

**Canadian
Rural
Restructuring
Foundation**

LOCAL DEVELOPMENT IN QUEBEC



CRRF WORKING PAPERS SERIES

NUMBER 11

1998

**Rural
Development
Institute**

CRRF WORKING PAPER SERIES

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LOCAL DEVELOPMENT IN QUEBEC

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THE CANADIAN RURAL RESTRUCTURING FOUNDATION

1998

Building Rural Economies for the 2000's...

Canadian Cataloguing in Publication Data

Main entry under title:

Local development in Quebec

(CRRF working paper series ; no. 11)

Co-published by Canadian Rural Restructuring
Foundation.

Includes bibliographical references.

ISBN 1-895397-64-2

1. Quebec (Province)--Economic conditions--1960 *
 2. Community development--Quebec (Province).
- I. Bollman, Ray D. II. Brandon University. Rural
Development Institute. III. Canadian Rural
Restructuring Foundation. IV. Series.

HC117.Q4 L63 1998 338.9714 C98-920170-8

INTRODUCTION TO ARRГ AND CRRF

In 1987, few Canadians were talking "rural". "Globalization" was rapidly becoming a buzzword to explain perplexing economic problems emerging for agriculture, forestry, mining and fishing. Problems continued to plague the efforts to diversify Canada's rural economy over many years. The consolidation of rural trade centres in predominantly agricultural economies had become a question of survival for many agro-rural communities. Benefits of technological change were being questioned.

A small meeting was held in Regina in October 1987, prompted by the concern that rural people, their businesses and communities required greater consideration in public policy, research and education. The topics were restructuring, globalization and technological change. Out of the papers and debates by the dozen or so people involved, a decision was taken to form the Agricultural and Rural Restructuring Group (ARRG). In 1992, ARRG evolved into the Canadian Rural Restructuring Foundation (CRRF). CRRF's mandate is to garner resources and to facilitate creative responses to the effects of structural shifts in rural Canada. The purpose of the Foundation is to foster education and research among private enterprise, communities, governments and universities. This network of academics, civil servants and rural practitioners dedicated itself to building new knowledge and applying the diverse educations and experience of its members to rural problem-solving.

The process adopted centres around research, joint-venture education through conferences and workshops held in rural places, and the improvement of policy awareness about rural issues. Since then, nine sets of national workshops and conferences have been held. Liaison has been established with similar interests in Europe, Mexico, Japan and the United States. It has become apparent that in many countries a global change in the rural and policy mind-set is beginning to come about in the search for solutions and initiatives.

The main efforts of CRRF have been in organizing national and international research efforts and annual rural policy conferences which have provided forums for rural policy-makers and practitioners to meet and debate issues of mutual interest. Each national workshop has been preceded by a "think-tank" workshop where invited researchers have met to prepare the agenda and presentations for the conference.

INTRODUCTION

These papers on local development, local investment funds and localised industrial systems in Québec were presented to the 7th Annual Rural Policy Conference of the Canadian Rural Restructuring Foundation entitled **INTERNATIONAL SYMPOSIUM: PERSPECTIVES ON RURAL EMPLOYMENT**. The international comparative papers have been published elsewhere — see Ray D. Bollman and John M. Bryden (1997), *Rural Employment: An International Perspective* (CAB International, OXON) (available from The Canadian Rural Restructuring Foundation, c/o The Rural Development Institute, Brandon University). The papers on employment in the primary sectors of mining and forestry were published as Ray D. Bollman (ed.) **A Stake in the North: Papers on Mining, Forestry and Remote Tourism Employment**. Working Paper No. 9, The Canadian Rural Restructuring Foundation, The Rural Development Institute, Brandon University.

In this collection, Diane-Gabrielle Tremblay reviews the concepts of an industrial district and investigates whether enterprises have adopted such networks in the so-called “Golden Triangle” in the Montérégie area south of Montréal. She found that the use of formal and informal networks varied widely among the businesses studied. Thus, it was not clear that innovation networks existed and that they contributed to the success of enterprises in the region. “Local institutions that seem typical of industrial districts do not exist in Montérégie and skills development takes different forms in the Québec firms studied.”

Cécile Sabourin reviews the relationship of local development investment funds and community economic development. She points out that “the fact remains that they are ‘investment funds’”. However, she argues that “local development funds must act as true partners, forsaking the bludgeons of the financial system — short-term objectives.”

Laval Doucet and Ilenda Mbemba document how a group of three rural communities in Témiscouata (Saint-Juste (Lots-Renversés), Auclair and Lejeune) have worked together to arrest the decline in their workforce that was based on agriculture and forestry. The local action was initiated by members of the clergy. Co-operatives were the focus in the early days but some businesses have evolved into private enterprise. Doucet and Mbemba argue that local or community economic development can make a difference — and certainly did make a difference in the case study that they present.

Ray D. Bollman , Editor

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Industrial Districts and Localised Industrial Systems: Prospects and Limitations for Rural Development

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INTRODUCTION

The “rediscovery” of local development, industrial districts and localised industrial systems is taking place in the context of globalisation and the economic restructuring associated with the retreat of the welfare state in many countries.

The current restructuring is characterised by many changes. On the one hand is the declining role of central governments and of big business as sources of employment and development. On the other hand is the rise of small and medium-sized enterprises (SMEs) and entrepreneurship as generators of jobs and economic growth. At the level of individual businesses, restructuring also involves the transition or attempted transition from mass production to diversified production — the term “attempted transition” is used because, as shall be seen later, the shift is far from universal, at least in Québec.

Whereas large corporations play a major role in economies characterised by mass production and consumption, SMEs are usually more prominent in economies built around product diversification and small production runs. Also, SMEs often are regarded as the main source of technological and organisational innovation, and the chief suppliers of jobs, partly because their specialisation generates positive effects of economies of scale.

In recent years, then, SME and local development have been seen as the primary source of employment and innovation. Yet they have not escaped the effects of the dominant trend of globalisation and thus have encountered difficulty in switching to a diversified, quality-based economy.

For many SMEs, the transition is even harder because they cannot operate without considerable support from local or regional resources. While large companies have access to various financial, commercial and other resources at the international level, and often can function without regional assistance, SMEs are not usually in this situation. They generally depend more heavily on the region, or the State, for their supply of well-trained, skilled labour and for financing, research and development, innovations and new technologies.

The 1980s saw the emergence of some particularly dynamic regions, including the Third Italy (central northern Italy), the Laender of southern Germany and certain parts of southeastern France (notably the Rhone-Alpine region), and the rapid growth of the southern United States, known as the “Sunbelt”, contrasting with the northern “Rustbelt”.¹ This phenomenon generated new theories of development and

1 This refers primarily to areas, such as Detroit, which were major centres for the steel and auto industries but have suffered serious decline in recent years — hence the use of the term “rust”

economic dynamism, some of which — notably those having to do with industrial districts — were based on earlier writings.

The concept of industrial districts is not the only theory to have resurfaced in the rediscovery of things local. Questions about the factors that made some areas “winners” while others seemed to be “losing” also led to the development of various theories, each of which favours one particular explanation for the emergence of local initiatives, in all their diversity. Among them are Philippe Aydalot’s and Denis Maillat’s theory of “innovative milieux”, the concept of “post-Fordism” and the idea of diversified, quality-based production. They are described briefly here, followed by a summary of the findings of research done in Québec on industrial districts and innovation networks, and an attempt to draw parallels with the above-mentioned theories. Analysis and discussion concludes with an examination of the basic factors that may be responsible for the emergence, or absence, of local initiatives in different areas, and for the success or failure of various strategies.

Industrial Districts

Italy provides the most studied case of regional or local rejuvenation in recent decades. This revival led to the re-emergence of economist Alfred Marshall’s theory of “industrial districts” as an explanation for the spectacular economic growth some areas experienced in the 1980s.

An industrial district can be defined as a geographically localised production system based on a clear division of effort among a number of small, versatile companies specialising in one dominant industry or a few industries. This concept emphasises the great potential for *endogenous* development of a community or a group of companies in a naturally and historically well-defined area. The division of effort has nothing to do with a technical separation between different occupational groups in a large corporation; rather, it relates to a division of labour among various SMEs in a region, each one specialising in a particular part of the production process.

Districts also can be viewed as socio-occupational systems, in which the relationships among SMEs and community members are important and generate a specific form of skill development and a form of local regulation of economic activity. In this sense, they can be described as spatial networks (Savy, Beckouche and Veltz, 1986) or localised industrial systems (Ganne, 1990) to emphasise the fact that there is a production “system” based on the specialisation and co-ordination of activities within the local area. Specialisation provides SMEs with advantages similar to those generally enjoyed by large firms, i.e. economies of scale at a particular stage of the production process, especially an improved quality/price ratio.

Districts operate on the basis of reciprocity among SMEs and co-ordination provided by the marketplace and by institutions. Reciprocity or co-operation among SMEs is in turn based on geographic proximity. Hence, there is not only competition between firms, but also *co-operation* among firms to maintain specialisation and division of effort.

The issue of industrial districts sheds some light on the relationship between a regional economy and the global economy. SMEs in such districts are not confined to area markets. They are, in fact, well integrated into the international economy, with the assistance of institutions specialising in the development of international connections and the understanding of world markets.

The most important organisational principles behind these industrial districts or systems are as follows:

- a) close co-operation — born of strong social cohesion — between the SMEs in a community, city or town;
- b) the coexistence of co-operation and competition between companies;

- c) a relationship of trust² among companies;
- d) a pool of skilled labour and companies with a tradition of training in the district's or system's speciality;
- e) solid backing by a local institution, often the local government.

Piore and Sabel (1984) promote the industrial district as "the" model for future economic development. They cite Italian industrial districts as an illustration of spatial networks of SMEs, interacting with each other in a production cycle and capable of competing with large corporations at the international level. Their premise is that the mass production system would be superseded by a system of "flexible specialisation", which in spatial terms would take the form of an industrial district or localised industrial system. Hence, there is a clear relationship between industrial districts and the concept of flexible specialisation. In recent years, however, some authors report that the Italian SMEs are undergoing industrial concentration, though there is no first-hand documentation (in English or French at least) about the actual evolution of these areas. Nevertheless, researchers appear to have concluded that this model contains the proper ingredients for a spatial approach to the development of innovation.

Recent interest in industrial districts and flexible specialisation has been spurred by studies by Italian authors over the last few decades and by the work of Piore and Sabel. However, one should acknowledge Marshall's seminal work and put more recent literature into its proper historical perspective. Clearly, theorising about local development and the factors associated with the emergence of economic activity is not a recent activity but part of a historical tradition.

Innovative Milieux

This theory, developed by Philippe Aydalot and Denis Maillat, focuses on the spatial area, or milieu, as a source of innovation. Research into this idea attempts to identify the prerequisites for the emergence of innovation and for the growth of associated businesses. One of the major insights of this line of inquiry is the idea that the businesses do not exist prior to the innovative milieu, but are a product of it.

There are parallels between this research and the ideas expressed by Schumpeter and the evolutionary economists.³ With his concept of the innovative entrepreneur, Schumpeter also makes the connection between innovation and the emergence of entrepreneurial activity. In the case of the evolutionists, some of whom (Giovanni Dosi in particular) stress the importance of a milieu or area conducive to innovation, the notion of an innovative milieu highlights the fact that the emergence and spread of innovation occur in the wake of successive changes in an environment or system.

Similar to the reference to industrial districts and Alfred Marshall, these theoretical connections with the work of Joseph Schumpeter and the evolutionary economists show that the spatial aspect of the development of innovation and business has been a fundamental issue in economic development. Apart from the above-mentioned authors (Marshall, Schumpeter, Dosi and the other evolutionists), related concerns are expressed in works on what is commonly called "institutionalist" economics,⁴ and in works on development economics by unorthodox economists such as François Perroux and Henri Bartoli.

2 Similar to the trust that plays an important part in the theory of implicit contracts or transaction costs.

3 See Tremblay (1989) on these ideas.

4 See Tremblay (1989) and Bellemare, Dussault, Poulin Simon and Tremblay (1996).

Post-Fordism and Flexible Specialisation

Similar concepts are discussed in connection with the interest in new forms of work organisation and the competitiveness of nations. Post-Fordism and flexible specialisation are two common topics of discussion.

Although there are a diversity of approaches, special emphasis is placed on the "proactive" strategy based on flexible specialisation and innovation, a method developed by Piore and Sabel (1984) in particular, but also by Boyer (1986), Lipietz, Leborgne and other members of the French "regulation" movement. Defensive flexibility is a strategy based solely on minimising costs (usually labour costs).

Innovation strategies have become more important in some industrialised countries because they are having difficulty dealing with competition from "newly" industrialised countries in the manufacturing sector. Since it is nearly impossible to compete with the latter countries in the area of labour costs (in some of them, wages and benefits are lower and fewer workers are unionised), only an innovation strategy can help the "old" industrial countries remain competitive in other industrial markets. This is the thesis forwarded by a number of writers (including Michael Porter). However, the United States and Canada have attempted to compete using a short-term cost-minimisation strategy. While this strategy seems to have enabled U.S. companies to bring their profit margins back up during the 1980s, it may have disastrous effects on the economy's innovative capabilities over the medium and long term.

This strategy's consequences for a country's human resources are described in many publications. In the case of the United States, Harrison and Bluestone (1988), Dertouzos *et al.* (1990) and Piore (1991) clearly establish the link between the short-term financial strategy of American industrial corporations and the impact on workers: companies are shutting down; new firms are springing up, offering lower wages and poorer working conditions; there is less job security; hours of work (in some occupations) and hourly rates are decreasing; unionisation is declining among American workers; and like their fringe benefits, their social benefits — health and safety at work, and health insurance, which in the absence of a universal government-run system is tied to having a job — are shrinking.

In a situation where demand is shifting toward products that are differentiated, where markets are somewhat unstable and where there is more competition in many markets, there is a need for new, more flexible production processes that can adjust quickly to changes in demand and turn out products that are different, with higher quality and greater value-added than before. Thus, in the new economic context dominated by product innovation and differentiation, the importance of economies of scale and of the effects of learning on long production runs characteristic of the Taylorist era is being questioned.

In production and service industries alike, the programmability of versatile equipment (flexible specialisation) means that the small or medium-sized production runs required to meet diverse demands are possible without incurring excessive costs. As a result, some economists are suggesting that "economies of selection and variety" may replace economies of scale as a primary source of competitiveness in the future.⁵

To simplify, one can reduce the possible reorganisation models to two extremes.⁶ One model involves defensive adaptation, based on "external" mobility and flexibility: adjustments are made by laying off workers who lack the required qualifications and hiring others with the new skills needed. Because of market uncertainty, the company will resort to special forms of employment, such as part-time work, temporary work and term contracts, especially for the new recruits. The prevalence of this strategy in Québec, and in North America as a whole, explains the rapid growth of so-called atypical forms of employment. It also explains

5 See Boyer (1986), Piore and Sabel (1984), Coriat (1987) and Tremblay (1994, ed.).

6 See Michon (1988), Tremblay (1992) and Boyer (1986).

the feeble growth of training in the private sector: companies have no interest in training employees they may not keep.⁷

The other model, offensive flexibility, is based on innovation and flexible specialisation and on an economy of *internal mobility and flexibility*. *Training and internal mobility* within the business are at the heart of this model; to labour economists, it means that the required adjustments are made by developing “internal labour markets”.⁸

Internal adjustments are described as offensive because they appear to offer better long-term prospects for adaptation and competitiveness. The development of internal mobility and training helps businesses achieve a greater capacity to react to future changes, whether they involve products, technologies or even the organisation of work. Conversely, reliance on the external labour market and special or atypical forms of employment does nothing to improve the company’s capacity to adapt and, therefore, provides no long-term guarantees. Any subsequent change in production conditions or competition will catch the company again with poorly trained employees who are unable to adapt smoothly and reasonably quickly to the change.

The extent to which companies rely on internal markets and internal adjustment potential reveals the extent to which their adaptation methods provide job skills and job security. In the first model, companies depend more on savings achieved by minimising short-term labour costs by hiring workers who meet short-term skill requirements into positions with low job security: part-time work, temporary work, term contracts and subcontracting are used to obtain the new skills required. In the second model, job skills planning is done at least for the medium term, if not the long term, and the companies attempt to build on the knowledge and abilities of their personnel.

The development of career tracks that help employees acquire new skills is at the heart of this model — company workers are more versatile and production tools more flexible. This is known as *technical and organisational flexibility*, a concept that entails versatility on the part of both production equipment and personnel. Independent task forces, multidisciplinary teams and similar structures may provide companies with this type of flexibility since they make it easier to adapt to new products and production techniques.

More important for the subject at hand, however, is the fact that SMEs seem to be able to provide this type of technical and organisational flexibility because small organisations are versatile and can adapt quickly, whereas such attributes are often scattered in large corporations. This is the “flexible specialisation” referred to earlier in connection with industrial districts.

Can the Models be Applied to the Development of Other Regions?

The Italian district model undoubtedly evolved from a unique social, historical and economic context, as did the oft-mentioned Swedish and Japanese “models”, but perhaps some components of the model can be borrowed and adapted to other societies. It may even be that the success of different regions is due to similar factors. In any case, that was the working hypothesis for a research project on a “winning” part of Québec, the so-called “Golden Triangle” in the Montérégie area south of Montréal (60 to 100 km depending on the town). Since SMEs account for a large percentage of Québec’s economy, some aspects identified as factors in the success of the “Italian model”, including co-operation, may explain certain successes in Québec and may be adapted profitably to other regions.

7 See Tremblay (1992a).

8 For an introduction to this theory, see Doeringer and Piore (1971) or Tremblay (1997). Roughly speaking, internal markets can be defined as a set of rules, written or unwritten, formal or informal, governing employment access, assignment of persons to positions in the company, internal mobility and remuneration.

The advantages of and reasons for co-operation may, *a priori*, be manifold and diverse. Four main ones can be identified: transfer of technology and know-how; other technical advantages (e.g. access to new equipment), cost advantages (e.g. lower production costs), and visibility and marketing (e.g. wider selection of products, stronger market position, network effect, etc.). Some authors have noted more indirect advantages such as time savings and the possibility of taking greater risks owing to increased size or diversification.

The forms that co-operation takes also can be quite varied. Examples include formal research and development agreements, formal or informal networks for the exchange of technical or other information, collaboration on products or technologies, and development of innovations or products.

The research focuses on various points mentioned above, including innovation networks, flexible specialisation and co-operation. The elements of co-operation and networks, which relate directly to the subject of this paper are examined next.⁹

PRACTICES OF QUÉBEC FIRMS

Characteristics of the Sample Firms

The survey is based on two complementary methodologies¹⁰. First, field interviews were conducted. Firms were selected from lists of businesses that were in the sectors of interest and located in towns in Montérégie's "Golden Triangle". Selected firms were contacted in advance by telephone, and the percentage of positive responses was high; few refused a visit. Limited funding confined field interviews to two areas. Montérégie was selected for the reasons cited earlier — the success of its "Golden Triangle". Like Beauce and Mauricie-Bois Francs,¹¹ the "Golden Triangle" has certain characteristics that make it similar to an industrial district. The choice of the second region (Eastern Townships) was made with a view to having a narrower basis for comparison than the whole of the rest of Québec and, in particular, the possibility of drawing more specific sectoral comparisons, though in the end the sectoral dimension proved to be insignificant in our research.

Second, to broaden the database and provide a basis for comparative analysis, a list of Québec businesses¹² was reviewed, and a questionnaire was mailed to approximately 400 firms in the textile, plastics, electronics, furniture, paper and agri-food industries in every part of the province. About 40 questionnaires were returned, for a response rate of 10 percent (Table 1). This rate is low, but this part of the survey was designed primarily to assemble a pool of firms that would be used as a control group to determine whether the practices of businesses in the "Golden Triangle" and Montérégie were unusual from the various perspectives considered.

9 For the results of research on flexible specialisation, see Tremblay (1994d).

10 This research was funded by the FODAR fund of the Université du Québec. We gratefully acknowledge the fund's assistance.

11 These regions were studied by two colleagues, Pierre-André Julien of the Université du Québec at Trois-Rivières and André Billette of the Université Laval, also in connection with the subject of industrial districts.

12 Provided by the Inspecteur général des institutions financières [inspector general of financial institutions].

Table 1. Number of firms by industry and region

	Montréal	Eastern Townships	Rest of Québec	Total
Textiles	13	0	7	20
Plastics	9	6	6	21
Printing	6	5	8	19
Electronics	10	0	9	19
Agri-food	6	2	4	12
Furniture	0	0	5	5
Paper	0	0	4	4
Other ¹	4	0	0	4
Total	48	13	43	104

1 The "other" group consists of four large multinational corporations, which were separated from the rest because they have nearly 1,000 employees or more; all the others are small and medium-sized businesses (up to 499 employees according to the OECD definition). Because of their size, the multinationals are very different from the rest, allowing the testing of size as a significant factor in determining variations.

Most of the firms have been in business since the 1960s or 1970s (Table 2). A large percentage of the firms are unionised. These figures are of interest since it is often believed that unions stop or impede innovation; in these industries at least, that does not appear to have been so. To complete a general picture of the target population, the type of ownership and the distribution of the workforce by gender were assessed.

Table 2. Characteristics of firms studied

	Textiles	Plastics	Printing	Electronics	Agri-food	Furniture	Paper	Other	Overall
Years in business (average)	61.5	73.2	58.6	63.0	58.6	74.2	70.5	74.2	65.2
Unionised (% of firms)	60.0	52.4	47.4	47.4	75.0	60.0	100.0	25.0	55.8
Employees (average)	186.8	62.7	64.3	161.2	189.0	90.4	263.0	939.2	163.5
Do sub-contract work	31.6	61.9	78.9	57.9	8.3	20.0	25.0	0.0	46.6
Subcontract work out	15.8	52.4	52.6	68.4	25.0	40.0	0.0	75.0	43.7
% exported	12.1	16.8	1.9	11.6	9.1	13.0	40.8	76.3	14.4

Type of Ownership

	Textiles	Plastics	Printing	Electronics	Agri-food	Furniture	Paper	Other	Overall
Family	20.0	28.6	31.6	26.3	25.0	60.0	25.0	0.0	26.9
Sole	20.0	9.5	15.8	5.3	0.0	0.0	25.0	0.0	11.5
Minority	0.0	0.0	0.0	5.3	0.0	0.0	0.0	0.0	1.0
Majority	20.0	33.4	15.8	10.5	8.4	0.0	25.0	0.0	16.3
50/50	5.0	9.5	15.8	5.3	8.4	0.0	0.0	0.0	7.7
Subsidiary	10.0	9.5	10.5	26.3	41.6	0.0	0.0	100.0	19.2
Several owners	25.0	9.5	10.5	21.0	16.6	40.0	25.0	0.0	17.4
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Co-operation

Various collaborative ventures were reported, but business networks are not well developed and, in particular, the forms and subject matter of such ventures are limited. About 37 percent of the firms are involved in some form of research and development co-operation with another firm. Only 12 percent have agreements with educational institutions. By contrast, the subsidiaries of multinationals established in Québec all have research and analysis agreements, in many cases with the head office, and in some cases with firms in other countries. Existing research and development co-operation agreements are with foreign firms half the time (49 percent), with a Québec company in 30 percent of the cases, with other Canadian firms 21 percent of the time, and with local firms only 18 percent of the time (the total exceed 100 percent because the responses were not exclusive). Co-operation is more widespread in the Montérégie region, which was studied in more depth: 55 percent of firms have a research and development co-operation agreement with another company and 22 percent with an educational institution. Local collaboration is a little more common (24 percent). When questioned about their ties with colleges and universities, to keep abreast of technological developments and obtain technical information, few companies reported getting assistance from these sources.

Formal and Informal Innovation Development Networks

Formal and informal networks of businesses vary widely in the areas studied. In general, a small number of firms have formal R&D networks. Just over half of all businesses (51 percent) have informal networks for innovation development, and product marketing. The average share of firms with an informal network was higher in Montérégie (64 percent) and the Eastern Townships (72 percent) than in the provincial sample as a whole (52 percent).

Informal business networks involve various activities connected with innovation development: partnerships for modernisation, research and development co-operation and sharing of technical information. Informal networks are not solely innovation development networks — they include information networks for development and production, marketing, exporting and other business activities.

In Montérégie, three fourths of the firms (7 companies) in the agri-food industry have agreements with the Institut de technologie agricole [agricultural technology institute] in St-Hyacinthe and/or the Food Research and Development Centre of Canada in St-Hyacinthe. Just under 25 percent of textile manufacturers (3 companies) in the region have a research and development co-operation agreement with the Centre des technologies textiles [centre for textile technologies] in St-Hyacinthe. The existence of these specialised institutions is important since agri-food and textiles are the only two industries in which such collaboration occurs.

Partnerships for Modernisation

Overall, less than half of the firms (46 percent) had partners to develop new products or make organisational and/or technological changes. In Montérégie, the proportion was 65 percent, compared with only 28 percent in the Eastern Townships. There are many reasons for involving one or more partners in creating new products or making organisational or technological changes. The three leading reasons reported by businesses that had partners were technological capability (51 percent), prior familiarity with the company (42 percent) and ties with head office (33 percent).

In the textile and furniture industries, 40 percent of the firms teamed up with partners to modernise their operations. For textiles, the partners were the Centre des technologies textiles and the subsidiary's head office. For furniture, they were the Centre de recherches industrielles [industrial research centre] and private firms. The main reasons for bringing in partners were (again) technological capability, prior familiarity with the firm and co-operation with the head office.

Slightly more than 40 percent of businesses in the agri-food industry had partners. The principal ones were the Food Research and Development Centre of Canada, the Institut de recherche agricole, both in St-Hyacinthe, and the head office laboratory. The chief reasons for these choices were the partner's proximity, its position and/or reputation, its technological capability, its prior familiarity and its connections with the head office.

A little more than a quarter (28 percent) of firms in the plastics industry had partners to help them develop new products or make organisational and/or technological changes. In most cases the partners were either the NSERC office in Longueuil or private companies. The two leading reasons for these choices were technological capability and prior familiarity.

Less than half (42 percent) of all companies in the printing industry had established partnerships to create new products or make organisational and/or technological changes. The choice of partners was related to technological capability and most partners were consultants.

The percentage of businesses with partners was high in the electrical/electronic industries (74 percent) and among subsidiaries of multinationals (100 percent). Most co-operative activities were with the firm's head office, usually in another country (typically, in the United States).

Following this exploratory research on industrial districts and innovation networks, it is difficult to conclude that this type of organisation or network actually exists in the Montérégie region and that such networks would account for part of the success of companies in the region. The interviews confirmed that partnerships with suppliers and educational and research institutions are particularly useful for SMEs. However, local institutions that are typical of industrial districts do not exist in Montérégie and skills development takes different forms in the Québec firms studied¹³.

However, one can state that the "Golden Triangle", where large, highly innovative corporations (IBM, GE, etc.) have offices, is regarded by many SMEs as a very stimulating "innovative milieu". The subject needs to be pursued but some issues can be discussed here.

Limitations and Value of the New Theories of Local Development

At this point, whether or not the various visions of local economic development described above can be applied universally is explored. Included are industrial districts, innovative milieux and flexible specialisation.

First, it appears that areas with a long-standing Fordist manufacturing tradition probably cannot use the same solutions as rural or semi-rural areas whose economies are based on a combination of farming and light or service industries. In the regions studied, there are only medium-sized towns and rural areas.

It is hard to imagine how the same flexible specialisation or specialised industrial district model could apply to all regions in the same way. For example, regions lacking an industrial tradition would have difficulty finding solutions that match their resources (human, industrial and physical) in the models discussed above (flexible specialisation, industrial districts or innovative milieux).

Regions remote from modern industrial growth undoubtedly will have difficulty assimilating these models since the "winning areas" of the flexible specialisation strategy appear to have already been identified. There is probably some room left for a few more "winners", but realistically it is hard to imagine there being too many of them.

13 For details, see Tremblay (1994d and 1998).

Three points can be made regarding the possibility of applying the districts and flexible specialisation models¹⁴ to regions that are currently “losing”. First, flexible specialisation would be difficult to apply in areas that lack a co-operative tradition, or regions that cannot rely on certain institutions to manage the “co-opetition” (co-operation-competition) that is essential to this model.

Second, history is important. The concept of “path dependency” makes the point that the past affects the opportunities available in the future — the industrial tracks taken in the past impose some constraints. For instance, regions whose inhabitants have no industrial or crafts tradition would probably have trouble using the flexible-specialisation or districts model, and it would be difficult to instill a “tradition” of co-operation, unless it evolved over several decades.

Third, the importance of globalisation should not be ignored. There is a tendency to ignore globalisation factors when one focuses on the success stories of small regions. Local development ventures often appear to be in danger of becoming part of the “small is beautiful” story¹⁵. While it is a fact that the number of employees per business is declining in Québec, and it seems likely that an era favouring medium-sized, small and very small business is dawning, one must keep in mind that to grow, small business needs an “innovative milieu” that is well connected internationally, as is the case in Italy’s industrial districts and Montréal’s “Golden Triangle”.

Although the industrial-district concept has the advantage of overcoming the parochialism or volunteer character associated with many local development initiatives, and dispelling in particular the sometimes romantic vision based on “the grassroots taking charge”, it is not certain that the actual initiatives reflect the underlying factors associated with the local vitality of such districts: *co-operation, innovation, networking, industrial tradition, training, and local government support*. It is questionable whether development can occur without some degree of coherence among all these elements; they might take different forms in different regions, but the fundamental aspect would be *coherence* among the various components of the regional/local production system.

By focusing on endogenous development at the local level, one may fall into the trap of parochialism, relying too heavily on the potential of endogenous development and disregarding the forces of globalisation and the realities of the international economy, of which local economies are necessarily a part.

In this connection, some dilemmas that arise from the increasingly insistent, somewhat prescriptive argument that SMEs should form networks, districts or “alliances” with other businesses should be recognized. In simple terms, if the businesses are not sufficiently embedded, the “milieu” that supports them, because its practices or social institutions foster dynamism or innovation in the businesses or network of businesses, may erode.

On the other hand, analysts argue that if the businesses are too deeply embedded, their organisational structures may become petrified and innovation may suffer. Some point out that excessive cultural coherence, especially if it is combined with corporate ties, may lead to more inertia than innovation. This is due in part to the fact that the investment in forming and developing a network may encourage partners to stay together rather than look elsewhere and develop new partnerships. This results in rigidity, in that “ties that bind can be ties that blind”. To put it another way, a tightly woven network can be fragile because major changes can erode the social underpinnings of the relationships¹⁶.

14 For further information on flexible specialisation, see the data in Tremblay (1994d).

15 See Tremblay and Fontan (1994).

16 See Grabher (1993).

Nevertheless, a network in which the partners are not too confined fosters interactive learning innovation among the partners. The know-how that is in someone's head, that cannot be written down, and that cannot be purchased, can be acquired through formal or informal networks.

The conclusion, then, is that the existence of loose yet dynamic networks probably is of value for the development of businesses and localities. However, care must be taken to ensure that the partners do not become so blinded that they confine themselves exclusively to the network in which they have invested and ignore other opportunities for innovation and business deals outside of the network.

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Local Investment Funds: A Tool for Communities to take Responsibility for Development (with reference to the regions of Abitibi-ouest and Témiscamingue)

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INTRODUCTION

Local development funds are one of the most recent funding mechanisms used to support development in local communities. The increasing exclusion of certain areas and groups from true participation in the economy has led to the establishment of this type of funding mechanism. If the average citizen would have been able to participate fully, these funding mechanisms would never have assumed the dimensions they have.

Development funds are designed to respond to a lack of traditional job creating economic activities and are perceived as instruments to foster job creation and entrepreneurship. Hence, they represent an opportunity to take part in the economy to those who have resources to turn into an economic activity. Accordingly, development funds may be regarded as part of a social policy for communities that wish to take responsibility for their own development.

However, the funds belong to a dynamic whose parameters are largely beyond their own control. Although the various local and regional funds have special rules based on their goals, the fact remains that they are "investment funds". They are necessarily part of the broad range of funding instruments whose cost-effectiveness is evaluated chiefly by ratios and balance sheets. Taking as its starting point the investment funds known as SOLIDES and two areas where they were introduced², this paper attempts to describe the pitfalls that await the fund managers in spite of all their good intentions.

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- 1 A colleague piqued my interest in the research project on "Local and regional development funds for regions and communities in difficulty" and I plunged into this research. To comprehend the process, I had to ask many questions. I have no doubt that it is quite appropriate to question the role of development funds. What I do doubt, however, is that the development funds that have been established in recent years for the purpose of job creation actually meet expectations. This paper will deal primarily with the context surrounding the establishment of the various funds. This research is part of a more comprehensive project being carried out by an interdisciplinary, interuniversity team. It is funded as a FODAR project of the Université du Québec.
 - 2 The local development funds have the acronym SOLIDE (Sociétés locales d'investissement dans le développement de l'emploi) and are a creation of the "Fonds de solidarité des travailleurs du Québec (FTQ) [investment fund of Québec trade unions] and the "l'Union des municipalités régionales de comté et des municipalités locales du Québec (UMRCQ) [association of Québec municipal governments]. The first SOLIDE in Québec was established in the MRC of Abitibi-ouest in the spring of 1994 and the 14th was established in the MRC of Témiscamingue in the fall of 1995.

CLEARLY DEFINED CONCEPTS: BASIS FOR A COMMON VISION

The definitions of three key concepts, and how they translate into coherent action, are critical to the choices made regarding the use of funds for development to benefit the inhabitants of a particular area.

Community Responsibility

The reasons for establishing policies and mechanisms for promoting regional development imply that communities be at the centre of the process. The basis for this emphasis lies in the fact that over the past two decades, repeated efforts by central governments have failed to reverse the tendency for a number of areas to be exploited and for their social fabric to break down.

The concept of community responsibility also involves a social and community referent and the idea of citizen participation in development. This raises questions about the players one hopes to mobilise around development issues. The local or regional communities involved may include the Region, town, rural residents, city-dwellers, MRCs³, businesses, new entrepreneurs, action groups, development organisations, and funding providers.

Community responsibility also relates to participation, the legitimacy of decisions and to democracy. It underlies a questioning of values and participation requirements. This becomes a controversial issue when it involves the use of funds and financial participation by the area. Community responsibility at this point raises more questions than it answers.

Development

The word 'development' has many connotations. It can imply social, economic, socio-economic or global development. The definition of regional development that appears in the ministerial report *Développer les régions* (1992, p. 7) is as follows: "Regional development is the result of all actions taken by regions in partnership with the state to improve economic, social and cultural conditions while respecting the living space." The report also reinforces the idea of coherent development for Québec as a whole (1992, p. 37). Regional players must combine several sectoral dynamics with a territorial one (often at more than one level).

How can we measure the state of development? Development is the result of actions or of a process. It may also be the process itself. Everything depends on how one conceives of development and the democratic or authoritarian nature of its implementation, or simply, whether it is bottom-up development or top-down development (Touraine, 1987).

Employment

The job-creation objective is associated primarily with entrepreneurship. The questions that arise include should every person who is not in the work force become an entrepreneur and create his/her own job, or are we looking for "real" entrepreneurs who will be able to generate work for their fellow citizens? Do these "real" entrepreneurs need assistance, or are they capable of managing their activities on an "individual" basis, as indicated by a study conducted by the Groupe de recherche en économie et gestion des PME [research group on the economics and management of small and medium-sized entreprises] at the Université du Québec à Trois-Rivières?

3 Municipalité régionale de comté [regional municipal county]

The variety of employment statuses (full-time, part-time, regular, contract, etc.), and the different working conditions that characterise each, suggest that one should be precise about the type of job creation they are trying to achieve, either as a citizen or as a promoter of development in a particular area.

TRANSFORMATION OF THE STATE'S ROLE AND REPOSITIONING OF THE PLAYERS

One thing is obvious: western societies, even the most interventionist ones, are currently experiencing the transformation from a welfare state to the situation of the state as a guide. This trend, in which the state no longer plays a leading role but rather a supporting role in development activities, is the reflection of a particular model of development. The Picotte policy, *Développer les régions* [Developing the regions] (1992), sets out Québec's policies and certain implementation parameters. The guidelines concerning the funding of regional development and the use of funds are key tools in this development model.

The state's presence in the regions through decentralised administration of government programmes is not new. Decentralisation has been occurring at various speeds for more than two decades. At a time when neoliberal pressures are forcing citizens to do more with less, it is interesting to see a new wave of decentralisation take shape with accompanying hopes of sovereignty. One must ensure that the means of implementing this new trend are appropriate and produce the expected results. At the provincial level, the green paper entitled *Décentralisation, un choix de société* [Decentralisation, a societal choice] (1995) provides a frame of reference for the current government's intentions. In the case of the Abitibi-Témiscamingue region, it sparks a debate and, for many, an awareness of the way in which the forces of community responsibility may play out in the region.

The general political inclination toward a new way of supporting community development (local development or regional development) inevitably has consequences. The repositioning of local, regional, provincial and national actors is occurring. While it is possible to identify certain overall trends and parameters that indicate the direction of change, it will be some time before all the ramifications of this repositioning are known.

In the absence of a comprehensive federal policy statement about Québec's regions, it seems clear that some decisions have an impact on the repositioning of actors at the regional or local level. The revised mandate of the Federal Business Development Bank, which became the Business Development Bank of Canada (BDC) in July 1995, confirms the new emphasis on knowledge-based businesses and enterprises of the new economy without jeopardising services to traditional sectors. Thus, the BDC now operates as a "supplementary lender", not as a lender of last resort, and hence is accessible to businesses already backed by financial institutions. Its expanded role and the consequences of providing access to financing to new businesses prospering in small localities open the door for a study that cannot be done in the near term. The federal government also is present in the form of the Federal Office of Regional Development (Québec), whose involvement consists mainly of loan guarantees and training. The Office is another player whose specific role in the communities needs to be understood. Local funds have played an important role in structuring interventions by the Community Futures Program [Sociétés d'aide au développement des collectivités (SADCs), now known as CADCs] whose activities are supported by funds from the Centres d'aide aux entreprises [business assistance centres] (CAEs). The federal government also plays a role in supporting Unemployment Insurance beneficiaries in their efforts to become self-employed. Any restructuring of the Unemployment Insurance programme could alter activities.

In addition to the issues involving the federal and provincial governments, there are tensions and conflicts among actors in the region. The concept of development *per se* underlies all positions in their debates. While they argue about resources and their application, the real debates — about the orientation of development (sectoral versus integrated or comprehensive), about expanding the number of stakeholders in decisions,

about their legitimacy, about the demands of communal responsibility, about the relationship between urban and rural areas — do not always facilitate lasting, sustainable, or long-term development.

The strategy of reorganising the regional level around a Conseil régional de développement [regional development council] and a Secrétariat au Développement des régions⁴ [regional development secretariat] is fraught with tensions at the level of MRCs, municipalities, development agencies, and other organisations. Within the Abitibi-Témiscamingue region, each local area has its own configuration of actors and networks, despite the overall similarity of the political and organisational context.

The unique features of each configuration stem from the diversity of the actors and organisations: their legal status (public, para-public, community, hybrid, private and other types of organisations⁵), their composition and management (board of directors and executive officers), their interests, and their actions. Local and regional development funds are not exempt from these considerations. In each area, “local elites”, leaders, elected officials, business people and interest groups form part of a “living” dynamic in which each one acts in accordance with their own vision and interests regarding development.

Some studies (e.g. Michel, 1991) demonstrate that the links between the private and public sectors, indeed “advisory” groups of all types, have a decisive influence on the management of public programmes (social, economic or political). These studies suggest that there are networks where interest groups that lack the prerequisites for significant representation (economically disadvantaged groups, for example) are absent or marginalised. Moreover, some decision-makers never actually take part in meetings or public discussion, because they have other avenues of access to power. This situation creates an imbalance between the decision-makers’ objectives and the objectives of the “other” people involved. Historically, in Abitibi-Témiscamingue, multinationals have had a decisive influence on economic and social life and on the population’s ability to take “community” responsibility. Though less obtrusive in some respects in recent years, their presence still weighs heavily in certain areas.

Despite policy statements and the presence of federal or provincial agencies in the region, the extent of “sectorisation” or “segmentation” of their interventions and the rigidity of national standards impair flexibility and responsiveness to the needs of the regions, MRCs and localities. The number of players who are actually in contact with the local area and have enough “power” and resources to do something constructive, innovative and consistent with a comprehensive view of development also has been criticised.

Funding of Development Activities

The issue of funding for development is difficult to describe. While putting financial resources together with the development projects proposed in an area appears to be the main issue for regional development players and managers, the funding part clearly cannot be studied without taking into account the entire financial context and the conditions for obtaining funding for economic activities. This necessarily leads to further discussion of how the emergence of local and regional development funds fits into the general international financial trend. There is no doubt that over the past 100 years, industrialised societies have developed financial institutions designed to promote the movement of money. Without being wedded to the past, one may well ask what happened to those institutions.

Traditional institutions’ abandonment of the financing of regionally-based projects is the major problem that created the need for new development funding tools. Having local branches of banks or caisses populaires no longer guarantees access to money for projects in so-called remote or rural areas. The financial institutions, each one with its own development strategy, have gradually deserted the places that are no longer of financial interest to them. Without financial resources, projects remain in abeyance. Furthermore, a lot of money

4 The repeated renaming of provincial representatives is in itself an indicator of change or, some would say, dithering.

5 An appropriate classification has not been created.

seems to be funnelled out of the local area when there are no “good” projects proposed by local and regional communities.

In these circumstances, an increasing effort is needed from local areas and residents to support projects that are not cost-effective according to criteria that are “etched in stone” for the financial institutions. With few exceptions, the branch offices of these institutions are devoid of any ties to the area in which they are located. Interest rates, exchange rates, rates of return needed to qualify for a loan, and so on are set by head offices, parent companies and federations, which are themselves tied to a market over which they have little or no control. The branch offices, nevertheless, remain to ensure that funds move around in accordance with the needs of the financial institutions and the individual interests of account holders.

The increasing diversity and complexity of financial tools followed the period of deregulation, internationalisation and development of the technology to support them. While the repercussions of this facet of life in our societies are alarming, it appears likely that they will be succeeded by even greater changes when the actors in the world of information take further steps to reposition themselves on the markets (Chesnais, 1994; Quéau, 1995).

From a more optimistic perspective, changes in information technology open up opportunities that the regions may use to attain objectives that are more consistent with their circumstances, i.e. to carry out activities that are more diversified in the sense of the multi-tier economy.⁶ In the 1980s, globalisation and concentration of financial power made it easier to channel savings to destinations with a high rate of return, and a wide range of financial instruments were introduced as a safety net for private savings (to guard against unexpected fluctuations in exchange rates, for example). Channelling savings into funds that can be used by local developers is a current gambit by the many development funds. The latter also are subject to the criteria of financial return, a weapon in the “economic war”, and doubly offensive to small communities cast aside in the configuration of production systems.

In an era of globalisation, capital no longer has a homeland. Even production now lacks a homeland. After the period of rejoicing over worker mobility a few years ago, society has moved on to other considerations more appropriate to the 1990s (Chesnais, 1994). To exorcise the problems, “they” thought of handing back to local communities the burden of their own development, returning the responsibilities to those who wanted results. This also is a way of giving new project leaders the problem of creating jobs when the production system that was traditionally relied upon no longer needs all the workers. Local and regional development funds (which include investment funds) can serve only as supplementary means of supporting the new project leaders’ activities.

In the current state of the economy, how can regional, local or community development funds possibly exist, create jobs, be viable over the long term and circumvent the rules of the financial market? This is no simple question, and the answers supplied by the different types of funds are not always reassuring to those who aspire to comprehensive development of their community by assuming a communal responsibility involving conditions of work (if not employment) acceptable to the population of an area currently in difficulty. Without genuinely relaxed financial rules, and other means of support to be discussed later, there’s still a long way to go.

6 Research into the structure of a multi-tier economy, i.e. taking into consideration various systems, including the interdependent economy, and relationships between the market, non-market and non-monetary economies, is opening new and promising avenues for local and regional development and for innovation in project funding (Laville, 1994).

CHARACTERISTICS OF THE LOCAL AND REGIONAL AREA

It is primarily areas in decline that are being asked to take responsibility for themselves. The characteristics of the local and regional area and its capacity to submit projects that qualify for funding to the many sources of financing⁷ are important factors in assessing the performance of funds as tools for taking communal responsibility. How do we evaluate the outcome of this initiative to take responsibility and the success of a development fund? Any evaluation must take the starting point and the objectives into account.

Various types of indicators provide information about an area, its population and cultural evolution: industrial structure and cross-industry integration; historical characteristics of the economy as a whole and of individual sectors; the spatial arrangement of the latter; exploited and underexploited potential; characteristics of the work force; education rates; participation and dependency rates; migration history; and other related factors. No development tool is ever introduced into a social, cultural, financial or institutional void. The study of social problems and the implementation of social solutions increasingly require a comprehensive vision that places people in the communities where they live and attempts to understand the lives of the communities themselves (Corin and Bibeau, 1990). There is no other way when there is a question of understanding and supporting the development of entrepreneurship and projects.

Success stories suggest caution. A few winners, triumphant in a competitive system, unfortunately take a route that not all can follow. On the whole, the competitive route produces more losers than winners and carries with it its own limitations (Groupe de Lisbon, 1995). In particular, areas that are showing signs of economic and social disintegration must be able to envision their future in a way that is not predetermined. Monographs and case studies on each area provide information that may help create an understanding of the challenges facing the development agencies, especially the active funds. Having as accurate a picture of the situation as possible is the first step in building a vision of the possibilities and the means of realising them.

Though complex and difficult, identifying appropriate courses of action is feasible. Take, for example, the case of the Société de développement du Témiscamingue [Témiscamingue development corporation] (SDT). In the spring of 1995, it established an integrated development agency in a specific area, the Témiscamingue MRC. The process of constructing a comprehensive vision and an integrated development agency is noteworthy. The observable outcome, a unified image in the eyes of the public, municipalities, developers and private and government organisations, is a definite asset for a "space" that is able to recognise itself as an entity, define itself and assert its identity. The briefing paper produced by the SDT refers to the following elements: GETTING ORGANISED, MOBILISING, GETTING FUNDING, DEVELOPING, GETTING KNOWN. It also mentions the mission and the structure, as well as the functions of local and rural development, financing and management assistance, industrial and commercial development, and tourism and promotion. In the SDT's view, the funding of new projects is one part of a set of development activities in the area.

By bringing representatives of municipal and business circles into its operations through advisory committees, the SDT forms a partnership with the MRC, the CRDAT, all area businesses, organisations and institutions, and the principal representatives of the federal and provincial governments (the Federal Office of Regional Development (Québec), and the Ministère de l'Industrie, du Commerce et de la Technologie du Québec [Québec ministry of industry, commerce and technology]). Only time will tell what the long-term consequences of taking this "communal responsibility" will be.

A second example illustrates a different dynamic, although the intention to establish a "single-window" development centre is involved. In the Abitibi-ouest MRC, the players are engaged in the development of their area as if it was a fight in a playground, a fight in which alliances coexist with rivalries that often are taken personally. The observable tensions, which the key players express quite openly, stem from the lack

7 It is increasingly recognised that what is lacking is not money but good projects.

of an integrated vision of development, which is both prerequisite to and result of a common will to recognise the current state of problems, resources and opportunities. Lack of a common vision almost inevitably results in different means to achieve different ends and, unfortunately, delays results. Brought together in one place, with different methods of attaining the overall objective of developing the MRC, the various bodies, including the SOLIDE, show a desire to be partners in supporting entrepreneurship and job creation. Successful partnerships are, however, all too few and far between.

Some of the key players in this dynamic demonstrate the important role that the “mentalities” or cultures of the various groups play in the difficult birth of a process of concerted action. Examples of the inherent differences in mentalities include the history of bringing industries and settlers into specific areas. In places that evolved with capital and business from elsewhere, people have a wait-and-see attitude that works against a strong entrepreneurial spirit. Placing high value on individual success also conflicts with the idea of taking communal responsibility. In addition, development funds’ desire to have “a piece of the action”, forcing the future entrepreneur to share ownership and power, confronts the latter with his or her own aspirations to own a business and to be successful in business.

As a result, if aspiring developers view their role and their project from a perspective similar to the “conventional” model, they have a better chance of being considered “financeable” by the financing organisations. On the other hand, developers who are simply looking for another line of work, either not regarding themselves as entrepreneurs or defining their expectations in some other way, are likely to face difficulties obtaining financing.

A final concern about communities in decline involves the needs and services associated with a certain quality of life. The conjunction of these two elements raises the issue of the size and critical mass needed for the long-term viability of a community — a subject that is difficult to comprehend, but one that will be inescapable in the next few years. There is no rule or predetermined critical mass, but there are challenges to be identified and defined if the communities in difficulty are to acquire the means to survive.

CONCLUSION

This paper poses many questions, and provides only general answers. While the question of local and regional development (and investment) funds is a central one, they must inevitably be placed in the social and organisational context where they belong. This is particularly important when one tries to evaluate a fund’s performance.

The funds, intended as tools for communities to use to take responsibility for development, will be regarded as successful only if they contribute to this assumption of responsibility. But who defines this measure of performance? What are the prerequisites and requirements that will provide the best chances of performing “reasonably well”? One returns to the mechanisms to organise a community, to define itself and to bring the various resources at its disposal together to exploit the potential and take concerted action.

While there are models of communal organisation that inspire hope,⁸ respect for differences is essential. Innovation — social, economic and political — is probably the only viable action. In this context, I would like to return briefly to the prerequisites that are inescapable if an area in decline is to have any hope of determining its own future.

- It must define its vision of development so that it can set objectives and mobilise the resources to achieve them and evaluate what has been accomplished.

8 The Beauce region in Québec is widely cited as a case in point.

- It must define the meaning of taking communal responsibility for a space, to avoid repeating history.
- Innovative approaches must be used in methods of support for communal responsibility so as to break out of the circle of tax exemption and tax avoidance.⁹

For those involved in development, conceptualising realizable goals is the very foundation of successful, co-ordinated action. Moreover, recognition of the pitfalls and obstacles that the actors and the inhabitants of communities in difficulty have encountered in the past is the best basis for imagining a different future and daring to innovate. There is no shortage of experience, thought and research pointing the way to the future for agents of development who are truly anxious to get their community started in a novel process of taking communal responsibility for its own development (Defourny, 1991-1992; Laville, 1994). Without explicit mention, each of these experiences is based on human resources and potential, which unfortunately do not receive enough recognition. Any process requires time and energy from the people involved. Yet this time and energy is rewarded with little appreciation and recognition. People who cannot or will not transform their voluntary participation in action groups into objectives other than a quest for personal or financial “power” usually are pushed aside in real discussions about taking communal responsibility. However, people who are currently being pushed aside are those who invest their time, energy and creativity in taking concerted action or developing projects that never win the approval of funding bodies. In positions for market shares and short-term profitability, communities and individuals are a long way from valuing human resources.

Can the various types of economies (market, non-market, non-monetary) work together to produce true social and economic development that results in an improvement in people’s living conditions and actual participation in community life? Some researchers espouse an economy with markets instead of a market economy. In reality, that could mean having the opportunity to put the importance of the market economy in perspective; having the opportunity to “perpetuate” different ways of taking charge of our needs without those ways being of secondary importance; developing a real system of hybridisation that does not place non-market and non-monetary economies in a position of dependence on the market economy; ensuring that the beds of Procrustes do not await project developers or that the sword of Damocles (rate of financial return, sales or production volume) does not continually hang over the heads of new businesses; and rediscovering and nurturing the various potentials. Above all, it is perhaps best to think of communal responsibility as a process of sewing up the social fabric, which the development funds are urged to do as one of the means of support.

For fund managers, the question of partnership in providing support to developers is just as prevalent. While there is, according to some, no shortage of accounting and management assistance, what about personal support, in the sense of developing people and their capacity to take an active part in community life? It takes time and extra effort to help individuals who are not born entrepreneurs. The state’s local representatives have an important role to play in this respect, a role that the fragmentation of mandates and responsibilities makes particularly difficult. From this standpoint as well, the development funds must act as true partners, forsaking the restrictions of the financial system — “short-term objectives”.

9 Subsidies in the form of tax exemptions, usually used to assist industries or push them in a certain direction, leave us with an industrial structure and an employment level that are, to say the least, deficient.

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Appendix 1: A few facts about Abitibi-Témiscamingue and the areas of Témiscamingue and Abitibi-ouest

	Témiscamingue (Ville-Marie and Témiscaming CLSCs)	Abitibi-ouest (La Sarre CLSC)	Abitibi-Témiscamingue, (Québec)
Population, 1991	17,381	24,109	151,978
			(6,892,963)
Change, 1986 to 1991:			
Total change	49	-184	5,208
Natural change	542	980	7,036
Net migration	-493	-1,164	-1,828
Density	1	7	2
Pop. per km ²	50.8	54.9	49.7 (39.1)
Under-education rate	50.8	54.9	49.7 (39.1)
Area:	Ville-Marie CLSC		
Urban	41.2	48.1	
Suburban	40.8	52.9	
Fringe	54.1	55.7	
Outlying	63.4	64.2	
	Témiscaming CLSC		
	48.7		
Labour force			
Non-participation rate	39.7	39.8	35.8 (34.9)
Inactivity rate	50.3	51.7	47.0 (42.7)
Inactivity rate:			
Area:	Ville-Marie CLSC		
Urban	43.5	45.9	
Suburban	43.8	49.2	
Fringe	49.2	52.3	
Outlying	64.1	60.6	
	Témiscaming CLSC		
	45.2		
Economic dependency ratio	Ville-Marie (Témiscaming) 1.8 (1.4)	1.8	1.5 (1.2)
Labour force by type of industry:	Ville-Marie (Témiscaming)		
Primary	18.8 (2.2)	20.0	16.3 (4.0)
Secondary	18.1 (59.9)	16.4	16.4 (23.8)
Tertiary	63.1 (37.9)	63.6	67.1 (72.2)
Average income:			
Female	\$15,078	\$13,443	\$14,996 (\$16,512)
Male	\$24,574	\$25,413	\$27,793 (\$28,001)
Household	\$36,699	\$36,402	\$39,561 (\$40,826)
Under low-income cut-off	17.2	16.5	14.5 (19.0)

Pop. receiving social assistance (1992)	Ville-Marie (Témiscaming)		
	9.4 (7.1)	9.8	8.0 (8.1)

Sources: Berthiaume, Nicole and Chantal Girard. (1994) **La population et les ménages de l'Abitibi-Témiscamingue**, tome 2. Profil socio-économique et caractéristiques démographiques complémentaires, Régie régionale de la santé des services sociaux, Rouyn-Noranda.

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Local Development and Rural Employment in the Age of Globalisation: Illusion or Renewed Hope — One Case in Québec

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INTRODUCTION

Job creation is a public policy priority. Unemployment is endemic and current policies have failed to improve the situation. On the one hand, signs of economic recovery appear; on the other hand, company restructuring puts surplus employees out of a job for the sake of competitiveness. Since the capacity of large firms to create jobs is limited, small business is being looked at to provide employment. Whether big or small, however, companies located around urban agglomerations are experiencing their share of problems. They cannot absorb excess labour and new ways of developing employment have to be explored. It is from this perspective that rural areas are being considered — they can contribute to the growth of society by creating jobs. Local economic development groups that have become success stories in Europe and North America are useful instruments in this search for ways and means of creating employment.

We begin by examining the problem of rural employment. This leads to exploration of the experience of JAL, in the province of Québec, where a group of three towns decided to rescue their community and restore its vitality and dignity. Yet the global context is becoming omnipresent in economic relations. Events that seemed far off only a few years ago now have an impact on our lives. This theme is the final part of this study of the potential job creation benefits of local development.

THE CHALLENGE OF RURAL EMPLOYMENT

In the industrialised countries, rural communities typically have smaller populations and lower population densities than larger centres and are physically separated from them. The three factors of **population, settlement pattern and distance** must be considered in assessing the overall situation in a country. In addition to these three characteristics are local identity, type of economic activity and access to essential services such as health care, education and transportation. Statistics Canada defines the rural population as consisting of all persons living in areas outside centres of 1,000 or more (Statistics Canada, Census of Population). In 1986, nearly one third of Canadians lived in rural areas; this proportion is shrinking as urbanisation continues.

Farming is still practised in rural areas in the industrialised countries, but it is no longer the exclusive means of subsistence. In Canada, the farm population accounts for 15 percent of the population living in the rural parts of the country (Bollman and Biggs, 1992). The industrial world continues to restructure itself around large urban agglomerations, which implies increased concentration of human resources, economic activity and knowledge. Structural adjustments are under way in many countries around the world to make

the new means of production more efficient and responsive to international competition. Restructuring is becoming a panacea for governments and large corporations, and they are reducing their workforce to become more cost effective or competitive.

Two factors are behind the interest in rural employment. The recessions of the early 1980s and the 1990s, which persist despite signs of economic recovery, have underscored the serious problem of unemployment in the world. States today are willing to accept an unemployment rate of 10 percent. Even though employment growth is concentrated in urban areas, urban industries are no longer able to absorb all the excess workers in the labour market. Persistent unemployment on a global scale has been a source of difficulties and a motive for the formulation of various employment policies (B.I.T., 1988), which partially explains the interest in rural employment. Governments ask how the rural sector can help in the fight against unemployment. On the other hand, the problem of excess agricultural production in industrialised countries has forced a reconsideration of the role of farming in the rural economy. Agricultural surpluses are becoming a heavier drain on national budgets. Agricultural production tends to be confined to high-yield sectors and areas. Even though, from a socio-cultural perspective, rural areas are regarded as important in preserving the social fabric, culture and ecological balance, governments have a tendency to integrate them into production units and then to close those units which are no longer economically viable and reallocate the resources to cost-effective projects. In the industrialised countries, this approach has led to costly policies of closing villages and resettling their inhabitants elsewhere, whether residents like it or not.

Rural Québec has not escaped these changes. The socio-economic and physical reality of the Québec countryside is formed by changes that originate both inside and outside that environment. In the rural part of Québec, for centuries associated almost exclusively with farming, the key element in shaping the physical space, the farm population has declined steadily since the middle of this century, and now constitutes less than 15 percent of Québec's rural population (Chevalier *et al.*, 1991: 81). There are various reasons for this. First, farming is benefiting from technological progress; machinery continues to replace labour. Second, urban development and its spin-offs of material well-being, services and job opportunities are a real attraction for rural people. The exodus of rural youth to the city results in the remaining rural population getting older faster.

The interdependence of economic and social functions between rural and urban areas must be taken into account when development policies are formulated and implemented. Issues and solutions depend on whether they relate to periurban, intermediate or peripheral rural areas. Around cities, land-use competition between agriculture, industry and housing requires new regulations, whereas remote areas used for the traditional activities of farming, fishing and lumbering are dying, having become less attractive from the standpoint of opportunities for personal growth and social advancement. Phenomena that used to be associated with urban areas, such as crime, loneliness and delinquency, are part of the rural landscape today.

Thus, the challenges facing rural communities include depopulation, environmental degradation, agricultural overproduction, a shrinking farm labour pool, disputes about resources, land management and land use, and infrastructure that needs to be built and maintained. Rural areas, therefore, are caught in a circle. From within, the exodus of people to urban centres is draining away human resources that are vital to rural development. Since rural areas do not have enough work to keep their inhabitants from leaving, depopulation continues and the land is being abandoned. From without, disputes are arising because of differences between local needs and the planning of regional projects. Use of land and natural resources and the effects on the immediate environment of rural dwellers are at the heart of the debate. When a main industry ceases to exist, whether it is farming, fishing, forestry or mining, the vitality of an entire rural area usually dies with it. This accumulated economic withdrawal in a particular area accelerates the downward spiral and perpetuates the trend toward poverty and destitution.

Policies designed to revitalise the countryside have been put in place, but they have not always produced the expected results. Faced with the problem of survival and the threat that their village would disappear,

rural communities have taken action, sometimes against great odds, to breathe new life into their region. The JAL provides a good example of the desire in Québec for local community development.

JAL: A TYPICAL CASE

JAL is the acronym of a group of three rural communities in Témiscouata: Saint-Juste (Lots-Renversés), Auclair and Lejeune. This isolated enclave of 2,000 people occupies 100,000 acres to the east of Lake Témiscouata about 200 kilometres from Québec City (Deschenes and Roy, 1994: 3). In 1971, the three localities decided to take charge of their own destiny.

History indicates that the many settlements founded during colonisation of the forests in the 1930s had to be consolidated in later years. In addition to subsistence farming, the inhabitants survived on supplementary income from seasonal forestry jobs and other employment. There were not enough opportunities, however, to prevent the workforce from gradually leaving the region; as a result, the population declined by more than 50 percent between 1951 and 1991 (UMRCQ, 1991: 24). The deterioration of the socio-economic situation that affected the entire Gaspé peninsula in the 1960s led to the establishment of the Bureau d'Aménagement de l'Est du Québec [eastern Québec development board] (BAEQ). Despite the creation of the Conseil régional de développement [regional development council] in 1967 and the Office de développement de l'Est du Québec [eastern Québec development office] in 1969, a void remained as the overall situation deteriorated: unemployment; depopulation; decline in services; and disappearance of communities. Worried about the general state of affairs and the dim prospects facing them, some communities chose to relocate, as advocated by the State and technocratic doctrine, while others fiercely opposed that solution.¹ Led by a few members of the clergy, citizens' committees pooled their ideas and joined forces to resist these pressures and keep their localities alive; this became known as **Operation Dignity**. In 1971, JAL was born in the midst of upheaval in government ministries and the ferment of ideas in the localities.

As pointed out in a recent study (Deschenes and Roy, 1994: 134), "JAL is first and foremost a response by communities that refused to die. Three neighbouring villages that were to be closed because they were unsuccessful in the 'modern' economy nevertheless managed to 'develop' their local area". The presence of leaders was critical in engaging an entire community in such a venture. JAL's community action was initiated by a small number of members of the clergy. They launched a consciousness-raising campaign in order to achieve solidarity regarding the area's problems and future. The community (workers, merchants, housewives, people on social assistance, unemployed people) identified the most pressing needs, set priorities and started projects to develop all local resources in a co-ordinated fashion (integrated development) and give local people an opportunity to take part in the social, economic and cultural transformation of their area. It took a long time to mobilise the villagers, much discussion to arrive at a consensus on the collective course of action they should take, and a lot of perseverance after they got started.

JAL's Businesses and Collective Entrepreneurship

To manage its resources within a framework of integrated development, JAL opted for the community development strategy. In so doing, it embarked on a course defined by the United Nations (1956) 40 years ago, i.e. "a process aimed at creating the conditions for social and economic progress for the entire community, through the latter's active participation and, to the extent possible, its own initiative". Hence we see that in its local, regional or national incarnation, community development concerns the strengthening of social capacity and the promotion of economic development. In JAL, the Coopérative du développement agro-forêtier du Témiscouata [Témiscouata agri-forestry development co-operative] played a pivotal role in establishing and developing businesses in the traditional forestry, farming, tourism and handicraft industries.

1 The Metra report in "Relocalisation de population dans l'Est du Québec", OPDQ, p. 78, November 1970, mentions shutting down 96 localities, 15 of them in unorganised territories. In 1970, the Québec government recommended the closure of 10 localities (Order-in-Council #1621).

It “incubated” new businesses in the JAL area by co-ordinating the integrated development of all area resources. Committees (forestry, agriculture, tourism and crafts, information (print and radio), housing, lumberjacks, low-income people, roads) composed of energetic representatives helped formulate and carry out the projects. They established community businesses engaged in seed potato production, distilling of plant oils, maple sugar production and lumbering. Born of community co-operation, these businesses grew and eventually became small family-owned firms or private corporations.

Cercueils St-Laurent Inc., a former co-operative that manufactures coffins, now employs more than 50 people at its St-Juste-du-Lac plant and another 15 at its subsidiary in Edmunston, New Brunswick. The company’s products are available across Canada, although most of its output goes to the United States market. It is a thriving business with total sales of \$3.25 million in 1994.

The Érablière la Grande Coulée still operates as a family business, with about 10 employees and annual sales of \$130,000. Today, 20 years after its establishment, the company must be applauded for its leadership: in 1976, it was the first sugarbush in JAL to use plastic tubing to collect sap. So far, more than 65 sugarbushes, with a total of 1 million taps and sales of roughly \$5 million, have followed its example.

The seed potato business still employs three people full-time and about 15 seasonal workers. Its gross annual earnings are \$600,000.

The Groupement forestier de l’Est du Lac Témiscouata has undergone remarkable growth since its debut in the summer of 1973. It was the first business launched by JAL. The Groupement consisted originally of 50 members, who along with 25 seasonal workers did \$37,000 worth of forestry work. It now has 400 members, 15 managerial employees, a seasonal workforce of 160, annual revenues of \$4.8 million and a payroll of \$2.5 million. The Groupement has moved beyond the borders of JAL (pop. 1,566) to include the municipalities of Dégelis and Notre-Dame-du-Lac (pop. 5,483). The Groupement has expanded not only vertically by buying a partnership in a large local sawmill in 1988, but also horizontally by extending its operations to resource conservation and wildlife management. Today the Groupement controls more than 50 percent of the area of the Forêt modèle du Bas-St-Laurent, in which it is one of the four major partners.

JAL’s economic renewal is directly related to the principles espoused by the Coopérative, which provided local business people with advice and information regarding the management, presentation and follow-up of projects at the various governmental and quasi-governmental levels. The social spin-offs are not confined to money — involvement, leadership and training gave community members a sense of personal growth and belonging, and hence of pride and solidarity. At the same time, the latent business talents of some members were revealed just as the area’s physical resources were discovered and developed. The Coopérative’s objectives include job creation, business incubation, service to local entrepreneurs, and lobbying of governments.

JAL has always maintained the primacy of the human element in all the projects it has initiated. Consequently, it has endeavoured to reinforce its ideals in the three communities through the following accomplishments:

- strengthening of the social fabric;
- worker training;
- emulation of the entrepreneurial spirit;
- social advancement;
- projects in the farming, forestry, sugarbush and tourist industries;
- improvement of road and telephone networks;
- development of housing stock and municipal infrastructure;
- establishment of a coffin factory and an essential-oils plant;
- establishment of a community radio station and a community newspaper.

A business's success depends in part on the quality of its human resources, which are the essential ingredients in maintaining and increasing productivity. Since educational attainment is lower in rural areas and small towns, training was, justifiably, made a prominent part of all JAL projects. Between 1973 and 1977, the annual number of participants in worker training sessions was 210, 150, 198, 210 and 268 (Deschenes and Roy, 1994: 48, 87).

The JAL community thus became wealthier in terms of businesses, infrastructure and new knowledge and skills. Yet there was no shortage of difficulties along the way. Adjustments had to be made when, for example, the size or volume of operations increased or the general context of JAL activities, provincial and federal political and economic requirements or the international situation had to be taken into consideration. Some businesses remained community-owned — others were bought by former co-operative members.

JAL Businesses: From Community Partnership to Private Enterprise

JAL was born of a movement with an extraordinary sense of solidarity and commitment. Yet could the community development strategy be expected to carry it forever? After a number of years, the financing, administration and management imperatives resulting from the rules of the game of competition and growth could no longer be reconciled with the community philosophy; this led to the privatisation of some businesses (as family-owned companies or private corporations). Cercueils St-Laurent Inc. and Érablière la Grande Coulée were two cases in point.

The Coöperative's multifunctional structure did not meet with the approval of financial institutions and the idea of integrated development could not be harmonised with the Québec government's departmental structure and its regional development planning processes. Furthermore, while rural communities usually exhibit more solidarity than city dwellers, individualism remains an important cultural trait in the country. Individualism exerts a centrifugal force that slows the communal momentum and dulls the sense of belonging. JAL's grand ideals experienced internal difficulties in addition to a number of external problems such as penetration of the international market with all its globalisation and free-trade complexities (Deschenes and Roy, 1994: 114-116).

After 25 years, it is easy to understand how the project could have changed, how the economic component became detached from its community roots, and how some businesses have fared better for it. Does this mean that JAL's social capacity has weakened? In any case, there is no more talk of closing the communities down, and the rate of population decline slowed from 48 percent in the 1961-1971 period to 25 percent in the 1971-1991 period (UMRCQ, 1991: 24).

Can the community ideal, which held tremendous sway, be credited with giving local leaders and activists the entrepreneurial know-how they developed over the years? Paul Michaud, now general manager of Cercueils St-Laurent, hosted a radio programme called "Jale-jase" in the 1970s, and André Morin, until recently general manager of Érablière, is the same person who "led small discussion groups in the winter of 1971-72" (Deschenes and Roy, 1994; 44).

Having described JAL's experience, we will now reflect on the future of local development in today's world, where national boundaries tend to vanish in economic relations.

PERSPECTIVES ON LOCAL DEVELOPMENT AND RURAL EMPLOYMENT

Local development is endogenous by nature, being based on local initiatives and institutions. Its aim is to find local solutions to local problems and to maximise the use of the local community's human, natural and financial resources. At first glance, this approach seems closed to the possibilities of interaction with

the rest of the world. However, local development initiatives maintain and develop ties to other communities, small and large, if only to be able to sell its output and to keep local industry alive. But the global economy contains contradictions that point to the search for a new equilibrium between being a citizen of a country and at the same time belonging to an increasingly interdependent world characterized by globalisation of markets, common markets and trading blocs. Yet at the same time the failure of certain policies is rekindling interest in small business and local development. The 15 countries of the European Union are experiencing this tug of war between continental and national interests, particularly in the areas of agricultural products and fishing. In North America, while NAFTA is supposed to be eliminating borders, the signatories are taking protectionist measures against certain commodities. While nations are concerned with economic recovery and political stability, rural areas are looking for new ways of sheltering themselves from job insecurity and loss of local identity and social cohesion. The objective is to find an acceptable balance between all these local, regional, national and international tendencies by focusing on the strategy of concerted action. How does local development mesh with global economic competition?

Local Development's Potential

As noted earlier, interest in the development of rural communities is partly due to the fact that central governments have failed to solve the unemployment problem with various job creation strategies. In Canada, France and other industrialised countries, lower interest rates have not been sufficient to revive the economy and create employment. Consequently, local initiatives are perceived as new means by which States can overcome the crisis, in keeping with the growing interest in small business. The welfare state is showing a greater tendency to withdraw from certain sectors and to delegate decision-making powers to lower levels of government. The latter complain in unison that the central government is dumping its problems in their laps without giving them adequate resources to solve them. In the United States and Canada, the State's withdrawal from certain parts of the economy has resulted in the establishment of partnerships between the private and public sectors to revive local initiatives. Convincing examples of local development in Québec and other parts of the world demonstrate that local growth, although usually perceived as a product of macro-economic demand and planning, may help revitalise the local economy and provide some protection from the sometimes contradictory policies and practices at the national level.

An important aspect of local development is its ability to revive and revitalise areas that have become too marginalised to attract conventional businesses, whose survival is tied to the laws of the marketplace — capital, labour, and proximity to markets. This is often the case for peripheral areas. In the vicinity of Québec City, for instance, big business may go as far as Bellechasse county in the Beauce but refuse to cross the Appalachians to reach the Etchemin area, which is close by.

The local development strategy, carried along by the pride of local people and their desire to continue living in their local area, can count on the availability of unpaid volunteer labour, mass participation and diversified interests. The multidimensional structure of the Coopérative in JAL originally comprised a grouping of various operations in a well-defined geographic space. This grouping of small businesses made possible the establishment of local networks supplying labour, equipment and capital. From the economic standpoint alone, this type of grouping is a way to achieve savings in overhead and other expenses. Another advantage is that it provides a complete picture of the Coopérative's operations in different sectors. An entrepreneurial atmosphere develops that may bring out other local talents and extend beyond the local area. This happened in JAL when the coffin-manufacturing business opened a subsidiary in New Brunswick and the Groupement forestier expanded into two much larger neighbouring localities.

Local Development's Limitations

Obviously, local development has its limitations, and to get the most out of it, those limitations must be understood. History often has shown that when this strategy is tried, the social component is more successful than the economic component (Khinduka, 1987: 353-362). Some attribute this phenomenon to the heavy

emphasis placed on the “process”, which involves numerous meetings designed to modify values and attitudes, which may ultimately divert attention from important structural issues.

Another objection is that the common practice of seeking consensus as protection against arbitrary actions may put opponents of innovation and reform projects in a position of strength (veto power) and cause a certain amount of stagnation, sap the leaders’ enthusiasm and erode the public’s motivation.

Others will argue that it may be counter-productive to concentrate on the local dimension of the community effort at a time when community has much less hold on people and behaviour patterns are affected by powerful national and regional forces.

How does all this apply to JAL today? “Through hard work and tenacity, the people of JAL established a ‘Groupement forestier’, sugarbushes, a coffin factory, and a seed potato production company (bronze medal of the Ordre du mérite agricole, 1989). These businesses are still at the heart of socio-economic life in JAL today.” And the authors add: “Nevertheless, by 1989 there was very little talk in JAL of integrated resource development ... the focus now is on a more sectoral kind of development” (Deschenes and Roy, 1994: 217).

In view of this, it is possible that tradition is being overturned in JAL, with the economic dimension prevailing over the social one. This is the sense one received from conversations with community leaders, “We have full employment in JAL” — “There are no longer any houses for sale”.²

International Competition or Expansion of the Natural Market

It often is said that the world is shrinking because of transportation and communications technologies. Products developed in some remote corner of the world now reach market in record time. Thanks to advances in computer technology, such as the information superhighway, business people are able to find out quickly about changes occurring in the world and on foreign markets and even to negotiate and close a deal from far away. Free trade, common market, trading bloc, globalisation, interdependence, interpenetration of economies — government leaders make liberal use of these terms in their economic speeches to illustrate the advent of the global village.

Meanwhile, local economic groups are expressing concern. They feel they have no control over the economic parameters and political decisions that have an important impact on foreign markets. For example, the performance of the Canadian or US dollar may jeopardise opportunities to sell local products in other countries. High interest rates can put a damper on consumption by economic actors.

These fears also are based on the fact that the capital required to introduce an innovation may exceed the resources of local economic groups and thus marginalise them relative to large businesses, which have access to the same market through avenues such as free trade.

Moreover, the proponents of local economies fear that in the universal rush toward globalisation of markets, the central aspect of local community development — the development of human resources through integrated development of the local area — will be forgotten. Natural resources are part of the regional, national and even international planning processes. If the fruits of developing these resources dwindle for various reasons and fail to return to the local area to generate further ventures, the local area will not be able to consolidate its gains either in job creation or in individual social advancement.

Some of the problems cited here are widespread and affect small businesses in urban areas. As we have noted, however, local economies would do well to further exploit the major advantage they have over larger

2 Statements by A. Morin of Érablière la Grande Coulée and J.M. Gilbert, a seed potato producer, during a telephone conversation on October 7, 1995.

economic systems — the strength of their social relationships. The development poles that are so dear to economists have not been as successful as expected; they have built islands of economic growth on fragile foundations. Concentrating a number of businesses in a given amount of space does not guarantee spontaneous co-operation. In this respect, local development encompasses more of the social conditions for business co-operation; the entrepreneurs know one another, and the mutual trust that exists among some of them may lead to the formation of strategic alliances. This could result in savings in a number of areas: warehousing, transportation, equipment, machinery, information, financing, supplies, marketing and overhead. Economists recognise the importance of mutual trust as a business success factor. The entrepreneur's knowledge of each person with whom they do business and each employee to whom they entrust the operation of their business is of vital importance, and it is a critical success factor. By the same token, co-operation between regions is an avenue worth exploring to reduce risks. Geographic and social proximity could lower certain costs of doing business, such as transportation expenses. Joint programmes could be established to deal with problems of common interest.

Local development must not mean autarky. On the contrary, economic exchanges with the outside world are essential; they are outlets for local products thereby revealing the local area's inner dynamism and openness to the world. The JAL businesses that export to the United States and Mexico are ample proof of this.

Local development is making its mark in a well-defined space. While it is the result of exploiting local human and natural resources, its future requires the implementation of complementary policies at the local, regional and national levels and co-ordination among the three levels. Local public and private organisations must be brought on board so that everyone takes an active part in transforming the social and economic dimensions of their environment.

This approach means that specific responsibilities are assigned to each player: governments, co-operatives, trade unions, environmental groups, employers, chambers of commerce, and so on. Consultation and co-ordination at various levels on clearly defined policies will produce the desired results only if all the players work to supply, at the appropriate time, the ingredients needed to pursue the objectives. Similarly, for example, in formulating policies to reduce regional disparities, the central government must take each rural area's specific advantages into account.

Similar to partnerships between business people, co-operation between various regions will be beneficial for those regions. By joining forces, they may establish ties in the areas of production, commerce, joint scientific research, exchanges of information, and technical co-operation.

CONCLUSION

Rural employment is more than a short-term concern ; it must be achieved and maintained through the creation of new businesses and the expansion of existing ones. This business growth is impossible unless there is a demand for the products offered for sale. Markets are important to all businesses, regardless of the development context. Local development, therefore, is more than just business growth. It includes the social values of individual advancement, attaining that goal through the exploitation of local, natural and financial resources. Hence it has a social, economic and cultural function animated by social ties of solidarity, mutual trust, partnership and community participation that in principle underlie all its activities.

JAL provides an example of a communal will to halt the decline of three localities slated for closure. It is clear that local development can meet the profitability criteria common to all economic ventures. A business may exhibit efficiency and innovativeness, especially in the use of resources and the establishment of a new kind of co-operative relationship between entrepreneurs, workers and the local population. The

difficulties JAL encountered also show that the agents of local development are subject to burn-out and that new leaders are always needed to maintain the flame of hope for the locality's future.

Entrepreneurs are inventing new forms of partnership. These alliances are tools in the hands of the local economy. The globalisation of markets should not be seen as an obstacle to local development. On the contrary, for the JAL businesses that have succeeded in exporting their products, foreign markets are an extension of the local market and a larger natural market for their products. In a given development context, where localities have little control over the economic and political parameters that affect those markets, alliances are strategic instruments, especially if they are based on mutual trust, which binds local economic groups together.

Lastly, local development goes beyond the merely economic aspects of development, even though in practice the economic component is essential for the launching of other socio-cultural ventures. Is local development to be regarded as a process of catching up to urban development, or as a rational rejection of the multidimensional dependency that urbanisation, as a choice of development strategy and society, engenders? We also may take the view that catching up to urban development is necessary only in certain sectors and that in making these choices, the human factor must be taken into consideration as the be-all and end-all of development. Co-operation among the various levels of government is essential to the success of this community undertaking and only prior consultations among the parties concerned can prevent disputes and failures that have high costs in human, material and financial resources.

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