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# Understanding levels of social economy development : an examination of Northern Canadian communities

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Northern Canadian communities**

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## Abstract

This study offers a preliminary analysis of the role specific social factors have on social economy development in the Yukon, Northwest Territories and Nunavut. Because of the marked differences in levels of social economy development in Northern Canadian communities, this research attempts to explain these variations through an examination of social variables that have been identified as impacting levels of development. Based on a review of the relevant literature, the social economy relies on the available social capital in each community and population size, education level, employment, mobility, age and resource dependency are identified as potential variables impacting the development of the social economy through their relation to social capital. Three separate statistical models are run to identify the bivariate and multivariate relationships between the six explanatory variables and level of social economy development in each Northern community. These statistical models are supplemented by data compiled through a survey sent to Northern social economy organizations in an attempt to explain the varying levels of social economy development in Northern Canadian communities and test each of the six hypotheses in order to add to the dialogue on social economy development in Canada's North.

## Introduction

“Perhaps the greatest challenge for policy makers in the North is the creation of opportunities for viable local and regional diversified economies” (Nuttall, 2001, p72). This and many similar sentiments are echoed throughout political, economic and social literature pertaining to Northern Canada and pose significant challenges to policy makers, community leaders, researchers and most importantly Northern people. Recent features in Northern economic development echo similar trends nationally and globally where alternatives to traditional economic pursuits, especially those grounded in local issues have given rise to interest in fields such as the social economy. Offering potential benefits to individuals and communities in areas of health care, education, training, the environment, employment and, community and economic development; social economy discourse resonates with communities faced with significant social and economic challenges. This thesis will locate specific social factors within social capital and social economy literature and test each of the variables in an attempt to identify if social economy development in the North is impacted by these social factors.

This project stems from academic discussions of where and how the social economy develops and why social economic development (SED) differs between locations of place. Specifically, this research compares levels of SED in Northern communities to Statistics Canada data representing multiple social variables producing a preliminary analysis of the relationship between the identified social factors and potential impact on community-level SED. As this thesis will illustrate there is a demonstrated need for additional research focused on the social economy in the North in order to gain a better understanding of the groups and individuals who make up the sector, the needs and challenges these groups face, what social factors impede or aid the development of the social economy and new classification and measurement tools to

facilitate this research. The main assumption underlying this research is that the social economy is a viable economic tool that provides many positive outcomes for both individuals and communities. In the subsequent section it will become apparent that this is a contentious issue in academic and institutional circles and is not universally accepted.

Put simply research on the social economy in Canada's North until quite recently was scarce. The majority of information used to test the hypotheses and capture the level of social economy development in Northern communities for this research was collected by the Social Economy Research Network of Northern Canada. This network is one of the six regions represented within the national research suite which is funded by the Social Sciences and Humanities Research Council of Canada. The Northern network is organized around the three territorial colleges and combines Northern researchers and students with community groups and other educational institutions. The goal of SERNNNoCa's research is to better understand the social economy in Northern Canada in an attempt to increase capacity of both individuals and community groups in the North and to facilitate beneficial research on the sector. Much of the information in this thesis corresponds with the initial tasks undertaken by SERNNNoCa when establishing a portrait of the social economy in Northern Canada.

The basic outline of this project begins with an examination of variables that appear to impact SED. There is no indicator of SED to date and this review has determined that the social economy rests heavily on social capital and harnessing the available resources through these social networks. Because social economy organizations serve a wider purpose than profit-making, the individuals and the relationships between members, other organizations and the community create the social fiber necessary to harness resources in order maintain the operations of social economy groups. The social economy's reliance on stocks of social capital to mobilize



these resources, reach out to community members, and target issues affecting groups of individuals or communities suggests that the largest indicator of successful SED is the presence of available social capital (CONSCISE, 2000a). The literature review reveals that population size, education level, employment, age, resource dependency and mobility impact the development of the social economy, as each are an indicator of social capital. Six hypotheses are included in this research to test if the same is true of the North. The hypotheses propose that communities with larger populations, higher education levels, employment rates, and levels of working-aged people have increased levels of SED, while increased resource dependency and higher mobility impact SED negatively and leads to lower levels of community-SED. Data compiled from SERNNoCa is used to produce the levels of SED in communities throughout the three Canadian territories and is then compared to Statistics Canada data corresponding to each of the six explanatory variables. Three separate statistical models used in the analysis present the bivariate relationships between each of the six explanatory variables and SED, the first multiple linear regression compares all variables together and the third model excludes population from the multivariate model. The results of the analysis determine if the hypotheses can be supported or are rejected. The limitations of the methodology and analysis, larger issues affecting the research and avenues for future research conclude this thesis.

This research makes an attempt to describe details of social economy development in the North which have not been addressed to date. While research on the social economy is increasing in general and in the North specifically, the particular social factors impacting development in Northern communities have still not been identified. The thesis has made use of the only comprehensive list of social economy organizations available and has access to data on Northern social economy organizations which no other research project has had access to. The

research associated with the thesis has started a dialogue aimed at increasing the understanding of what social factors impact development in hopes of aiding future social economy development based on the results. While the actual findings of the analysis present a preliminary understanding of the impact population, education, employment, age, resource dependency and mobility have on the development of the Northern social economy, some of the most valuable information described in this thesis are the larger issues that affect research on the social economy particularly in the North. Based on the results of the analysis, shortcomings in traditional social economy definitions and an overly simplistic understanding of the role Aboriginal organizations play in the social economy highlight the need for increased research on the social economy in the Canadian North.

For simplicity this thesis uses the term “North” to refer to the research area in question, which is the area that encompasses the three Canadian territories; The Yukon, Northwest Territories and Nunavut. It would be ignorant to assume that the political, social, cultural or economic climate is uniform throughout this vast landscape, but nevertheless many commonalities do exist and its widespread usage makes it an accessible definition for the sake of research. It is important to note that although the North is a term many use to distinguish it as a unique entity within Canada, it is by no means homogenous. By comparing communities in the North with each other as is being done in this study, it will become apparent that the North is a very diverse landscape with many social, economic and regional particularities.

The subsequent sections begin with a review of the relevant literature; beginning with a discussion of Northern economic development to illustrate the many challenges facing communities in the North and situate the current economic situation within the North’s unique historical context. It is followed by a review of the social economy, how it impacts economic

development at the local level and how it can be generalized to a much larger, global scale. The next topic introduces social capital and explains what it is, how it contributes to SED and debates within the discourse. The subsequent section presents the research methodology used to test the six hypotheses, and is followed by a section which details how the data was analyzed to formulate conclusions based on the hypotheses. Finally, the last portion of this project presents discussions based on the results of the analysis, wider issues affecting the results and areas for future research.

## Literature Review

A complete discussion of issues and debates concerning Northern economic development, the social economy and social capital would comprise the full body of this thesis and far beyond. The goal of this research is to identify which social factors appear to impact levels of SED through a comprehensive examination of the literature pertaining to economic development in the North, the social economy and social capital. The variables identified in this review will be compared and tested in relation to community-level SED in the hopes of revealing if and what social factors impact SED in Northern communities. Contained below is a review of how each of these sectors relate to each other and work together which forms the theoretical argument behind this research project. The dynamic and unique history of Northern economic, political and social development will be reviewed in the section that follows to describe in detail the historical background of the North. This will be followed by descriptions of the social economy and social capital in order to present a coherent conceptualization of each term. The linkages between the social economy and social capital will be drawn out in the subsequent section, which will describe the social economy's reliance on stocks of social capital and how indicators of social capital can also be used to identify SED. The final portion of this literature review will highlight each of the specific variables identified throughout social economy and social capital research within a Northern Canadian context, which in turn forms each of the six hypotheses included in this thesis.

### *The North*

Without reiterating much of the same information has been already been published detailing the rich history of the Canadian North it is important to note the distinct political and economic phases that have contributed to the North's current economic state. Historically the

people of Northern Canada were nomadic hunters belonging to different bands and maintained their semi-nomadic lifestyle until the early 20th century, aided by the fur trade and specifically the Hudson's Bay Company (Nuttall, 2000, p. 382-383). With the exception of the gold rush in the Yukon during the late 19<sup>th</sup> century, Northern Canada remained relatively isolated from outsiders and under the radar of the Canadian government until the 1920s. Beginning in the 1920s and accelerating throughout the 1930s, the discovery of petroleum, silver and gold increased the visibility of the North (Stabler & Howe, 1991). Following World War II and the expansion of infrastructure development, military presence and increased public interest, encroachment from the South had been solidified which soon saw drastic changes in the traditional way of life Northerners were accustomed to (Stabler & Howe, 1991; Nuttall, 2000; Coates, 1988). Prior to this the Canadian government upheld an isolationist stance toward the Indigenous people of the North in order to preserve their traditional lifestyle. Upon the creation of the welfare state throughout Canada in the 1950s this attitude transformed to one which sought to give people in the North the same access to services and quality of life as those in the South and integrate the Inuit, First Nations and Métis people within the wider Canadian society. The government transfers and subsidies associated with the new government policy created many permanent settlements, which now characterize the entire North and brought major social and economic change to Northern Canada. Many of the policies associated with this new government initiative have since been labeled paternalistic and credited for the state of dependency in the North. A number of these social and economic changes included the creation of different types of settlements which are discussed below, as well as increased trade and industry in the North and tremendous social challenges which are detailed in the paragraphs that follow.

Economically there are three features characterizing the entire North: small markets, poor infrastructure and prohibitive transportation costs (RCAP, 1996; Bone, 2003; Nuttall, 2001). The high costs and low return of doing business in the North impair private investment and much of the investment throughout the North involves mega-projects or significant resource extraction ventures that are limited in scope (Harrison, 2006). Small markets hamper the viability of large-scale trade within the territories as well as between Southern markets, limiting the ability of local or regional entrepreneurial endeavors to successfully substitute Southern goods or create profitable Northern products. High transportation costs compound the difficulties associated with catering to smaller markets, leading to a reliance on imported and expensive Southern items. These three features describe a very narrow economic base throughout the territories, so that creating a stable economy and diversifying the existing opportunities in the North present an immense challenge and one solution that applies to every Northern community is unrealistic (Bone, 2003; DiFrancesco, 2000). There are three main designations given to different communities located in the territories and by examining the make-up of these settlements it will become apparent how small markets, poor infrastructure and high transportation costs affect development.

Communities can be characterized into three different types: service, resource and Native according to Bone (2003). Service communities represent the territorial capitals of Iqaluit, Whitehorse and Yellowknife and are the largest settlements with 5000 or more inhabitants. These three cities serve as a core for government services and community groups, as well as a wide concentration of commercial businesses providing a variety of goods and services. The larger population requires increased infrastructure and presents the largest available consumer markets in North. Transportation costs are still high to import many goods however; the

prohibitive costs associated with distributing these goods throughout settlements in the North dictate many goods and services are found exclusively in the territorial capitals. Communities in Nunavut, for example are only accessible by air or sea as there are no roads. The largest employer in the territories is the public service sector which accounts for approximately 50% of all employment, and these positions are primarily located in Iqaluit, Whitehorse and Yellowknife (Savoie, 1990 in DiFrancesco, 2000). Although relying on government employment is not an ideal situation for economic development and a diverse economy, employment in resource communities represent a more vulnerable and volatile economic condition.

Quintessential resource communities exhibit features that include a boom and bust lifecycle, a young population who are predominantly male and a reliance on a specific resource within the mining, forestry, fishing or oil and gas industries. Due to the high transportation costs in the North the most valuable resources are exploited first and in recent times include gold and diamonds and increasingly oil and gas. In the North, mining represents the largest private-sector employer (Bone, 2003; McDonald, Glomsrod & Maenpaa, 2006) and oil and gas exploration in the Arctic Ocean is touted as a promising venture (Bone, 2003). Northern resource communities commonly import workers from Southern areas, creating less employment and economic spin-off (Myers, 1996; Duhaime, 2004; Bone, Johnson & Saku, 1992), which limits the benefit to Northern workers and communities. Profits from renewable and non-renewable resource projects are commonly collected by international companies who have staked claim in the North and the federal government, who own the land and resources not represented through the land claims process. While there is no doubt that renewable and non-renewable resource exploitation will continue to fuel the Northern economy, it is not a stable, diverse or sustainable method of economic development (Bone, 2003). Volatile market prices constantly threaten the profitability

of commodities and economic ventures that rely on a finite resource, as is the case with non-renewable resources are fundamentally flawed (Bone, 2003). Economic development that includes large-scale resource development in the North appears to be unavoidable for many reasons, but in order to create sustainable and diverse development the broader economic picture needs to be expanded to include additional elements of development.

The third type of community described by Bone (2003) is Aboriginal communities. These settlements are the most numerous throughout the North and are generally located at former trading posts. They have populations of less than 1000 and are predominantly Aboriginal (Bone, 2003). Many of these communities are characterized as lacking a strong economic base and tend to rely on a combination of wages, government transfers and land subsistence, creating what is referred to as a “mixed-economy” (RCAP, 1996; Bone, 2003; Stabler & Howe, 1991). There have been different development approaches that have targeted mostly Aboriginal communities in the North. These have largely been spearheaded by government initiatives. The Royal Commission on Aboriginal Peoples (in Saku, 2002) and DiFrancesco (2000) describe the five different approaches as advocating out-migration to urban centres, the promotion of business ventures, sectoral development, human resource development, and most recently, community development.

The first of these development approaches mirrors the earlier discussion when the federal government took over responsibility for the provision of shelter, education, health care and government assistance to the Aboriginal population. They advocated moving to larger permanent settlements in an attempt to foster economic development. Business development was the second economic development approach. It saw the federal government fund loans, guarantees and grants in order to inject financial capital to promote Aboriginal business ventures.



On the heels of financing entrepreneurial ventures, the federal government began promoting sectoral development which saw government funding directed to selective projects such as arts and crafts, tourism and agriculture (Saku, 2002). This was followed by a policy aimed at increasing the enrollment and successful completion of elementary and secondary schooling, in order to prepare Aboriginal students for entry into the labour force (Saku, 2002, p. 145). None of the four strategies have succeeded in their own right and assimilation, poor infrastructure and excessive government control are credited for the lack of success (Saku, 2002). The fifth approach that Saku (2002) describes is community economic development, which has many of the same principles of the social economy. Community economic development takes a holistic approach to economic development, by combining social and economic goals and involving a wide array of stakeholders in the design and implementation of development. Economic control is handled predominately at the local level within this 'new' model, while wages and profits remain in the communities and skills and training are also developed within the community (Bone, 2003). This is the most modern approach adopted for economic development in Aboriginal communities in the North and the method of development that this thesis aims to better understand, as it falls within the social capital framework. As Myers (2000) has pointed out, the community development model shows promise of being a more 'appropriate' model for the North.

The success of economic development in the Northern territories rests with coordinating social and economic goals with political autonomy. The Report of the Royal Commission of Aboriginal Peoples (1996) describes a paradox in the North:

On one hand, the North is the part of Canada in which Aboriginal peoples have achieved the most in terms of political influence and institutions appropriate to their cultures and

needs. On the other, the North itself is a region with little influence over its own destiny. Most of the levers of political and economic power continue to be held outside of the North and, in some cases, outside Canada (p. 387).

This paradox encompasses the limited autonomy of the territorial status combined with the increasing control granted to national and international companies who have invested heavily in the resource sector within the territories, in relation to the strides Aboriginal people have overcome to represent their claim to the land and control over their future (Bone, 2003).

Comprehensive land claim agreements and various forms of self-government are increasingly giving First Nations, Inuit and Métis people in the North more political, economic and financial control over their own destiny in an attempt to end the discrepancy described above.

In comparison to provincial status, territorial status represents an inferior autonomous relationship and binds the territory to the federal government, especially fiscally. DiFrancesco (2000) explains that in the NWT, 80% of the territorial budget comes from Ottawa and increases in other areas of economic development can adversely affect budget allocations. Aboriginal and Non-Aboriginal groups alike in the North are searching for successful and stable economic development however, “many projects are defined, implemented and managed by centralized governments and tend to be inefficient, under-capitalized and rarely prove to be sustainable or profitable” (Whittles, 2005, p. 139). Unlike many provinces, Northern territories have a significantly smaller tax base and without land claim agreements within defined areas, do not always receive monies from resource development directly. As Canada’s newest territory, Nunavut through the land claims process has explicitly enacted its self-governance through an elected legislature and also exerts control over economic development projects. Unfortunately federal transfers still represent the bulk of territorial funding, and some argue that this method of

government represents delegation instead of devolution (DiFrancesco, 2000). Others argue that Nunavut is not only unviable due to the lack of an economic base, high cost of living and transportation, lack of skills and absence of markets, but that the creation of an Inuit-led territory will perpetuate isolation and will marginalize the Inuit from the rest of Canada and the world (Howard & Widdowson, 1999). While it is premature to judge the economic viability of Nunavut and the North as a whole, it becomes important to emphasize that the process of self-government and economic development is a complex relationship. Echoing sentiments in the RCAP (1996) report, self-government without economic viability is hollow and equally unacceptable is the presence of both without social well-being in Aboriginal communities. Modern land claims are increasingly addressing the challenges of political autonomy, economic development and social well-being with promising results.

Comprehensive land claims are the manifestations of modern-day treaties that represent a unique intersection of federal and territorial government and Aboriginal representation (White, 2002). These claims to areas where previous treaties have not been signed provide a solid structural and financial base for economic development in Aboriginal communities with viable natural resources. The beneficiaries of the agreement receive a considerable cash settlement, a business structure to manage the large settlement funds, access to resources and a co-management role in environmental, land-use planning and wildlife management (Bone, 2003; Anderson, 2001; Nuttall, 2000; Clarkson, 2001). These agreements are carefully planned, as Aboriginal groups relinquish their title to the land in exchange for land and capital (Bone, 2003; Myers, 2000) and each agreement incorporates specific priorities outlined by the Aboriginal groups (Cameron & White, 1995 in DiFrancesco, 2000). The negotiated cash settlement and administrative structure help inject funds into economic development projects with an

accountable body overseeing development. Northern comprehensive land claim agreements include the Inuvialuit Final Agreement, Nunavut Final Agreement, Gwich'in Comprehensive Land Claim Agreement and the Sathu Dene and Métis Comprehensive Land Claim Agreement. Comprehensive land claims are not without criticism as they do not represent true self-government however, they have increasingly allowed decision-making and financial control to be held by Aboriginal bodies. Dickerson, Pretes and Robinson (1991) maintain that communities and Aboriginal people need a greater resource base in order to create sustainable development and through the land claims process are able to achieve this. Land claims embody many similar objectives to community economic development and the social economy. Both emphasize local control over resources within the stated territory and recognize the importance of a local point of reference and involvement, and this is particularly important in Aboriginal communities (Saku, 2002). The objectives of both also incorporate improving the living conditions of those in the community or settlement area and promote working together in order to develop economically and retain benefits within the community as much as possible (Saku, 2002). In order to create viable and sustainable development in the North there is no doubt that political, economic and social goals need to be coordinated to succeed and the community development model presented above incorporates each stakeholder and shows promise of being an appropriate and sustainable model for the North (Myers, 2000).

What is clear through this brief discussion of the historical, political and economic background in Northern Canada is that development strategies transplanted from the South are inadequate in addressing the challenges facing Northern communities, and what is necessary is a strategy geared explicitly to the North (Myers, 2000). In addition to the issues discussed above, there are arguments that many government initiatives have undermined the traditional activities

of many Aboriginal people and communities and devalue Indigenous knowledge and initiatives (Findlay & Russell, 2005) which also need to be addressed in current development projects. These same authors point out how traditional accounting practices are discriminatory because they do not take into account the important values of their culture, with an obvious example being the importance of land, and that future indicators of success should consider environmental impacts rather than strictly financial gains (Findlay & Russell, 2005; Parkins, Stedman, Patriquin & Burns, 2006). Because economic development in the North and especially in Aboriginal communities involves a large government presence, development is often more highly scrutinized increasing the pressure to show progress and the measures of success are again subjected to economic indicators more appropriate to Southern areas (Findlay & Russell, 2005). The demographic reality is that the social challenges facing Canada's North are unique and are fundamentally different than most issues facing the South.

Moving forward in the 21<sup>st</sup> century the most pressing social issues within the Yukon, Northwest Territories and Nunavut consist of housing, health, education, employment creation and climate change. The North is characterized as having a much younger population than the rest of Canada which greatly contrasts with the challenges the rest of Canada is facing with an increasingly aging population. Northern communities are in need of schools and an educational plan that prepares youth for the demands of the 21<sup>st</sup> century and well as creating jobs for the burgeoning youth population (Hickey, 2001, p. 97). This cohort is placing increased demand on the limited infrastructure available in the North and the territories are without the autonomy and fiscal means to meet this demand. The fiscal austerity of the Canadian government to this point has meant that the federal government has been unable or unwilling to provide adequate funding for roads, schools, housing, infrastructure and healthcare due to the high cost of service delivery

in the North. Issues of climate change dominate discussions on economic development and a strategy to synthesize the economic and social challenges equally with environmental concerns requires a development method which at this point is nonexistent. The formidable challenges facing Northern communities are unprecedented and only a holistic model of development appears capable of addressing the myriad of issues plaguing the North.

### *The Social Economy*

The social economy represents a heterogeneous group of organizations which include non-profit organizations, autonomous public sector agencies, some cooperatives, credit unions, associations and charities, and outside of Quebec is commonly referred to as community economic development (Ninacs, 2002; Quarter, 1995; Bacchiega & Borzaga, 2001). There are commonalities which situate each of the groups listed above within the social economy framework, even though specific goals, activities and principles differentiate each type of organization. There is no universally accepted definition of the social economy, but there are three unifying principles embedded in the various interpretations of the social economy that accurately capture the conceptualization of the term. These common characteristics include simultaneous economic and social missions, a primacy of people over the accumulation of profit and autonomy from the state and private sectors (Ninacs, 2002; Bouchard, Ferraton & Michaud, 2006; Fontan & Schragge, 2000; Levesque & Ninacs, 2000). Fully understanding what the social economy is involves broadening the horizons of traditional economic pursuits and reorienting them towards social change. A more detailed description of the principles underlying the social economy, the roots of its development and its wider implementation should help to clarify the term and present a coherent conceptualization which will remain a consistent point of reference throughout the body of this thesis.

The recent emergence of the social economy demonstrates a shift in the standard economic model, but is not a new or modern theory. The roots of the social economy date back to the 18<sup>th</sup> and 19<sup>th</sup> centuries with the creation of cooperatives, mutuals and associations (Ninacs, 2002; Bouchard et al., 2006), and emerged during the industrial revolution and the rise of capitalist society (Fontan & Schragge, 2000). Henri Desroche's structural definition is generally associated with the "old" social economy and organizations in the sector were designated by their legal status. The additional components included in this definition are, the notion of people before capital, democratic functioning and a surplus stipulation (Levesque & Ninacs, 2000). The "new" social economy stems from the needs that are not addressed or are inadequately met by the binary system of state and private enterprise (Brown, 1997; Neamtam & Downing, 2005). While the old social economy began with the shift from agricultural to industrial society and its related challenges, the new social economy has materialized in response to challenges associated with globalization and the withdrawal of the welfare state (Cangiani, 2000; OECD, 2003; Bouchard et al., 2006). Definitions associated with the new social economy go beyond the legal status of organizations and incorporate a social vision to economic pursuits (Fontan & Schragge, 2000) and include those by Claude Vienny, Jacques Defourny and Jean-Louis Laville.

Vienny's definition illustrates the connection between the 'dominated' individual, non-existent or inadequate activities provided by the state and rules governing its practice (Levesque & Mendell, 2004; Bouchard et al., 2006). These rules describe the relationship between members and the enterprise and the democratic principle, how members define the enterprise's activities, how profits are distributed and how surpluses are reinvested (Levesque & Mendell, 2004). Defourny's conception of the social economy focuses on the values behind the enterprise, which include solidarity, autonomy and citizenship (Levesque & Ninacs, 2000). These values

underlie the principles of the goal of service to members or community rather than profit, autonomous management, democratic decision-making and the primacy of persons and work over capital and redistribution of profits, which govern the organizations (Ninacs, 2002; Bouchard et al., 2006). Laville's definition has been coined the 'substantive' definition by some (Levesque & Ninacs, 2000), as he links three different types of economic activity; redistribution, reciprocity and the market to form a new social economy that derives from people being dependent on one another to produce outcomes (Laville & Nyssens, 2001; Levesque & Ninacs, 2000). Depending on the specific interpretation of the social economy, a concrete definition is impossible to pinpoint but specific elements can be extracted to formulate a coherent understanding of the term.

In addition to the three underlying principles of the social economy discussed above, there are five structural elements associated with organizations belonging to the sector, which include democratic functioning, autonomy, surplus stipulations, presence of volunteers and objectives that go beyond profit making (Ninacs, 2002; Fontan & Schragge, 2000). Democratic functioning involves each member having equal status or voting weight within the organization. Many social economy organizations have a formal rule in effect stating that each member has one vote or a type of proportional voting arrangement. This rule differentiates social economy organizations from many public and private-sector organizations that have a limited or representative decision-making body. Autonomy stipulates that the organization is not wholly publicly or privately-owned, or informal domestic units even if the democratic principle is present (Bouchard et al., 2006). A rule limiting the distribution of surpluses is important within this framework mainly through limiting the distribution to members. Because the goal of the organization is not profit accumulation for shareholders, a surplus rule that distributes excess to



the community and/or back into the organization is vital to being considered a part of the social economy. The purpose of the organization must also go beyond accumulating profit, so that its function aids in the betterment of individuals, communities or specific groups of people, in addition to carrying on an economic activity or providing a service. The presence of volunteers is not a clear indication of social economic activity, but often these organizations are made up of some volunteer labour and the directorate is often a formal voluntary body. Due to the ambiguity of the term and for operational use in this thesis the boundaries of the social economy will be drawn and described in more detail in methodology section. The general underlying principles and structural elements of the social economy are useful to provide an introduction to the sector and situate the field within the broader economic context.

Definitional concerns are not the only issues that are debated within social economy literature. The applicability, viability and measurement of the sector are also contentious subjects. Because there is no universal definition, attempting to compare different organizations or development in communities, regions and countries becomes nearly impossible. Alternatively, calls for a universal definition may lack usefulness, as it would obscure regional, cultural and political differences that make each community unique within the social economy framework. The calls to measure the social economy and its production border on what Bielefeld (2000) (in OECD, 2003) calls obsessive and remain limited by the fluid nature of its definition. Recent projects in Europe (CONSCISE) and Canada (SSHRC Social Economy Suite) are attempting to collect data on the social economy, its role in creating social capital and how it contributes to local economic development. Criticisms directed towards analysis and measurement of the social economy frequently cite the perpetual focus on positive outcome of SED as an incomplete view of the role it plays in development (OECD, 2003). Common

arguments also include data collection methods and measurement tools appropriate for developing analyses. Issues of objectivity are also prevalent and are invoked in many debates surrounding measurement tools (MacGillivray & Walker, 2000). Value-added measurements, amount of innovation created, contribution to the pluralist model and return on value are all attempts to quantify SED, but are plagued by issues of subjectivity. This thesis attempts a very basic measure of SED in the hopes of preliminary discussions pertaining to the results offering additional insight for future research.

Social economy organizations are increasingly emerging in locations and fields that are not seen to be profitable to the private sector and too costly for the public sector (Ninacs, 2002). Development targets a specific problem, which often includes regional development, employment or unemployment, social exclusion, population aging and organizing family and working life (Bouchard et al., 2006; OECD, 2003). Many benefits of SED go beyond reducing unemployment and increasing income and include: home-care, child-care, youth outreach, housing, security, public transportation, tourism, culture, waste management, pollution control, food security, environmental awareness and job training (Ninacs, 2002; Fontan & Schragge, 2000). Although the purpose of social economy organizations is to address social problems, issues or needs, it is not a tool for managing poverty or a cheap form of state delivery (Ninacs, 2002; Bouchard et al., 2006; Fontan & Schragge, 2000; Levesque & Ninacs, 2000). The social economy is a legitimate and autonomous sector that is “linked to a vision of social change that is at once the creation of new democratic institutions and at the same time is able to be part of wider mobilizations for social and economic justice, making claims on the state and private sector” (Fontan & Schragge, 2000, p. 9). The involvement of a wide network of stakeholders indicates that relationships between individuals, organizations and levels of government have a

profound impact on the development of the social economy. The term used by many academics and policy-makers to describe these relationships is social capital. The section below will clarify what constitutes social capital, its relationship to the social economy and how it affects SED.

### *Social Capital*

Social capital is the resource potential of social relationships (Agnitsch, Flora and Ryan, 2006), or the “intangible something” that exists between individuals and organizations within a community (Kay, 2006, p. 163), such as networks or norms that facilitate collective action (Woolcock, 1998). Described in a bit more detail, the European Union defines social capital “as features of social organizations such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit” (in CONSCISE, 2000a, p. 11). There are two ways to identify social capital, through its structural components which are the objective and observable social structures and the other through its cognitive elements, such as norms, values, trust and reciprocity (Grootaert & van Bastelaer, 2002). While there is acknowledgement that both are important, there is no definitive method of capturing social capital much like the social economy. Unlike human capital for example, social capital exists in social relationships and not in individuals (Ninacs, 2002; Woolcock, 2001; Robison, Schmid & Siles, 2002), and is inherently value neutral until judgment is placed on the outcome from harnessing its value (Lin, 2001). A unique feature of social capital, which sets it apart from other conceptualizations of capital is that the more social capital used the more that is gained (Evans & Syrett, 2007; CONSCISE, 2003) and alternately it is also more easily destroyed than created (CONSCISE, 2000a). There is widespread acknowledgment that social capital is a vital component of economic development, although conceptualizations of social capital are not as consistent as its



praise. The discussion below will highlight differences between definitions of social capital, as well as how it affects economic development.

Perhaps the most popular proponent of social capital is Robert Putnam. He has published a series of successful articles and books describing social capital as “features of social organizations, such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated actions” (Putnam, 1993). He saw social capital as largely a communal resource and has been heavily influenced by DeToqueville’s view of civil society (Bridger & Alter, 2006). His work has related the concept to a decline in civic engagement in the United States and a similar definition to differences in regional development in Italy (Ninacs, 2002). James Coleman is also credited with modern discussions of social capital and explains that it is “defined by its function. It is not a single entity, but a variety of entities having two characteristics in common: they all consist of some aspect of social structure, and they facilitate certain actions of individuals who are within the structure” (Coleman, 1990, p. 302). His work in the field of education has described social capital as an individual resource with the potential of lessening social inequality (Agnitsch et al., 2006) and has tied the concept of social capital to that of human capital. Pierre Bourdieu has also contributed to social capital debates and defines it as the “aggregate of the actual or potential resources that are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition” and its volume dependent “on the size of the network connections he can effectively mobilize and on the volume of the capital (economic, cultural or symbolic) possessed in his own right by each of those to whom he is connected” (Bourdieu, 2001, p. 102-103). Much of his work focused on social mobility and he saw social capital as a tool used to reproduce social class or convert other types of capital for the same ends (Field, 2003).

Recent discussions have categorized social capital into three separate types, referred to as bonding, bridging and linking (Woolcock, 2001; Gittel & Vidal, 1998). Bonding is used to describe close, dense or embedded social relations that generally refer to family and friends (Woolcock, 2001; Agnitsch et al., 2006), while bridging describes more informal, autonomous, weaker or heterogeneous networks, such as associates and colleagues (Gittel & Vidal, 1998; Agnitsch et al., 2006). Bonding and bridging illustrate horizontal networks, while more recently linking social capital describe vertical networks, or ties between different levels of power or institutions that help leverage additional resources (Woolcock, 2001; Kay, 2006). Woolcock (1998) argues that in order for local development to be successful bottom-up and top-down approaches need to be synthesized and that linking networks are a vitally important aspect of this, especially when communities are looking for increased control over development and decision making. This is not to say that bonding and bridging lack importance in the economic development process, but that in addition to these two types of networks linkages provide access to additional resources necessary for development.

The economic value of social capital is three-fold. The basic idea is that it reduces transaction costs through unwritten agreements and mutual understanding instead of formal contracts (Kay, 2006; Grootaert & van Bastelaer, 2002; Evans & Syrett, 2007). This is facilitated through trust and the result in an appropriable form of reciprocity, built through the social relationship, or social capital (Evans & Syrett, 2007). Social capital also makes collective decision making easier through the trust that is built within the local network and these networks and the norms associated with them reduce opportunistic behaviour (Grootaert & van Bastelaer, 2002). The ability of social capital to leverage other forms of capital and resources makes it useful to combat problems related to their absence (Evans & Syrett, 2007; Field, 2003; Agnitsch

et al., 2006). In addition to its economic benefit, the concept itself has been useful in academic and policy circles. Academically it has provided a common, multidisciplinary dialogue once the exclusive territory of economists (Fine & Green, 2000). This has allowed for a critique of the rational-individual within economics and has incorporated a social dynamic into a previous individualistic model (Schuller, Baron & Field, 2000). It has also allowed for a multi-level analysis between micro, meso and macro levels of society, creating a more holistic view of economic activity and development in research, as well as policy-making (Grootaert & van Bastelaer, 2002; Schuller, et al., 2000).

As demonstrated by the multiple definitions described above, there are different ways of understanding just what social capital is and what it does. Schuller et al. (2000) argue that the term itself has become too diverse, and commenting on the definitional diversity Woolcock (1998) argues that it has become difficult to sort out what social capital is, from what it does in many instances. Some, including the Policy Research Initiative have tried to mediate this by designing a social capital framework that adopts a structural definition, but considers context, outcomes, determinants and resources within the wider structure (PRI, 2005). Krishna and Shrader (2002) propose addressing the structural and cognitive elements separately and combining them for an aggregate measurement and complete understanding. This distinction is further amplified by issues of trust within the social capital framework. Kay (2006) has argued that trust is the most important element of social capital, while others have maintained that it is not a necessary or always desirable aspect (Field, 2003). Social capital's apparent applicability to a myriad of social and economic problems, such as health, happiness, development and education has also generated a fair amount of skepticism (Schuller et al., 2000). Although these sectors overlap and rely on each other to some degree, many are skeptical that social capital is the unifying concept.

Finally, there is even debate as to the appropriateness of the term itself. Many have argued that social capital is not really capital at all and the concept be abandoned. The term mirrors conceptions of capital in that it produces benefits and requires an initial investment and regular maintenance, while the fact that it cannot be aggregated individually and does not decrease with use sets it apart from other notions of capital (Grootaert & van Bastelaer, 2002; Robinson et al., 2002; CONSCISE, 2000b, p. 15). Applying the term in practice, rather than theory presents a host of additional debates which are discussed below.

Until recently, research on social capital has concentrated on the positive outcomes associated with the term and modern arguments are attempting to illustrate the negative consequences of social capital. These outcomes include the exclusion of others, excess claims on group members, restricting individual freedoms, downward leveling norms (Portes, 1998), reducing efficiency (Triglia, 2001) and reinforcing economic, social and political cleavages (CONSCISE, 2000a, p. 12). There is also discussion concerning what can be considered negative social capital depending on the context and what type is available or being utilized. An example of this is a common finding in the literature that too much bonding social capital, without adequate stocks of bridging social capital hinders economic development (Levitte, 2004; Wallis, Killerby & Dollery, 2004; Kay, 2006). Issues associated with measuring social capital are also prevalent. Proxy indicators are frequently used because social capital is so difficult to capture and validation becomes problematic because social capital is not measured directly (Field, 2003; Woolcock & Narayan, 2000). Alternative methods have been proposed, such as the Social Capital Assessment Tool and social accounting practices (Krishna & Shrader, 2002; Evans & Syrett, 2007). Each method depends on the definition being used in the study and what the research is aiming to capture ultimately defines how appropriate the measurement tool is.



Widespread comparisons between groups, regions or even countries are nearly impossible because there is no universal definition of social capital and therefore no universal measurement tool. If there is one broadly applicable theme throughout social capital literature it is that context is crucially important in defining and researching this dynamic term and this will become apparent in discussions illustrating the links between the social economy, social capital and economic development.

*The Social Economy, Social Capital and Economic Development*

Many rural and Northern communities are increasingly dependent on their own resources for economic development, as private sector investment is minimal and public spending is limited and devolution occurs. This has meant that the “community’s ability to acquire and mobilize resources to accomplish various goals is of central importance” (Agnitsch et al., 2006, p. 37). Local initiatives and bottom-up development approaches are being touted as a valuable economic alternative and valid tool for diversification (Evans & Syrett, 2007). Recent research has indicated that in addition to harnessing available social capital in SED, social capital is also generated through its usage and suggests that both social capital and the social economy benefit from the availability of the other (Evans & Syrett, 2007). The interconnectedness of social capital and the social economy has been examined in depth by researchers working for the CONSCISE project in Europe. This three year project (CONSCISE, 2003) in 8 different communities throughout Europe examined three hypotheses, which are:

1. Local social capital is generated by local networks and leads to the growth and emergence of social enterprise
2. Local social enterprise generates further social capital, which is available for future development.

3. Using cooperation and mutual support local social enterprises generate a form of social capital characterized by the development of a local social economy (p. 4-5)

In their analysis they found evidence of social enterprises using and building social capital (CONSCISE, 2003). It is important to also note that the study found a lack of evidence that social enterprises emerge from distinctly local social capital, however smaller, isolated and rural communities were an exception (CONSCISE, 2003, p. 11). In Onyx and Bullen's (2000) research on social capital, they found evidence to support Coleman's theory that socially isolated and rural communities have higher levels of social capital than metropolitan centres (p.36). This last point is significant when examining Northern communities, as they are characterized as small, isolated and in most cases rural, indicating that these communities may have higher levels of social capital. It may also be the case that this local social capital is the base of social economy development in these communities.

Agnitsch et al. (2006) examined the effects of bonding and bridging on community action, how each effects community action and if there is an interactive effect when both types of social capital are combined. An initial survey was mailed out to approximately 10 000 households in 99 rural communities in Iowa with a follow-up survey with 5 informants in each community to determine how bonding and bridging capital effected community participation. Their findings confirmed that both bonding and bridging capital have a significant positive effect on community action, which implies that social capital is an important element of social economy development. Bacchiega and Borzaga (2001), argue that a key feature of social economy organizations is to strengthen trust, an important factor in social capital development, within and around the organization and mobilize resources from individuals and the local community. Evans and Syrett (2007) explain that social enterprises use and build social capital in

five ways: by using commitment and trust of volunteers and members, providing volunteer opportunities and activities in local areas, building common infrastructure which helps to root people in communities, provides individual benefits through increased social networks, and builds cooperation and reciprocity to help keep enterprises and organizations functioning effectively. Capacity building, empowerment, democratic participation and social inclusion, in addition to job creation and providing goods and services are many themes common throughout SED, local development and social capital literature (Evans & Syrett, 2007). There are conflicting views on local economic development strategies including SED and this will be the starting point of the next discussion.

The very core of local development suggests that place matters. Development strategies look to revitalize, inject or reorient activities in neighborhoods, communities and regional areas. The basic fact that SED varies by community indicates that there is an inherently spatial characteristic associated with economic development. Iyer, Kitson and Toh (2005) explain that through shared experiences and common transfers of knowledge within a localized space, social capital is created and varies throughout communities (also in Onyx & Bullen, 2000). Formal and informal rules are created through a shared history and shape the business climate within communities effecting how development is generated and are bound within a geographical space (Shaffer, Deller and Marcouiller, 2006). SED is specifically targeted to local issues, and what is considered local is the geographic area, whether it is a neighborhood, town, region or country. This “spatial diversity” results from distinctive cultural and political factors within a bound territory (OECD, 2003). There is no doubt that economic development is increasingly developing within a global context, but it is still people and communities in a local context who are effected by and affect change.

There are those however, who argue that this form of development is no longer a valid method in the globalized world because modern technologies and communication have erased boundaries of place. Forces of urbanization, modernization, capital mobility and transformation of work also undermine place-based theories and it has been argued that a new theoretical design is necessary to capture the increasingly interconnected world (Bridger & Alter, 2006). Consequently, the idea of social capital becomes problematic because it depends on repeated interactions bound within a defined territory. If people are increasingly mobile, better connected and live in much larger centres, social capital become difficult to build and maintain and the constancy that is required for these relationships becomes an unrealistic assumption (Bridger & Alter, 2006). This argument is taken one step further to suggest that trust is also lacking in the new modernized communities, negatively effecting social capital development (Bridger & Alter, 2006). Fontan and Schragge (2000) have also voiced concern over local development strategies, especially in rural and remote communities where promoting locally-based development can be viewed as dangerous when power is increasingly removed from local entities. They advocate for a vision that incorporates local authority and vision with wider avenues for development to avoid isolation and self marginalization. Others have been considerably more direct when predicting the outcome of local economic development. Saegert, Thompson and Warren (2001) suggest that affluent communities possess more effective social capital because it is reinforced by stronger resources, while Amin's (2005) position is that local development fails to tackle the root causes of spatial inequality and will be unsuccessful in delivering results; "The idea of wholesale economic regeneration through community involvement of one form or another is simply unrealistic, and potentially irresponsible, since the latter is rarely a pathway to formal employment or entrepreneurship" (p. 622). His position is that larger cosmopolitan centres are

better connected with more opportunities, while smaller and poorer centres are confined to a lowly local point of reference. He views the preoccupation of local community development promotion among policy-makers, with specific reference to the UK, as a method of deflecting blame and responsibility. The local becomes the cause, consequence and remedy of social and spatial inequality and does not address the underlying contributing factors (Amin, 2005). There are still many who do advocate for bottom-up, local development in light of these concerns.

Commonalities do exist in the potential benefits of local economic development even though proponents of this approach may have different reasons underlying their enthusiasm. One of the largest benefits of local economic development and SED is that it gives people in the community an opportunity to address their own needs. Private and public sector development leave gapping holes with regard to many goods and services and this is glaringly apparent in Canada's North. SED offers the ability for local people to address their concerns and also a place in the decision-making processes of the group or organization. Some maintain that this "insider knowledge" is a type of competitive advantage, ultimately leading to the success of social economy organizations (Evans & Syrett, 2007). Other, more general benefits of SED include job creation, skills training, mobilization of additional resources, and creation of added social capital. The ability of social economy organizations to mobilize other resources is a key feature of successful development, and it is argued that helping disadvantaged or poorer people and communities "transcend their closed networks in order to access additional resources is one of the challenges of economic development" (CONSCISE, 2000a, p. 12). Economic development and SED require human, physical, financial and social capital in order to be successful, and a positive attribute of social capital is that it has the ability to mobilize these other forms of capital (Woolcock, 1998; Agnitsch et al., 2005). Amin (2005) found in his study

of SED that a wide array of institutional resources to spark and support development was a key indicator of prosperous development. Considered linking capital by Woolcock (1998), a diverse net of resources from various levels of government or institutions has become an integral part of SED.

As environmental concerns dominate public interest many involved in SED, especially Aboriginal groups incorporate or tackle environmental issues within the social economy framework. Because these organizations are not strictly focused on increasing their bottom line, environmental efforts which can be costly appear to resonate with social entrepreneurs. In the North renewable and non-renewable resource extraction make up a large portion of economic activity and environmental stewardship is at the forefront of development concerns, especially when potentially impacting Aboriginal land. SED also offers the potential to coordinate long-term projects with anticipated results or outcomes, and sustainable development requires such a long-term outlook and the harmonization of different development sectors. Many private sector projects rely on short-term gains and profits, while most government development is fixed within election platforms and budgets that can vary between different elected officials. Social economy organizations have a more altruistic outlook when assessing development priorities and those focused on environmental issues take future generations into account when proceeding with or undertaking development. Findlay and Russell (2005) have pointed out how the 'triple bottom line', which include environmental, social and economic goals, is prominent within Aboriginal economic development and recognizes these as important features in Aboriginal culture generally.

Although there is evidence of the empowering nature of SED and local economic development, this approach remains on the periphery of mainstream development.

Globalization, deregulation and open competition dominate the economic landscape, policy discussions and international debate. Unfortunately this global approach has not produced the desired effects in Northern Canada, and this can be said in many other regions throughout the world. Talk of economic hardships in developing countries is a prevalent topic of discussion, but regions such as Northern Canada are generally lumped within the national figures and regional disparities are obscured. Saul (2005) has argued that the new globalism is collapsing and in its wake is the reemergence of nationalist policies and consumer awareness, albeit with global consciousness. He maintains that place is still an important part of economics and that the “idea of Globalism that denies the power of place” is waning (p. 213). While it would be premature to announce a full-scale economic revolution, SED is perhaps an indication that things are changing and the traditional market-approach is being challenged. While governments are still very much entangled in the liberal marketplace, social economy proponents have long been advocating for increased recognition from policy-makers and government bodies.

The role of governments and policy-makers within the SED framework is a contentious subject, but one that is also very significant in the North. Advocated by many in the social economy, social capital and economic development fields is a holistic strategy by policy-makers that takes into consideration short and long-term effects of policy changes, in areas that go beyond income increases and job creation (Shaffer et al., 2006; Neamtam & Downing, 2005). Fontan & Schragge (2000) have argued that officials jump on board with SED as long that it does not cost too much and does not advocate social change, and therefore is not a point of confrontation. Others have been adamant in promoting the social economy as a legitimate player in the national and regional economy, and not a tool to manage poverty or be reduced to provide cheap service or state delivery (Ninacs, 2002; Fontan & Schragge, 2000; Bouchard et al., 2006).

It is apparent that in order for governments to adequately facilitate and develop the social economy, a wider economic outlook is needed. It is commonly cited in social economy literature that financing social economy ventures is perceived as risky and they often have difficulty finding funding (Neamtam & Downing, 2005). Traditional funding mechanisms depend in part on government regulation, as well as prevalent economic models, and through government recognition wider avenues for financing may become available in addition to increasing prominence throughout the general public. With increased calls for measuring SED, funding criteria may change to incorporate this measurement. A logical stepping stone has been advocated through the CONSCISE (2000a) project and explains that “economic and social development thrives when representatives of the state, the corporate sector, and civil society create forums in and through which they can identify and pursue common goals” (p. 9). The role of state involvement is magnified in the North because the government plays such a prominent role in providing services, distributing funding and allocating resources. Again, it is important to reiterate the importance of local involvement, and while government support and recognition is vital to developing the social economy, local issues and involvement should remain central to the social economy framework to avoid “institutional isomorphism” (Laville & Nyssens, 2001). With the links drawn between the social economy, social capital and economic development the next step in this project involves identifying the social factors to include as variables in this analysis.

### *The Social Factors*

As previously stated, this research project will attempt to identify if and what community-level social factors appear to impact social economy development in communities throughout Canada’s Northern territories. Due to the intimate connection between social capital



and the social economy, the lines used to identify and capture community-level indicators and levels of social economy development tend to blur. The dependence of social enterprises and SED on social capital and the fact that many of the indicators of SED overlap, such as education, employment, age, population and mobility make the use of these indicators significant. Because there is evidence that the social economy builds and uses social capital, indicators of both the social economy and social capital are used in this analysis. The sections below will elaborate on this relationship, illuminate the findings of past research in the field and illustrate the variables that will be used as social indicators within each community.

Selecting social factors to test if they impact social economic development is a difficult task and in order to arrive at a meaningful conclusion it becomes vitally important to choose valid community level factors. As stated above, research must be understood in the context from which it is being studied (Syrett & Evans, 2007; Kay, 2006; Krishna & Schrader, 2002). The factors that affect social economic development in one community may not have the same impact, if at all in another community. In the North, applying this concept implies an understanding of economic development, political and cultural practices when researching and evaluating social economic development. Current and future development in many Northern communities largely focuses on resource extraction, such as mining, forestry and gas exploration. Recognizing development policies that have and continue to exist in the North implies the need to identify if job concentration in the resource sector affects SED levels in Northern communities. Temporary and imported labour are particularly important when examining levels of social capital contributing the development of the social economy, as both indicate levels of social capital would be low. When comparing mining and forestry sectors in Aboriginal communities Parkins et al. (2006) found that mining had a significant and positive

effect on family income, while forestry had an insignificant effect. Rupasingha, Goetz and Freshwater (2006) found that professional jobs have a positive and significant effect on social capital formation in their analysis of US Counties, while agricultural, fishing and forestry had mixed, but seemingly negative returns. These studies appear to indicate that resource dependence in a community can effect development in various ways. While this particular analysis will not differentiate between different resource sectors, it will examine the degree of resource dependence in each community in relation to SED. This will create a starting point for future research to examine if specific resource sectors are more or less conducive to SED and social capital formation.

Education as an indicator of social capital and SED appears to be the most consistent and significant variable included in both individual and community-level analyses. The link between human and social capital is well documented throughout social science literature and it is increasingly argued that better educated people are more trusting than those who are less educated when examining levels of social capital (Glaeser, Laibson & Sacerdote, 2002) and that through education an initial investment in social capital is created. Iyer, et al. (2005) explain that education facilitates group work, cooperation and understanding in the most basic sense, but also that it requires a heightened degree of social skills leading to the development of social capital. This also creates an environment that appears to aid SED by increasing the capacity of communities to develop and maintain organizations and institutions (White & Maxim, 2003) as well as civic engagement which is again linked to both social capital and SED formation (Rupasingha et al., 2006). In their study of social capital formation throughout 284 US Counties Rupasingha et al. (2006) found that education is statistically significant and positive and specifically that counties with a higher number of people possessing a college degree or more

have higher levels of social capital. As education is consistently attributed with higher levels of social capital and SED its inclusion in an analysis of Northern communities is necessary.

A reoccurring theme throughout the North and rural areas is an out-migration of youth and young adults in search of employment. The mobility of not only youth, but people in general from communities indicates lower levels of social capital and SED (Onyx & Bullen, 2000). White and Maxim (2003) argue that higher migration levels lower the probability of people joining groups and associations ultimately leading to lower levels of social capital and SED. Glaeser et al. (2002) also maintain that initial investments in social capital are hindered when people do not feel rooted in the community and that social capital levels depreciate when people move from a community. This would indicate that migration affects not only the aggregate number of people within community groups, but also weakens local networks and relationships impacting social capital and SED development (Rupasingha et al., 2006). DiPasquale and Glaeser (1999) found a significant and positive impact on social capital development the longer people resided in a community (in Iyer et al., 2005), which adds additional strength to the idea that people need to feel attached to the community they reside in to make an initial investment in social capital and participate in community organizations. At the most basic level, high levels of migration indicate lower levels of social capital which has already been linked to SED. Using mobility as a variable in this research project will help identify the stock and commitment level of social capital available in each community.

The impact of employment on social capital and SED is not as consistently mentioned throughout the literature as education and mobility. It will be included in this analysis due to the strong arguments which suggest that levels of employment impact social capital and SED, as well as in response to the interesting particularities throughout the North. One of the reasons for

its inclusion includes addressing the fact that unemployment levels in the North are higher than the rest of the country and so too are levels of volunteer organizations. In the National Survey of Non-Profit and Volunteer Organizations (Statistics Canada, 2005) the territories as a whole were found to have a higher per capita proportion of non-profit and volunteer organizations than the rest of Canada with 825 per 100 000 people, versus the national average of 508. This is surprising given the fact that many Northern communities have less than a 50% employment rate, and warrants being included in this study to try and establish if indeed there is a relationship between employment and SED. The second reason to include employment is related to the first, in that Saxton & Benson (2005) found high unemployment levels to negatively effect levels of non-profit development which contradicts the situation occurring in Northern communities currently. These findings are echoed by Woolcock (2001), who states that there is a low chance of participatory economic development if stable employment or chronic underemployment characterizes a community. This is not to say that this is a statistical study intended to measure if or what affect employment had on organizations included in the National Survey of Nonprofit and Voluntary Organizations, however at a glance there appears to be a discrepancy worth inclusion in the analysis. Additionally, Iyer et al. (2005) found that levels of trust which affect the formation and maintenance of social capital are higher for those who are working or retired as opposed to those who are unemployed, 35% versus 22% respectively. This finding would suggest that employment affects non-profit development and ultimately SED in a positive manner, as both hinge on social capital. The final argument states that those who are employed have a larger social network due to the nature of employment and therefore have higher levels of social capital than those lacking work (Rupasingha et al., 2006). On the opposing side of the argument are those who argue that employment affects the amount of time that people have to

invest in extracurricular activities and therefore social economic organizations (Glaeser et al., 2002). This project does not make the claim of settling this debate, but by including levels of employment in this analysis perhaps any anomalies existing in the North can be identified, and it will become clear if the relationship between employment and SED is positive or negative.

The issue of age permeates discussions and analyses of both social capital and SED. Glaeser et al. (2002) identified an inverted U-shaped model when analyzing lifecycle and social capital. They argue that social capital increases with age and then at a certain point begins to decrease, with the largest stocks of social capital maintained throughout mid-life. Iyer et al. (2005) found those aged 65 or over had the highest level of trust, indicating high social capital however; they were also less involved in civic organizations limiting the available social capital. Those who are retired may also have more time to invest in extracurricular activities or utilize the services being offered more often, which also indicate that age is a contributing factor to both social capital and the social economy (Saxton & Benson, 2005). This thesis incorporates age as a variable and will compare communities according to the percentage of the population who are aged 18-64. An analysis which includes specific age categories would offer the most in determining the age-related impacts on social capital and SED, but because of the preliminary scope of this thesis only the impacts of the working -aged population will be addressed.

Finally, the issue of community size relative to level of social economy development will undoubtedly be a factor in this research project. Both Amin (2005) and Penning (1982) (in Saxton & Benson, 2005) maintain that the social economy and non-profit sectors, respectively are stronger and more numerous in areas with higher population levels. Communities with larger populations are able to build larger stocks of social capital and in theory have the potential to create more social economy organizations. The effect of population size will be magnified in the

North, as the territorial capitals are home to the highest populations in each territory, as well as being governmental and service sector hubs. By including population size in this analysis, it will become evident if there is truly a relationship between the two variables and if there is, just how significant it is.

The two variables identified throughout the literature that have been left out of this thesis include income inequality and trust. White and Maxim (2003) argue that income inequality undermines social capital and this is reiterated by Rupasingha et al. (2006) who state that distributing rewards unequally throughout the community diminishes trust in fellow community members and leads to feelings of exploitation and less social interaction between the two groups (91). When analyzing the effect of income inequality and community development in the Northwest Territories, Bone et al. (1992) describe an inverse relationship between the two leading to speculation the income inequality can impact levels of SED as well. Unfortunately income data in the smaller Northern communities is suppressed and many alternate forms of income associated with the mixed-economy are not captured in the existing statistics. Based on these two issues, income inequality will not be tested in this thesis. Although numerous studies identify trust as an important indicator and measure of social capital in communities, or even the most important (Kay, 2006) including trust as a variable proved too robust for the level of analysis in this research project. Trust as a variable warrants its own research project or at least to be better operationalized than the space available. Issues concerning trust underlie variables associated with both age and employment levels as discussed above, but are limited to proxy indicators and not direct measurement. Obviously as research on the social economy and social capital in the North continues attempting to identify and measure levels of trust would be a meaningful undertaking. Additional research on trust in Canada's North would not only add to a

more in-depth understanding of its role in social economic development and building social capital, but would also shed light on how the historical context of the North shapes issues concerning trust.

SED is rising in popularity in Northern Canada for many reasons, and the commitment and concern for raising the quality of life in these areas through this type of development is one key motive. Social well-being is the main focus and while intimately tied to economic development, remains at the forefront of discussions and planning and ultimately aims to meet the needs of those in Northern communities. Community development and SED also provide the opportunity for empowering Northern inhabitants through its governance and collective participatory structures after the past legacy of top-down, short-sighted and inadequately funded development approaches. In addition to addressing social issues SED has demonstrated that it is a viable economic strategy, not only in the North but also internationally. It would be presumptuous to assume that SED or any one economic policy alone can support Northern economies however; used in conjunction with other resources SED appears to be a useful tool in a diversified portfolio aimed at sustainable economic growth in Northern Canadian communities (Neamtam & Downing, 2005). Social economy projects that address local issues, job creation and skills training are invaluable in many Northern communities. While further research is required for a better understanding of the social economy sector and in Northern Canada in particular, the many positive aspects of development warrant continued interest and investment. The narrow developmental focus of the past is proving inadequate in meeting the needs of Northern communities and additional strategies are necessary in order for successful, stable and sustainable development in Canada's North. This thesis takes the first step in examining social economy development in an attempt to identify what social factors affect levels of development

specifically in the North. This preliminary information will aid in the ultimate goal of generating a wealth of knowledge on the Northern social economy, for the future benefit of Northern individuals, organizations and communities.



## Methods

The purpose of this thesis is to identify and examine what social factors appear to impact social economy development in Northern Canadian communities using variables identified through both social capital and social economy research. This exploratory research began with a thorough review of literature pertaining to the social economy, social capital and economic development with a focus on Northern Canada and identified the variables to include in this study. The next step involved establishing how the social economy would be defined and what organizations would be included in the Northern-wide census, which would ultimately determine the level of social economy development in each community. Once the appropriate variables were identified and the social economy defined, the economic, historical and demographic profiles of Northern communities were analyzed in order to determine how to compare levels of development. Three statistical models analyzed the relationship between the six variables and SED in order to determine the strength and direction of the variables and SED. Finally, as a research instrument a survey was designed and distributed in order to elaborate on the types of social economy organizations operating in the North and also to supplement and enrich the detail of the overall analysis. The information that was collected through the census provided the basis for determining the level of social economy development in each community and was then compared to the variables identified in the preliminary literature review in hopes of examining if the social variables appeared to impact social economy development in Northern Canadian communities.

### *Locating the Social Economy*

The primary focus when beginning this research was locating a definition of the social economy which would be broadly applicable to social economy organizations throughout the

North and as closely aligned with social economy definitions throughout the rest of Canada and the international community for comparative purposes. Many definitional issues associated with the social economy are detailed at length in the previous section and underscore the difficult selection process. For this thesis there is no formal definition of the social economy; organizations qualify for inclusion in the project by adhering to the four qualification criteria put forth by Bouchard et al. (2006), while maintaining the underlying characteristics of a primary concern for people over the accumulation of profit and providing a service that incorporates both social and economic missions. The four criteria presented by Bouchard et al. mirror many of the main characteristics of the social economy as discussed previously and relate to the rules of management within social economy organizations.

A brief explanation of how organizations were chosen for inclusion in this study and the specific rationale behind the choice of Bouchard et al. (2006) criteria will be discussed below, and a detailed chart of the qualification criteria is appended in Appendix A as a reference. The first criterion is that the organization must carry on an economic activity. The second criterion is the existence of social rules prohibiting or limiting distribution of surpluses among members. Thirdly, there is a formal voluntary association of persons and/or of collective bodies. Democratic governance is the last of the four criteria in order to be considered part of the social economy according to the schema (Bouchard et al., 2006). The authors argue that each of these criteria successfully differentiate social economy organizations from non-profit, for-profit and informal organizations, as well as public and capitalist sectors respectively.

Approaching the concept of the social economy in this manner was useful for two reasons. The first is that the criteria allowed for organizations to be compared along a consistent set of principles, which as mentioned above adhere to the fundamental philosophy of the social

economy. Classifying organizations according to the four criteria also allowed for a more inclusive conceptualization of the social economy and the possibility of a broad spectrum of organizations to be included in the analysis. For the purposes of this study a broader perspective was ideal due to the exploratory nature of the research. In the preparatory stages the analysis for this thesis yielded the potential for facilitating additional research and the usefulness of being able to narrow the qualification criteria was an attractive quality. This fluid capability also created the possibility of comparisons with this research and other international studies, which could potentially be very useful for Northern communities. The main idea was to gather as much information as possible and then if warranted constrict the qualification criteria to allow for a more focused analysis. This thesis utilizes the full scope of social economy organizations for its analysis, as it was unnecessary to constrict the spectrum of organizations included in the particular project.

A comprehensive list of all social economy organizations does not exist, and as such compiling a complete database was necessary in order to begin this exploratory research. Initially this list was to serve as a sampling frame for an upcoming survey in order to gather additional information from social economy organizations. While compiling the data for the inventory it became apparent that the list alone was an invaluable source of information. By locating social economy organizations throughout the North, preliminary inferences could be made as to which communities have higher and lower levels of development and it became clear that there were major differences between communities. Naturally this led to the obvious question of why there are varying degrees of SED in Northern communities and this research aimed to start a dialogue about the social factors impacting SED in the North.

Assembling the list involved gathering information from a number of different sources and was compiled by SERNNNoCa. The name of the organization, contact person, location and area of activity were documented as well as basic contact information and email addresses where applicable. An initial internet search through government databases, volunteer and non-profit websites and Aboriginal-related websites yielded a solid base of organizations. Additional organizations were located through each territorial office's registry list of community organizations and representatives from individual organizations were contacted for further information. At issue were a number of Indigenous groups which did not conform to the qualification criteria based on the preliminary information compiled, but at the same time did not necessarily warrant being removed completely. At the time of this study there are 52 organizations not included in the analysis due to the limited information available. There were also 59 Aboriginal organizations that were originally included in the analysis but eventually removed. Feedback from the survey suggested the self-determination of Aboriginal organizations born through treaty negotiations becomes compromised when included as part of the social economy and as such are not included in the final analysis. All of the known social economy organizations were inputted into a basic Microsoft Excel spreadsheet and categorized by territory, community and activity. Throughout the two years of research the lists were updated continuously using snowball sampling and content analysis and eventually finalized in May 2008 with a total of 1178 organizations represented.

This comprehensive list of all social economy organizations represented the first of its kind in Northern Canada and presents many avenues for further research as well as providing a solid base for a preliminary analysis on social economic trends in Canada's North. The list is not without its limitations, which include the potential of missed social economy organizations, a

subjective criteria and the non-inclusion of many unidentified Aboriginal and sovereign Aboriginal groups. Although the data collection method used to gather organizations for the list was rigorous, it was by no mean fool-proof. There is the potential for many informal groups to be in operation that have not been acknowledged by this the collection method. In addition to this, organizations could have ceased operations or opened within the data collection phase for this project. Eventually as more becomes known about the social economy there may be a way for groups to identify, register and deregister themselves as social economic organizations, creating a more robust and representative list. Again the criteria used to classify social economic groups are based on the mainstream notion of the social economy as it applies to regions all over the world and not specifically to Northern Canada. This project has made an attempt to coordinate the diverse and unique characteristics of Canada's North, but there is still much to be known about many Aboriginal groups which may demand a different or additional selection methods for classification within the social economy. While this research makes very clear that data collection methods are left purposefully broad, it also asserts that areas of the research can be improved upon and aided by additional research.

### *Community Categorization*

In an attempt to gain a basic understanding of social economic trends and patterns in Northern Canada, the social economy organizations identified on the list were classified according to the community they are based in. The purpose of grouping social economy organizations by community was to create a picture of how SED is distributed throughout the Territories and formulate preliminary inferences regarding development patterns. There were various ways to classify the information however the largest concern when categorizing communities in the North was to classify communities in a meaningful way. Traditionally most

comparisons in the North differentiate between resource-based and mixed-economy communities. Many communities in the North exist to serve only one of two functions; provide a home for First Nation, Métis and Inuit people or create and promote the extraction of renewable and non-renewable resources in the area. Several towns were created for the sole purpose of large-scale resource extraction or have morphed into industry towns centered on gold, silver, nickel, iron or diamond mining or oil and gas exploration. These communities traditionally have had a larger non-Indigenous and more mobile population than mixed-economy settlements. Many Aboriginal communities survive on a combination of wages, social transfers and traditional activities from the land itself and are more numerous than resource-based towns. These settlements are generally smaller, primarily First Nation, Métis or Inuit and are located throughout each of the Territories. While Bone (2003) uses the terms “resource” and “Native” communities to categorize the settlement types above, he has also described a third type of Northern community, the “service” sectors. The three territories capitals have the largest populations in each territory and serve as hub for government, commercial businesses and community groups, followed by resource towns which tend to be larger than Aboriginal communities. In an attempt to remove subjectivity from community classifications, the analysis will only compare levels of SED by community with no other factors included. While additional research may attempt to decipher if different community categorizations yield meaningful results, this research will simply compare the levels of SED and the separate variables in each community in order to determine if a relationship is evident.

Once social economy organizations had been grouped by community, the next step involved how to compare communities so that each of the six hypotheses could be tested and that the results of the analysis provides meaningful data to add to the dialogue on the social economy

in Northern Canada. A brief explanation of the research instrument and methodology are explained in the sections below.

### *The Survey*

The research instrument used to gather data for this thesis is SERNN<sub>o</sub>Ca's 2008 portraiture survey. The intent was to take a total census of all social economy organizations in the North in order to have complete data on the size, structure, location, employment, membership and types of activities associated with each group. A less than representative response rate to the survey severely impacted the overall analysis of this thesis and the amount of information available on social enterprises in the North. The sampling frame for this project included all identified social economy organizations, which comprise the list discussed above. A survey was the most suitable data collection method for this project, as comprehensive data on all social economy groups was nonexistent. This initial survey was intended to initiate the process of establishing an inventory of these groups in the North and provide information that is not available publicly. The data collected through the census was also meant to offer a current source of information, making inferences and generalizations drawn from its content relevant to the present economic situation in the North. The survey data offered an additional glimpse into the organization of each of the groups, ensuring compliance to the structure of social economic principles. The substance provided in the survey would also assist in expanding on the known basic characteristics of each organization, which was limited to location and main activity in the list's construction phase. Before the surveys were distributed there were plenty of considerations addressed in order to gain the best response rate, as well as capture the necessary information to reasonably test the proposed hypotheses.

One of the goals of SERNNNoCa is to increase the visibility of the social economy throughout Northern Canada, and upon its inception it was apparent that there was a lack of understanding throughout the territories as to what the social economy is, which required not only gathering data but disseminating information as well. An information package was sent to the majority of social economy organizations identified on the initial list to provide some background on the term so that organizations would have a better understanding of what is considered a part of the social economy. The package included an introductory letter, pamphlet and newsletter from SERNNNoCa, as well as a booklet from the Canadian Social Economy Research Partnership outlining what the social economy is and providing additional background on the SSHRC-funded project. It also served as a precursor to the upcoming survey, which was thought to be beneficial in three ways. One, facilitating a better response rate based on a more thorough understanding of the sector itself. Secondly, the package included information regarding the upcoming survey so it was anticipated when it was eventually distributed. The third reason was that through a clear understanding of the social economy, results would be more meaningful and paint a more accurate description of SED as opposed to survey results based on limited knowledge of the sector.

The preliminary results based on 124 returned surveys confirmed the limited level of knowledge on the social economy in the North. Based on two questions in the survey; have you heard about the social economy prior to this survey and how would you describe your understanding of the social economy, only about 60% of respondents had heard of the social economy, and slightly more that 25% identified their level of understanding as good or very familiar. The majority of respondents had a limited understanding of the term, as close to 45% had only some understanding while just over 25% were not familiar with the term at all.



When developing questions to include in the survey, keeping the qualification criteria for social economy organizations in focus was very important. For each of the four qualification criteria, a number of questions were included in the survey to ensure adherence to the definition using the indicators provided in the original document by Bouchard et al. (2006). Carrying on an economic activity is the first criterion to be considered part of the social economy and using the indicators listed in Appendix A the questions related to the area of activity, financial reports, sources of revenue and total revenue. By answering each of the questions above it is possible to discern the sector of economic activity, whether or not financial records are maintained and the proportion of revenue that comes from market-oriented activities for each of the organizations. A designated rule regarding the distribution of any surplus is the second criterion that was addressed when designing the survey. The question chosen to represent this in the survey was simply a direct query that if the organization generates a financial surplus, how is it distributed? Based on the response of the organization, it is possible to determine if and where the surplus is distributed. For the third criterion, which is the formal voluntary association of persons and/or collective bodies the questions asked if and when the organization was incorporated, the membership size and specific membership characteristics. Answers to these questions address how the organizations are structured making it possible to discern if social economy groups in Northern Canada adhere to the qualification criteria or have their own unique structure setting them apart. These questions require specific information regarding membership which helps to provide additional insight into the human resource element of the social economy organizations as well. This precise information also enhances the amount of detail that is known about the organizations and including this as an indicator of SED enriches the level of analysis, creating a more accurate portrait of social economy activity. Unfortunately without a large enough sample



drawing comparisons and identifying particularities becomes difficult. To ensure there was a democratic governance process, survey questions inquired how frequent board meetings are, if an Annual General Meeting was held within the last year and how many board members are involved in the organization. This information determined if there is a board of directors and gathered specific statistics regarding membership within the organization and the board. Questions in the survey were not solely limited to adherence to the social economy qualification criteria, as questions regarding location, length of operation, type of organization, number of volunteers and the number of paid staff were also included in order to gain a better understanding of the organizations' general characteristics.

Formatting for the survey required a special set of considerations as the need to collect pertinent information also needed to be balanced with appropriate length. Although the aim of the survey was to gather as much information as possible, compiling open-ended questions for over 1000 surveys and drawing themes out of the responses would prove to be time consuming, subjective and very difficult. As such, the majority of questions in the survey are close-ended. The hope is that future research will include interviews, focus groups or open-ended surveys to elaborate on the characteristics of social economy organizations in the North.

Historically in the North, outsiders conducting research frequently exploited gatekeepers of knowledge, misrepresented themselves and their pursuits, and largely extracted information, knowledge and results from the Arctic without investing back in the areas and communities that they had been researching (Clarkson, 2001). This has fueled resentment among many Northerners, and Statistics Canada-like surveys where statistics are tabulated and widely distributed with little to no effect on problems specific in the North are an added source of ignition. While this consideration was central to the research and survey design, a lack of

relevancy was voiced with regard to the original drafts and the survey was adjusted a number of times. Changes were made to incorporate the suggestions of Northern social economy organizations and various social economy researchers that made up the core of the pilot group who reviewed the document and provided valuable feedback before the survey was released.

Selecting a delivery method for the survey became a very complex process which was revisited from time to time to ensure the largest response rate. The information package that was sent before the survey was administered was forwarded via email where possible and mailed out when email was not an option. There were a number of different methods considered for the survey itself, such as email, mail-out, telephone, online and in-person. The major considerations in selecting the best method were cost, time and effectiveness. Based on cost analysis it was decided that email surveys would be the preferred delivery method, where applicable. Mail-out surveys would be used for remote communities where locating working email addresses had failed. An additional method, to include the survey on SERNNNoCa's website was also incorporated. This method made the survey accessible to any group with access to the internet, as well as provided an alternative to those groups who received mail-out packages and preferred to submit their surveys online. An additional benefit with the online survey was that responses would be automatically inputted, saving time when organizing the responses. The hope was that the response rate for the survey would be higher with multiple options available for submittal. The survey was available in English, French, Inuktitut and Inuinnaqtun on SERNNNoCa's website. Just over half of the surveys were mailed to the social economy organizations directly, slightly less than half were emailed, and a handful of surveys were faxed and submitted on the SERNNNoCa website as of January 2009.

### *The Methods*

While at the onset of this project the focus was primarily on the results of the survey in order to analyze levels of SED in Northern communities, the compiled list of social economy organizations became the most valuable information used in the analysis for this project. It was very clear that when grouped by community, the number of organizations differed greatly between locales. The most obvious variable appeared to be population, as larger-sized communities appeared to have a greater number of social economy organizations. However, this was a very imprecise measurement and based on the literature review, there were many other variables theorized to impact the level of development in each community. In order to investigate the relationship between SED and these variables, a statistical analysis was incorporated. The first model uses correlation coefficients to describe the strength and direction of the relationship between the six explanatory variables and SED. The following model demonstrated how the six variables collectively explained the varied SED rate, while the third model allowed for a comparison between the collective explanatory power and how the exclusion of population as a variable explains the difference in SED level by community. The section below will explain in more detail each of the variables in the analysis, the specific methodology used, and the limitations associated with its use and finally will describe the six hypotheses this study aims to investigate.

The statistical program used for this analysis was the Statistical Package for the Social Sciences (SPSS). Each of the variables were inputted into the software and were classified by community (n=70). For this analysis seven variables were created. The first was the level of SED which was the number of social economy organizations compiled on the initial Northern inventory (n=1178), categorized by community. As explained above, there is no other comprehensive list to gather these organizations and as such this list served as a valid census of

all social economy organizations operating in the North. Ensuring the availability of data for all six explanatory variables was the primary concern when locating the data source to use for this research project. Statistics Canada offered the most reliable, consistent and comprehensive data on each of these six variables through the 2006 Census (Statistics Canada, 2006). Each of the communities identified on SERNNNoCa's list were represented in the dataset (n=70). The 2006 Census is also the most current source of data available, keeping the research instruments used in this thesis as current as possible. Utilizing Census data for this analysis is not without its limitations, as under-reporting, data suppression, and rounding all negatively impact the reliability of the statistics (Damus, 2004). Due to the small size of some Northern communities, to maintain confidentiality some data are rounded to the nearest multiple of 5, while some are suppressed entirely. Rounding causes various issues when using the figures to prepare different calculations and when data is suppressed it is not available at all. Under-reporting has been an issue with many First Nations and Inuit communities, both in the North and the rest of Canada in various Censuses. This is due to a conscious choice not to participate in the Census in the case of some communities, but also because of a failure to capture the entire population due to seasonal activities within and outside of the communities. Even with these limitations, Census data was the best option due to the availability and consistency of the figures.

The statistical measure used in the first part of the analysis was linear regression, and specifically the Pearson coefficient measured the association between SED and each of the variables; population, education, employment, age, resource dependency and mobility. The communities dramatically differed in population size, from a low of 52 in Kakisa, NU to 20 461 in Whitehorse, YT. It was important then to include an analysis tool which could compare how each of the variables is related to SED that would not be greatly affected by population size.

Using linear regression to model the relationship between each of the six variables and SED was beneficial in three ways. The first, as mentioned above, was that the direction of relationship between SED and the variables could be quantitatively expressed. This is important in determining if each of the variables has a positive or negative relationship with SED. While each of the hypotheses has expressed the direction expected between variables, this measure allows it to be tested to ensure that direction can be validated. Using the Pearson correlation coefficient to express the association between the variables and SED was also ideal because the unit of measurement did not affect the results of the analysis. Lastly, the Pearson correlation allows for the strength of the relationship to be measured. This is important in determining if the association is statistically significant and at what level; weak, moderate or strong. While statistical significance is usually required in order to present a true relationship between variables, this is not the case for this thesis. Because the sample used for the analysis is a total sample of all social economy organization in the North, significance does not need to be proven. In the analysis section each coefficient will be labeled by strength, and significance is assumed because the totality of organizations is included. As coefficients for each variable can be compared to another, this last point is especially important in determining which, if any of the variables included in this study have the strongest association with SED levels. All of the variables are quantitative and adhere to the underlying assumptions of being normally distributed and independent of each other, which makes the use of the Pearson correlation an acceptable method to use in this analysis.

A multiple regression equation was the second statistical method utilized in this project and incorporated the same seven variables as the bivariate model. The benefit of adding the multiple regression model is that the association between each of the 6 independent variables and

the dependent variable is measured holding all other variables constant. This minimizes the effect of the association between explanatory variables. Multiple regression analysis also indicates the strength of association between all variables and level of SED, which is denoted by the R statistic and the level of explanatory power in the model through the  $R^2$  statistic. Other valuable information embedded in multiple regression analysis are the standardized coefficients which indicate the strength of association between each of the independent and dependent variables, controlling for all other independent variables. This information identifies how strong the association is between the independent variables and level of SED, keeping all other variables constant which is more robust than the bivariate association and potentially dramatically different than the bivariate association results.

One last model was included in the methodology, which involved running a second multiple regression. For the second model, population was excluded in the analysis in order to determine how population as an independent variable affected the analysis results. Running this model also allowed for a comparison between the explanatory power of the first multiple regression that included each of the six explanatory variables, and the second which left education, employment, age, resource dependency and mobility to explain the varying levels of SED. This would indicate just how much population added to the development of the social economy in statistical terms, as well as demonstrate if any of the coefficients change between the two analyses. Ideally the coefficients would not change by a large margin if the relationship is indicative of a true relationship between the two variables. The analysis section will present the breakdown of each of the three models and compare them in order to test the six associated hypotheses.



While the reasons that bivariate and multiple regression models have been chosen for the statistical analysis of this thesis have been detailed above, there are still limitations inherent in their use. The first is related to the broad notion that statistical analyses fail to capture many of the important and underlying social characteristics that affect phenomena, such as the development of the social economy. It should be made clear at this time that this thesis is intended as a preliminary study aiming to gather information as a precursor to in-depth and small-scale analysis. The intent was to present a broad description and possible explanatory social factors of SED in the North, which a simple statistical analysis is able to communicate. For those variables which have been identified and included in this thesis, the combination of bivariate and multi-variate analyses is useful in determining the association between the six explanatory variables and SED. However, this model does not capture the intricate and underlying social phenomena fueling or failing social economy development. The second limitation is that while the Pearson coefficient is useful for describing the strength and direction of the association between the six variables and SED, it does not take into account any other variables. On its own, these coefficients would be inadequate in determining the association between population, education, employment, age, resource dependency, mobility and level of SED, however the multiple regression component of the analysis will make up for this shortfall. While there are additional statistical measures which potentially offer more in-depth and rigorous statistical inferences, the linear regression models included in this analysis appear successful in being able to communicate preliminary information regarding the social variables and level of SED in the North. Contained below are the six hypotheses in detail, with a brief explanation of each explanatory variable and the definition used to test the relationship between SED and

population size, education, employment, age, resource development and mobility in Northern Canadian communities.

### *The Hypotheses*

The first hypothesis to be tested is that communities with larger populations will exhibit higher levels of SED. Population as a variable includes the total amount of people in each community regardless of age and will be totals presented in the 2006 Census. Because larger communities have the possibility to create increased social networks and contacts, it is reasonable to assume that this would lead to higher levels of social economic development. It may also be the case that other factors, such as labour pools, size of markets and better access to amenities contribute to the an increased level of SED. However the working assumption in this thesis assumes that the intimate relationship between social capital and SED is also an intricate part of the development of the social economy and therefore social contacts are of increased importance in the development of the social economy.

The second hypothesis proposes that communities with higher education levels will demonstrate higher levels of SED. The level of education used in the analysis will be the percentage of people aged 15 and over who possess at least a high school diploma or equivalent. Education is a widely accepted indicator of social capital in traditional analyses and because of the established links between social capital and social economy development, communities with a larger percentage of people with a high school diploma in all likelihood will display higher levels of SED. Due to the relatively recent application of social capital and social economy research in Canada's North and the fields in general, it will be interesting to see if education plays as large of a role in Northern Canada as it has in other locations. In some communities a measure of traditional knowledge or something similar may be a more practical indicator of SED

than level of formalized education. However this research is limited to analyzing the variables that have been identified throughout the existing literature and should be able to determine if the mainstream education variable is appropriate.

The third hypothesis proposes that communities with higher levels of employment will display higher levels of SED. While there is an argument that those who are unemployed have more time to be involved in social economic activities and therefore increase levels of SED, this research supports the notion that Woolcock (2001) outlines; that communities characterized by unemployment will have lower degrees of participation in the social economy and therefore those with increased employment levels will display increased SED. Employment will be measured using the employment rate indicated in the Statistics Canada 2006 Census which is the percentage of those in the labour force who were employed in the week prior to the Census. This statistic again may pose difficulties for Northern application because of the seasonal nature of work for some individuals, perhaps more so than in other areas in Canada. This statistic also fails to capture the unpaid work of care-givers and those who practice traditional hunting or fishing practices for subsistence. Employment as a explanatory variable is a valuable starting point for describing the relationship between SED and level of employment, and additional research may expand on the variable to make it more Northern-focused.

The fourth hypothesis states that communities with higher levels of people aged 18-64<sup>1</sup> will exhibit higher levels of SED. The age variable in this analysis will be the percentage of the community's population aged 18 to 64. Data was only available for the age category of 15-19, and as such a manual calculation was completed which took 40% of the number of people in the category to be used in this analysis. Age is normally distributed, making this calculation an acceptable practice in this instance. Because the North is characterized by a very young

population overall and have lower levels of those aged 65 and over, the results of this analysis will be particularly interesting and is helpful in the analysis for this particular reason. Because the North has high levels of young people and low levels of those aged 65 and over, including only those of working aged people presents the least skewed segment of the population and those who, in the literature review have higher levels of social capital and therefore contribute in greater terms to the social economy. Eliminating both young people and the elderly however does not help to explain how each segment of the population contributes or negatively impacts SED and is a worthwhile undertaking for future research.

The state of SED in communities that depend on resource-based industries presents a topic that is very important for Northern communities now and in the future as well. The hypothesis for this variable proposes that communities with a higher percentage of industry based in the resource sector will display lower levels of SED. Because of the temporary nature of employment and boom to bust life spans of many mega projects in these communities, the logic dictates that these communities will also exhibit lower levels of social capital. Resource dependency is expressed as the percentage of people employed in resource-based industries and does not include manufacturing or construction employment.

The last hypothesis included in this thesis addresses the issue of mobility and SED. It states that communities with higher levels of mobility will have lower levels of SED. Mobility is captured within the Census data by obtaining the percentage of people who have not resided in the community five years or more. This is calculated by obtaining the percentage of people who lived in another city, province/territory or country in the last five years. While data is available for both one and five year intervals, using the five year data was deemed the most suitable for measuring long-term community trends, and is less vulnerable to large-scale or sudden

demographic shifts. Communities with higher levels of mobility would understandably display lower levels of SED through the continual decrease in available social capital and may perhaps be indicative of economic distress or demographic shifts.

The initial step in beginning this thesis was to identify specific social factors within research pertaining to the social economy and social capital that appear to impact levels of SED and is detailed in the literature review. The next series of tasks outlined in this section involved organizing communities in the North in order to create meaningful comparisons and gathering data on levels of SED as well as the general characteristics of social economy organizations throughout the three territories. The variables identified within the corresponding literature were then operationalized in order to test the six hypotheses that encompass this thesis. The three statistical models within the analysis section will then be able to describe the strength of relationship between each of the independent variables and SED, how well the variables collectively explain the variation in SED level and what the difference is in explanatory power when excluding the strongest variable related the SED, population. The next section presents the analysis and addresses each of the proposed hypotheses in detail.

## Analysis

The objective of this study is to both identify and examine the social factors that appear to impact social economy development in Northern Canada. Based on the findings of the literature review population, education, employment, age, resource dependence and mobility have been identified as possible indicators of social capital and social economy development. Using the list of social economy organizations compiled by SERNNNoCa and the subsequent survey this analysis will describe the location and type of activities associated with social economy development in Northern communities. This same information accompanied with Statistics Canada data will then be used to test each of the six hypotheses using a statistical model in order to determine the relationship between the variables and SED. The results of this analysis will provide a broad overview of SED within the Yukon, Northwest Territories and Nunavut in addition to offering preliminary inferences regarding the role that each variable plays in the development the social economy in the North. The limitations of the study as well as any difficulties incurred when formulating and testing the hypotheses will conclude this section in an attempt provide transparency in the research findings and provide valuable information for future research.

### *General Findings*

The assembled list of social economy organizations located in the Yukon, Northwest Territories and Nunavut reveals 1178 distinct organizations dispersed throughout 70 different communities. Of the 1178 identified groups 506 are located in the Yukon, 378 in the Northwest Territories and 294 are in Nunavut (see Table 1). Not surprisingly, the three territorial capitals Whitehorse, Yellowknife and Iqaluit represent the highest levels of SED in each territory and account for 51% of all social economy organizations when combined. The rest of the 49% of

organizations reside in 67 communities within the territories. The top ten communities with the highest levels of SED range from a high of 360 organizations in Whitehorse to just 15 in Haines Junction and the communities with the least number of organizations display only 1. This indicates that the scale of development is highly skewed in the direction of those few communities with many organizations.

Table 1

*Social Economy Organizations by Number*

<b>Territory</b>	<b>Number of Organizations</b>	<b>Percentage of Organizations</b>
Nunavut	294	25
Northwest Territories	378	32
Yukon	506	43
<b>Total</b>	<b>1178</b>	<b>100</b>

The territory with the highest level of development is the Yukon with 506 organizations identified within 17 separate communities. Table 2 below displays the number of social economy organizations in each community and is organized alphabetically and by territory. In the Yukon the top four communities represent 85% of all organizations, while the bottom five represent just 2% of SED. When comparing the total level of SED within the three territories, the top four Yukon communities represent 36% of total development while less than 1% of development occurs in the bottom five communities. The Northwest Territories ranks second in SED with 378 organizations dispersed within 28 communities. The five communities with the highest level of development represent 71% of territorial SED while the lowest five account for less than 1.5 %. These same communities represent approximately 23% and 0.5% of the collective SED respectively. There are 294 social economy organizations that have been

identified within Nunavut's 25 communities. Comparing SED within the territory the top five communities account for 58% of SED while the bottom five represent approximately 7%; the top and bottom five communities account for 14% and less than 2% of collective SED respectively as well. Comparatively Nunavut appears to exhibit a more balanced presence of SED than both the Yukon and Northwest Territories as the gap between communities with higher and lower levels of SED is narrower both territorially and collectively.

Table 2

*Social Economy Organizations by Community*

<b>Nunavut</b>	<b>SEOs</b>	<b>Northwest Territories</b>	<b>SEOs</b>	<b>Yukon</b>	<b>SEOs</b>
Arctic Bay	4	Aklavik	6	Beaver Creek	3
Arviat	10	Behchoko (Rae-Edzo)	4	Burwash Landing	4
Baker Lake	12	Colville Lake	3	Carcross	7
Cambridge Bay	13	Deline	4	Carmacks	8
Cape Dorset	8	Fort Good Hope	7	Dawson City	31
Chesterfield Inlet	6	Fort Liard	3	Destruction Bay	1
Clyde River	4	Fort McPherson	9	Faro	8
Coral Harbour	5	Fort Providence	7	Haines Junction	15
Gjoa Haven	8	Fort Resolution	7	Marsh Lake	2
Grise Fiord	5	Fort Simpson	12	Mayo	5
Hall Beach	5	Fort Smith	21	Old Crow	2
Igloolik	10	Gameti (Rae Lakes)	1	Pelly Crossing	6
Iqaluit	105	Hay River	46	Ross River	4
Kimmirut	6	Inuvik	42	Tagish	3
Kugaaruk	6	Jean Marie River	1	Teslin	8
Kugluktuk	12	Kakisa	1	Watson Lake	24
Pangnirtung	9	Lutselk'e	4	Whitehorse	360
Pond Inlet	6	Norman Wells	5	Anchorage, AK	1
Qikiqtarjuag	5	Paulatuk	3	Atlin, BC	3
Rankin Inlet	27	Sachs Harbour	4	Dease Lake, BC	1
Repulse Bay	4	Sambaa K'e (Trout Lake)	1	Kelowna, BC	1
Resolute	6	Tsiigehtchic	4	Unknown	9
Sanikiluag	4	Tuktoyaktuk	9		
Taloyoak	7	Tulita	8	<b>Total Yukon</b>	<b>506</b>
Whale Cove	4	Uluhaktok (Holman)	7		



Plainfield, ON	1	Wekweti	1
Unknown	2	Whati	2
		Yellowknife	146
<b>Total Nunavut</b>	<b>294</b>	Ottawa, ON	1
		Edmonton, AB	1
		Unknown	9
		<b>Total Northwest Territories</b>	<b>378</b>
<b>Total Territories</b>	<b>1178</b>		

### *The Hypotheses*

Discussion surrounding the impact of population size on community-level SED occurs frequently throughout this thesis and stands out as the most immediate indicator based on a preliminary analysis of each of the six variables compared in this study. The first hypothesis states that communities with larger populations will exhibit higher levels of SED. The three territorial capitals stand alone in a simple comparison between population size and SED. Whitehorse, Yellowknife and Iqaluit each have the three largest populations and the greatest number of social economy organizations respectively. Within the Yukon and Northwest Territories, this same trend can also be identified. The five largest communities in the Yukon and the four largest in the Northwest Territories are mirrored in SED rank. In Nunavut only the top two largest communities display the same SED rank. This gives the indication that population size may only impact SED at a certain level of population size, or that there are potentially other variables that are associated with the development of the social economy. The results of the linear regression for each variable is included in Table 3 below. The statistical method used to actually test for association is the Pearson correlation and it confirms that there is a relationship between population size and SED,  $r = .928$ . This  $r$  value is considered high and

indicates a very strong and positive association between the two variables. The hypothesis that proposes that communities with larger populations will also display higher levels of SED can be supported based on these results. This result is not surprising given the fact that significant discrepancies in population levels greatly affects the available number of people creating, joining, participating in and using social economy organizations, as well as the social capital necessary to maintain organizational operations.

Table 3

*Bivariate Association – Pearson Coefficients*

	Population	Education	Employment	Age	Resource Dependence	Mobility
SED Level	.928	.342	.374	.264	-.123	.220

The second hypothesis states that communities with higher levels of education will display higher levels of SED. Nunavut has the lowest percentage of people with at least a high school education level when comparing the three territories with just under 43%, as well as the lowest number of social economy organizations territorially. This is followed by the Northwest Territories with 67% of the population having a high school degree and the 2<sup>nd</sup> most organizations, and lastly the Yukon which possesses the highest education level with 78% of people with a high school degree and the most social economy organizations. The percentage of people with at least high school education in Nunavut ranges from a high of 64% in Iqaluit to a low of only 20% in Repulse Bay. In the Northwest Territories the range is between 81% and 23% and in the Yukon the range is 100% to 50% in two communities. The data in the Yukon is misleading because of the small population size in each of the extremes however, as a whole the territory still has the highest percentage of those with at least a high school education. The Pearson correlation indicates a positive association between education and SED. The coefficient,

$r = .342$  describes a moderate association between the two variables and indicates that the hypothesis stating that communities with higher education levels will also have higher SED can be supported. While the need to recognize the interconnectedness of the variables in this thesis will be described in the later part of the analysis sections, it is important to note that each variable in the initial bivariate analysis is compared on its own this may not reflect the most accurate portrayal of how the variables interact in real life. Population size again appears to impact education levels in communities and a statistical model which incorporates multiple variables or one that controls for population size may be more appropriate in determining the true relationship between SED and education level.

The third hypothesis states that communities with higher levels of employment will exhibit higher levels of SED. In Nunavut the employment rate varies from a high of 72% in Iqaluit to a low of 40% in Repulse Bay. In the Northwest Territories and Yukon the range is 81% in Norman Wells and 39% in Tuktoyuktuk, and 73% in Whitehorse and 46% in Tagish respectively. These employment rates describe a significant difference in the percentage of people employed in Northern communities. A 40% gap can be found between the most and least employed community in the North. This indicates that not only do population size, education level and degree of SED vary greatly throughout the North, so do employment rates. The Pearson correlation confirms a positive association between employment rate and SED level,  $r = .374$ . In addition to education level, the employment variable is also considered moderately associated with SED levels in Northern communities. Further research is required in order to clarify the relationship between employment rates and SED, as other variables including age and education level may also serve to impact employment rates, as well as level of social economy development.

The fourth hypothesis speculates that communities with higher levels of working-aged people will exhibit higher levels of SED. The lowest percentage of people aged 18-64 is found in Kakisa however, due to the very low population size (52) this statistic is presented with apprehension. The highest percentage of working-aged people is found in Destruction Bay, with 82%. Again the results are misleading because the population of Destruction Bay is also very low (55). Both Iqaluit and Yellowknife had the highest percentages working-aged people in their respective territory, which suggests that although the two communities with the highest and lowest number of people aged 18-64 collectively are potentially skewed because of such a small population size, even large communities have the tendency to display high SED levels and working-aged populations. The correlation coefficient,  $r = .264$ , suggests that there is an association between the two variables, although at a lower level than population, education and employment. The coefficient is less than .3 and is considered a weak association. The coefficient does confirm that the direction of the association is positive and therefore the hypothesis stating communities with higher levels of working-aged people display higher levels of SED can be supported, but with reservation. This relationship is not as strong as population, education or employment and perhaps a statistic that can measure the association between different segments of the population would be more helpful in determining at what age, age becomes significant in the development of the social economy.

The association between communities with a greater dependence on resource-based industry and SED is discussed in the fifth hypothesis and it states that communities with a higher level of resource dependence will display lower levels of SED. The percentage of resource-based industry ranges from 0%, which ten different communities display and a high of 26% in Gameti. The results of the statistical analysis describe another weak relationship, as the

coefficient between level of resource dependence and level of SED is  $r = -.123$ . While the direction of the statistic supports that the association between resource dependency and SED level is negative, it is still at a very low level. The hypothesis that higher resource dependency will result in lower levels of SED can be supported, but again with reservation and more information is required to understand the relationship between resource-based industry and social economy development. Another issue may be that the variable itself is inadequate at capturing the true level of resource dependence in Northern communities and that another variable is required.

The last hypothesis proposed in this thesis maintains that communities with higher levels of mobility will have lower rates of SED. Based on a comparison of the percentage of people who have lived outside of their current community in the last five years, the least mobile city with 0% of people having lived outside of their current community is Wekweeti and the most mobile city is Norman Wells with 43% of people having moved into the city within the last five years. Again, population size affects the reliability of the data, as Wekweeti only has a population of 137. It is important to note that Norman Wells as the most mobile city is unsurprising because of its resource-based economy, and the highly mobile population employed by it. The Pearson coefficient of  $r = .220$ , describes a weak association between mobility and SED level in the North, however the direction implies that the association proposed in the hypothesis is incorrect based on these results. Perhaps a better indicator would be the net migration rate of each individual community, so that birth, death, in and out migration can be taken into account. As such, the proposed hypothesis is rejected, and more information is required to understand the association between mobility and levels of SED in the North.

Each of the six hypothesis have been tested using the Pearson coefficient and have been measured as low, moderate or strong associations. While this information is valuable, two additional models have been included to expand on these findings. The first model is a multiple regression equation that includes all six independent variables and SED as the dependent variable. Each independent variable is compared to SED, holding each of the other five variables constant and reveals results that are surprising given the bivariate relationships described above. The results of the multiple regression analysis are captured in Table 4 below. What is apparent when analyzing the results is that the explanatory power of the model is very high, which is indicated statistically with the  $R^2$  value, .867. This means that 86% of the change in SED level is explained through the six variables in the analysis. The standardized coefficients however, imply that only population is strongly related to SED level, .905. Each of the other five variables display very low coefficients and are considered weak. The mobility variable has changed signs within the multiple regression model, proving evidence of “Simpson’s Paradox”, which is indicative of an interactive relationship.

In order to compare the explanatory power of this model to one which does not include population, a second multiple regression model was run and the results are displayed in Table 5 below. The most noticeable difference is the lower  $R$  and  $R^2$  values in the second model. The multiple regression model without population only explains 17% of the variation in SED, compared to 86% in the earlier analysis. This indicates that the bulk or almost 70% of the variation in SED is explained by population. The standardized coefficients also change in the second model. Education and age each increase in strength, but are still considered weak relationships. The resource variable maintains a similar coefficient throughout the three analyses, while mobility retains a negative relationship in the second multivariate model as well.

The employment variable demonstrates a marked increase from weak to moderate when population is removed from the model. This indicates that population affects employment rates and displays an intervening effect on the relationship between employment and level of SED. The bivariate analysis was useful for determining the strength of relationship between each of the variables and SED, while the multiple regression model offers further details which are quite different from the initial Pearson coefficients. By comparing more than one variable at a time with SED it is apparent that although population, education and employment are each found to be moderately or strongly associated with the development of the social economy on their own, in a more robust statistical model both education and employment fail to prove their impact on SED level when population is included in the statistical model. This lends credence to the notion that population size has the strongest impact on SED levels in Northern communities of the six social variables included in this analysis.

Table 4

*Model Summary and Coefficients – Multiple Linear Regression*

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Variables</b>	<b>Standardized Coefficients</b>
	.931 <sup>a</sup>	.867	.855	(Constant)	
				Population	.905
				Education	.070
				Employment	.026
				Age	.017
				Resource Dependency	-.052
				Mobility	-.076

a. Predictors: (Constant), Population, Education, Employment, Age, Resource, Mobility

Table 5

*Model Summary and Coefficients - Multiple Linear Regression Excluding Population*

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Variables</b>	<b>Standardized Coefficients</b>
	.415 <sup>a</sup>	.172	.108	(Constant)	
				Education	.197
				Employment	.307
				Age	.092
				Resource Dependency	-.101
				Mobility	-.211

a. Predictors: (Constant), Education, Employment, Age, Resource, Mobility

### *The Survey*

The results of the survey provided a wealth of information that the traditional statistical comparison was unable to uncover. Unfortunately as this thesis has alluded already, the response rate was extremely low. The poor response has affected any ability to make larger generalizations because the survey is not representative and is also unable to disseminate additional information on the non-participants, so that what is known about these groups is limited to what is available publicly. There are 72 responses from base communities in the Yukon, 42 from the Northwest Territories, 37 from Nunavut and 3 from outside of the territories. Although SERNNOCa continues to work on this project and add to the response rate, for the purposes of this study the 154 responses are all that are available.

Even with the low return rate, the survey adds valuable information on social economy organizations in the North and additional detail to the analysis of this thesis. The most important information gathered through the surveys was that many organizations are based out of one community but have satellite offices or branches in other communities. This is especially true of many organizations that are based in the Iqaluit, Yellowknife and Whitehorse. Because the analysis in this thesis used only the base community, the true picture of SED is skewed because of social economy organizations in operation in other communities. This paints an unclear



picture of where organizations are located and in the case of this analysis, the level of SED in each community. Based on the responses from the survey, 49 of the 154 organizations that responded have branches in other communities. In many of these instances there are alternative branches in several communities with an example being the Many Rivers Counseling and Support Services Society operating in 11 other communities in addition to the two main offices in Whitehorse and Dawson. With one-third of survey respondents describing satellite offices in other communities, it is reasonable to assume that many of the 1178 other social economy organizations would also have additional branches outside the base community. While each group itself only represents one organization in total, the fact that it has operations in other communities fails to be captured in the analysis and needs to be recognized in order to reflect the true nature of the social economy in these communities and the North as a whole.

Another valuable piece of information shared through the survey is the type of organization in operation. As discussed in the literature review the social economy is made up of a number of heterogeneous organizations, including cooperatives, voluntary group and non-profits. Using the list of social economy organizations, information on the type of group is unavailable and with the exception of most cooperatives it is difficult to discern the group's designation. The survey provides these additional details for the organizations that responded to the survey. Of the 154 responses 72 identify themselves as non-profit and voluntary organizations, 63 as strictly non-profits, 6 as cooperatives, 6 as non-profit/voluntary and cooperatives, 2 as strictly voluntary organizations, 4 as other and 1 which did not identify the type of organization. A larger sample would have described the true scope of organizations within the North, however it is clear from the survey results that non-profit and voluntary organizations appear to make up the bulk of Northern groups.

In addition to levels of SED varying by community there are also distinct differences in the type of activity associated with social economy development. Again because the survey failed to yield a strong or representative response rate it is difficult to verify the activities of each of the organizations or add information that may elaborate on the type of work the group engages in. That aside, the original census lists did yield significant detail on the main activity of most of the organizations, with only 27 listed as unknown (see Table 3). When analyzing the list of social economy organizations there is a marked contrast in the concentration of each territory's activity. Fully one-quarter of the organizations in the Yukon revolve around sports, recreation and tourism, where as the same activity accounts for only 13% organizations in the Northwest Territories and 8% in Nunavut. The largest percentage of organizations in the Northwest Territories involve law, advocacy and politics and represent just over 18% of social economy groups. This is in stark contrast to the percentage associated with the same activity in the Yukon, where it is slightly over 7%, and in Nunavut which is only 5%. The most numerous organizations in Nunavut are business or professional associations, or unions and signify 16% of SED. In the Northwest Territories these groups represent 9% of the territorial SED, while in Yukon the same groups account for 8% of organizations. Other significant differences between organizational activities across the territories include Nunavut displaying much higher levels of development and housing as well as trade, finance and insurance. The Northwest Territories lags behind both Nunavut and the Yukon in the number of groups associated with art and culture, while at the same time exhibits significantly more organizations associated with religion, 13%, compared to 5% and 8.5% comparatively. There are similarities between some activity categorizations, with the most illustrative being that social service organizations represent 16%, 15% and 13% of SED in the Yukon, Nunavut and Northwest Territories respectively. Although



comparable across the three territories, organizations associated with manufacturing and construction, education and research, and fundraising and volunteerism are the least numerous of all social economy organizations, each registering less than or equivalent to 3% of all organizations within each territory. Health groups are slightly higher, totaling 5% in the Northwest Territories compared to 3% in the Yukon and Nunavut. This brief example of the different types of and concentration levels of social economy organizations in each territory illustrates that the activity of social economy organizations varies throughout the North, in addition to the level of SED in Northern communities.

Table 6

*Social Economy Organization by Activity and Number*

	<b>Nunavut</b>	<b>Northwest Territories</b>	<b>Yukon</b>	<b>All Territories</b>
Manufacturing, processing and/or construction	1	0	2	3
Trade, finance and/or insurance	29	8	3	40
Development and housing	30	19	25	74
Sports and recreation, or tourism	39	32	128	199
Arts and culture	43	33	82	158
Education and research	7	12	13	32
Health	11	19	15	45
Social services	45	49	81	175
Environment	7	21	27	55
Law, advocacy and politics	14	70	38	152
Grant-making, fundraising and voluntarism promotion	3	7	8	18
Religion	15	49	43	107
Business	48	34	41	123
Unknown	2	25	0	27
<b>Total</b>	<b>294</b>	<b>378</b>	<b>506</b>	<b>1178</b>

### *Limitations*

Some of the limitations of the data have already been discussed above however, it is important to address them specifically and concisely to understand the conclusions associated with the thesis and accurately pinpoint the weakness inherent in the research design. The most easily recognizable limitation in the thesis is the reliance on data compiled on the social economy organizations throughout the territories. Although addressed in the previous section it is important again to state that the methods used to assemble the territorial lists for social economy organizations while exhaustive are not perfect. The lists are continually updated using data compiled by SERNNNoCa and the list used for this thesis is the most current available when beginning the analysis section of this study. Due to the organizational nature of the groups it is also possible that not only have some groups been created throughout the past year, but that some may have also ceased operation. Because of the fluidity of the social economy based on the preferred definition, how social economy organizations have been classified has also impacted the groups included in this study. While the definition was chosen because of its broad scope it still has the potential to reject organizations that may have otherwise been included in the study and perhaps also has been too inclusive therefore limiting the focus of organizations selected for inclusion. It is important to keep in mind that the initial census and survey are the first to be attempted in the North and are a valuable starting point for social economic research which will hopefully pave the way for additional and more investigative research.

The second limitation is associated with the Census data used to test each of the hypotheses. While rounding, data suppression and under reporting have been described in the previous chapter, it should also be mentioned that Census data has the potential to be

misinterpreted by the participant, just as in any other survey. The employment rate and resource dependency variables appear to be the most prone to these flaws. Communities with very small populations are at a disadvantage as their data can be heavily skewed by very few respondents and impact reliability, which was showcased by problematic data in a number of the hypotheses. Because of the large-scale nature of Census data one may be correct to assume that issues of misinterpretation and under reporting would largely be equally problematic throughout each of the communities; rounding, data suppression, population size and reliability would not be.

The last limitation is associated with the methodology used to arrive at a conclusion for each of the hypotheses. It has already been described that the correlation coefficient used to test each hypothesis takes only the two specific variables into consideration. This is dramatically different than how social variables interact in the real world. That being said, statistical analyses in general fail to fully capture the true scope of factors association with social economy development, and many other variables as well. While the last point is generally well-known, understanding how the social economy operates and what factors impact its development demand more qualitative research in order to understand its development fully. Each of the multiple regression models included in this thesis are meant to address the shortcomings of utilizing only the bivariate relationships to test the hypothesis. The main goal was to identify if a relationship between each of the six explanatory variables and SED exists, which the bivariate analysis was able to conclude. Obviously as research associated with SED increases in the North, so too will vigorous statistical analyses and in-depth qualitative data that will be better able to describe the level, effects of, affect on, interconnectedness and role of SED in Northern communities.

This analysis has attempted to determine if population size, education, employment, age, resource dependency and mobility appear to impact SED with many insightful results. The hypothesis associated with larger populations and increased SED can be strongly supported based on the statistical results. The second hypothesis describing the relationship between educational level and SED and the third hypothesis that tested if higher levels of employment will result in higher levels of SED can also be supported based on the moderate association described in the correlation coefficients. The fourth hypothesis that tested if age is associated with SED level can also be supported, but with reservation because of its lower significance value when measuring those of working-age and the same results were found when measuring the relationship between resource dependency and SED. The last hypothesis which predicated that more mobile communities will exhibit lower SED levels cannot be supported based on the insignificant results in the analysis. Although more research is needed in order to understand the full scope of the impact that each of these variables has on SED, age, resource dependency and especially mobility require heightened attention based on the results of the hypotheses.





## Discussion

This thesis has attempted to explain the difference in level of social economy development between Northern Canadian communities through an analysis of six social variables identified in social capital and social economy literature. The results of the research confirm that there are varying levels of SED throughout the North however the association between the social variables and SED are less clear. A synopsis of the research findings, discussion of the wider issues affecting this study and areas of development for future research will conclude this thesis and are presented below

While the analysis section of this thesis concludes if each of the six hypotheses can be supported or fail to be supported based on the bivariate relationship presented, the multiple regression models adds additional information regarding the relationship between population, education, employment, age, resource dependency, mobility and level of social economy development in the North. The bivariate relationships presented originally are not as clear when comparing multiple variables simultaneously. Population as a variable however, stands on its own within the analysis. The Pearson coefficient of .928 is extraordinarily high, and similarly the standardized coefficient of .905 in the multiple regression model is indicative of a very strong and positive relationship between the two variables. The multiple regression models are dramatically different when population is excluded as a variable and the explanatory power of the model decreases by 70% through its absence. The fact that population is so overwhelmingly prominent within the analysis supports the idea that larger populations have greater access to social capital through increased social networks and opportunities (Amin, 2005). Based on the results from both the bivariate and multiple regression models it is quite clear that the increased

size of a community's population has a significant and positive effect on the number of social economy organization operating within its territory.

The results of the second hypothesis describe a relationship between the level of SED and education in Northern communities that is moderately strong based on the Pearson coefficient of .324, and supports the original hypothesis that communities with higher education levels will have higher levels of SED. Within the associated literature education is touted as one of the most important variables in developing the social economy and social capital. Based on the findings from the multivariate analysis the relationship decreases when all variables, including population are controlled for. The standardized coefficient changes from a moderate to a weak relationship signaling that education is not as highly correlated to SED as the literature suggests. It appears that population, or potentially other variables have an intervening affect not only the level of SED in Northern communities, but also education level. In the North, it can be theorized that many of the larger communities have increased access to qualified teachers, resources, and contain schools for each level of education, whereas smaller communities do not. Based on the contradictory findings in the bivariate and multivariate analyses, additional information is required in order to clarify the relationship between education level and the development of the social economy in the North.

The same trend of conflicting bivariate and multivariate results is also identified in the analysis of the relationship between employment rates and level of SED. The Pearson coefficient of .374 indicates that there is a moderately strong and positive relationship between the two variables however the standardized coefficient decreases to .026 when including population in the model, which is very weak. This suggests that other variables have an effect on the relationship between SED level and employment rates and can be verified by the increase in

standardized coefficient in the multivariate analysis which excludes population as a variable. The proposed hypothesis which states that communities with higher employment rates will have increased SED is supported based on the findings from the bivariate analysis, but the multivariate analyses have indicated that more research is necessary to supports these results. It is unclear if the specific variable used to signify level of employment is inadequate, or as the multiple regression model suggests, that employment rates and population are association with each other and impact the results.

The fourth hypothesis, which states that increased levels of working-aged people will result in increased levels of SED in Northern communities is cautiously supported based on the results of the bivariate model. The Pearson coefficient of .264 is considered a weak relationship, however is still suggests that the relationship is evident and is positive. The multiple regression results see the strength of the relationship decrease to .017 which is similar to the results found for education level and employment rate. After removing population from the analysis the standardized coefficient increases, but only slightly. These results indicate that more research is required in order to conclude if there is indeed a significant relationship between age and SED, and that perhaps a beneficial method would be to include specific age categories to illustrate how different segments of the population affect the development of the social economy in the three Canadian territories.

The issue of resource dependency and SED level is the hypothesis included in this project that is perhaps the most Northern-centered. Although job concentration may inhibit social capital, SED or both, the issue of resource extraction is particularly important in many Northern communities. The results of the analysis indicate that there is a relationship between resource dependency and level of SED and it is negative, however at  $-.123$  it is very weak and the

hypothesis is supported with reservation. The results of both multiple linear regression models see the coefficient stay at approximately the same strength, which indicates that there are no other visible intervening variables. The relationship is still considered weak and additional research can conclude if these results are accurate, or if a more representative variable is available which would demonstrate contradictory results to those of this analysis.

The last hypothesis states that communities with higher levels of mobility will have lower levels of SED. This is the only hypothesis which cannot be supported in this analysis. The Pearson coefficient of .220 is positive, which implies that increased mobility leads to higher levels of SED. It is interesting to note that in both multiple regression models, the sign changes and increases from -.076 to -.211 when employment is removed. Based on the contradictory results, the hypothesis fails to be supported and additional research is necessary to explore the relationship between mobility and SED. The results from the bivariate analysis support the idea that closed networks impair the ability to leverage social capital from other sources of capital. Perhaps social capital remains limited without the injection of additional people or resources, leading to stagnant or limited SED. The notion put forth by Glaeser et al. (2002) and White and Maxim (2003) that people that are rooted in the community and therefore less mobile tend to have increased levels of social capital is rejected.

Many of the limitations of the study are addressed in both the methodology and analysis sections; however there are wider issues also affecting the results of this analysis. The variables and indicators used for this thesis while clearly articulated within social capital and social economy literature appear inadequate. Put simply, there is no true indicator of social economy development and this study like much of social capital research is limited to proxy indicators which are removed from the true phenomenon being studied (Field, 2003). For an analysis to

accurately capture the relationship between social variables and the development of the social economy, a direct indicator of the sector is required. Although it is rightly argued that the social economy relies heavily on social capital for the formation and maintenance of its activities, the measure is again removed from the actual subject it is attempting to study. Using social capital indicators as indicators of the social economy fails to capture the true essence of the social economy in its own right. As research on the social economy increases, so should the information surrounding what social factors signify social economy development and how the sector affects and is affected by factors such as, population size, education, employment, age, economic activities and mobility.

Directly related to the need for a specific indicator or indicators of the social economy are alternative methods to study, classify and measure the social economy. The definitional issues surrounding the social economy and various debates about measurement of the sector are addressed in the literature review; however this study reiterates the need for meaningful measurement of social economic activity. This preliminary analysis has utilized a very basic system to measure development, which is simply calculating the number of social economy organizations in each community. While the statistical methods used are legitimate tools intended to test how each of the social variables impacts SED, there are still more in-depth analyses available. Echoing Schuller (2007), details on membership of civic organization are of very limited value unless embedded in an account of how organizations function and what membership actually means. There is clearly a need to measure not only how many groups exist within a defined territory but also how the social economic activity affects the target group, wider population, utilizes volunteer and paid staff and the overall contribution to the well-being of the recipients and the community. This type of analysis is understandably difficult to produce

and with increased research on the social economy in the North the hope is to have data available in the near future.

The research instrument distributed in this thesis made an attempt to gather additional information regarding membership, volunteers, paid staff, length of operation and many other details which would be extremely beneficial for this research and for a better understanding of the social economy in general. The poor response rate has directly affected the ability of this project to make large use of the data compiled from the survey, but adds promising information about social economy organizations in the North. The survey illuminates the fact that many organizations have operations in other communities, especially the three territorial capitals potentially indicating that SED may not be as unevenly distributed as the original analysis presents. The preliminary results also suggest that many social economy organizations in the North have been in operation for a number of years. The average length of operation for the organizations that responded to the survey was 22 years, which additional information regarding how the groups serve members and the community, could help add to the measurement of SED and elaborate on what has helped organizations survive for an extended length of time. The survey also offered information about membership and volunteers that would, compiled for all or at least the majority of organizations, add to the establishment of a measurement tool for SED. The results of the survey suggest Northern social economy groups make use heavy use of volunteers; 79% of survey respondents reported the presence of volunteers. 86% of the returned surveys also reported having members, indicating that in addition to the number of organizations in a community, the amount of human resources utilized in an organization is also an important component of measuring SED levels. These results even at such a small scale reveal information

that is unavailable without detailed knowledge from the organization itself, and that increased research on the intricate details of social economy groups is a worthwhile undertaking.

The final issue affecting this research involves the variables utilized in the analysis.

While most of the limitations of the variables have already been addressed and the limits of using social capital as an indicator of SED are discussed in an earlier portion of this section, it becomes important to identify that utilizing trust in social economic analyses appears to be a valuable area for future research. Due to the inability of this project to accurately measure trust it was not included in the analysis, although issues of trust may potentially affect social capital and/or the development of the social economy in the North. The historical features of the North and Aboriginal people specifically demonstrate many instances of broken promises, mismanagement, intolerance and ignorance from outsiders and the Canadian government which may reveal a latent lack of trust within Northerners. The intangibility of social capital complicates such an analysis, although the notion that a lack of trust may exist in the North affecting SED and social capital should not be dismissed because of the difficulty associated with research. As will be discussed below, there are many avenues for future research on social economy development in Canada's North.

Research on social economic development in the North requires additional considerations that include formulating the definition of the social economy to Northern realities, delving further into the role Aboriginal groups play and their role within the social economy, and combining statistical and qualitative data to formulate an accurate description of the social economy. The definition used in this analysis is based on the most common characteristics within social economy literature that describe the general statutes of social economy organizations world-wide. There were 111 groups left out of this analysis because of a lack of

data, or applying a social economy label was not deemed in the group's best interest. An expanded or Northern-centered definition may have been more inclusive and allowed for an increased conceptualization of how the North manifests social economic principles. It is more than possible that many of the groups fit the stated criteria however a lack of information has impaired the ability for these groups to be included. Future research needs to address the above issues while incorporating both quantitative and qualitative data collection methods for a useful depiction of the Northern social economy. These methods would also need to integrate methods of engaging social economy organizations in the North, as valuable information rests only in the hands of these groups. The poor response to the survey distributed by SERNNNoCa highlights the disengagement many Northern groups feel toward much of research directed at studying the North. The history of exploitation and incessant government reports and similar-style research has exhausted many groups and Northerners, so that future research will have to prove its importance in addressing Northern issues in order to garner the involvement of participants. Finally, future research on the social economy will have to determine how to measure and classify social economic development as it occurs in the North. Incorporating a Northern-centered definition and qualification criteria with research methods that capture both quantitative and qualitative data, in addition to engaging Northern participants is a challenge that future research will have to overcome in order to effectively study the social economy and offer information to aid in the creation and maintenance of the sector.

The difference in level of social economy development between communities in the North is an interesting matter which is still very much an ongoing phenomenon. While there are marked differences in the amount of social economy organizations and the type of activities associated with these groups in Northern communities, there is no definitive demographic



explanation that has been uncovered in this thesis or any other research to date. The clearest and strongest indicator of SED is the population size of a community. The results of this analysis indicate that larger communities have increased levels of SED. The hypotheses that included education level and employment level indicate a moderately strong and positive relationship with level of SED, however the findings are limited by the additional results of the multiple linear regression which suggest that there are intervening variables affecting this relationship. Both age and resource dependency as explanatory variables present a weak relationship with SED level, however the direction of each conform to the proposed hypotheses. Each of these hypotheses can be supported based on the results of the bivariate analysis, but with reservation due to the weak relationship described. The contradictory results of the multivariate analysis indicate that more research is necessary to clarify the true nature of the relationship between age and resource concentration and SED level. The hypothesis that increased mobility impacts the development of the social economy negatively is rejected based on the results of the bivariate analysis, which display a weak and positive relationship. While the multivariate results present findings similar to those proposed in the hypothesis, there is no clear evidence that supports the hypothesis. Highlighted is the fact that an indicator of the social economy does not exist which impairs the ability to explain what affects the different levels of development throughout various communities. Comprehensive data on social economy organizations in the North is also lacking and further research that reveals the operations of social economy groups and their contribution to the well-being of communities will aid in a better understanding of how these organizations benefit recipients and community members, as well as add additional information for the measurement of SED. The prominence of the social economy and the increase in social economic research has solidified the sector within both economic and social literature, indicating

that the future holds much in the way of valuable research pertaining to the social economy. In the North economic diversification is necessary in order for communities to survive and thrive in challenging social and economic times, and future research will hopefully be able to aid in the successful development of the social economy in Northern Canadian communities ensuring flourishing development for generations of Northerners to come.

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Appendix A  
Qualification Criteria for Social Economy Organizations

1<sup>st</sup> Criterion – Carrying on an economic activity

1. Field or sector of the economic activity
2. Economic activity: Type of production of goods or provision of services (NAICS code), which allows us to know which goods and services are offered as part of the economic activity
3. Financial accounting including sales figures
4. Proportion of production costs financed by market-oriented economic activities.

2<sup>nd</sup> Criterion – Existence of social rules prohibiting or limiting distribution of any potential surpluses among members

1. Existence of a formal regulation to this effect.
2. If surpluses are distributed:
  - 2.1. Are they shared proportionally according to each member's participation in the organization's activities?
  - 2.2. What percentage of surpluses is distributed: all of it, or not?
  - 2.3. Parties involved in the distribution of surpluses:
    - individuals or collective entity
  - 2.4. Respective part of the total surplus allocated to each of the parties;
3. Disinterested vesting of net assets in case of dissolution

3<sup>rd</sup> Criterion – Formal Voluntary association of persons and/or collective bodies

1. Corporate status
2. Can anyone become a member of the organization or is it limited?
3. Conditions of membership
4. Types of members
  - individuals, collective entities, or individual enterprises?

4<sup>th</sup> Criterion – Democratic governance process

1. Formal rule stipulating enforcement of the democratic principle
2. Holding an annual general meeting
3. Number of members
4. Number of members elected to the board at the general meeting
5. Number of members mandated by the government or other external bodies outside of the board of directors

(Bouchard, et al., 2006)