start businesses by offering loans, loan guarantees and equity. LINC is a nationwide business introduction service in the United Kingdom run by fifteen enterprise agencies which attempts to match small business seeking equity finance with suitable investors.

3. Elements of programs like the Good Faith Fund, Project Micro and SHARE to assist the self-employed in rural areas.

These programs provide very small, short-term loans to residents in geographically defined locations. The Good Faith Fund is a non-profit micro-business program of a private bank that receives funds from foundations and government sources. Project Micro focuses on Hispanic cottage businesses. SHARE is a loan collateralisation scheme where SHARE members offer up to 15 percent of designated passbook savings held at a local bank as security for approved loans. Defaults (and there have never been any) are shared equally among passbook holders. The participating bank also takes collateral from the applicants.

4. Elements of programs like Working Capital, Women's Self Employment Project and Women's Initiative for Self-Employment to meet the needs of existing self-employed persons and groups and schemes like Australia's New Enterprises Incentive Scheme (NEIS) program.

These programs are based on the Grameen Bank model in Bangladesh. Potential borrowers are organised into lending groups who are trained to do most of the staff functions. Conditions include:

- all members must be current with their loan accounts and have made the last three payments on time;
- all members must be current in their savings agreement;
- all members must have been present in the last three circle meetings to discuss the loan proposal;
- five percent of the loan amount is deposited in the group saving account;
- the first two borrowers are selected by the group;
- the second two borrowers are only eligible if the first 2 borrowers are current for three bi-weekly loan repayments; and
- the fifth borrower is only eligible if all the other borrowers are current.

5. A more active involvement by churches in financing local employment initiatives based on elements of the Catholic Church Campaign for Human Development.

A special collection is taken up the Sunday before Thanksgiving in the United States and an average \$12 million is collected nationwide for the program. Each diocese keeps 25 percent to fund their own work. The actual loan fund now has a capitalisation of \$2.5 million which is used to fund businesses that break the poverty cycle.

6. The incorporation of local economic development investment by Australian ethical investment funds adopting elements of the practices of the Calvert Social Investment Fund.

Calvert is the largest portfolio of socially responsible mutual funds in the United States. From 1991, the fund has placed one per cent of its total assets — nearly five million dollars — into micro enterprise loan programs (Dahn 1992, p. 180).

Fitzgerald identified another possible source of funds in his report to NAGLEI in 1987: superannuation funds which were reported as a leading source of long-term investment funds in Australia (Fitzgerald and Assoc. 1987, p. 34). Superannuation funds accumulated assets holdings in Australia are now very significant:

The introduction of the Superannuation Guarantee Charge has extended compulsory

retirement saving across the entire work force. The result has been the growth of a new repository of Australian savings. Superannuation funds in Australia now hold more than \$200 billion dollars worth of assets. Australia's superannuation funds have a cash inflow of about \$86 million a day — they're expected to hold one trillion dollars worth of assets in ten years. And like some unpiloted colossus, no-one is quite sure where the accumulated capital is going. Superannuation funds hold huge amounts of money and will continue to grow almost exponentially. This offers exciting and important challenges to fund trustees (Olsberg 1994).

Fitzgerald identified four major niches for local employment initiatives and local economic development financial proposals requiring long-term (five - ten year) loans. These are:

- the need superannuation funds have to secure long-term debt to offset high risk investments;
- where low return high security is the preferred option;
- funds that invest in specific portfolios; and
- funds that invest for specific directed purposes (Fitzgerald & Associates 1987, p. 35).

He considered that each of these market niches offered possibilities for the development of local enterprise initiatives if the following preconditions were met:

- sensitive marketing strategies that rely on a detailed familiarity with each of the niches;
- guaranteed rate of return equivalent to those currently being obtained;
- a vehicle for collecting and distributing funds that would easily gain the respect of the institutional investors; and
- the development and offering of an investment instrument that would mesh closely with each of these 'niche' needs, ie inflation proof, redeemable, long-term (Fitzgerald & Associates 1987, p. 35).

In 1993 the Federal Government's Taskforce on Regional Development also identified superannuation funds as source for regional investment. Its recommendation was that:

[S]uperannuation funds should be encouraged to provide members with a choice of different investment portfolios including an option which invests part of their funds in the regions where they live (Taskforce on Regional Development 1993, Volume 1, p. 6).

The task force also recommended that:

[T]he Government should introduce legislation to allow Regional Economic Development Organisations (REDOs) or local government authorities to set up

Regional Pooled Development Funds (RPDFs) as a new instrument for investment in the regions. The funds would issue bonds into the market place and would enjoy the same taxation benefits available to Pooled Development Funds. Local Government authorities would have the option of guaranteeing the return of investors funds in full or part to make the fund more attractive to the market;

and that

[T]he Commonwealth, in concert with the states, should amend regulations, if necessary to allow financial bodies such as credit unions, many of which are locally based, to invest in RPDFs (Taskforce on Regional Development 1993, Volume 1, p. 6).

In November 1994 the Evatt Foundation hosted an important international conference, *Super 2000: Investing in the Community*. Referring to a background paper by Diana Olsberg, Sue Jackson, a conference delegate from the Brotherhood of St Laurence, identified a number of factors which provided the context and impetus for the conference:

- ➔ compulsory superannuation has vastly increased domestic savings accumulated in private occupational superannuation funds;
- ➔ a recent rule change required that employees must be equally represented on the trustee boards of standard employer sponsored funds; (This meant the appointment of about 10,000 new employee representatives over and above the 3,000 union and employee trustees already in place) and
- ➔ changes in the investment behaviour of institutional investors and of pension funds in particular in the United States, the United Kingdom and Europe (Jackson unpub. p. 2).

The Australian Council of Trade Unions (ACTU), issued a draft investment statement to the conference which has some important recommendations that could impact on the development and financing of local economic development in Australia. One of the ACTU proposals was that superannuation fund members have some choice over where their superannuation is invested and how it is managed (ACTU 1994).

The compulsory nature of superannuation suggests members should have a real say in choosing investment options. Member investment choice provides scope for greater direct participation of individual members in the management of their superannuation investments. Individual members can direct where their money is invested in light of their own risk and return objectives. This should be encouraged (ACTU 1994, p. 5).

The ACTU has also proposed that superannuation funds give greater consideration to 'economically targeted investments (ETIs)' which not only provide market rates of return at market risk but also provide collateral benefits to members of the investment fund (ACTU 1994, p. 8):

ETIs cover a wide range of investments such as real estate, environmental waste

management, community-based services and small business. Collateral benefits include generating jobs, increasing housing starts, improving public facilities and strengthening infrastructure (ACTU 1994, p. 8).

In the United States, ETIs have 'become a growing area of investment by US pension funds' (ACTU 1994, p. 8). In Australia this is not yet the case, however the ACTU believes that superannuation funds could identify and invest in ETIs immediately. To assist this, they suggest that an independent, non-profit 'clearing house' be established by the Federal Government 'to provide a case study listing of ETIs, referenced by their investment and collateral benefits' (ACTU 1994, p. 8).

Sue Jackson attended the conference to explore the role superannuation funds might play in the financing of community enterprises and local economic development initiatives. Her preliminary views are outlined here:

It will be important to ensure that community organisations are involved in some way in the proposed clearing house on ETIs (as they have been in similar initiatives in other countries).

It may be useful, in conjunction with the clearing house, to establish a specific fund through which community enterprises and local economic development initiatives could be financed on a pilot basis in order to establish a performance profile for such initiatives as a basis for further superannuation fund investment.

The community sector can bring some important insights and learnings to the processes referred to above. One of these is the importance, in assessment of specific initiatives, of local knowledge and input. A partnership between the community sector and the union movement in relation to the clearing house could provide a basis for the development of mechanisms which would ensure an appropriate balance between centralised fund management and local input. The second is the broadening of the common view about economically strategic areas of investment to include employment generating areas such as services (Jackson unpub., p. 4).



TOWARDS THE YEAR 2000

This part of the report contains two sections. The first identifies current trends and future directions for community economic development. The second is a paper prepared by Dr John Wiseman, for the Brotherhood of St Laurence, which provides a reflection on recent Canadian experiences of community economic development.

COMMUNITY ECONOMIC DEVELOPMENT IN THE 1990s

In October, 1993, the first *European Jobs Summit* was held in Brussels, Belgium. The event attracted over 600 participants who gathered to discuss the hundreds of job creation initiatives underway in Europe. Dr. Peter Botsman's 1993 report of the summit, *Creating jobs in Europe: strategies and lessons for Australia*, describes the range of ways in which jobs are being achieved at a time when Europe's unemployment levels are fast returning to the record figures of the mid-1980s. Based on the European experience, Botsman also makes constructive suggestions about what Australia should do to improve its own job creation record.

One of Botsman's main findings confirms a view that began to emerge in the mid to late 1980s:

The most important lesson from Europe is that economic growth does not guarantee

job growth. In other words, stimulatory economic policy and labour market measures to increase training, jobs and the employment intensity of work are insufficient on their own. They must be implemented simultaneously if the unemployment crisis is to be alleviated (1993, p. 13).

While Australia has not, by and large, experienced net job loss but rather inadequate job growth, this lesson has serious implications for Federal Government policy which has for some time been focused not on direct job creation but, rather, on ensuring that unemployed people be prepared for the 'jobs that growth will bring' (Smyth 1994, p. 33).

Botsman reported that rising unemployment in Europe in the early 1990s threatened to wipe out all of the employment gains of the 1980s. Further, in Europe, as in Australia, most of the new jobs that were created between 1985 and 1990 went to new entrants into the job market and women re-joining the labour force, leaving too few jobs, for the 12 million people officially unemployed. The fastest growing area of employment was in part-time, casual work not full-time work (Botsman 1993).

It was in this context that the European Community Employment Framework was created in 1993 to stimulate employment-intensive growth and to explore policy routes such as taxation, environment and industry policy to maximise employment intensive growth. Local development is a key area within this framework and developing small and medium sized firms is still considered one of the more promising strategies (Botsman 1993). It is within this strategy that community enterprise in all its forms is situated. Botsman reports that small companies are considered more capable of creating labour opportunities than large manufacturing plants provided 'certain cautionary rules' are followed. These are summarised below because they give some indication of the difficult climate facing local enterprise development initiatives in the 1990s:

- ➔ Less than 50 percent of enterprises survive to the phase of effective operation and the majority of enterprises never surpass 20 to 30 employees. This means that firms who gain government and community support must be thoroughly screened.

Small and medium-sized firms which are worth supporting are generally not new companies:

- ➔ Many European countries have made mistakes with small and medium sized firms. In regional strategy, the temptation has been to start-up small and medium sized firms from scratch with financial handouts. The result is a very high level of business failures. Some countries have also subsidised unemployed people who are willing to start up their own firms with equally disastrous results (Botsman 1993, p. 50).

It is clear from Botsman's report that encouraging unemployed people to enter self-employment or small business is important for many European regional authorities and he cites some examples of exemplary practices that could be pursued or adapted in

Australia to support third sector enterprise development. In Berlin, local authorities take out silent holdings in small firms through their own holding company backed by the city government. Prospective entrepreneurs also receive substantial support for twelve months irrespective of the people involved (Botsman 1993, p. 53). Similar schemes operate in many countries throughout Europe. These approaches are similar to Australia's New Enterprise Incentive Scheme (NEIS). This scheme, however, is confined to people officially registered as long-term unemployed.

The European experience suggests that non-viable enterprises have been encouraged based on subsidised, low wage overheads, a problem, as already noted, that has plagued the credibility of community business ventures throughout the 1980s.

The most important rule, according to Botsman, is to grow winners from existing established firms rather than expecting instantly successful small businesses. 'One of the most important tasks of business and social partners ... is to aid potential winners to overcome internal barriers to growth' (Botsman 1993, p53).

In Shannon, Ireland, creating a network of local development officers who build on their personal rapport with local businesses and management has worked well and their most important strategy thus far has been to promote neither small nor big firms but to 'hot house' networks of small businesses (Botsman 1993, p. 55) a strategy consistent with the need to create mutually supportive enterprise networks as discussed in Chapter Three of this report.

According to Botsman, the most interesting of the active labour market initiatives that could be implemented in Australia 'after careful analysis' are those that link training, skill development and job search capacity with local economic development. These projects are largely third sector based, subsidised projects, which support individuals to establish their own innovative businesses that maintain linkages with local and regional development strategies. One such project is the highly regarded European Program of Support for Local Employment Initiatives for Women. Women funded under the project frequently form networks to mentor and support other women excluded by the labour market (Botsman 1993).

Another, The European Trade Union Regional Network (TURN), is an example of an innovative intermediary organisation. The unions involved have sought to actively create jobs themselves through co-operatives, community projects and regional economic development initiatives. The network provides links between independent initiatives involving vocational training, worker buy-outs or the creation of co-operatives. The rule and purpose of the network is to facilitate and develop joint exchanges of experiences between trade union initiatives across Europe. In many instances, members of the network such as the Irish Trade Union Trust (ITUT) act as locally-based intermediary organisations. ITUT, for example, places unemployed workers in community economic development projects and helps workers to set up their own co-operatives (Botsman 1993).

The WISE Group in Glasgow, Scotland is a company committed to providing training

and work experience for long-term unemployed people in projects that provide environmentally and socially useful work. Heatwise, the first company organised under the WISE umbrella, is now Europe's largest energy, training and employment initiative, employing 350 people:

Since 1983, fuel savings realised by the 100,000 tenants served by Heatwise are calculated at 25 million pounds and will continue at a rate of 5 million pounds a year for the life-time of the materials. When added to the wages of 2.3 million pounds paid to Heatwise's Glasgow staff, this represents an annual boost to the Glasgow economy of 7.3 million pounds (Botsman 1993, p. 75).

Since 1990, Heatwise has spun-off a home energy advice service and a home security service. Another company, Landwise has transformed neglected back courts of public housing estates into sustainable functional gardens. In 1993 it diversified its area of activity to improving the environmental qualities of industrial estates. Treewise has planted more than 225,000 trees and shrubs around Glasgow and WISE Recycling provides glass recycling for Glasgow residents. The WISE group has also established several successful trading companies. Overall, the group had a turnover of 9.5 million pounds in 1992/93. Of this 25 per cent was derived from district councils, 24 per cent was earned income, 22 per cent came from European Social Fund grants and the rest came from training agencies, urban aid and various environmental agencies (Botsman 1993).

As is evident with governments in Europe, the Australian Government has placed some focus on supporting small business entrepreneurs through programs such as the New Enterprise Incentive Scheme (NEIS). The expansion of the NEIS as of March 1995 to include groups (in the form of companies, partnerships or co-operatives) could assist third sector projects in the future. Selected groups receive intensive training and are then given a monthly business subsidy covering the first year of operation as well as continuing access to business advice (De Masi 1994, pers. comm. November).

There are many challenges facing community enterprise development into the 1990s and beyond. As has been noted in other sections of this report, community enterprise development is strongly affected by the performance of intermediary organisations who act as brokers and provide community enterprises with support and funds. Changes in the significance of unemployment as a political issue may result in Government subsidies to intermediary organisations being reduced or removed altogether in some OECD countries. However, while unemployment remains high, there will still be a significant need for the development of local responses to the problems and opportunities it presents and in the face of shifting macro-economic priorities, intermediary organisations will need to diversify sources of funding. Some intermediary organisations have created effective partnerships with the private sector, local, state and federal governments to revitalise local and regional economies.

In the United Kingdom and the United States, increased private sector involvement is being harnessed through developing the ethic of corporate social responsibility:

Corporate responsibility has moved from philanthropy and 'good citizenship' to a third stage which reflects the growing political and social demands made by society

on business. Corporations have developed policy and strategies to cope with ... the 'negotiated environment' ... It is no longer acceptable for the corporations to just focus on the market as the criteria for its social performance (Moore & Richardson 1989, p. 48).

There is mounting evidence that corporate affairs units within individual companies are steering company involvement in local employment initiatives in the United States, United Kingdom and Europe. Much of this involvement is fragmentary and not as yet contained within central policy frameworks (Moore & Richardson 1989, pp. 48-49) although this is changing, most rapidly in the United States. (See for instance, Reder 1994, Steckel & Simons 1992).

In the United Kingdom, BP, Levi Strauss and the Department of Employment sponsored a project in 1991 organised by Business in the Community (BITC) called Investing in Community Enterprise to examine ways of:

broadening the range of development finance available to community enterprises by bridging the gap between the community enterprise sector and mainstream finance (Monaghan 1992, p. 15).

Unfortunately, no further reference to this project was found during the literature review, however by the beginning of 1993 dire warnings were being heralded by community business advocates. The British Government had announced the winding up of the Urban Aid Program and it was foreshadowed that the European Social Fund, the source of much development finance in the UK was to be restructured in 1994. In addition, the power and resources of local government are continuing to be eroded:

The fact of the matter is that community business is dependent upon government funding for its very survival. And whilst we might criticise Government for its lack of support, surely we have only ourselves to blame for being so dependent on it. We have prided ourselves on being a popular, grass roots response to poverty and unemployment, yet we find ourselves subservient to Government funding.

We need to face up to some testing questions. If community business is so dependent on Government funding can it really be called a grass roots initiative? Has community business really anything to offer in terms of creating sustainable employment? Is our task now to defend community business against its imminent collapse or to learn the lessons of the last fifteen years and to develop new responses to poverty and unemployment?...

In fairness to ourselves, when the concept of community business was first developed in the mid to late 1970s, we did have a government committed to full employment and income equality. In the early 1980s we were confident that the commitment of local government to such goals was sufficient to sustain our efforts. But the power of regional and local regional government has been steadily eroded.

We need to face up to the reality that our ambition to combat poverty flies in the face

of Government concerns. We need to accept that our goals are in opposition to theirs. We cannot allow ourselves to remain dependent on Government funding in the development of our own strategies. Instead we need to devise strategies that are independent of such support (Brown 1993, p. 20).

What is especially telling about this reflection is that it provides a wider context for McGregor's (1993) analysis of the impact of community business in Scotland discussed in Chapter 4. The community business movement in the United Kingdom has been unable to develop an independent financial base for itself in the macro-economy and, as a result, its credibility has been compromised by 'a failure to deliver significant numbers of successful, sustainable companies' (Thomas 1993, p. 16). It also reveals an inability by the movement to deal with these problems while still in receipt of government funding.

Tayside Community Business (TCB) is one intermediary agency that has tackled these problems head-on in ways that may be helpful to the development of community enterprises in Australia. TCB was launched in 1992 with the aim of creating:

companies that can survive through their own strengths in the commercial jungle: companies whose viability is central ... (I)ts intention is not so much to beat 'em as to join 'em. The insistence that the companies should have the built-in capacity to be self-sustaining is a challenging departure in this field ... This change in emphasis does not mean that TCB rejects the social objectives inherent in the community business model: rather it is a recognition that the priority must be to establish a strong economic foundation in order to achieve any long term social benefits (Thomas 1993, p. 16).

One of the central processes TCB uses is the 'Idea Development Strategy' which encompasses idea generation, evaluation and implementation. The first stage involves the generation of new business ideas using internal and external sources including organising specific workshops, and establishing links with a local economic development network, universities and inventors. New ideas are then evaluated in a systematic way through 'weighted criteria' to firstly measure the marketability of the idea and then its suitability as a community business. If the idea passes this evaluation, it then undergoes a period of market research and feasibility study. If the research indicates that a realisable market opportunity exists, then a comprehensive business plan is developed. During the business plan phase, the idea will be matched to a community group demonstrating skill, interest and commitment to taking the idea forward. This ensures that business development does not occur in isolation. There is a parallel process involving the training of directors by TCB's 'Group Development Team'. This extensive training program is designed to ensure that the community directors are equipped with the necessary skills to effectively direct a business:

Through these twin processes, it is hoped that more skilled groups will evolve to take forward the stronger business ideas emerging from the idea generation strategy (Thomas 1993, p. 17).

It could be argued that TCB's approach supports a 'contract culture' (Pearce unpub., p. 1), which focuses on measurable outputs and payments linked to the achievement of

pre-set targets, standards and performance indicators. As Pearce argues, 'contract culture' leads to audits that question whether a given project, policy or strategy is 'value for money':

So 'value for money' audits have become a sine qua non of any development proposal. Is it value for money we ask often without first being certain what we might consider to be valuable (unpub., p. 1).

As has been demonstrated throughout this report, community enterprise in all its forms has a number of complementary social objectives that are achieved by running an enterprise which marries business viability and social benefit. As already noted, in the 1990s there is a great deal of pressure on community business to perform credibly within a commercial world that is situated in and ruled by 'contract culture'. This world is not good at measuring the wealth of social benefit and demands that business success and viability be measured in financial terms that focus on a business' annual profit and loss. John Pearce, who was the Chief Executive of Strathclyde Community Business until a few years ago, now devotes a great deal of his time to working out how social benefit can be measured and incorporated into conventional auditing. He describes social auditing as:

the process whereby an enterprise measures and reports on its performance in meeting its declared social or environmental objectives. Social auditing has in the past been largely to do with assessing the negative on an area of a certain course of action to be taken by Government or by the private sector: for example, the effect the closure of a factory or a school will have on a locality. Increasingly however social auditing is being developed first as a means of reporting on overall impact, both negative and positive, damaging and beneficial, of an enterprise and second, as a way of identifying what exactly is the nature of the value we want for our money (Pearce 1994, p. 2).

It is beyond the scope of this report to outline the process Pearce has developed and readers are referred to his paper. What is interesting in light of the pressure on community business to perform commercially, is that both ICOM, the intermediary organisation supporting worker co-operatives in the United Kingdom, and Community Business Scotland have produced model constitutions for their respective constituencies which include clauses requiring the community enterprise to carry out an annual social audit (Pearce 1994, p. 1).

On balance, it appears that community business has a future if it can successfully ride a number of tensions and paradoxes inherent in it. Its future seems limited if its fortunes are tied closely with Government subsidies and policies. Yet its existence as a movement is integrally linked to initiatives and policies which revitalise declining communities and regions. The ability to support and create social benefit is limited if there is not a willingness to learn how to operate credibly in the world of business and commerce. On the other hand, a community economic development approach must remain connected to locality and in particular, to specific constituencies, if it is to achieve its vision for employment as well as market acceptance.

COMMUNITY ECONOMIC DEVELOPMENT: RECENT CANADIAN EXPERIENCES

John Wiseman

These notes are based on material collected by the author during a recent period of study in Canada. They do not purport to be a comprehensive review of Canadian community economic development initiatives. Rather the aim is to highlight several significant themes which arise from the recent experience of community economic development in Canada.

In comparison to Australia, Canada has a relatively rich history of co-operatives and other alternative forms of ownership, production and distribution. There has been a particularly strong emphasis on agricultural and housing co-operatives with several major sources of support including the Mennonite and Hutterite religious communities, First Nation tribes, geographically remote communities such as those in Cape Breton and Newfoundland and trade union organisations, particularly those associated with the *Confederation des Syndicats Nationaux* (CSN) in Quebec.¹

Over the last fifteen years there has been a resurgence of interest in 'community economic development' and 'the social economy', partly in response to the deepening concern about the uneven impact of unemployment which has affected some regions of Canada with particular severity. While there has been experimentation with a wide range of community economic development (CED) initiatives three key themes which have emerged have been the debate about the extent to which CED should be seen as linked to wider processes of social change, the importance of creating supportive linkages and networks between producers and consumers and the vexed question of financing CED projects outside traditional financial market mechanisms. The aim of this paper is to briefly discuss each of these themes and to note their potential relevance to the Australian context.

Social economy or economic society?

Debates about the purposes of Community Economic Development

In May 1994 the Toronto based organisation Our Local Economy (OLE) held a major conference on community economic development in Ontario (OLE 1994). The sessions covered a healthy diversity of topics such as 'A green small business for Toronto street youth', 'Reviving bicycle delivery to revive our local economy', 'The role of electronic communications in facilitating CED', 'Collective marketing strategies for CED businesses', 'Food systems as if people and soil both mattered', 'Business incubators and home business resources', 'From welfare to entrepreneur' and 'In and against the global — reclaiming the social'. In fact the diversity of these topics reflects a central tension which ran through the conference and which is a key theme in debates about CED in Canada. What is the aim of community economic development? Is it basically to foster local entrepreneurship and small business innovation? Or is it true that, in the words of one of the participants at the OLE conference, 'if you don't have a framework of social development you cannot have community economic development' (Faith Coates, cited in OLE 1994a, p. 2).

¹ For a general introduction to local and community economic development initiatives in Canada see Hudson, J and Galaway, B. (eds) *Community Economic Development*, Thompson Educational Publishing, Toronto, 1994; Newman, L., Lyon, D. and Philp, W. *Community Economic Development: An Approach for Urban Based Economies*, Report No. 16, Institute of Urban Studies, University of Winnipeg, Winnipeg, Canada, 1986; and Quarter, J. *Canada's Social Economy*, Lorimer, Toronto, 1992.

The aim of OLE is, in fact to:

work together in ways which are both entrepreneurial and community based ... by connecting people who are involved with 'healthy community' projects, community economic development, local business and green enterprise ... There will be more support from various sectors if these groups can develop a shared vision and can co-ordinate their efforts. (OLE 1994b, p. 1).

Yet there are also real tensions and there have been sharp debates between proponents of the 'entrepreneurship' and 'social change' perspectives on local economic development.

On the one hand many government supported CED projects have emphasised the creation of enterprise zones, business incubators, subsidised infrastructure and tax subsidies for the development of new businesses which can demonstrate a commitment to local employment priorities (Newman et al. 1986). On the other hand there is a strong Canadian tradition of CED defined more broadly as a means of exploring alternative economic relationships outside the mechanisms of either the state or the market.

In one recent influential publication on CED in Canada, Eric Shragge has argued that community economic development should be explicitly defined as 'the process of organising for local community renewal — economic, social and ecological' (Shragge 1993, p. 3). He suggests that this will inevitably lead to tensions between the desire to maintain democratic control and local autonomy; the pressure to compete effectively in the market place and the need for resources which can often only be obtained through assistance from the state. Shragge's argument is that these tensions must be acknowledged rather than wished away and that:

if CED is to develop as an alternative to traditional development, it must have both a vision of what it wants to accomplish, independent of its funders; it must forge links with the real needs of the local community; and it must root itself in that milieu politically and socially (Shragge 1993, p. 6).

He concludes that while CED projects must remain connected to their local context, they also need to build strong alliances and links with other CED projects and community organisations both within and beyond the local area if they are to survive and maintain their focus on broader social change objectives.

In a similar vein, Marcia Nozick has argued that the goal of CED should be to create 'sustainable communities' which implies an emphasis on the goals of economic self reliance, ecological sustainability, community control, the meeting of individual needs (non material as well as material) and the fostering of a genuine sense of local community culture (Nozick 1992). As one of many examples she points to the experience of the First Nation community at Kingfisher Lake in Northern Ontario who took over the local Hudson Bay Company trading store and channelled the profits into a series of local enterprises including laundromats, housing stock, fuel supply, electricity generation and a co-operative bank. In collaboration with several other remote communities it also now runs a small airline. Nozick's point is that:

Kingfisher Lake owes its success to a clear and focused strategy for community self reliance. One of the principles of self reliance evident in the Kingfisher Lake example is that community economic development starts by meeting people's basic needs — food, clothing, travel — instead of pulling development ideas out of the air in the hope of developing an 'export' market which is so often the approach (Nozick 1992, p. 62).

In 1984 a number of recently retrenched workers in the Kitchener Waterloo area of Ontario established 'The Working Centre' as a basis for organising responses to plant closures and the increasing unemployment in the area. The initial focus was on obtaining government funding for training and job creation programs and raising venture capital for local employment projects such as a recycling business and the St. John's Kitchen community restaurant. However the Centre has also become a focus for unemployed and employed workers wanting to raise broader questions about the future of work and alternative forms of production and distribution. Much of this questioning has arisen from the Christian (largely Mennonite) culture of the local communities and there are frequent references to the influence of Gandhian and Tolstoyan principles of 'living with less' and the idea of 'work as a gift' to be shared rather than bought and sold. Much of the work of the Centre and of similar initiatives among other Ontario Mennonite communities has therefore been focussed on projects exploring new economic models designed to promote self reliance through local community control over finance, production, marketing and retail activities. This has led to the establishment of a network of community gardens, systems for linking agricultural and craft producers more directly to consumers, and a range of LETS type schemes for moving out of the mainstream market economy.

New connections: The importance of networks and alliances in Community Economic Development

Networking is the buzzword of CED in Canada in the 1990s. Stripped of its rhetorical flourishes some of the much applauded networking activity simply involves sharing information and providing mutual support among CED organisations through familiar mechanisms such as newsletters, seminars, conferences and clearing houses. Some of the information sharing activities involve more innovative ideas such as email and internet connections among CED organisations and the establishment of a 'CED Cafe' as a social and business meeting place and resource centre.

More broadly, coalitions such as OLE and the Ontario CED Alliance have played an important role in publicising new ideas and projects, sharing information and resources, developing training programs for CED organisers and connecting local community organisations to each other as well as to government funding and supporting programs. Supportive networks have also been organised around particular population groups. In Ontario the Women's CED Network and Women and Rural Economic Development have provided a focus for women involved in CED projects with a focus on providing personal support around child care and relationship difficulties as well as collective marketing activities and advice on organisational, financial and business issues.² A number of important, smaller scale groupings have been developed by South Asian women

attempting to move out of exploitative and isolated home based textile industry employment into small scale co-operative activities. New coalitions have been developed in a range of ethnic communities in Toronto such as The Black Pages Network, the Chinese Canadian Entrepreneur Club and the Islamic Community Investment Corporation. A street youth CED initiative, focussed on connecting homeless and street dwelling young people to paid work opportunities as bicycle and skating couriers has also been explored with some success.

The Green Business Network has promoted links between ecological, employment and small business development. The Green Work Alliance, initially established by retrenched workers from the Caterpillar machinery plant, aims to link the concerns of unemployed workers and environmentalists by encouraging ecologically and economically sustainable projects including low energy housing, co-generation and recycling industries with an emphasis on the employment of retrenched workers through the use of union investment and pension funds. It has focussed particularly on assisting workers who have lost their jobs due to environmentally related causes such as plants closing down because they cannot meet acid rain or toxic emission standards. Green City is a demonstration project developed by building workers committed to developing worker co-operatives in the field of environmentally sound urban design and construction.³

The Ontario Federation of Labour has been active in supporting the development of worker buy-outs and co-operatives. The Ontario Worker Co-op Federation has assisted in the formation of seven new worker co-operatives and 20 feasibility studies. Fifty new jobs were created during 1993-1994 and there was an expectation of 350 new jobs by the end of 1995. As with many CED projects the number of jobs actually generated is relatively small and it is recognised that co-operatives are not, in themselves going to 'solve' unemployment. There is also an increasing understanding that anything more than short-term, defensive efforts will require progress in relation to the question of access to alternative sources of long-term finance.

Some of the most interesting 'new connections' projects have involved the development of alternative production and distribution networks. Community Shared Agriculture (CSA) involves the establishment of urban locality or common interest groups (for example low income groups or groups seeking affordable organic produce) who join together to purchase agricultural products directly from farmers. The group pays individual farmers or farming produce co-operatives on a yearly basis providing the benefit of a guaranteed income to the producers. In return the farmers undertake to drop off an agreed share of their weekly production at several appropriate city collection points. Participation in the group involves a recognition that consumers will receive more in good seasons and less in bad seasons. Indeed many CSA groups have an explicit aim of sensitising urban populations to the dilemmas and difficulties facing family farmers and farming communities.

Health workers and consumers committed to alternative health procedures have been active in creating 'wellness networks' directly linking providers and service users. Broader links between CED and 'healthy communities' objectives have also been noted given that 'community businesses aren't just about job creation. Fundamentally they're about

² For information contact Gianne Broughton, *Women and Rural Economic Development*, 379 Huron St, Stratford Ontario, N5A 4C6.

³ Note also Roberts, W., Bacher, J. and Nelson, B. *Get a Life: A Green Cure for Canada's Economic Blues*, Get a Life Publishing 2255b Queens St. East, Suite 127 Toronto Ontario.

improving the well being of the community and individuals involved — and that's health promotion' (Bates 1983, p. 8). Education workers have been revisiting the 1970s traditions of learning exchanges and networks and have begun exploring the idea of alternative universities outside the mainstream education system. Housing workers, architects and urban planners have endeavoured to build on the strong Canadian tradition of housing co-operatives by looking at strengthening the connections between housing and employment development. This has led to a diverse range of CED and job creation experiments in housing co-operatives such as roof-top community gardens, energy and water conservation, child care, elder care work and recreation work.

The New Democratic Party (NDP) Ontario Government has introduced a Community Economic Development Act designed to provide a supportive legal framework for the financing and encouragement of CED projects. This includes support for the exploration of CED projects by local municipalities, school boards, religious groups and community organisations. Within the broader context of the overall jobsOntario employment strategy (involving capital works, job creation, housing co-operative development and training programs) the government has established jobsOntario Community Action which involves support for community economic development training, facilities and financing institutions. Over 600 projects in 500 communities were funded during 1993 and 1994 creating 3,500 jobs.

It is no accident that some of these initiatives bear a resemblance to the local employment projects developed by the Greater London Council (GLC) in the early 1980s given that one of the key architects of the GLC economic strategy, Robin Murray is now responsible for much of the local economic development program in Ontario. However the more significant conclusion is that the NDP government in Ontario, like the Labour controlled GLC and a number of Labor state governments in Australia, has been unable to overcome the fundamental economic and political dilemmas of attempting to generate creative and democratic local employment programs while the regional economy and regional state finances are being overwhelmed by the pressures of international economic competitiveness and deregulated international financial markets. In this light it may be that the faltering first steps towards national and international networks of local economic projects — and local and regional alternative financial institutions — will be the most significant long term legacy of the renewed focus on networks and alliances.

The bottom line: Exploring options for financing the social economy

Again and again the bottom line in considering the feasibility of local or community economic development proposals is: how can this be financed? Where will the capital come from and what conditions will be attached? Are there workable alternatives to reliance on the mainstream banking and financial institutions? There are no magic answers to be found in the Canadian experience but there are some interesting ideas and experiments.⁴

The Ontario Government is one of a number of provincial governments which have developed community loan funds (CLFs) (Ministry of Municipal Affairs 1994a). The funds invested in the CLF by community members can then be used as security to borrow larger amounts of capital from banks who would otherwise not be prepared to lend without

⁴ Newman et al. 1996 provide a useful overview of a wide range of CED financing mechanisms including worker investments, targeted pension funds investments, ethical investment schemes, community investment programs, community bonds, tax subsidies for non profit and CED investments, direct public subsidies and government purchasing.

collateral. Each investor can contribute between \$1,000 and \$25,000 with no single investor being allowed to contribute more than 25 per cent of the total fund. The government provides a 100 per cent guarantee on the principal as well as start up funds of up to \$15,000, assistance with some operating expenses and technical advice. The CLF is run by representatives of community organisations which can include trade unions, churches, schools, universities, co-operatives, Aboriginal communities, service clubs and other non profit groups. By 1994 35 Community Loan Fund Corporations had been established.

The Ontario Government has also developed 40 Community Investment Share Corporations (CISCs) to assist in the equity financing of CED projects which offer a rate of return too low to attract venture capital in the normal way (Ministry of Municipal Affairs 1994b). Local community members or organisations buy shares in the CISC with the principal investment 100 per cent government guaranteed. Shares cannot be bought and sold privately. The CISC funds can be targeted for investment in one or more CED projects or businesses which have their head office in Ontario and pay at least 75 per cent of total wages to employees working in Ontario.

The Saskatchewan Government has established a large number of Community Bond Corporations (CBCs) with a combined local community and government membership. The CBCs play a role in encouraging and facilitating new CED proposals and can sell government guaranteed bonds to local community residents. The funds must then be used to invest in local CED enterprises and local private businesses which can demonstrate a commitment to expanding local employment. There is an explicit aim in the CBC program of encouraging local community understanding of the issues involved in community economic development.

A number of major credit unions have begun to reopen public debate about the balance between maximisation of returns and the social responsibilities of credit unions. VanCity, which is the largest credit union in Canada and in the top twenty Canadian financial institutions has established a special fund 'which provides housing and services to low income groups, usually considered too risky by other financial institutions' (Quarter 1992, p. 156). VanCity has also been supportive of peer loan funds (or loan circles) in which groups of at least four borrowers agree to vouch for each other so as to obtain loans from the fund.⁵ These have been particularly successful as the basis for supporting women and members of Aboriginal and ethnic communities moving out of exploitative black economy and sweated labour arrangements into co-operative CED settings.

The trade union based Bread and Roses Co-op in Toronto has targeted some of its funds for assisting in the establishment of worker co-operatives and buy-outs. Some recent union corporate rescue operations have been extremely significant with the Steelworkers buy-out of the steel plant in Ontario leading to renewed debate within the trade union movement about the wisdom of using union funds to save jobs by investing in failing companies.

Recent debates about pension funds have been both significant and controversial with a number of unions reconsidering their position in relation to the so called 'Magarry ruling' that pension fund boards must always have profitability as their sole or primary

⁵ These programs are based on the model developed by the Grameen People's Bank of Bangladesh.

criterion for investments. In Nanaimo, British Columbia, the International Union of Operating Engineers Local 115 has invested pension funds in social housing. In Manitoba the Carpentry Workers Pension Fund set up the Western Development Co-operative to build affordable housing.

On a far larger scale the provincial government of Quebec centralised control of all public pension funds into the *Caisse de depot et placement du Quebec* in 1966. By 1990 this fund had holdings of over \$36 billion and annual investments of \$2 billion. In its vast range of investment activities it has been explicitly committed to balancing financial return with the promotion of Quebec's economic development.

The *Confederation des Syndicats Nationaux* (CSN) representing over 250,000 workers has established several financial co-operatives (*the Caisse d'economie des travailleuses et des travailleurs de Quebec* and *the Caisse populaire des syndicats nationaux de Montreal*) with the aim of creating 'socialised entrepreneurship and finance' (Mendell & Evoy 1993). The focus has been on new worker co-operative enterprises rather than salvage operations although one interesting example involved the financing of a rubber recycling plant drawing on the skills of retrenched Uniroyal workers in Montreal (Quarter 1992). The *Fonds de Solidarite des Travailleurs du Quebec* (FTQ) started in 1984 by the Quebecois union movement now describes itself as the 'largest development capital corporation in Quebec' (*Fonds de Solidarite des Travailleurs du Quebec* 1990, p. 3). The FTQ is more like a union based ethical investment fund with investors drawn primarily from Quebec union members. Shares purchased cannot normally be re-sold until retirement or death. There is an explicit goal of combining a reasonable return with investment in projects designed to generate local employment and be consistent with regional environmental priorities.

Perhaps the most controversial example of 'socialised entrepreneurship' is the Crocus Investment Fund set up by the union movement in Manitoba in 1991. The Fund encourages investment by union members with an explicit aim of supporting the gradual takeover of companies by their workers. It therefore actively intervenes in the corporate structure of businesses in which it has a substantial interest with the aim of transferring voting rights to the workers of the company. The role of Crocus then becomes that of a supportive banker and financial adviser, similar to that of the *Caja* for the Mondragon co-operatives.

As Quarter concludes:

ultimately, the 'bottom line' for these proposals is whether people, either in organisations or as individuals, want to direct their savings into investment vehicles utilising social criteria, or whether their only concern is the rate of return, regardless of the investment policies that generate it. Developing greater public responsibility requires both education and strategies for change (1992, p. 163).

The same 'bottom line' applies to the wider debate about the prospects of community economic development, local economic development and the fostering of the idea of 'the social economy' rather than a society driven by narrowly economic considerations.

AFTERWORD

The starting point for this literature review was a background paper prepared in 1986 for the National Advisory Group on Local Employment Initiatives (NAGLEI) that examined the potential contribution of local employment initiatives in Australia in light of OECD experience. That paper had a dual purpose:

- to locate the growth of local employment initiatives internationally against the background of wider economic and social problems that preoccupy public policy making; and
- to provide a framework for a critical assessment of the potential benefits of far greater development of similar initiatives in Australia.

The Advisory Group were especially keen to focus on the question of how a local employment initiatives policy would both accord with other policy aims and contribute to their realisation. To this end, the background paper informed the National Conference on Local Employment Initiatives held in Canberra in July, 1986. The Advisory Group also established a local economic development clearing house at the Australian National University (ANU) which for some years serviced local economic development projects and fieldwork.

However, many of the Advisory Group's recommendations to Government were not adopted. As a result, the NAGLEI was disbanded soon after its recommendations were tabled with Cabinet in 1987. Some time later, the local economic development clearing house at the ANU was also closed.

These actions did not spell the end of local economic development in Australia. As this report has shown, macro-economic restructuring nationally created a variety of alternative responses to high unemployment locally and regionally. While these initiatives have taken many forms, their aim overall has been to strengthen local economies albeit often in an ad-hoc, uncoordinated way.

The former Labor Government toward the end of its tenure gave some indication of an intention to provide greater support for local and regional economic development. In a speech to the Australian Local Government Association Conference in November, 1993, the then Deputy Prime Minister, the Hon. Brian Howe, foreshadowed a greater promotional and leadership role for local government which would enable local and regional economic development to reach its potential:

The Commonwealth will work with local government to increase its capacity to manage wider responsibilities appropriate to its standing as the level of government most in touch with issues of significance to communities and neighbourhoods ... The Government can't substitute for the efforts of local communities (therefore) local government must take up the challenge, be more ambitious and develop effective models for regional co-operation and planning.

Regions that know what they're doing — have a sense of strategy, cohesion between local government, employers, employees, trade unions and other community bodies — generally have a higher economic performance than those areas that don't have that sort of coalescence of view or sense of leadership (Howe quoted in Municipal Association of Victoria 1994, p.10).

In May 1994, the *Working Nation White Paper on Employment and Growth* included an 80 million dollar commitment to support and promote regional economic development under the Best Practice Program for Regions. The program was intended to provide funding for:

- support and establishment of representative region-wide development organisations;
- regional organisations to assess the strengths and opportunities for their region, to develop a vision for the future and to prepare action plans;
- implementation of action plans;
- encouraging local government to play a key role in regional economic development through regional organisations;
- regional demonstration projects which have the potential to stimulate economic growth and can be used as models of best practice; and

- developing and disseminating information to regions on best practice experience and the demonstration projects (Commonwealth of Australia 1994).

Nonetheless, the Labor Government's commitment to regional economic development often appeared at best tentative. The Liberal-Coalition Government has yet to demonstrate a commitment to local and regional economic development.

Economic growth does not guarantee the job growth critical to the revitalisation of communities and regions enduring high levels of unemployment.

In Europe, as detailed earlier in this report, there has been a significant shift in policy so that employment intensive growth is now emphasised through the European Community Employment Framework. Local economic development is a key area within this framework and developing small and medium sized firms is considered one of its most promising strategies.

In Australia, it would appear that this shift in thinking has yet to occur. There are significant opportunities for local government to take a leading role in this arena. A reorientation toward initiatives which are more employment intensive will be important. These initiatives, as this report has shown, are predominantly established by individuals and communities seeking to generate new opportunities from the embers of the old, in part to revitalise sagging economies and in part to enhance and strengthen 'community'.

As has been discussed in this report, community economic development has the capacity to provide localities with the means to take more control of their economic and social identities. However, this report has also demonstrated that to do this well there is an urgent need for better financing and investment arrangements to support local and regionally based economic development. The ACTU's proposal that superannuation funds place greater emphasis on economically targeted investments therefore represents a significant opening that should be approached at the earliest opportunity. Mechanisms will need to be developed for demonstrating that fiduciary responsibilities of superannuation fund trustees can be met through investment in employment intensive local enterprise development projects.

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Reading the signs: a review of factors affecting the future of work,

Kate MacNeill, 1995. \$10.00

Reading the signs provides the reader with an overview of the ways in which work is being transformed. It canvasses past, present and likely future trends in paid and unpaid work, work force participation, unemployment and incomes as well as the key issues raised by these trends. It outlines the economic, social and technological factors which are contributing to changes in work and work patterns. *Reading the signs* is a valuable resource for anyone looking for a clear guide to the factors likely to shape the future of work.

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The way forward, Sue Jackson, 1996. \$5.00

This paper, prepared for the *Making it work conference*, argues that, whilst we must take account of the global forces impacting on Australia, we have the capacity and the responsibility to influence and shape our future. It outlines the directions which we should pursue in economic and social policy if we are to create a fair, inclusive and cohesive society for the future.

Economic growth and employment,

Peter Sheehan; John Burgess and Roy Green; Ian Manning, 1996. \$20.00

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'Making it Work' Conference Papers

In this collection of papers from the 1996 'Making it Work' Conference convened by the ACOSS Commission for the Future of Work and the Brotherhood of St Laurence, key decision-makers from business, government, union and community sectors put forward their visions, proposals and strategies for the future while others consider the issues and choices confronting us from different perspectives within our community. Further papers address the implications of changes to work and work patterns for income distribution, for the role of work in our lives, and for the generation of employment in the future.

CONTACT THE BROTHERHOOD OF ST LAURENCE PUBLICATIONS UNIT, PH: (03) 9419 7055.



COMMUNITIES AT WORK

Australia needs more and better jobs. Paid work has to be distributed so that people's needs for meaning and adequate incomes can be met. In generating more employment the actions taken by governments, through economic and industry policies, will be vital.

The actions that can be taken by local communities and the third sector to create jobs are less clear. Are local communities and community-based enterprises able to contribute to better employment outcomes? What action can local communities take to create jobs?

COMMUNITIES AT WORK

presents the findings of an extensive literature review of Australian and OECD experience of third sector activities. It examines the experience of the various types of community enterprises that have emerged in Australia and other countries since the late 1970s, many of these as responses to economic decline and rising unemployment in particular towns or regions. It shows that community enterprises have been an important vehicle for training, work experience and job creation in local areas during periods of immense change. In reviewing the activities of community enterprises over more than ten years, **COMMUNITIES AT WORK** provides a clearer understanding of the potential role which these could play in increasing overall levels of employment.

COMMUNITIES AT WORK will be valuable reading for communities and organisations interested in establishing enterprise activities with an emphasis on community economic development and employment creation. It should be read in conjunction with other publications produced for the Enterprise and Innovation strand of the Future of Work Project - *Signposts for future employment and Community enterprise.*



THE FUTURE OF WORK PROJECT

The Brotherhood of St Laurence Future of Work Project is examining the changes which are re-shaping work in Australia; and the implications of these changes for the Australian community. The Brotherhood's purpose in undertaking the Project is to identify how we can shape our shared future so as to:

- improve the position of those who are, or are likely to be, most disadvantaged;
- prevent the creation of new forms of disadvantage and inequality; and
- ensure that all Australians have an adequate standard of living and a meaningful place in society.

THE FUTURE OF WORK

PROJECT has benefited from the support of three eminent patrons Dr H C Coombs, Ms Lillian Holt and until his passing the late Professor Ronald Henderson. The Project also benefits from advice provided by an expert advisory committee comprising knowledgeable people from business, the trade union movement, research and academic institutions and the community welfare sector.

THE FUTURE OF WORK

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