NRE²

ECONOMIC CAPACITY PROFILES
2004 Update

Prepared on behalf of
New Rural Economy2 Project,
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NEW RURAL ECONOMY: ECONOMIC CAPACITY PROFILES
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1.0   SUMMARY

This report summarises the work completed and insights gained from updating Economic Capacity Profiles for the New Rural Economy2 (NRE2) sites. The initial set of Profiles was based on the 1996 Census and 2001 NRE site profiles data. The updated Profiles are based on 2001 Census data and 2003 NRE site profiles data.

Economic capacity profiles are created by assessing resources available within each site that support local economic development.[1] Each profile represents four features of the local economy: entrepreneurship, infrastructure, human resources, and business environment. These four variables are evaluated through twenty indicators related to location. A mix of qualitative and quantitative scoring methods was developed for the indicators. The scores were then used to create the profile. The outcome is a 'snapshot' of the economic capacity of each NRE site, a tool that researchers and site residents can use to improve their understanding of economic structure and their ability to compare economic capacities across NRE sites.

The report includes a discussion of the relationship between the Economic Capacity Profiles and the NRE Capacity Framework, as well as a discussion of the relationship between the Economic Capacity Profile indicators and the NRE indicators for Social Capital. An accompanying manual, *Profiling Economic Capacity: A Manual for Local Leaders*, enables site members and future researchers to update the Economic Capacity Profiles.

2.0   INTRODUCTION

Many rural areas are affected by globalisation and restructuring. Generally, stress comes from rapid change in the areas of technology, environmental factors, market dynamics, and government policies and ideologies. Understanding the economic features of local

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[1] The idea for creating economic capacity profiles was first developed for research related to earlier work, namely the production of a presentation and paper entitled, *Profitable Associations: The Role of Social Capital in Rural Economic Development* (Wall et al 2000). The earlier was also the basis for: Wall, Ellen, David J. Connell, and Tony Fuller 2004. "Profitable Associations: The Role of Social Capital in Rural Economic Development." In Halseth, Greg and Regine Halseth (Eds.) *Building for Success: Explorations of Rural Community and Rural Development*. Brandon, MN: Rural Development Institute, Brandon University.

areas is important to researchers and rural residents. An improved understanding of local economic capacity reveals conditions that are relevant for the complex of changes that continue in rural Canada. Economic capacity profiles enable researchers to "see" the economic capacity of each site. This information allows comparisons among and between different rural areas where other features (governance, social cohesion, natural resources, etc.) also play an important role in the community's vitality. The profiles also help rural residents to be aware of the resources and potential available in their local area.

Profiles are effective summaries that provide a less-detailed account of what can be a complicated set of information. They can be used to identify areas for further research and to generate grounded research questions that will yield useful results for community residents. As a communication tool, profiles are readily understood with suitable graphics that present complex data in an accessible style. As a learning tool, profiles are hands-on, participatory devices that might increase awareness and encourage collaboration between academic researchers and community residents.

This report represents work undertaken as part of the NRE2 research initiative examining rural revitalisation across Canada. Data for the economic capacity profiles come from work completed as part of NRE2. The Profiles will help to complete a composite of each site that can be integrated with more economic, social, institutional, and other approaches.

3.0   METHODOLOGY

Profiling is used to facilitate comparative analysis and to describe the economic capacities of each NRE site for incorporation into other related site assessments.

3.1   Profiles

A profile is a representational account of a unit of study and attempts to convey a clear summary for specific applications. Profiles provide less-detailed accounts of what can be a complicated set of information in order to highlight differences and similarities. The key is to align the purpose of the profile with appropriate units of analysis. Profiles may be used to integrate both qualitative (descriptions) and quantitative (numbers) data. This may include measures of intangible factors such as attitudes and perceptions. By

transforming raw data (e.g., unemployment rates) into ordinal scores one may
accommodate different scales and different units of study (e.g., individuals, groups,
communities) within the same profile.

3.2   Economic Capacity Profiles

The aim of an economic capacity profile is to characterise the features of each unit (in
this case a NRE site) that support economic development. The aim is to develop a set of
relatively objective measures for these features. Such objectivity facilitates direct
comparison between and among sites.

These site-specific features that support economic development include resources
located both within the site and at a distance from the site. To measure economic
capacity it is useful to know, for example, if there is an industrial park within or near the
site. In contrast, one can interpret the same information in multiple ways with regard to
an economic development strategy. For instance, if an industrial park does not exist in
the site, a strategy may be to build one. If a park does exist, the strategy might focus
upon marketing the site. Similarly, low wages in a site may be viewed as an indication of
weak economic vitality but might also be an asset to attract new business. With regard to
economic development strategies, indicators may be interpreted either positively or
negatively, as an opportunity or threat. In this sense, economic development strategies
are context dependent (and beyond the scope of this research effort). The point of
drawing attention to the distinction between an economic capacity profile and factors
influencing economic development is to emphasise how the same data can be used
multiple ways.

Comparing features across sites can be challenging. What traits should be chosen
and how can they be compared? What techniques are available for integrating these
characteristics when issues such as rural revitalisation are complex with multi-
dimensional solutions?

3.3   Economic Capacity Variables

A review of the economic development literature reveals a wide range of factors
contributing to local economic capacity. Bryant (1994), for example, refers to a site's

totality of attributes, not just natural resources. Sorting through these attributes was a significant step in developing the economic capacity profile.

The economic development literature examines capacity from many perspectives. For instance, Welke and Douglas (1999), in addition to their extensive review of the literature, interviewed existing businesses to identify locational factors that influenced business start-ups. Bryant (1994:217) identifies eight categories of locational attributes: enabling environment, capital, natural resources, community infrastructure and resources, labour and management, markets, information, and entrepreneurship. Other research (e.g., Development Counsellors International 1996; Walmsley 1992) examines locational features in the context of business recruitment. Throughout the literature, the importance of site-specific attributes is underscored. For example, Welke and Douglas (1999:168) find that the most important factor for business start-up is the personal connection to the location. However, Bryant (1994) also emphasises the need to situate site-specific attributes within a regional context.

In our approach, capacity is about accessibility and availability of locational factors that support economic development. Based on the literature review, four variables were identified as constituting economic capacity. These are: level of entrepreneurship, human resources, infrastructure, and business environment. These four variables can be assessed through measures of twenty locational indicators.[2]

3.3.1 Level of Entrepreneurship

A key feature for a community's economic development is the level of entrepreneurship. Entrepreneurs are people who can assemble/mobilise resources and turn ideas into viable businesses (Bryant 1994:222). Entrepreneurship is portrayed as a significant factor of North American historical development (Kent et al 1982:xxxvii) and as a solution to present economic challenges (Nichol 1999:4). Welke and Douglas (1999:188) identify entrepreneurial culture as a key locational factor. It is argued that entrepreneurship (via self-employment) is one way that rural communities will move from a traditional reliance on primary sector industry to small business activity in manufacturing and service that

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[2] Limitations related to the availability of data from NRE research also influenced the choice of indicators.

can provide new opportunities for employment (Reimer 2000). Although just what
constitutes entrepreneurship and entrepreneurial characteristics is debated in the literature
(Hornaday 1982), it is possible to isolate certain community characteristics to serve as
indicators for the level of entrepreneurship in a given site. Three indicators were selected.

a) **Level of self-employment** – expressed as the number of self-employed males and
   females compared to all employed individuals;

b) **Availability of micro-financing** – distance from site;

c) **Employment outside of the primary sector** – percentage of workforce not
   employed in the primary sector.

The level of self-employment captures a majority of those who pursue entrepreneurial
activity as independent business people in the site. Generally, access to capital is an
important locational factor (Welke and Douglas 1999; Bryant 1994). Micro-financing is
particularly significant because it minimises costs and promotes selection criteria in
favour of new, small businesses. Availability of micro-financing facilitates
entrepreneurial activity. According to Bryant (1994), a lack of employment diversity,
such as found in single-industry, resource-based towns, can create an environment of
uncertainty and unwillingness to invest (Bryant 1994). Employment outside of the
primary sector (i.e., non-primary employment) indicates a level of diversity that supports
entrepreneurial investment. This diversity also creates opportunities for linkages among
businesses (Welke and Douglas 1999:178-9) and for spin-off businesses. The spin-off
activity is important because many entrepreneurs tend to pursue new ideas within the
same industry (Welke and Douglas 1999).

3.3.2 Human Resources

The concept of human resources captures an appreciation for the important contribution
individuals make to the success of any business enterprise. The quality of the human
element in productive processes will inevitably influence the final product, whether it is
something concrete or an immaterial service. The quality and availability of employees
therefore need to be accounted for in any assessment of economic capacity (Welke and

Douglas 1999:181). Human Resources is closely tied to human capital and comprised of four indicators.

   a) **Education level** – education attainment among the population, expressed as the percentage of adult population with a low level of education;

   b) **Labour market** – expressed as unemployment rate;

   c) **Proximity to College** – proximity to site;

   d) **Proximity to University** – proximity to site.

The education system is an important part of social resources since training can change and create opportunities (Bryant 1994:218). Bryant also highlights that access to information is a contributing factor to support entrepreneurial activity, especially in today's "information age". Parsons (1995:8) cites access to post-secondary education as an important attribute that supports economic activity. In addition, schools directly contribute directly to local economies. The distance from the site to the institutions was used as a measure of accessibility.

3.3.3 Local Infrastructure

Reliable utilities services, transportation and communications networks, and public services are all necessary elements for economic enterprises to operate. Rives and Heaney (1995) distinguish between two types of infrastructure: point infrastructure (e.g., water system, sewage, local roads, and public buildings) and network infrastructure that links site with other sites and parts of the world (e.g., highways, railroads, airports). This distinction, although not explicitly embraced, is reflected in the indicators chosen. Important factors include the water and sewage systems, public buildings (e.g., town hall, primary schools, recreation facilities), proximity to provincial or federal highways, local community paper, and Internet access.

   a) **Availability of transportation** – proximity to major airport, freight train, harbour;

   b) **Access to public services** – Level of services available; proximity to site;

   c) **Available communications** – Availability of local and regional papers; availability of Internet access; speed of Internet access;

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d) **Access to public buildings** – Level of services available; proximity to site;

e) **Proximity to high school** – Proximity to site;

f) **Availability of water/sewage systems** – Level of services available;

g) **Proximity to major highway** – Proximity to site.

Bryant (1994:218) identifies water and sewage, public services, and public buildings as part of site infrastructure and resources. Although some of these attributes contribute directly to economic activity, all attributes "should be seen as fundamentally necessary" for economic capacity (Bryant 1994:218). Similarly, Parsons (1995:8) identifies a number of site-specific attributes, including schools, post-secondary education, public services, and public buildings. Welke and Douglas (1999:168) identify proximity to an international airport and major highway and availability of telecommunications technology as important local attributes for economic capacity.

3.3.4   Business environment

Both formal and informal aspects of a supportive business environment contribute to economic capacity. More concrete features (e.g., the presence of an industrial park and the services provided by economic development agencies) co-exist with the more informal aspects of support that arise from interactions with other businesses (e.g., the business spirit that arises from the presence of retail and commercial activities). Welke and Douglas (1994:170) note that support from organisations and associations is important to overcome obstacles for economic development. Both aspects support networking and co-operation among enterprises and contribute to overall flexibility within the economic sector (Welke and Douglas 1999:165).

Welke and Douglas 1999:178-9) describe several aspects of the business environment. "Input linkages," the supply of products, services, and labour among local businesses, keep money circulating, create spin-offs, and improve accessibility to professional services like accounting and marketing. "Market linkages" are about the proximity to a business's market. Generally, the business environment supports co-operation and competition among firms. For many economic reasons, it is important to be closer for personal and daily contact.

The six indicators chosen aim to reflect both concrete and less formal aspects of Business Environment are:

a) **Access to industrial park** – Proximity to site

b) **Level of commercial shopping** – Level available within the site

c) **Access to financial institutions** – Proximity to site of banks and credit unions

d) **Access to economic development agencies** – Proximity to site

e) **Proximity to urban center** – Proximity to site

f) **Concentration of retail activity** – Level of retail activity within site; proximity to site

Finsterbusch et al (1992) identify an industrial park as one of the top five important job-generating factors. Therefore, it is important to know if a park exists within a site or how far the closest one is to the site. Generally, the agglomeration of business reflects the local demand for business activities. This demand may translate into more business for existing firms, or new firms responding to new opportunities. The level of commercial shopping available within the site is also an indicator of business demand.

Access to capital, as noted above, is essential for business development. Bryant (1994:217) suggests that the attitudes of major banks are part of an enabling business environment. However, Bryant also emphasises cost factors, criteria, and non-financial barriers (e.g., gender) as additional aspects of accessibility. While banks are the most important source of financing, studies also show the importance of access to alternative sources, such as family and friends (Green 1996). Consistent with this line of thinking, a distinction is made between banks and credit unions. Credit unions tend to have stronger 'community'-oriented policies.

Economic development agencies perform a critical support role for business activity. Compiling and distributing information, marketing and promotions, networking, policy making, administration, and site development are all important activities that facilitate both internal and external business activity. People look for active economic development agencies when making a decision to locate a business (Finsterbusch et al 1992; Leistritz 1991; Douglas 1994; Development Counsellors International 1996).

The proximity to markets is often cited factor in economic development (e.g., Welke and Douglas 1999; Bryant 1994). Therefore, indicators of business environment include proximity to urban center and concentration of retail activity.

4.0   METHODS

Table 1 summarises the variables, indicators, and the methods used for developing scores for each indicator. The following outlines several decisions made as part of this process.

a) The aim was to develop objective measures by focussing on resources that were present or not present, as well as how far the resources were from the site if not available within the site.

b) Absolute scores (e.g., unemployment rates) were transformed into ratios in order to develop scales. The ratios were calculated relative to provincial or sample levels. The reference depended upon the sensitivity to regional differences (e.g., unemployment, non-primary employment). Sample references were used to establish scales for 'proximity to site.' For example, the distances from sites to urban centres were listed for all NRE sites. A five-point scale was developed based on this sample of distances.

c) Distances were not the same for all indicators. The differences in scales used to measure proximity attempt to reflect the relative importance of each indicator. For example, it was deemed that it was more important for high schools to be closer to the site than general public services. Similarly, being closer to an urban centre is more is more important than being close to an international airport.

NEW RURAL ECONOMY: ECONOMIC CAPACITY PROFILES
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Table 1. Summary of Variables, Indicators, and Scoring Methods

INDICATOR	Description and Data Source	SCORING	
Entrepreneurship			
level of self employment	Level of self-employment is expressed as the number of self-employed males and females compared to all employed individuals. Ratio calculated based on provincial averages. Source: Statistics Canada Census 2001	Ranked. Scores assigned by quintiles: 5 –high; 1 – low.	
Micro-financing	Distance from site in km Source: NRE Database	0 – 66+ /not avail 1 – 36-65 2 – 21-35	3 – 11-20 4 – 6-10 5 – 0-5
Non-primary employment	Total employment in sectors outside the primary sector. Ratio calculated based on provincial averages. Source: Statistics Canada Census 2001	Ranked. Scores assigned by quintiles: 5 –high; 1 – low.	

Human Resources			
education level	Percent of population (aged 20 and over) with less than Grade 9. Ratio calculated based on provincial averages. Source: Statistics Canada Census 2001	Ranked. Scores assigned by quintiles: 5 –high; 1 – low.	
labour market	Level of unemployment. Ratio calculated based on provincial averages. Source: Statistics Canada Census 2001	Ranked. Scores assigned by quintiles: 5 –high; 1 – low.	
Proximity to College	Distance in km.	5 – in site 4 - < 15km 3 – 16-30km	2 – 31-45km 1 – 46km+
Proximity to University	Distance in km	5 – < 50km 4 – 51-100km 3 – 101-150km	2 – 151-200km 1 – > 200km

Table 1. Summary of Variables, Indicators, and Scoring Methods (cont'd)

Infrastructure		
Transportation	Distance in km from major airport (A), train – freight (F), and boat – harbour (B). Considers how many of these are in site or close to site.	5 - 2 of 3 <50km 2 – 2 <100km 4 – 1 of 3<50km 1 – all >100km 3 – 1 <100km
Public services	Proximity of various services, including social services, police, fire, ambulance, medical	5- all in site 2 - some <30km 4- most in site 1 - none<30km 3 - most <30km
communications	Presence/availability of internet service (dial up or high speed) and whether there is a local or regional paper.	5 - High speed + local paper 4 – I of high speed or local 3 – reg paper + DU Internet 2 – either reg paper or DU 1 – none available
Public buildings	Presence and proximity of public buildings, including town hall, recreation centre, sports facilities, hospital	5 - all in site 2 - some <30 4 - most in site 1 - none<30 3 - most <30
High school	Distance in km	5 – in site 2 – 11-15km 4 - < 5km 1 – 16km+ 3 – 6-10km
Water/sewage system	Level of service	5 – most of site 3 – some of site 1 – not available
Proximity to major highway	Distance in km. Considers whether the highway is a major or minor corridor route.	5 – < 10 km to major hwy 4 – < 10km to minor hwy 3 - < 50 to hwy 2 – 51-100km to hwy 1 - > 100km to hwy

Business Environment		
industrial park		5 – in site 3- < 50 km 1 – not avail
commercial shopping	NRE classification of retail activity	1 minimum convenience 2 full convenience 3 partial shopping 4 complete shopping 5 secondary wholesale-retail
access to financial institution	Presence and proximity of financial institutions, banks and credit union in particular	5 - Bank+CU in site 4 - bank or CU in site 3 - most <20 2 - most <50 1- none<50
economic development agencies	Accessibility to economic development agencies. Some agencies serve the site specifically. Other agencies may serve the area but not be within the site.	5 – agency in site 3 – agency serves site from away 0 – no agency accessible
Proximity to urban center	Distance in km; urban centre is one of at least 10,000 population	5 - < 25km 4 – 25-50km 3 – 51-100 2 –101-150 1 - > 150
Concentration of retail activity	Concentration of retail activity, along a main street within the site, for example.	5 – concentrated retail 'main street' in site 3 – concentrated retail in neighbouring site 0 - dispersed retail activity

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4.1   NRE Database

The data sources for each indicator are also listed in Table 1. The Census 2001 data from Statistics Canada were a primary source. These data are readily available from Statistics Canada's "Community Profiles" on-line service. In addition, data from the NRE database were used.

The New Rural Economy Database is the result of several years of research in the sites. Site profiles were developed during the first phase of the NRE fieldwork. They were updated during the summer of 2003. The profiles were prepared using information on the site's history, its people, institutions, volunteer groups, and municipal organisation, as well as census data on the demographic, geographical and economic characteristics specific to each site.

4.2 Notes on the Updated Version of the Profile

Updating the Economic Capacity Profiles improved this project. The methods were tested and minor changes were made. The NRE database has also been improved, providing more complete and more consistent data for each site as well as data from two more sites. The outcome of these improvements is greater confidence in the Profiles as an analytical tool. Changes to the NRE database and to Statistics Canada data make it difficult to compare the 2004 version of the Profiles with the previous version. As such, the two sets of Profiles were not compared as part of this research project.

5.0   ANALYSIS OF ECONOMIC CAPACITY PROFILES

An economic capacity profile was developed for each site.[3]   The Profiles were analysed two ways.

a) The total scores for each site were analysed with respect to the NRE sample frame classification.

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[3] Economic Capacity Profiles were submitted electronically as PDF files.

b) The economic capacity profiles were analysed from different perspectives in
relation to the NRE Leading and Lagging designations assigned to each site.

5.1   NRE Sample Frame Classification

The design of the NRE centres upon comparative analysis of a sample of rural areas from
across Canada. Through a systematic selection process, 32 sites were chosen,
representing a range of rural conditions. Twenty-two of these sites have been actively
researched. The total Economic Capacity scores for each site are shown in Chart 1.
These scores represent the sum of scores for each indicator.

Chart 1. NRE Sites Ranked by Total Score
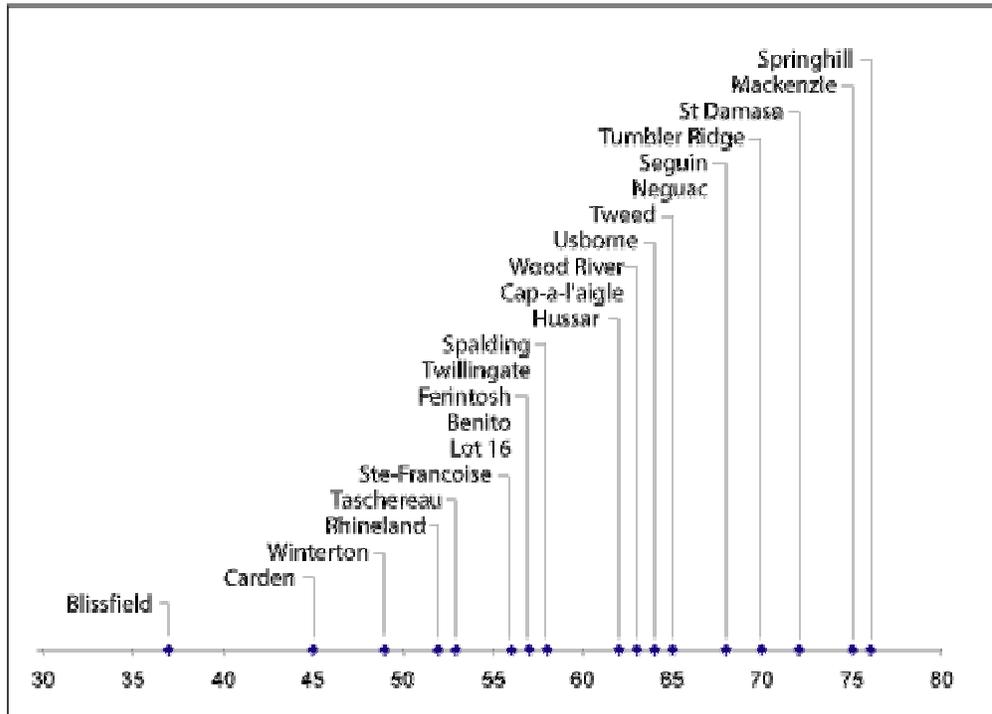
These total scores was analysed in relation to the NRE sample frame classification
developed to select sites. Data from the Census were analysed and census sub-divisions
were categorised according to five variables: status as leading or lagging rural areas;
extent of exposure to global market forces; economic stability; proximity to urban areas;
and local social and institutional capacity (see Appendix A for more details about these

five variables). The objective of analysing total scores in relation to the NRE sample
frame classification was to assess relationships between economic capacity and the
original NRE classification process. The analysis might reveal macro-level factors that
account for variance among economic capacities.

The analysis was conducted by cross-tabulating the total scores compiled for each
site and the sample frame variables. Once calculated, the total scores were divided into
quartiles[4] and colour-coded. The results are shown in Table 2.

Table 2. Economic Capacity Total Scores and NRE Sample Frame Classification

			High Capabilities		Low Capabilities	
			Leading	Lagging	Leading	Lagging
Globally Exposed	Fluctuating Markets	Metro Adjacent	17 Usb (64) 11 StD (72)	25 Hus (62)	20 Rhi (52)	9 SteF (76)
		Not Adjacent	24 Woo (63)	23 Spa (58)	28 Tum (70)	6 Bli (37)
	Stable Markets	Metro Adjacent		1 Win (49)		
		Not Adjacent			29 Mac (75)	13 Tas (53)
Less Globally Exposed	Fluctuating Markets	Metro Adjacent	16 Car (45)	26 Fer (57)		
		Not Adjacent	3 Lot (57)	21 Ben (57)		7 Neg (68)
	Stable Markets	Metro Adjacent	Cap (63)	15 Twe (65)		
		Not Adjacent	18 Seg (68)	5 Spr (76)		2 Twi (58)

■ First quartile (highest score)

▨ Second quartile

▢ Third quartile

☐ Fourth quartile (lowest score)

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[4] The number of sites (22) does not divide evenly into quartiles. The sites were divided as follows: first quartile (5 scores), second quartile (6 scores), third quartile (6 scores), fourth quartile (5 scores).

An analysis of the distribution reveals some patterns. The most significant patterns are:

a) 4 of the top 6 scores were Leading sites; 4 of the bottom 6 scores were in Lagging sites.

b) 5 of the top 6 scores were in Not Metro Adjacent sites; 4 of the bottom 6 scores were in Metro Adjacent sites.

c) 8 of the top 11 scores were in High Capability sites.

d) Among the 8 Low Capability sites, 3 had high scores and four had low scores.

Based on these observations, no single pattern appears to account for significant differences in the economic capacities of each site.

5.2   Leading and Lagging

The analysis of Leading and Lagging sites is an important focus for the work of the NRE. While there is concern about the negative effects of such labelling (Remier 2000b), the systematic examination of differences is a valuable technique and presents opportunity for learning. The NRE's interest in the Leading-Lagging designations is guided by three questions:

a) What is meant by Leading and Lagging?

b) To what extent are sites differentiated with respect to Leading and Lagging? and,

c) What are the most likely processes underlying the differentiation of Leading from Lagging sites?

The concepts "leading" and "lagging" are usually associated with economic performance of particular areas. The NRE designations of Leading and Lagging are based on four dimensions: employment-income, labour force participation, housing tenure, self-employment, and housing cost. These dimensions are based on Census data.

The economic capacity scores were analysed using this understanding of Leading and Lagging. Specifically, the economic capacity scores and Leading and Lagging site designations were analysed based on total scores and by each economic capacity variable (Charts 2 to 7).

Chart 2. Economic Capacity: Total Scores
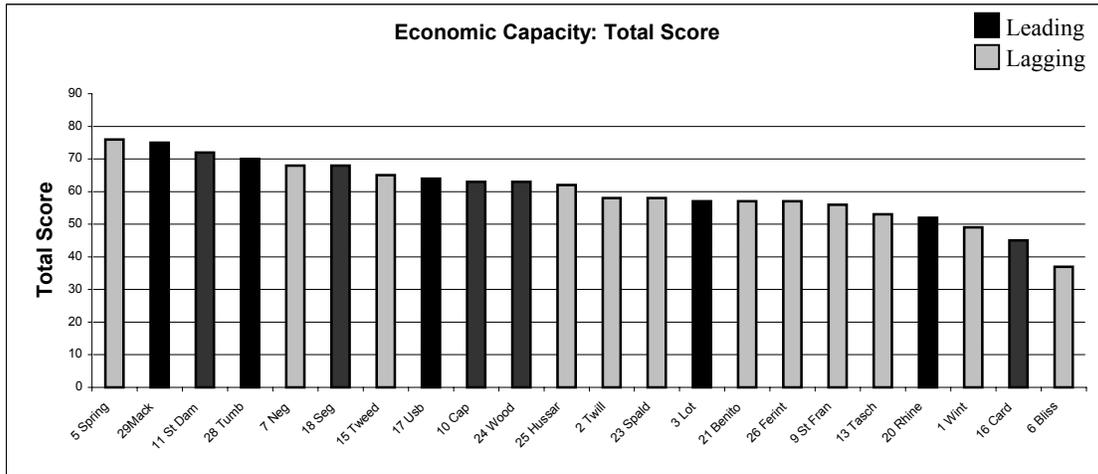
Chart 3. Economic Capacity: Average Variable Score
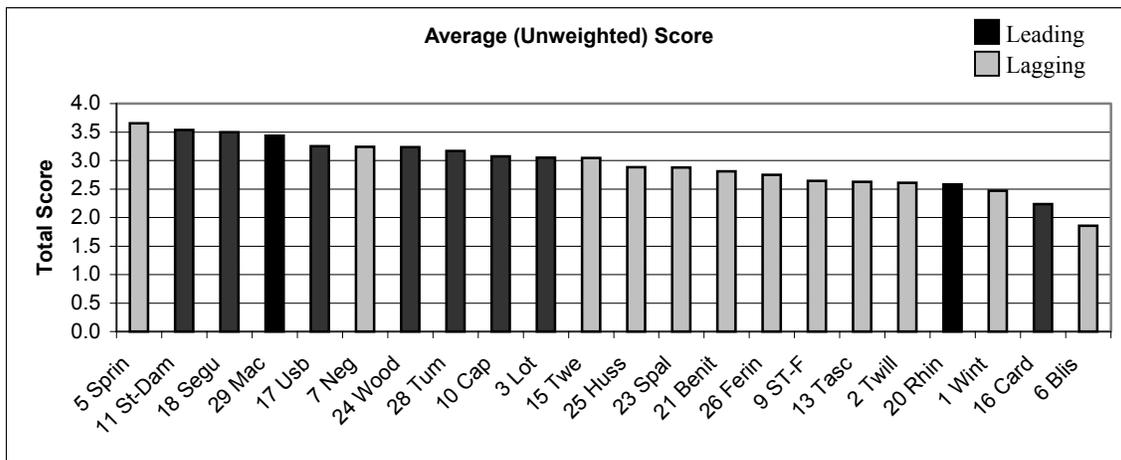
Chart 4. Economic Capacity: Entrepreneurship
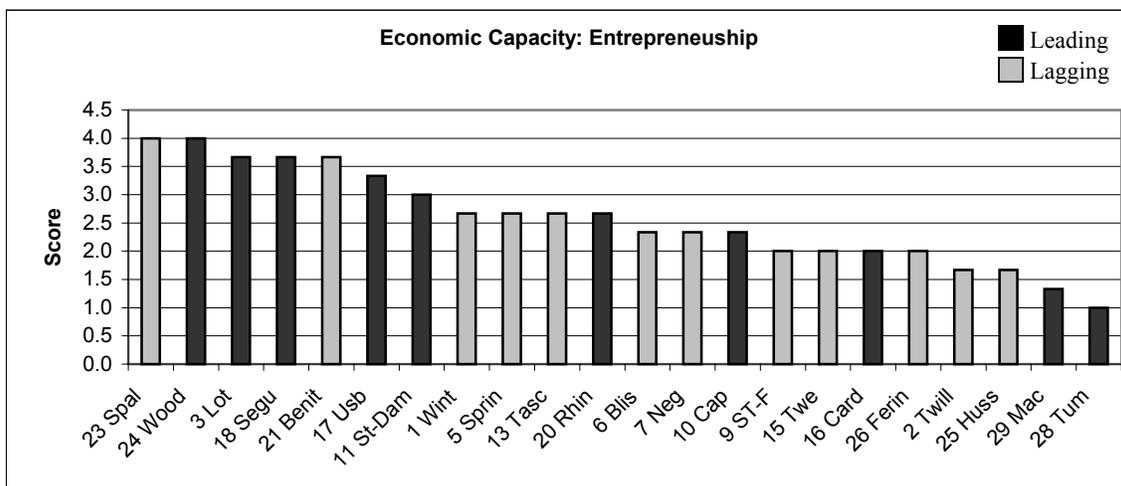
Chart 5. Economic Capacity: Human Resources
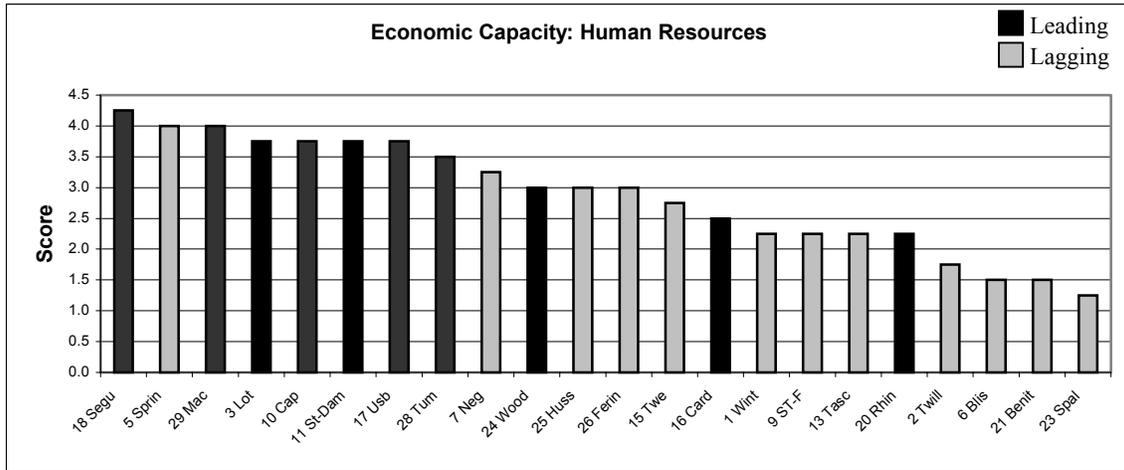
Chart 6. Economic Capacity: Infrastructure
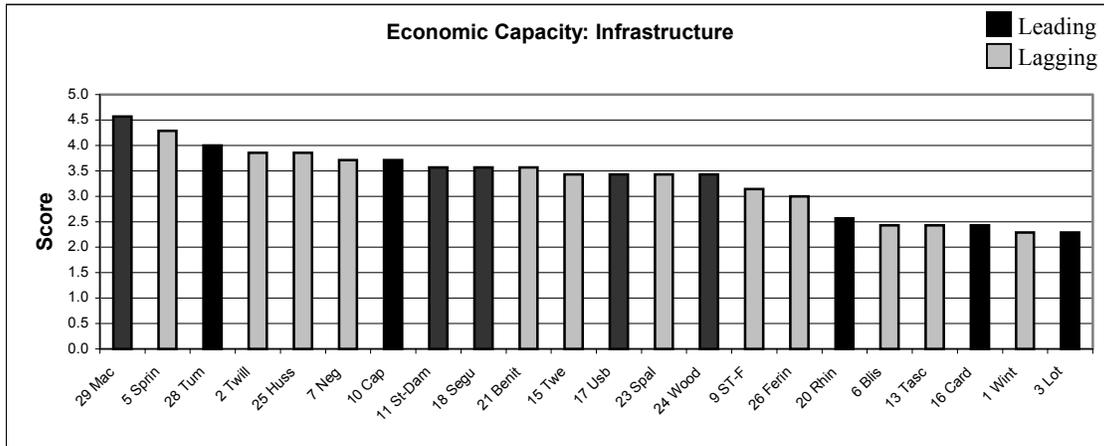
Chart 7. Economic Capacity: Business Environment
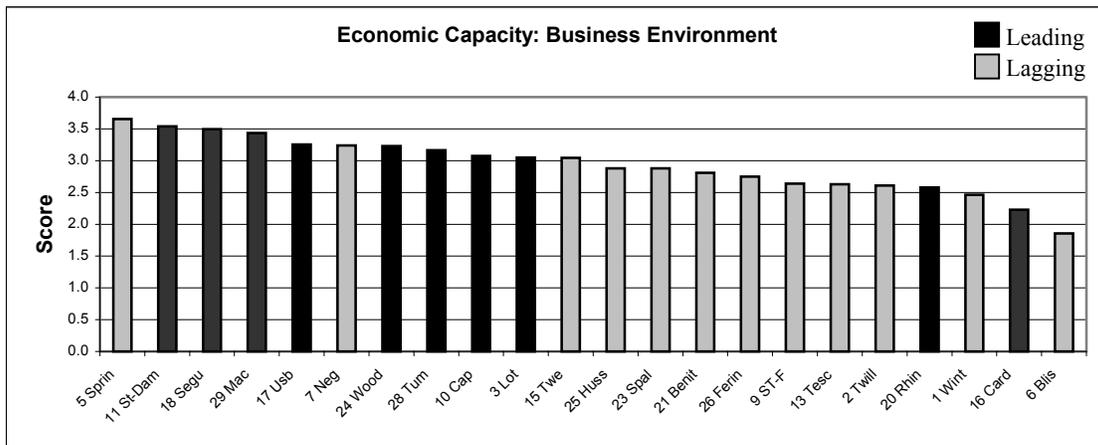
There appears to be a general relationship between higher Economic Capacity scores and designation of sites as Leading (Chart 2). Seven of the top ten Economic Capacity total scores are Leading sites. A stronger relationship appears between average Economic Capacity scores and Leading sites (Chart 3): eight of the top ten scores are Leading sites. On the surface, this suggests that the less detail contained in the average scores does not have a significant influence on ranking. However, a look at each of the Economic Capacity variables highlights important differences (Charts 4-7).

Chart 4 shows scores with respect to Entrepreneurship. Five of the top seven scores are Leading sites. However, two of the lowest scores for Entrepreneurship are also in Leading sites.

A significant positive relationship appears to exist between high Human Resources scores and Leading designations (Chart 5). Eight of the top eight Human Resources scores are in Leading sites. Chart 7 shows similar results for Business Environment. Here, too, eight of the top ten scores are in Leading sites.

While several sites do not follow the high Economic Capacity scores and Leading designation, Springfield most consistently is the exception. Similarly, Carden and Rhineland, both Leading sites, most consistently have low Economic Capacity scores.

6.0   NRE CAPACITY FRAMEWORK

This section of the report discusses the relationship between the Economic Capacity Profiles and the NRE Capacity Framework, as well as the relationship between the indicators for Economic Capacity Profiles and for NRE Social Capital. The discussion focusses upon the conceptual similarities and differences between the two approaches.

The Economic Capacity Profiles and the NRE Capacity Framework complement each other. The aim of the Profile is to characterise the features of each NRE site that support economic development. The aim of the NRE Capacity Framework is to clarify the major factors contributing to capacity in rural communities such that old capacities can be strengthened and new ones developed. Toward this end, the NRE Framework focusses upon institutional and social characteristics in order to understand rural economies. Both focus upon 'capacity.'

The NRE defines capacity as the ability of people to organise their assets and resources to achieve the objectives they desire. This fits with the Economic Capacity Profiles approach, wherein capacity is about accessibility and availability of assets and resources. Specifically, we look at how local factors are organised to achieve economic development.

The Economic Capacity Profiles approach is more conventional than the NRE Capacity Framework approach. The former is more closely aligned with – but not exclusively – 'old economy' notions of economic development. The focus is upon locational attributes of entrepreneurship, infrastructure, human resources, and business environment, e.g., self-employment, highways, financial institutions, and business services. The NRE Framework deals with attributes of relations associated with the new economy, such as trust, cohesion, and familiarity. The implication is that the Economic Capacity Profile examines the *attributes of location*; the NRE Capacity Framework analyses *attributes of relations*. Hence, we can characterise the former as a functional analysis and the latter as relational.

Both approaches focus upon availability. The NRE Framework draws an important distinction between the *availability* of social capital from its *use*. The Economic Capacity Profile focusses upon measures of *availability for use*. This emphasis upon *for use* derives from the function or intended outcome of locational factors used for economic development. In relation to the NRE Capacity Framework, economic development is one of many desired objectives.

While norms and institutions have changed significantly in the present economy, there is still an open question as to how many features of the past economy remain. While the context has changed, the underlying economic forces remain the same. A specific look at more conventional economic development complements the NRE emphasis on relations (e.g., norms, trust, cohesion) by measuring the structures needed to create outcomes from different arrangements of locational assets and resources. In this regard, the Economic Capacity Profile contributes directly to clarifying how old capacities can be strengthened and new ones developed.

The Economic Capacity Profile was not developed to incorporate measures of social capital. The advantage of this approach is to provide a baseline of conventional

measures against which can be compared more recently developed social capital measures. The disadvantage is that it is difficult to identify direct relations between the two sets of indicators. Most generally, the desired objective of economic development makes use of all four relationships, market, bureaucratic, associative, and communal.

Notwithstanding conceptual differences, it is possible to compare the two sets of indicators. Some similarities and differences are evident. Accessibility, for instance, is a recognised feature of both sets of indicators. The NRE indicators of social capital distinguish assets and resources available within 30 minutes of the site. Several of the Economic Capacity Profile indicators are based on scales that accommodate a range of distances from a site. The absolute distances from site vary by indicator. In comparison to the Social Capital indicators, the Profiles place greater emphasis upon accessibility than upon types of relations. This leads to other differences. The Profiles include indicators of availability for such things as infrastructure and for attributes of population. The Economic Capacity Profiles indicators do not explicitly consider communal relations, although this type of relation is embedded in the processes that give rise to structures. The following table highlights areas of overlap between the two sets of indicators.

Table 3. Areas of Overlap Between Sets of Indicators

Social Capital Indicators	Economic Capacity Profile Indicators
Available of assets and resources:	
market-based services	micro-financing commercial shopping
bureaucratic-based services	public services (e.g., social services, police, fire, ambulance, medical) access to financial institution
associative-based services	public buildings (e.g., town hall, recreation centre, sports facilities) concentration of retail activity
communication services	Communications (e.g., internet service, local or regional paper)
Use of assets and resources:	
HH members who own a business	level of self-employment
HH members employed FT or PT	labour market (level of unemployment) non-primary employment
market participation groups	economic development agencies

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The Economic Capacity Profiles research provides a basis for assessing assumptions underpinning the conventional approach to economic development. In addition, an opportunity exists to undertake a more detailed analysis of data collected on a site-by-site basis that compares conventional approaches to economic development and social capital approaches to understanding the dynamics of the new economy. Primary questions to be addressed are: Do the assumptions of the conventional approach still hold? Are the assumptions of the social capital approach valid? To what extent do the two approaches inform each other? Answering these questions can be part of future research.

7.0   CONCLUSION

The Economic Capacity Profiles provide a valuable tool to help understand the economic features of each NRE site and to make comparisons across sites. The Profiles also provide a clear assessment of each site's relative position among all NRE sites from different perspectives.

The analysis of Economic Capacity scores using Leading and Lagging designations provides two opportunities for learning. First, the Leading-Lagging designations lend a qualitative aspect to the economic capacity profiles, i.e., the designations suggests that some sites are doing better than others. While the intent is not to reify these designations, portraying this information may raise additional questions that will lead to new discoveries. Second, the Leading-Lagging analysis of the Economic Capacity scores may contribute to the study of rural areas across Canada in general.

Finally, the Economic Capacity Profiles were characterised as 'snapshots' of each NRE site. A re-examination of the profiles, say five years hence, will provide a temporal dimension to the analysis. This may lend insight to understanding processes of change or, at least, the impact of change in the economic capacity of NRE sites.

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APPENDIX A

Note: CSDs = Census Sub-divisions

Exposure to Global Economies	
CSDs are classified into two types based on percentage of individuals who are employed in the industries as listed below	
High Global Exposure	**Low Global Exposure**

Types of industries:
   agriculture and related industriesfishing and trapping
   logging and forestry
   mining (milling), quarrying, oil wells
   manufacturing
   communication and other utilitiesfinance and insurance
   business services
CSDs with more than 40% of their labour force in industries exposed to global economies were classified as high (the 60th percentile in each case)
	Types of industries:
	   construction
	   transportation and storage
	   wholesale trade
	   retail trade
	   real estate and insurance agent
	   government services
	   education, health, and social services
	   accommodation, food, and beverage services
	CSDs with more than 60% of their labour in industries exposed to local economies were classified as low (the 60th percentile)

Adjacency to Metropolitan Centres	
CSDs are affected by the opportunities and institutions of nearby urban centres. CSDs are classified by the Beale code of the Census Division (CD) in which they are located.	
Adjacent CSDs	**Non-adjacent CSDs**
• CDs containing metropolitan centres of 50,000 or more • CDs which contain urban centres of 3,500 or more and border on metro CDs • Rural CDs which border on metro CDs • Total number of rural, metro adjacent CSDs: 1955	• Census Divisions (CDs) containing urban centres less than 50,000 which do not border metro CDs • Rural CDs which do not border metro CDs • Selected, very remote Northern CDs • Total number of rural, metro adjacent CSDs: 2712

Industries by Market Fluctuation	
CSDs classified by two types based on predominant industry or employment	
Fluctuating Markets	**Stable Markets**

Types of industries:
   agriculture and related services
   fishing and trapping
   logging and forestry
   mining (milling), quarrying and oil wells
   construction
   finance, real estate and insurance
CSDs with 30% of their labour force in industries with fluctuating markets were classified as fluctuating
	Types of industries:
	   manufacturing
	   transportation and storage
	   communication and other utilities
	   wholesale and retail trade
	   business, government and education services
	   health and social services
	   accommodation, food, and beverage services
	CSDs with 71% of their labour force in industries with stable markets were classified as stable (the 60% percentile in each case)

Local Capabilities	
Responses to change depend to some extent on the local, social, and institutional infrastructure. Factor Analysis identified 3 major dimensions from 15 variables related to this infrastructure: 1- human capacity; 2 - self employment related; 3 - age-related	
High Capabilities	**Low Capabilities**
CSDs which are above the median on two or more of these dimensions were classified as high capability	CSDs which are below the median on two or more of these dimensions were classified as low capability

Leading and Lagging CSDs	
Factor Analysis of 17 variables results in four dimensions on which CSDs may lead or lag: 1- income related; 2- labour force related; 3- marriage and housing costs related; 4- housing tenure and low income related	
Leading	**Lagging**
CSDs which are in the bottom 25% of the cases on at least 2 of the dimensions are considered lagging	CSDs which are in the top 25% of the cases on at least 2 of the dimensions are considered leading
Total # of rural CSDs lagging on at least 2 factors: 988	Total # of rural CSDs leading on at least 2 factors: 1257