The Transition to Non-Traditional Exports
for Mining Communities:
What to Expect
Tourism, Education, and Retirement Services

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David Robinson
Department of Economics
Laurentian University

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Introduction

Elliot Lake was once the “uranium capital of the world.” Now it is not even a member of the Association of Mining Municipalities of Ontario. Mining communities have sometimes disappeared, but Elliot Lake has not. Instead, it has become a famous success story. Elliot Lake is now the Retirement Capital of Northern Ontario. This paper presents some lessons for other communities from the Elliot Lake experience. It ends with several recommendations for the Association of Mining Municipalities of Ontario (AMMO).

Between 1990 and 1996, mining wound down in Elliot Lake. In 1990, I and several colleagues at Laurentian University set out to study the impact of the resulting layoffs on the employees of Rio Algom Limited and Denison Mines Limited. Although our focus was on the workers themselves, it is the only study that provides much information on the transition of a northern mining community.

We believe that the Elliot Lake Tracking Study, which lasted 8 years and cost almost $2.5 million, was the largest, longest, and most detailed study ever done of the adjustment of workers after layoffs.\(^1\) It was without a doubt the largest for the mining industry and for Northern Ontario.

I will be generalizing from this one case. It will take some imagination to apply the lessons to your own communities, which differ in many ways from Elliot Lake.\(^2\)

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1 Initial funding came from the Institute for Northern Ontario Research and Development (INORD) at Laurentian University. The Ministry of Northern Development and Mines provided crucial start up money for the project. Human Resources Development Canada (HRDC) was the largest contributor. Significant support in early rounds came from Job Creation Projects in Elliot Lake.

2 Figures cited in this paper are from the *Elliot Lake Tracking and Adjustment Study Final Reports* prepared for HRDC. The primary source is the final 191-page study by D. Robinson and D. Wilkinson. The reports are available on the INORD website at [http://www.laurentian.ca/www/inord/papers.htm](http://www.laurentian.ca/www/inord/papers.htm). Other data and observations come from three papers in the recent INORD book *Boom Town Blues: Elliot Lake -- Collapse and Revival in a Single-Industry Community*, ed. A. Mawhiney and J. Pitblado (Toronto: Dundurn Press, 1999).
Expect that some of the mining communities will not be mining communities for ever. Mining employment is declining – productivity is rising, prices are falling, and foreign suppliers are developing. Employment in Canadian non-fuel metal mines declined from 89,286 in 1981 to 62,139 in 1990, when our study began, and then to 48,464 in 1994. These figures cover the period of a major recession, but the trend is clear.

So what else can mining communities expect? Will they disappear? Will they find new purpose? To some extent, their survival is beyond their control. In many cases, astute leadership from local politicians and appropriate provincial support will make the difference between devastating decline and successful transition.

There are three ideas that I think are necessary for understanding the transition process. They are not really new ideas. The trick is to put them together in a way that brings out the essential features of the transition process. It is a bit like making soup: you combine fairly standard ingredients, but the exact recipe matters a lot.3

The ingredients I recommend for understanding the transition process – the three key ideas – are:

1) The Multiplier Model

In the multiplier model, each mining job creates one or more additional jobs.

2) Changing Demographics

When mining jobs disappear, the makeup of the community changes in surprising ways.

3) Non-Traditional Exports

Exports are goods produced for people in other communities. Traditional exports are sent out of the community to consumers. With tourism and other replacement activities, the consumer must come to the region to enjoy what they buy.

3 Most of the ideas in the next section are part of a model I am working on with Derek Wilkinson for a conference of economists in May 2000.
Idea 1: The multiplier model and community sectors

The multiplier model makes a distinction between primary sector jobs and the jobs that arise to service the people who do those jobs. Mining is the primary industry in mining communities. A commercial sector develops to take advantage of the population centred on mining, and the public sector provides a variety of institutions – hospitals, schools, police departments and so on. This is a familiar model, and every economic development officer uses, or misuses, it.

The simple multiplier model provides a useful view of the rise and fall of mining communities. In Figure 1, any population that was in place before mining was developed appears as a strip at the bottom. The miners appear at year one of the development process, stay till the mine closes, and then leave. On top of that, the commercial and institutional sectors develop. In the simple model, they are strictly proportional to the size of the mining population, although that is just a convenient simplification. Figure 1 is a story of an instant town that ends as a ghost town.

![Figure 1: The simple multiplier model for a mining community](image)

4 Many analysts describe “secondary” and “tertiary” sectors, rather than commercial and institutional. The distinction is important for some purposes, but the sectors I use here are much more useful for understanding small communities.
The story Figure 1 tells is not very attractive, but fortunately it is not very accurate either. One problem with the simple model is that towns are more dynamic than this. It often takes time before the community catches up with the base. Then when closures happen the miners may leave, but the store owners and the hospital workers are still there.

The story Figure 2 tells has some politics in it. When the mines in Elliot Lake shrank, the commercial sector and the institutional sector were the ones that stayed around and organized to save the town. In general, if the mine shuts down do not expect to keep many of the miners.

Expect the balance between the sectors in the community to change. New political leadership emerged in Elliot Lake. Much of it came form the institutional sector. There were and still are political struggles. The changes shown in Figure 2 raise some troubling questions. Who are we saving the town for? The ones who stay? You may not know who they are until after the cards are dealt.

Expect complaints. When the city went all out to attract retired people, there were complaints that it had abandoned the miners who had built the town. There was some truth in this view. From the point of view of the community’s survival, however, it might have been the right thing to do. The miners were leaving. Many were headed to good jobs. They were not the ones that required support. In fact, the adjustment support
was largely targeted at them. There is no benefit in denying that most miners will go and that the community will not be focused primarily on their problems.

**Expect the adjustment process to take time.** Our study showed the adjustment process for many of the miners was slow. If the community can keep the laid-off workers longer, it will have more time to adjust to the demographic and economic changes. Even unemployed people have money to spend. The slower the better for the town. Elliot Lake was fortunate because the mining industry was in a major slump during the closures. Miners did not have jobs to go to and they had cheap housing in Elliot Lake, so many stayed longer than they would have in good times. Denial does not help, but delaying tactics do.
Idea 2: Changing demographics

So far we have emphasized the political transition. Communities also face a demographic transition:

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>prime age</td>
<td>older</td>
</tr>
<tr>
<td>healthy</td>
<td>less healthy</td>
</tr>
<tr>
<td>high income</td>
<td>lower income</td>
</tr>
<tr>
<td>with families</td>
<td>fewer children</td>
</tr>
<tr>
<td>unionized</td>
<td>fewer union jobs</td>
</tr>
<tr>
<td>primary sector jobs</td>
<td>more service sector jobs</td>
</tr>
<tr>
<td>high employment</td>
<td>more unemployed, more social security</td>
</tr>
</tbody>
</table>

Expect more people to depend on transfers from government. My colleague, David Leadbeater, has demonstrate that what he calls the “dependency ratio” – the fraction of people that don’t get their money from regular jobs – shoots up. Before the layoffs, Elliot Lake had one of the lowest dependency ratios in Canada. After the changes, it has one of the highest dependency rates. Part of the change is due to increased reliance on public and private pensions. Depending on pensions is not the same as being dependent, but the implications for the community are similar.

Expect a population with different needs. Communities with more old people and more sick people need more hospital services. They need more doctors. Provincial policy recently has tended toward closing hospitals. The effect is that communities may be hard pressed to meet the needs of the new demographic and that may make it harder to attract new people.

The Elliot Lake experience provides some more detailed information about demographic transition. We have to look closely at the people who are laid off and what happens to them. Who actually leaves?
Table 1 shows the 1996 statuses of the 1,000 workers we tracked from 1990. It is a kind of snapshot of changes in the community. I don’t think there is any comparable data for any other layoffs. The numbers are for 1996, well into the adjustment process. In 1996, about half of the workers had new jobs, under an eighth were able and willing to work and had no jobs, and over a quarter were retired, disabled or both.

So what happened to them?

### Table 1. Who stays and who goes?

<table>
<thead>
<tr>
<th>Status in 1996</th>
<th>number</th>
<th>% of total laid off</th>
<th>% still in Elliot Lake in 1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>New jobs</td>
<td>490</td>
<td>64</td>
<td>36</td>
</tr>
<tr>
<td>Not employed</td>
<td>112</td>
<td>14</td>
<td>63</td>
</tr>
<tr>
<td>Retired</td>
<td>91</td>
<td>12</td>
<td>68</td>
</tr>
<tr>
<td>Disabled</td>
<td>68</td>
<td>9</td>
<td>67</td>
</tr>
</tbody>
</table>

Source: Final Report to HRDC, Robinson and Wilkinson
Expect most of those who get jobs to be living somewhere else.

Expect most of those who don’t get jobs to stay

Expect most of those who retire to stay.

Expect most of those who are disabled to stay.

Altogether, expect there will be in your community as many unemployed, retired and disabled as there are laid-off workers with new jobs.

Think a bit about this. Unemployed workers bring in some outside money – in employment insurance and social assistance. Retired workers have savings and pensions to spend. Disabled workers, by our definition, are those collecting disability pensions or compensation. Do you want to keep these people in your community? If you do, and they provide a significant source of income for the commercial sector, as well as providing demand for the institutional sector, shouldn’t you plan to make staying attractive for them?
Idea 3: Non-traditional exports

So far we have looked at what happens to the people who were in the community to start with. There is another crucial question. Who will you replace the leavers with? Remote communities need an export base. Traditional exports are shipped to the people who buy them. Tourism is different – people have to come in person and stay a while to pick up the product. In many cases communities are looking at moving into non-traditional exports like tourism. Elliot Lake, for instance, has made its new career providing retirement housing for people who earned their money in other communities. It is exporting housing services to communities where housing is more expensive.

Elliot Lake aggressively marketed low-cost housing to attract retirees. It really is useful to see the Elliot Lake strategy as an export to another region. There are other products that are similar. In addition to tourism and retirement housing, education is an excellent example. Sudbury, North Bay, and Sault Ste. Marie are marketing post-secondary education. North Bay may be the most successful exporter because it has the English-language teachers’ college for the entire eastern part of Northern Ontario.

Even when these educational facilities do not bring in large numbers of outside students, they do serve to keep students in the region and in the community. This is sometimes called an import substitution strategy, since if the services were not provided locally the students would take their money and their education subsidies outside the region. It is worth noting that keeping only two university students in the region is equivalent to one new full-time job in a region.

How can we fit retirement and non-traditional exports into the multiplier model?

It is not generally recognised that in Elliot Lake there were retired people long before the famous Retirement Living Program got underway. Figure 4 illustrates what happens if the community lasts long enough to begin to generate its own supply of retirees. The retired population provided additional demand for the commercial and institutional sectors. In Elliot Lake, the growing local demand offset the decline in mining employment to a significant extent.
Expect that in short-lived communities, natural retirement will have a small overall effect.

Expect that in long-lived communities, local retirement may play an important role in adjustment.

Local retirements can’t keep a community going forever once the mines go. Elliot Lake successfully attracted outside retirees. But what allowed Elliot Lake to succeed?
The Secrets of Success for Elliot Lake

1) Very cheap housing

Cheap housing is only possible when residents lose equity. A potential tragedy for families in the community can nonetheless contribute to keeping the community alive.

2) Good infrastructure

If a community is to attract outsiders, it helps if the infrastructure is well developed and in good condition. It also helps if the infrastructure in not costly to maintain. If a community has to plow a thousand miles of roads all winter even after the population drops, the tax burden for these services can become so high that it discourages potential new residents.

3) Sound municipal financial position

Contingency funds can play a vital role if the tax base shrinks.5

4) Transitional funding prevented tax hikes

Provincial tax stabilization assisted in a significant way.

5) Existing retirement population

Local retirement not only swells the population, but it induces the municipality to move toward services and facilities that are likely to attract more retirees.

6) Extended transitional period

As noted above, Elliot Lake benefited from a general economic downturn that reduced the incentive for its people to move away. The delay provided additional time to attract retirees. In addition, special funds kept one mine open until 1996, which provided invaluable additional manoeuvring room.

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5 Robinson and Bishop (Chapter 16 in Boom Town Blues, cited above) have observed that the province tends to punish, by reducing transfers, those communities that have accumulated reserves. This tendency may reduce provincial debt, but it also reduces the ability of communities to deal with economic downturns.
Policy implications

The discussion so far points to a number of avenues for municipalities and the Ministry of Northern Development and Mines. Municipalities should lobby for and the Ministry should support

1) Provincial policies to reduce spillover impact and avoid over-shooting

Although it is the actual workers who first experience the layoffs, the effects spill over to others in the community in the form of falling housing values and reduced job opportunities. Without a steadying hand, population will tend to over-shoot, falling more than it needs to and leaving the community too small and too financially weakened to recover.

2) Tax base stabilization

Costs will not necessarily fall when the tax base shrinks. Communities risk that excessive burdens will fall on those who remain. A vicious circle can result in which rising taxes drive out more residents, leading to still higher taxes. The province should be prepared to ensure that property taxes in affected communities do not balloon.

3) Job creation and local public works at time of closures

Standard stabilization policy can be applied at the local level to slow local employment loss and buy more time for adjustment. Public works and job-creation programs can play a crucial role.

4) Early announcement of closures

Early announcement may improve the prospects for the affected workers. It is even more important for communities if they are to develop plans to deal with closures.

5) Adjustment plans and diversification plans

Communities are not well equipped to plan for closures. It would be helpful if Municipal Affairs and MNMD would collaborate to ensure communities at risk developed contingency plans and identified adjustments that can be made in advance.
6) Self-insurance for housing values or buy-up schemes that facilitate the conversion of housing for those forced to move after closures.

At the local level there are also strategies that can assist municipalities to deal with potential closures.

7) Develop facilities that will be useful after closures

8) Work to keep retiring workers in the community before closures

9) Work to increase the share of disabled, unemployed and retired residents who remain in the community.

These and other tactics may help save viable communities when their mines close down. They will not save every community, and in fact not every community should be saved.