

Single-Industry Resource
Communities and the New Crisis of
Economic Development:
Lessons of Elliot Lake

**Final Report of the Community Response
Sub-Project**

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Introduction¹

Single-industry mining towns like Elliot Lake have long experienced wrenching closures and resource booms and busts.² Since the 1980s, new economic and political circumstances have emerged that are changing the fundamental conditions of economic development, particularly in terms of prospective employment and living standards. These new conditions pose more clearly the need for a new direction in policy as it affects hinterland communities in decline.

Estimates of the number of single-industry resource communities in Canada vary, depending on the year and definition used. A 1979 federal government study identified 38 fish and fish-processing communities, 54 mining and refining communities, and 80 wood-based communities, based on the definition that 30 percent or more of the community's labour force was in the resource industry (Clemenson 1992). For mining communities, a more recent study suggests 150 communities are partly or completely dependent on mining (McAllister 1997). For "forest-reliant communities," Williamson and Annamraju (1996) have identified 337 communities using a broader income-derived definition by which more than 50 percent of employment income is based on forest-related production (logging, forestry services, wood industries, paper and allied). Similarly, using the criterion

¹ Neither this report nor the research on which it is based could have been done without the help of the many workers of Denison and Rio Algom who participated in the surveys and focus groups of the Elliot Lake Tracking and Adjustment Study, the survey interviewers at Elliot Lake who came through in often difficult conditions, the Steelworkers union who from the beginning cooperated in carrying out the research, and the many people from Elliot Lake and the North Shore and other hinterland areas of Canada whom I interviewed about issues addressed here. I would also like to acknowledge the contribution of Laurentian University colleagues and staff in ELTAS, and particularly those assistants in the project who at some stage over the years aided in the research related to the community response sub-project, particularly Sharon Gow, Jan Lewis, Victoria Nadalin, and George Schaut. A special thanks is due Jane Pitblado of the Institute for Northern Ontario Research and Development for her excellent work in editing and producing the final report. None of these most helpful individuals above should be held responsible for any errors or omissions that have crept into the report, or for any views expressed by the author.

² There is a long history and substantial literature on mine, mill, and plant closures and single-industry and company towns in Canada (see, for example, Lucas 1971, Knight 1975, Himelfarb 1982, Robinson 1984, Robson 1986). There have also been numerous reports and studies on mining and resource communities many of which are cited in the table of official reports and in the bibliography.

that 50 percent of the community's economic base is derived from the sector, Samson (1998) identified from 1991 census data 337 forest-reliant communities, 30 energy-reliant communities, 128 mining-reliant communities, and 468 reliant on a combination of the three.

For single-industry resource communities, mass layoffs and actual or threatened "downsizing" have typically meant absolute as well as relative decline in local production, employment, and population, if not outright extinction. Their development has thus had a level of precariousness and economic dependence both on external markets and the natural environment that makes issues of "sustainability" especially clear. There are, however, lessons to be learned for all communities from the experience of single-industry resource towns like Elliot Lake.

A New General Context

It is widely acknowledged that, from at least the early or mid-1970s, the advanced capitalist countries entered a new phase of development, one with generally slower growth. Compared to the post-World War II decades, which the Macdonald Commission characterized as a "golden age" of economic performance, overall GDP growth rates fell. Annual growth rates averaging 4.9 percent (1950–73) fell to 2.6 percent (1973–89).³ In this new phase, international competition intensified, capital became more mobile, trade became more liberalized with a succession of "free trade" agreements, and government policy shifted rightward towards the doctrine of neoliberalism. There is also widespread agreement that the earth's environment came under much greater pressure from economic growth or, at least, that there needed to be greater attention to "sustainability" in economic development.

Here I would like to point to five major trends that emerged in the Canadian economy as a whole, trends that are having a dramatic effect on the development prospects of declining hinterland communities, especially as they affect employment and living standards.

First, there has been a decline in the rate of employment growth relative to

³ These are from Maddison (1991), whose estimates are among those most widely cited.

population growth. Table 1 shows that both male and female employment to population ratios – or “employment rates” – have turned downwards, earlier, in 1979, for males and then, in 1990, for females. For Canada, a turning point was reached about 1989. The official employment rate for Canada fell from 62.4 percent in 1989 to 58.6 percent in 1994. This change was the result of a slowing and downward shift in labour demand, not the result primarily, or to a large degree, of an ageing population. Employment rates fell for virtually all age and gender groups except female spouses.⁴

The downward shift in employment rates was worse in many hinterland areas, in large part because of major declines in primary sector employment, particularly mining, forestry, and fishing, but also in rail transport and primary manufacturing. In Northeastern Ontario, for instance, the employment rate started at a lower base, 57.0 percent, in 1989, then plunged seven percentage points in three years. The employment rate was even lower outside the major urban centres of Northeastern Ontario (Sudbury, Sault Ste Marie, and North Bay). Table 2 shows the major labour force changes in Northeastern Ontario. Note that even by 1996 full-time employment was still much below its 1990 peak, while the number of those not in the labour force was much higher than its 1990 level, and that unemployment rates remained persistently high.

This downward shift in employment rates (or its flip side, the upward shift in non-employment) has a crucial implication: increased economic dependence. In terms of market-based activity, unless productivity among employed workers rises more rapidly than the decline of employment to population, then the average living standard will decline. Of course, even if there is a counteracting increase in productivity (which did not happen), this does not mean that all members of society remain at the same standard of living. The gains of productivity would have to be spread equally not only among the employed but also among the non-employed for living standards not to fall. In any case, this particular distributional scenario did not occur.

⁴ A simulation shows that, even if the 1989 age structure of employment is held invariate in 1996, virtually all the decline in employment can be accounted for by declines in employment rates within all major age groups.

**Table 1. Employment/population ratios (15 years and over),
Northeastern Ontario, 1977–1996**

YEAR	Canada			Northeastern Ontario
	FEMALES	MALES	ALL	ALL
1996	–	–	58.6	53.5
1995	52.1	65.4	58.6	53.5
1994	51.9	65.4	58.5	51.4
1993	51.7	64.9	58.2	52.3
1992	52.0	65.1	58.4	50.8
1991	52.8	66.9	59.8	53.5
1990	54.0	70.1	61.9	57.1
1989	53.7	71.4	62.4	57.0
1988	52.9	71.3	62.0	55.7
1987	51.5	70.4	60.8	54.5
1986	50.3	69.8	59.9	–
1985	49.2	69.0	58.9	–
1984	47.9	68.3	57.9	–
1983	47.0	67.6	57.1	–
1982	46.7	68.7	57.5	–
1981	48.0	73.1	60.4	–
1980	46.7	73.1	59.7	–
1979	45.3	73.4	59.2	–
1978	43.8	72.3	57.9	–
1977	42.3	72.1	57.0	–

Source: Statistics Canada, *Historical Labour Force Statistics* (71–201), annual 1995

Table 2. Labour force change in Northeastern Ontario, annual averages, 1987–1996

Year	Population 15+	Labour Force	Employed			Unemployed	Not in labour force	Participa- tion rate %	Unemploy- ment rate %	Employment/Population %		
			Total	Full- time	Part- time					Total	Full- time	Part- time
1987	440.1	268.2	239.8	195.6	44.3	28.4	171.9	60.9	10.6	54.5	44.4	10.1
1988	444.1	271.2	247.5	203.9	43.6	23.7	172.8	61.1	8.7	55.7	45.9	9.8
1989	450.1	279.1	256.5	207.6	49.1	22.5	171.0	62.0	8.0	57.0	46.1	10.9
1990	455.6	285.8	260.3	209.6	50.7	25.5	169.8	62.7	8.9	57.1	46.0	11.1
1991	460.1	281.4	246.3	196.7	49.6	35.0	178.8	61.1	12.4	53.5	42.8	10.8
1992	465.6	274.6	236.5	185.5	51.0	38.1	191.0	59.0	13.9	50.8	39.8	11.0
1993	471.4	283.3	246.6	190.7	56.0	36.7	188.1	60.1	12.9	52.3	40.5	11.9
1994	476.1	279.2	244.8	189.9	55.0	34.4	196.9	58.6	12.3	51.4	39.9	11.6
1995	480.8	287.6	257.1	201.1	56.0	30.4	193.3	59.8	10.6	53.5	41.8	11.6
1996	483.0	290.2	258.2	201.4	58.8	32.0	192.7	60.1	11.0	53.5	41.7	12.2

Second, there has been a growing maldistribution of paid employment and work in general. Coupled with the slowing of employment growth have been persistent levels of unemployment and increases in marginal forms of employment, and part-time and contingent work. This was not simply a polarization of paid work between those with “standard” hours and others who are part-time or fully unemployed. For those with full-time jobs, there was actually an increase in the average paid work week and, many labour researchers would argue, an intensification of work through multi-skilling and other “lean-production” management techniques.⁵ Thus, one sees increasing numbers of unemployed and precariously employed people, on the one hand, and on the other, an increasingly overworked and even burned-out population.

These emerging trends have been much discussed and documented.⁶ What is less

⁵ Social and health implications of the intensification of work are discussed, for example, in Karasek and Theorell (1990).

⁶ See, for example, Economic Council of Canada (1990a), Betcherman (1994).

appreciated in most workplace-based studies is the effects on total work time in households and the distribution of work-time as a whole, both paid and unpaid. The standard work hours data simply ignore unpaid work and its distribution. Even in terms of paid employment, the reported data usually do not include travel-to-work times and other work-related costs, nor do they indicate the enormous increase in total paid work hours in households with the rise in two-earner households.

Less appreciated, too, are the regional dimensions of the maldistribution of work, particularly overwork. While the generally higher levels of unemployment and underemployment in hinterland areas are well known, it is also the case that some of the highest levels of overtime are found in primary industries. Mining, in particular, regularly has levels of overtime among the highest of all industries, often in the midst of high-unemployment regions (Duchesne 1997).

Third, there is increased government transfer dependence, that is, increased use of social program payments as part of the income of individuals and families. This is indicated in generally increased levels of take-up of social programs such as Unemployment Insurance (now Employment Insurance), Social Assistance, pensions, etc., as well as in the amounts transferred. This has occurred *despite* reductions in the eligibility and benefits levels of programs (Chawla 1991).

Given the lower and decreasing levels of employment in hinterland areas of Canada, these areas tend to have a higher level of transfer program dependence. Here it needs to be emphasized, because the concept is sometimes distorted by class, regional, or gender prejudices, that economic dependency in this context does not refer to a psychological state or disposition but to a mode of resource allocation. Transfer or social program dependence is but one form of economic dependency. In addition to social program dependence are forms of private dependence, particularly transfers within the household, as between family members, as well as the private charity of religious and benevolent organizations, the United Way, etc. Many of the current debates on the future direction of social policy, as in earlier decades, are fundamentally about distribution, particularly the social allocation of economic dependency, as much as they are about the effects of social program transfers on individual work attitudes or incentives. The analysis of economic dependence is an economic question, as views of the causes of dependence and, related to it, low income and poverty (such as whether its causes are individual or accidental or systemic) often lead to different policy conclusions about the role of public versus family or other private provision of income and services.

Fourth, for most workers there was a stagnation or absolute decline in real post-tax income and living standards and this occurred even for large numbers of two-earner families. Official data has reported that median post-tax incomes, which are lower than the average income, have changed little or fallen.⁷ Further, incomes in hinterland areas are generally lower to begin with. Further absolute or relative declines may increase more rapidly the numbers in poverty, particularly if, as at present, there are continuing reductions in transfer eligibility and benefits.

Most established research on income distribution has argued that there has been little change in the *relative* distribution of total income in Canada (for example, Beach and Slotsve 1996). However, such research indicates clearly that there has been a growing polarization of *market incomes* (mainly wages and salaries) and, in any case, the *absolute* gaps between higher and lower incomes have been growing. Counteracting this to a significant degree (the analysis of how significant varies) has been mainly the social transfer system, changes in female labour force participation, and labour unionism.

The effects of the transfer system are felt not only at the level of individual households but also for Canada's regions, in mitigating disparities between regions with lower employment incomes and those with higher employment incomes. The effect of increasing female participation in paid work has been generally to reduce the effects of polarization in market incomes at least for families.⁸ However, the level of measured female labour force participation generally has been lower in single-industry resource communities and, in any case, second earner (or "added worker") effects are historically a one-time development.⁹ Recent research has confirmed that union densities are associated

⁷ Data on incomes are reported annually in Statistics Canada, *Income Distributions by Size in Canada* (catalogue number 13-207). This data is inadequate for even hinterland regions such as Northern Ontario, which is generally undersampled and excludes Indian Reserves. Census and income tax data are currently the only adequate income data for subprovincial regions; both are much delayed in reporting, and users must pay considerable charges for the latter. There is virtually no adequate or reasonably current data on wealth, which is left out of consideration in the present discussion.

⁸ Beach and Slotsve (1996, 85) observe, for instance, that "the family tends to homogenize incomes and attenuate polarization."

⁹ While many women have entered the labour market to maintain a living standard or counteract the effect of the layoff of their partner, women still generally earn less than men, and once they are in the market there is little further counteracting effect if income polarization continues. This assumes that other, non-nuclear, family forms with more than two earners remain of negligible numbers or develop

with positive distributional effects (Lemieux 1993). Employment decline in primary industries has also led to a decline in unionization in many single-industry communities, both overall and outside the public sector. Besides leading to generally lower wage levels, this could lead to increasing age and gender gaps in pay owing to the weakening of seniority and pay equity protections in union contracts; on the other hand, the latter problem may be overwhelmed by the general decline of most wages to lower and more compressed levels.¹⁰

Fifth, the current period is seeing a growing conflict over resource extraction and the environment, which is leading to a reduced level of growth if not a outright limiting of some sectors of resource extraction. The question of “sustainability” and how it is defined has been raised by highly visible events such as collapse of the east coast ground fishery, confrontations over the ancient forests and levels of allowable cuts, the decline of conventional oil production, and decisions on the environmental impacts of various proposed mines and mine closures. Historically, the possibility of subsistence and “independent” production through homesteading (on Aboriginal lands) or other forms of open access are largely over. Even in remote areas, there is a general tightening of limits on fishing and hunting (such as moose licences), which have in the past been used to supplement family incomes. Hinterland areas are on the front lines of the effects of these decisions.

Sixth, there is a decided change in the political climate in Canada. This is characterized in different ways. Voting and public opinion studies have provided evidence of a major rise in disillusionment and a lack of confidence in the political elites and their “restructuring” agenda. As Clarke et al. (1996) have commented, the growing sense of political powerlessness does not mean loss of concern – “the electorate wants in.” At some point, or several points, reactions to the current economic and political trend are bound to appear, such as the near elimination of the Conservative Party and rise of the Reform Party in federal parliament, the defeat of the Rae NDP government in Ontario, and the defeat of several Liberal cabinet ministers in the Atlantic provinces.

slowly compared to the polarization of market incomes.

¹⁰ There are other measurement and analytical issues affecting the distribution of income and wealth in hinterland areas but these are set aside for the present to pursue the main line of the argument.

The Context of Hinterland Layoffs

Since at least the 1970s, most resource-based single-industry communities have been faced with a long-term decline in their economic base. This situation is not new for agriculture, but mining and other primary sectors have had both absolute and relative (to non-primary sectors) employment stagnation and decline (Table 3), which is often reflected in layoffs. Further, simple aggregates of total employment do not reveal changes in the geographical concentration of resource extraction; the centralization of production in larger-scale mills, mines, or other operations and the turnover and relocation of operations also has implications for the employment situation in small resource communities.

There is a great deal of unevenness in the development of hinterland regions, so not all single-industry resource communities can be treated alike. Some go through periods of boom and relative prosperity (not necessarily associated with resource extraction) while others are in decline or persisting depression. Incomes, particularly male incomes, can sometimes be higher than the average. For instance, for Elliot Lake the 1981 census reports male incomes were about 23 percent higher than the average for Canada; in 1991, this had started to decline (to about 13 percent higher) and, in 1996, it had fallen below the Canadian average (about 10 percent below the average)(Leadbeater 1998a). However, as a whole, incomes in rural areas and small towns are significantly lower than those in more urbanized areas (Bollman 1992). This is especially the case for those areas going through mass layoffs and long-term employment decline.

While permanent layoffs and subsequent unemployment have adverse consequences wherever they occur, their impoverishing effects are *intensified* in the context of single-industry communities. This is because of the more limited number and range of jobs available within commuting distances, greater limitations on available education and health services, disadvantages in labour market information and travel costs (such as for interviews), among other things. These effects are particularly intense where the industry is in long-term *absolute* employment decline, such as mining, with its job-reducing technological and organizational changes and capital export to low-wage and

low-regulation areas.¹¹ This leads to a limiting of the vent for surplus labour in many local economies in hinterland areas.

Table 3. Employed persons in primary industries, Canada, 1984–1996

	All sectors	Primary sector	Agriculture	Forestry	Fishing/ Trapping	Metal mines	Non-metal mines	Mineral fuels	Quarries and sand	Services to mining
1984	11,402.4	789.1	491.4	77.4	34.6	62.6	14.8	61.7	8.2	38.4
1985	11,741.9	777.9	481.5	68.6	33.7	74.1	10.8	61.3	8.3	39.6
1986	12,094.5	769.5	476.3	68.1	37.5	68.0	11.2	65.4	8.1	34.9
1987	12,422.4	769.9	473.8	73.1	38.1	71.2	10.6	63.5	8.9	30.7
1988	12,818.9	758.1	451.0	75.1	42.7	73.7	9.7	63.1	8.0	34.8
1989	13,086.0	741.5	438.1	73.2	41.3	79.3	11.7	53.9	9.7	34.3
1990	13,165.1	738.4	440.7	67.2	42.6	73.7	11.9	58.6	10.4	33.3
1991	12,916.1	751.7	457.2	66.9	47.6	64.7	13.4	60.3	11.8	29.8
1992	12,842.0	704.3	437.1	65.6	40.0	51.0	13.1	58.3	9.7	29.5
1993	13,014.7	710.7	450.5	65.9	41.9	44.2	12.5	53.0	8.5	34.2
1994	13,291.7	701.8	424.9	79.6	40.7	46.0	11.0	54.7	9.1	35.8
1995	13,505.5	726.2	430.5	90.9	32.9	49.8	12.8	61.0	10.3	38.0
1996	13,676.2	733.1	453.3	75.9	35.6	51.8	9.1	55.0	6.6	45.8

Source: Statistics Canada Labour Force Survey (special order).

The entire pool (or holding tank) of unemployed and underemployed persons is better seen as a “labour reserve.” In the past, under more favourable labour demand conditions, surplus labour had a greater chance of flowing into suitable employment outside the hinterland area, though hinterland areas, especially agricultural areas, still acted as a labour reserve. This is consistent with the evidence in officially measured

¹¹ Some analyses also emphasize the importance of the long-term decline of resource prices (for example, Economic Council of Canada 1990b and House of Commons 1997) though it is unclear, given the current structure of ownership, declining labour/capital ratios in resource extraction, and environmental restrictions, to what extent this would alter current patterns of economic development.

unemployment that (a) hinterland areas of Canada generally have higher base levels of unemployment than metropolitan areas, and (b) that the levels decline less during the business cycle (Gower 1996).

The labour reserve appears in three more or less distinct forms. Part of the reserve, more characteristic of large urban centres, has a fairly high level of mobility, moving from job to job with shorter periods of unemployment. This is the dream group for UI/EI programs, which favour workers with high levels of labour-force attachment, and the group that gives UI/EI its distinctly metropolitan and “prime-age male” bias. It is also the group most clearly counted in the official measure of unemployment.

The second group is characterized by underemployment – such as (involuntary) part-time work – and, especially for new entrants and women, work on fringe or marginal employment as a means to “break into” the standard jobs. This type of partial unemployment is more characteristic of rural areas in decline. Historically, this used to be associated with agricultural self-employment, where the younger generation worked on the farm until opportunities opened up elsewhere, usually in larger and growing urban centres. Today, that reserve is found mainly in the household, particularly among married women. Given historically lower levels of self-sufficient production and self-employment, conditions of rising unemployment and underemployment lead to greater dependence on the household, as reflected in lengthened dependency of children and once-employed males.

The third group is characterized by long-term unemployment and marginal non-employment, which is disproportionately high among those disadvantaged by age, injuries, illness, dated training, geographical isolation, and among Aboriginal peoples. Long-term unemployment is a chronic problem in many hinterland communities. Besides the more variable labour demand conditions, single-industry resource communities often have relatively high levels of work-related disability (a consequence of industrial injury levels in primary industries), higher average age of the labour force, and more limited training opportunities.

The social policy system as it has been established has certain long-term consequences for single-industry communities, particularly in the context of cutbacks. Social programs can be arrayed along a continuum. On the one end are those determined more or less directly by need and paying lower benefits, such as Social Assistance or the Guaranteed Income Supplement. On the other end are those programs which are geared mainly to employment-earnings history, such as UI/EI or the CPP/QPP, and which pay

higher benefits; these are sometimes said to be based on “insurance principles,” though rarely are they purely so. Some, such as Workers’ Compensation, are more clearly a mix, having both elements of need (severity of injury) and previous earnings history.

In general, as single-industry communities go through layoffs or decline, there is a temporary burst of social transfer spending, particularly through those programs most closely related to employment, such as UI/EI. However, as labour market conditions decline, so do the UI/EI benefits paid and contributory pensions accumulated. In the long term, needs-based programs play a larger role. Hence, unless single-industry communities are able to achieve a fundamental turnaround in both the quantity and quality of employment as well as its distribution, they are destined to have high levels of economic dependency, especially on needs-based social programs.

Given the growth and structure of the hinterland labour reserve today, the neoliberal turn in social policy to more exclusionary and residualist social policies – what in the nineteenth century was called “less eligibility” – is heavily biased against high-unemployment regions like Elliot Lake and the North Shore. As well, it is not workable in the sense that exclusionary government measures may privatize economic dependency, but they do not end it, as is apparent in Elliot Lake. Whatever the case, if the aim of government is to reduce the population and economic scale of such communities or regions, it can do so in more open and less punitive ways.

The Impoverishing Effects of Layoffs At Elliot Lake

Elliot Lake suffered many effects from the mass layoffs that began in 1990. Here I discuss seven key trends that occurred in the local economy during the period of the layoffs.¹²

First, employment at Elliot Lake was in decline from at least the mid-1980s to a low point about 1993. Following the first wave of layoffs in 1990, the number of jobs plummeted. One indicator, the number of persons reporting *any* employment income was 7,660 persons in 1989, the year before the mass layoffs, falling to 5,740 in 1991 and 1992. The local labour market hit bottom, at least temporarily, in 1993, at 5,410 persons reporting employment income, then rose slightly in 1994 and 1995. The fall in employment was much greater for men than for women, though both women and men were laid off in mining and non-mining jobs in the community.

With employment losses, unemployment increased dramatically, though the inadequacy of local and regional statistics prevents precise measurement. There are no labour force survey data available for Elliot Lake. The June 1991 census reported unemployment at 12.0 percent (13.3 percent for males and 10.1 percent for females), but this is probably a low estimate and, in any case, was prior to the Denison closure (in 1992). Data on UI take-up coupled with approximate estimates of the labour force suggest that, at peak, unemployment was over 50 percent of the labour force, this for a community with a 1991 census-reported labour force of 6,025.

Population also declined, though the net decline of population was much greater from 1986 to 1991 (17,985 to 14,089), than from 1991 to 1996 (14,089 to 13,588). Both the in-migration of seniors and non-seniors seeking low-cost housing and the slowing of out-migration due to the decline in labour demand elsewhere (the 1990s recession began in 1990) helped to stabilize the Elliot Lake population in the range of 12–13,000 persons.

Second, there was a collapse of net incomes despite a major increase in transfer dependency. Table 4 shows the fall in employment income coupled with the rise in transfers. Elliot Lake moved from being a community with a below average economic dependency ratio to one over 2.5 times the Canadian average and among the highest in Canada.

¹² Some of the longer-term background is outlined in Leadbeater (1998a).

Table 4. Changes in economic dependency at Elliot Lake, 1990–1994

	1990	1991	1992	1993	1994	1990–94 change	
						(\$000)	(%)
Employment income(\$000)							
-all	176,437	141,598	134,959	120,415	122,592	-53,845	-30.5
-females	40,024	41,537	43,752	43,311	43,169	3,145	7.9
-males	136,413	100,060	91,207	77,104	79,424	-56,989	-41.8
Employed persons (no.)							
-all				5,410	5,580		
-females				2,480	2,500		
-males				2,930	3,080		
Income/employed person (\$)							
-all				22,258	21,970		
-females				17,464	17,268		
-males				26,315	25,787		
Transfer income (\$000)*							
-all	37,742	56,972	69,618	83,925	84,889	47,147	124.9
-females	15,674	21,201	22,878	27,746	30,374	14,700	93.8
-males	22,068	35,771	46,740	56,179	54,515	32,447	147.0
Recipients (no.)							
-all	6,580	6,920	7,350	7,610	7,880	1,300	19.8
-females	2,900	3,040	3,250	3,680	3,910	1,010	34.8
-males	3,690	3,890	4,100	3,930	3,970	280	7.6
Income/recipient (\$)							
-all	5,736	8,233	9,472	11,028	10,773	5,037	87.8
-females	5,405	6,974	7,039	7,540	7,768	2,363	43.7
-males	5,980	9,196	11,400	14,295	13,732	7,751	129.6
Economic Dependency Ratios							
-all	21.39	40.24	51.58	69.70	69.25		
-females	39.16	51.04	52.29	64.06	70.36		
-males	16.18	35.75	51.25	72.86	68.64		
Relative to Canada (100)							
-all	105.0	171.5	199.9	258.9	257.9		
-females	141.6	164.9	160.0	180.6	195.9		
-males	96.5	182.4	231.8	326.7	312.3		
Relative to Ontario (100)							
-all	120.4	187.3	212.2	269.2	267.5		
-females	163.8	181.7	171.9	191.5	206.3		
-males	110.4	199.3	245.0	336.7	322.1		

* 1990 to 1993 excludes the Guaranteed Income Supplement and Spousal Allowance programs.

From 1989 to 1994, Elliot Lake suffered a major collapse in employment income – by nearly \$100 million over five years – to about \$123 million per year or 55 percent of its 1989 level. Cumulatively, this was an enormous loss – over \$405 million for the years 1990 to 1994. Cumulatively, for provincial transfers, federal transfers, and employment pensions, there was an increase for the years 1990 to 1994 of approximately \$185 million, of which about \$56 million was for provincial transfers alone. The total increase in transfers amounted to about 46 percent of the total loss of employment income, or a net revenue loss of about \$220 million as of 1994. These figures cover only cash transfers to individuals and cannot be taken as being a full accounting of the social costs of the changes in Elliot Lake following 1990. For instance, they do not include increases or decreases in transfers to corporations, or to municipalities, such as provincial grants to the municipality for debt reduction or other programs.¹³

The immediate causes of the dramatic increase in Elliot Lake's economic dependency ratios are clear – lower incomes and higher transfers (Leadbeater 1997). These in turn were made up of increases in the ratio of transfer recipients to earners and in the ratio of average benefit rates to average income rates. The increase in the number of transfer recipients relative to the number of persons with employment earnings reflected the massive job loss and unemployment in the area. In terms of official transfer dependency measures, however, increases in rates of benefits and decreases in the rates of income had a bigger impact on the economic dependency ratios, and between income loss and increased transfers, income loss was much more important.

Given the mass unemployment that followed the layoffs, it is not surprising that Elliot Lake had higher average benefits in several types of transfers. The higher levels were particularly evident in programs geared more to need than to earnings history or to a mixture of the two, notably Workers' Compensation and Social Assistance. However, the higher per recipient levels of transfers should not be exaggerated and it is likely that these will fall with further declines in relative incomes. Even in 1994 the average level of UI in Elliot Lake was not much above the average for Canada (\$5,228 per recipient compared to \$4,909 in 1994), and for women recipients it was actually lower than the Canadian average. Although employment pensions were the single largest transfer and the largest for men, the average value of employment pensions at Elliot Lake was actually below the average for Ontario and for Canada.

¹³ These and related points on the shift in economic dependency are detailed in Leadbeater (1997).

Table 5. Distribution of taxfiler incomes (all sources), Elliot Lake, 1990 and 1995

All taxfilers				
Income Categories	1990		1995	
	Actual	%	Actual	%
> \$5,000	1,060	12.28	1,290	12.87
5,000–10,000	1,080	12.51	1,390	13.87
10,000–15,000	1,130	13.09	1,510	15.07
15,000–20,000	880	10.20	1,350	13.47
20,000–25,000	650	7.53	1,020	10.18
25,000–35,000	950	11.01	1,370	13.67
35,000–50,000	1,510	17.50	990	9.88
50,000–75,000	1,220	14.14	790	7.88
75,000–100,000	100	1.16	240	2.40
over \$100,000	50	0.58	70	0.70
Total	8,630	100.0	10,020	100.0
Median income	21,100		17,900	
% change			-15%	
Average income	27,053		23,801	
% change			-12%	

Income Categories	Males				Females			
	1990	%	1995	%	1990	%	1995	%
> \$5,000	270	5.76	340	6.79	800	20.36	940	18.76
5,000–10,000	340	7.25	470	9.38	740	18.83	930	18.56
10,000–15,000	340	7.25	570	11.38	780	19.85	920	18.36
15,000–20,000	370	7.89	650	12.97	510	12.98	710	14.17
20,000–25,000	320	6.82	600	11.98	330	8.40	430	8.58
25,000–35,000	570	12.15	830	16.57	380	9.67	530	10.58
35,000–50,000	1,220	26.01	650	12.97	290	7.38	330	6.59
50,000–75,000	1,130	24.09	610	12.18	100	2.54	190	3.79
75,000–100,000	90	1.92	220	4.39	x	—	30	0.60
over \$100,000	40	0.85	60	1.20	x	—	—	—
Total	4,690	100.0	5,010	99.80	3,930	100.0	5,010	100.0
Median income	\$37,600		\$23,800		\$12,700		\$13,500	
% change			-37%				+6%	
Average income	\$36,290		\$30,423		\$16,031		\$17,179	
% change			-16%				+7%	

Third, there was not only a major decline in the amount and source of incomes but in their distribution. Table 5 shows that, between 1990 and 1995, there was a decline in the median taxfiler income of 15 percent, from \$21,100 to \$17,900. The change in incomes for males (not necessarily the same as reported in 1990) was even more dramatic – a fall of 37 percent. By contrast, there was a small increase in the total incomes of female taxfilers. This was due to increases in transfer income, not to improvements in employment incomes. Even with increased transfers, over 37 percent of women still reported incomes below \$10,000.

At one time Elliot Lake had had the distinction of having a median income higher than the average, a sign of an income distribution for males skewed towards higher rather than lower incomes, due to the wages in mining. By 1995, an above average number of taxfilers were below the low income cut-off of Statistics Canada. According to census data on income, in 1986, the incidence of low income for families was 8.7 percent for Elliot Lake compared to 13.2 percent for Canada. In 1996, this poverty-indicator had jumped to 18.1 percent for Elliot Lake compared to 16.3 percent for Canada.¹⁴

Fourth, there was a major increase in bankruptcy in the Elliot Lake and North Shore communities. Table 6 shows business bankruptcies per 1,000 establishment and personal bankruptcies per 1,000 population. In 1991, Elliot Lake had by far the highest level of consumer bankruptcy in Canada (excepting Cambellton, Quebec), and was among the highest in business bankruptcies, especially in 1993. Further, the official data probably underestimate the extent of consumer bankruptcy in particular because persons leaving Elliot Lake in financial distress may declare their bankruptcy elsewhere. There were major personal and financial losses associated with these bankruptcies. According to one bankruptcy trustee who has collected in-house bankruptcy data for the region, approximately three-quarters of the firm's bankruptcy cases were the result of low incomes related to unemployment or underemployment. There were major personal and financial losses associated with this increased wave of bankruptcy following the layoffs. More broadly, there was a fall in the value of housing and other personal assets of mine employees and many others in the community (to be taken up further from the survey data on wealth). However, newcomer retirees took advantage of the low housing prices and,

¹⁴ Leadbeater (1998a). The jump in poverty for unattached individuals was even greater, though in 1996, it was still below the average for Canada, at least partly because of the larger number of mine pensioners with above average pension incomes. For all households, both families and unattached individuals, the poverty incidence for all households more than doubled (from 8.8 to 20.8 percent) to a level higher than the Canadian average (which moved from 17.0 to 19.7 percent).

apparently, their arrival also increased bank deposits.

Table 6. Bankruptcy rates, Elliot Lake, Toronto, Ottawa-Hull, 1991–1995

	Business bankruptcies per 1,000 establishments			Consumer bankruptcies per 1,000 population		
	Elliot Lake	Toronto	Ottawa-Hull	Elliot Lake	Toronto	Ottawa-Hull
1991	22	12	28	12.7	2.8	2.7
1992	32	14	23	10.2	2.9	2.4
1993	38	14	20	6.5	2.4	2.0
1994	37	11	19	8.4	2.1	2.0
1995	37	10	20	6.3	2.3	2.6

Source: Office of the Superintendent of Bankruptcy

Generally, increased self-employment, particularly of persons hiring paid help, is associated with increasing aggregate demand and regional shifts in demand.¹⁵ The higher level of aggregate demand in expansion gives greater opportunity for startups and tentatively self-employed persons to secure a position in the market. As is reflected in Table 7, increased self-employment in Northeastern Ontario has been associated more with expansion than contraction. At the same time, self-employment remains a relatively small part – less than 15 percent – of the employed population. These two observations suggest that public macroeconomic and regional policy to expand overall employment may be a better course than a nearly exclusive preoccupation with self-employment generation. In fact, the issue of costs of bankruptcy associated with such a one-side policy have not

¹⁵ The contraction phases were more complex. In earlier decades, depressions were associated with a return of unemployed workers to farming and other forms of self-employment and unpaid family work, and to subsistence production. This was particularly pronounced during the Great Depression of the 1930s. Beginning in the mid-1970s, as occurred in the 1930s, there was a general reversal in the historical trend of increases in the wage population (Leadbeater 1989). After 1973, which was the low point in the absolute size of the non-wage classes, the latter's numbers grew. Part of this growth was as a response to and holding pattern against impoverishment. There are long-term structural trends as well as cyclical factors affecting changes in self-employment as well as smaller changes brought about by tax and other policies.

been adequately addressed in government policy.¹⁶

Table 7. Employed persons by official class of worker categories, Northeastern Ontario, 1984–1996
(in thousands)

	Total	Wage and salary workers			Self-employed					Unpaid family workers
		All employees	Public	Private	All self-employed	Incorporated with employees	Incorporated without employees	Unincorporated with employees	Unincorporated without employees	
1984	230.2	202.2	47.5	154.7	26.7	4.9	*	6.5	15.0	*
1985	245.7	212.7	47.6	165.1	32.1	8.5	*	8.1	14.7	*
1986	251.6	224.2	45.8	178.4	26.6	6.1	*	4.6	15.1	*
1987	239.8	216.4	46.5	169.9	23.0	5.8	*	5.5	10.8	*
1988	247.5	223.0	53.3	169.7	23.5	5.0	*	4.8	12.9	*
1989	256.6	229.2	51.4	177.8	26.6	7.3	*	3.1	15.0	*
1990	260.3	230.2	50.1	180.1	29.2	7.6	*	6.1	14.2	*
1991	246.3	213.2	52.7	160.5	32.4	8.5	*	7.9	14.6	*
1992	236.5	207.2	52.4	154.8	28.5	5.7	*	7.5	14.1	*
1993	246.6	214.5	53.1	161.4	31.6	7.7	1.8	6.5	15.7	*
1994	244.8	209.6	50.2	159.4	34.2	7.2	1.7	8.0	17.3	*
1995	257.1	223.6	49.1	174.5	32.5	7.9	1.6	7.3	15.7	*
1996	258.2	222.8	52.8	170.0	34.6	7.4	1.7	7.2	18.4	*

Source: Statistics Canada Labour Force Survey (special order).

The experience of wide-spread bankruptcy at Elliot Lake and other communities going through mass layoffs, as well as the relatively small number and precariousness of job gains from traditional forms of self-employment initiatives (see Mulholland et al.

¹⁶ Papillon (1997) has noted that: “Government programs which aim at increasing employment and regional development by creating new businesses no doubt constitute a determining factor, among others, in the evolution of the Canadian industrial sector. At first glance, this policy direction seems to be justified, given that net job creation in Canada over the last several years has been concentrated in SMEs. Economic growth which favours the creation of SMEs will by its very nature, however, increase the volume of financial losses associated with bankruptcies and result in more frequent losses and employment changes.”

1997), argue for greater efforts at more broadly owned, somewhat larger-scale, and more socially inclusive forms of community economic development. These include co-ops and non-profits, as well as the involvement of the larger, relatively more stable institutions of municipal government, school boards, hospitals, etc. in developing public and parapublic enterprises with more active community involvement (for instance, some communities have established public recycling programs that involve people with disabilities.)

Fifth, one crucial impact of the collapse of employment and income at Elliot Lake was a decline in public services (which some would deem part of the “social wage”). Municipal government services were particularly hard-hit by the decline in employment and population. Although provincial assistance permitted the City of Elliot Lake to free itself of municipal debt, the deteriorating internal economic conditions and provincial and federal downloading had serious consequences for municipal finances (Robinson and Bishop 1998). Between 1991 and 1996, city and school tax revenue fell 25.6 percent. However, as often occurs, the demand for services in some fields continued or increased (such as in social services) while the tax base of the municipality is substantially eroded. In other fields, the loss of the major industry coupled with provincial and federal cuts led to decreased demand, for instance, in the airport operation. For the municipal government and school board, it becomes crucial to preserve a level of population if certain types of services are to be maintained, many of which a minimum scale and fixed costs that must be funded (see Table 8). Population stabilization was a key motivation behind municipal financial support for the Retirement Living program.

At the same time, the collapse of real estate values did not mean lower property taxes. Not only did assessment change very little, the overall mill rates rose as indicated (Table 9). And, although the City attempted initially to keep public transit and other user fees very low to attract seniors on fixed incomes, by 1996 City Council was imposing major increases in user fees and cuts in services.

Table 8. Impact of major population decline on costs of municipal services

Public infrastructure	Projected impact on costs if population declines
Road maintenance	Little change in costs, except perhaps on truck routes
Snow removal	Little change
Water and sewage mains	Little change
Water and sewage plant	Small decrease (e.g. reduced chemicals)
Garbage collection	Larger decline (fewer pickups)
Bus service	Little change if route service maintained
Airport	Staff cuts but fixed costs
Swimming pools	Little change
Arenas	Little change

Table 9. Municipal property taxation, Elliot Lake, 1991 and 1996

	Residential	Business	Commercial
Assessment for mill rates ¹			
1991	\$75.3M	\$24.7M	\$48.5M
1996	72.6	7.7	18.9
Change	-3.6%	-68.8%	-61.0%
Mill rates ²			
1991	53.95	63.47	63.47
1996	60.28	70.92	70.92
Change	+11.7%	+11.7%	+11.7%

Source: City of Elliot Lake

¹ For calculating mill rates, the residential assessment is set at 85 percent of actual.² The residential mill rate is 85 percent of the commercial rate; the business rate is 100 percent of the commercial rate.

Sixth, there were major shifts in the political views of laid-off workers during the period. These shifts showed a growing disengagement of workers from political partisanship; there was a great deal of instability and change in voting preferences and it cut across gender, class, language, and religious lines.¹⁷ However, workers had a higher than average level of participation in voting, women even more than men (Table 10). There may have been a small decline in desire to vote towards the end of the period,¹⁸ but the notion of laid-off workers as a non-participating or inert mass does not find support in the Elliot Lake surveys.

Table 10. Voter turnout: a comparison
(percentages)

Election	<u>Elliot Lake Response Set</u>		Algoma Riding	Ontario	Canada
	<i>employees</i> (reported)	<i>spouses</i> (reported)	(actual)	(actual)	(actual)
1993 Federal	83.2	n/a	66.1	67.7	69.6
1994 Municipal	73.5	80.5	61.4 (Town of Elliot Lake)		n/a
1995 Provincial	66.4	79.0	64.0	62.9	n/a

Sources: –1993 Federal Election: Canada, Chief Electoral Officer, *Thirty-fifth General Election 1993, Official Voting Results* (1993), 23, 632
–1995 Provincial Election: Ontario, *Election Returns* (Toronto, 1 September 1995), v, viii.

Workers often held strong and critical views of politicians and government policy. Although there were almost no public political demonstrations, petitions, or other political action in the Elliot Lake area against the layoffs or the adjustment process, the workers were not prepared to be “doormats” to government policy. In substantial numbers, they turned their backs even on a government at least nominally sympathetic to labour and one

¹⁷ These are from Leadbeater and Powell (1997).

¹⁸ The survey data contain information about voting in three separate elections (1993 federal, 1994 municipal, and 1995 provincial), but the surveys did not have more than one election for any one level of government.

to which they had previously given a majority preference. Against the pressure of their national and district leaders, the Steelworkers' local representing the remaining miners and other production and maintenance workers at Stanleigh voted to disaffiliate from the NDP. As Table 11 indicates, the workers substantially preferred the Rae NDP government in 1990, but in the years following the layoffs this support fell to below 20 percent, with former NDP supporters choosing "don't know" or Liberal. They did so not out of an underlying change in ideological conviction, but to find a political vehicle that would respond to their concerns or, at least, not make things worse for them.

**Table 11. Federal and provincial party preference,
Elliot Lake response set, 1990–1996**

	1990	1992	1994	1995	1996
Federal Party Preference					
PC	5.7	30.4	2.4	1.9	4.0
Liberal	31.4	28.0	54.8	41.6	39.2
NDP	38.0	16.5	2.8	3.5	6.2
Reform	0.2	7.2	10.3	9.5	7.6
Don't know	24.6	44.9	29.7	43.4	42.9
Total	100.0	100.0	100.0	100.0	100.0
(N=)	(926)	(964)	(940)	(933)	(902)
Provincial Party Preference					
PC	5.1	4.4	5.7	6.3	13.0
Liberal	26.4	24.7	41.8	29.7	26.6
NDP	44.7	22.1	9.4	11.8	12.3
Reform	0.2	4.3	1.9	0.8	3.0
Don't know	23.6	44.6	41.2	51.5	45.1
Total	100.0	100.0	100.0	100.0	100.0
(N=)	(922)	(960)	(940)	(926)	(892)

Seventh, during the period the overall direction of the social policy framework shifted more sharply to cuts in benefits levels and limitations on eligibility. Initially, under the immediate pressures of the 1990 layoffs, federal and provincial policy appeared somewhat more flexible. For example, in terms of training funds, Elliot Lake probably received substantially more money in the first two years relative to some other communities and relative to what occurred later (Leadbeater and Suschnigg 1997).

However, as the 1990 recession-depression deepened, both the provincial and federal governments pursued sharper budget cuts, some of which eliminated jobs or planned expansions in Elliot Lake. In conditions of increasing need, the cuts in social programs became more visible. By the end of 1996, despite a tentative stabilizing of the regional economy (at a lower level), the drastic weakening in the social safety net was evident, as was the extent to which impoverishment was being allowed to proceed.

This shift is best indicated by the major cuts that were occurring to the coverage of unemployment insurance, the federal government's single largest social program bearing on the labour market. For Ontario, the benefit to unemployed ratio (BTU) in the summer of 1990 was .66; by the summer of 1996 it had fallen to .35 (a level in the range of several U.S. states). The regional implications were also clear in the major revision to Unemployment Insurance, passed on July 1, 1996 as Employment Insurance. Forestry and mining were the two industries with the largest proposed cuts in benefits. Table 12 shows a comparison of the pre- and post-layoff situation faced at Elliot Lake. While in 1990 it was possible, for example, to obtain an extension for training purposes, in 1996 there were no extensions and no mobility grants, and the local CEC office, once with 15 employees was down to 3 for a region of over 20,000 people with mass unemployment.

Table 12. Federal changes to UI/EI standards affecting Elliot Lake, 1989 and 1997

	1989	1997
Variable entrance (weeks to qualify)	10 weeks	12 weeks – 910 hours (420 hours minimum)
Maximum benefits per week	\$384	\$413 (but reductions for requalifiers)
Maximum number of weeks of benefits	50 + 2-year extension	45 weeks maximum no extensions

Approaches to Unemployment and Policy

The current context of single-industry resource towns is one in which government policy has shifted broadly in the direction of neoliberalism. This is a shift from the more reformist view of Keynesianism and the growth of the welfare state, which reached a peak in the early 1970s, marked by the CPP/QPP, UI expansion, and regional policy. Since then there has been continuing pressures to “less eligibility,” the reduction of coverage and benefits levels in social programs. While the shift was not purely “ideological” – budget deficits, international business interests, constitutional issues, for example, operated more directly – theoretical views or economic beliefs played a significant role (Campbell 1991).

Government policy on unemployment and poverty has been dominated by two general approaches: the laissez-faire or neo-classical approach and the (small-l) liberal Keynesian approach. The underlying view in the neo-classical approach to labour markets is that capitalism has an *automatic adjustment process* (a homeostatic system – the “invisible hand”) in which the basic tendency is to full employment. In theory, in conditions of unemployment, if wages or the costs of labour are reduced sufficiently, there will be a compensating increase in demand for labour. The proper role for government, it is claimed, is to reduce frictions or barriers to “free” trade in commodities and the “free” movement of capital and labour. These include government labour standards (minimum wages, pay equity, health and safety regulations, etc), environmental regulations, and non-passive labour unions (all of which were weakened during the period.)

In terms of regional unemployment, the neo-classical approach boils down to two basic policies (Chisholm 1990): (a) labour mobility, which includes grants, information, and other means to move unemployed labour out of the region; (b) wage reductions, including through lowered employment standards and weakened collective bargaining rights, on the view that capital will flow into lower-wage areas. If the real world behaved like the model, then, the labour-out-capital-in flows are supposed to lead to factor-price equalization across the economy – the elimination of regional inequality. In fact, the largest net flows at Elliot Lake have been capital-in-labour-in and capital-out-labour-out.

The Keynesian approach does not hold that labour markets under capitalism have an inherent tendency to full employment: unemployment is not explained by high or rigid wages, but by deficient aggregate demand (underconsumptionism). In terms of regional unemployment, the “standard” Keynesian view emphasizes two aspects, the general level of aggregate demand in the economy and its distribution across regions. Generally higher levels of economic activity tend to have positive employment effects throughout the

economy but they are not spread uniformly. (The latter, in turn, through multiplier effects, agglomeration economies, and accelerated accumulation gives rise to regional inequalities – the cumulative causation argument). The Keynesian approach to regional policy is inclined to shift aggregate demand, particularly investment and government spending, to areas of higher unemployment. This can range from restrictive licensing to certain areas for new plants, to grants, tax abatement, and infrastructural subsidies to firms investing in high unemployment areas, to direct government investment in roads and other public works and the decentralization of government services, to the creation of industrial enterprise zones.

Both the neoclassical and Keynesian views see growth as the means to solve problems of unemployment and poverty (particularly absolute poverty). However, the level of growth today, which is lower than in the post-war boom years (though typical of the historical average for capitalism (Maddison 1991)) is not rapid enough to achieve anything close to full employment and reverse increasing economic dependency. Further, even if long-term economic growth were much higher, say at the post-war levels, there are serious questions as to whether it would be sustainable environmentally. At very least, it would have to be re-gearred to much reduced materials consumption, which is actually contrary to the current approach to loosening environmental regulations and promoting low-price resource extraction and use, and would require a shift in current thinking about public intervention.

Two major issues of policy direction are confronting policy makers who recognize the deepening employment crisis in hinterland resource communities. First is the fact that the existing neoliberal approach seems incapable of dealing with the problem of increasing economic dependency. The historical constant in the neoliberal view is to treat the problem of economic dependency as dependency on the state and the main solution as being to privatize dependency, by reducing eligibility, rate cuts, and other means to restrict access to social transfers, especially for the working-age population. But there is much historical experience to show that the result of such exclusionary policy is to shift the burden of poverty to private households; such a privatized approach to economic dependency has been rejected in the past because it was demonstrably inadequate in dealing with poverty.¹⁹

In any case, the approach makes the false assumption that all those released from economic dependence on state programs automatically adjust back to productive

¹⁹ See, for example, Guest (1985).

employment. The Elliot Lake Tracking and Adjustment Study has shown that these flows back to re-employment are far from automatic and do not happen for a portion of workers: not only is the process slow, and many do not adjust at all, but a large proportion (a majority of those in the Elliot Lake layoffs) once re-employed receive lower incomes (Leadbeater 1998b). Further, by not dealing with the fundamental problem of the level and distribution of employment, the existing social transfer structure is placed under enormous pressure: the employment of relatively (to the population) fewer people is needed to maintain increasing numbers.²⁰ To provide a sharper focus on this problem, I have constructed “Economic dependency lines” based on a custom retrieval of taxfiler data through the Small Area and Administrative Division of Statistics Canada (Table 13).

Table 13. Economic dependency lines for wage and salary earner family units, Canada, 1989 and 1994 (current dollars)

	1989	1994
Husband-wife families (2 earners)	\$30,300	\$39,300
Husband-wife families (male earner)	20,700	32,800
Lone-parent families (female head)	22,200	30,900
Unattached individuals	5,500	7,900
Other family unit types	16,000	27,700
Total (all types)	8,500	15,800

Source: Statistics Canada, Small Area and Administrative Data Division, custom retrieval based on the LAD database of annual taxfiler returns. With special thanks to Jan Patenaude, Detlef Pieper, and Paul Francoeur.

²⁰ Intensified pressure for increasing productivity (whether under sharper competitive pressures or to compensate for this additional burden) can itself lead to further downward pressure on employment rates, from technological and work organization change. This has happened at the sectoral level for mining (see, for example, Dungan 1997, Chapter 2); arguably, in the relatively slower growth of employment relatively to gross production, it has also been happening at the level of the aggregate economy.

The Economic Dependency Line (EDL) is defined as that family unit income where income taxes paid equals transfers received.²¹ Thus, a general increase in the level of transfers matched by an increase in taxes will raise the EDL, while a lowering will work in the opposite direction. Of course, it would be possible to raise or lower the transfers or taxes in opposite directions or not at all depending on budget policy (or other sources of public income and expenditures). What the lines in Table 13 suggest is that family units of each type below each line – given current budget and distributional policy – are net recipients of the transfer system while those above are net contributors. The economic dependency lines have some relevance for government job creation policy. If new jobs are to be net contributors to the social transfer system they must surpass the lines, otherwise they remain a net drain on the transfer system. No less important is the direction of change in the lines. Between 1989 and 1994 there was a sharp increase in the lines, suggesting that new job quality has to be even higher to reach the level of being net contributors – unless public policy moves towards a massive increase in the quantity or employment. In short, the present direction of policy is unsustainable: either there will be increased impoverishment directly through less eligibility or indirectly through a deterioration of the social transfer system.

Second, the neoliberal view of public sector activity is generally negative and increasingly so, which is a substantial shift from the “mixed economy” view of the post-World War II era. Yet hinterland areas are heavily dependent on public sector employment. In fact, the very term “single-industry community” is misleading, because most single-industry communities, especially those in decline, actually have *two* major sectors, the resource sector and the public sector. Many could be better characterized as “two-sector communities.” After the decline of the resource industry, the public sector often contains most of the better paying jobs left, especially for women. Public sector employment (as indicated earlier in Table 2) forms a stabilizing presence compared to the private sector in regional aggregate demand as well as in the social transfer system. Continued neoliberal policies aimed at downsizing, subcontracting, and privatizing the public sector weaken this role. For communities subject to mass layoffs, the neoliberal approach to the public sector actually increases the vulnerability of communities to

²¹ To shorten the exposition, I have simplified several aspects of the production of the economic dependency lines. Clearly, income taxes are not the only tax (neither are social transfers the only government expenditure), but income taxes are by far the single largest tax paid by wage and salary earners, and the lines help illustrate the general magnitude of the problem.

collapse and population loss; and, following layoffs, it makes more difficult the task of restabilizing the local economy and initiating a developmental recovery. At Elliot Lake, the Retirement Living Program, a parapublic sector instrument, was the single most important initiative to help stabilize the local population and economy (at least for the short- and medium-term).²²

Recent research on the ongoing process of labour market flows shows that, even given average levels of layoffs, unemployment persists due to historically lower levels of hiring: “The Canadian labour market adjusts to structural change more through depressed hiring than mounting layoffs. Having lost a job, it was much more difficult to find a new one in the recovery period of the 1990s than in the 1980s” (Picot and Lin 1997, 3.17).²³ Note that this is an observation about patterns over the medium or long term and at the aggregate level. In industries and regions with declining employment, the situation is both amplified and altered. For the aggregate economy in recent years, permanent layoffs have affected about 7–8 percent of all employed persons. But in forestry and mining, layoff levels may be as high as about 16 percent (Picot et al 1997); and in single-industry communities such as Elliot Lake, over half the employed population may be affected. Further, in single-industry communities and regions, the outmigration of capital in the dominant resource industry has a much more dramatic and long-term effect in depressing *future* hiring both directly and through multiplier effects.

Without substantial medium- and long-term counteracting hiring, either in the public or private sectors or both, intensified patterns of impoverishment will persist over

²² Within Elliot Lake, some aspects of the Retirement Living Program have been controversial and divisive, but they are probably not inherent to the basic concept of using public intervention in the housing sector as a means to help stabilize population flows.

²³ While Picot and Lin do not argue directly for a demand-side explanation, the pattern they describe is consistent with more radical explanations of persistent unemployment as a labour reserve, especially in hinterland conditions. That is, the accumulation of capital and its associated increases in labour productivity, particularly through technological change, gives capitalism an inherent tendency to increasing unemployment and non-employment or a labour reserve. This is not the extreme view of a future with no work nor necessarily that aggregate employment growth stops entirely. Rather, it means simply that there is a long-term slowing in the growth of labour demand relative to the labour supply available. (With increasing productivity, for each new dollar invested, the portion devoted to hiring workers diminishes relative to the portion for purchasing machinery, raw materials, and other non-labour inputs). I would argue this is a more credible explanation of declining employment to population ratios, not only in Canada but in most OECD countries outside the U.S., particularly in the hinterland margins.

many years and outmigration, especially among the younger generations, will follow. The pace and intensity of the pressures may be reduced by temporary or emergency employment-creation programs, but the general direction will persist. This is especially the case given the direction of reduced eligibility and benefits of social transfer programs. Numerous mining-dependent regions where mining has ceased or is in decline show this pattern of chronically persisting above-average levels of unemployment, non-employment, and economic dependency, and outmigration of the younger population.²⁴

Population decline raises the crucial question for governments and local communities: whether to encourage or discourage a general decline of hinterland settlement, particularly of non-aboriginal populations. Typically, governments in Canada have followed explicit policies of encouraging “frontier” development and internal colonization. In the early decades of Canadian economic development, this included policies of promoting homesteading and subsidizing railway expansion; in more recent decades, it has included a greater role in the funding of highway, airport, and communications expansion and municipal infrastructure, such as occurred at Elliot Lake. At times, governments have also had explicit policies of actively supporting population decline or removal, for instance, in the Newfoundland government’s controversial program to resettle outport populations in the 1950s or the Saskatchewan government’s support for the closure of Uranium City. In general, however, there exists an asymmetry in government policy: considerable support in expansion, but little in decline. While governments have actively subsidized expansion into hinterland areas in aid of private and public resource extraction, most often they have passively allowed decline by means of market pressures to force outmigration through actual or threatened impoverishment, mitigated somewhat by social program transfers and mobility grants to the unemployed. The lack of an explicit and supportive policy on hinterland or non-metropolitan settlement was recognized as a crucial question by the Canadian Association of Single Industry Towns (CASIT) (1987) who from their perspective argued for “a frontier development policy for Canada.”

In the next context of hinterland employment decline, insofar as market measures predominate in “adjusting” settlement patterns to mass layoffs, then regional impoverishment and inequality are bound to exist and relatively large portions of hinterland labour markets are likely to have the character of a labour reserve. By contrast,

²⁴ This is based on a review of Statistics Canada labour force and transfer dependency data. A few comparative examples to Elliot Lake are available in Leadbeater (1997).

if governments and communities were to establish clear commitments to stabilizing hinterland populations (perhaps within a margin of change), then it would follow that various interventions would be needed to limit or reverse the current trend of increasing impoverishment and regional inequity.²⁵ For instance, a common theme among representatives of resource and rural communities (such as in House of Commons 1997) is that all areas and citizens of Canada deserve, but do not have, equality of access to health, education, and other public services. Given the importance of public and parapublic sector activities in hinterland communities, a serious legal and fiscal commitment to establish and meet clear standards of public services across regions would be a major step forward toward stabilizing employment and population levels in many hinterland communities.

Of course, a settlement policy is a complex matter involving such issues as aboriginal land claims and self-government, environmental sustainability, and the overall direction of urbanization.²⁶ However, three things at least seem clear. First, the policy of passive decline does not work, in the sense that neither re-employment nor population adjusts successfully by almost any measure, whether in terms of unemployment, incomes, poverty, economic dependency, or equity in public services. Further, pressing more aggressively in the same general direction as is the approach of neoliberal policy may speed outmigration, but it does so by speeding and intensifying impoverishment. Second, the very concept of a policy commitment to the stability and development of hinterland communities is contrary to the approach of neoliberal doctrine, as such a commitment would require not weaker but stronger countermarket interventions to alter impoverishing market pressures and the long-term direction of economic development in the communities. Third, insofar as local democracy has any substantial meaning, then communities should be equipped with the necessary legal powers and economic support to have a substantial say in their future development. However, the existing legal and fiscal resources available to hinterland communities have not increased but declined – despite the new, more difficult conditions of hinterland development and globalization that these communities face.

Hence, I would argue the new conditions of hinterland economic development

²⁵ There is some controversy over whether Canada is currently seeing increasing regional income inequality. The present discussion refers to absolute as well as relative differences at the subprovincial level and not simply in total income but also in market incomes as well as in employment opportunities and public services.

²⁶ On the economic analysis of the issue of commitment to place, see Bolton (1993).

require a new and different direction in policy. In particular, attention should be given to more radical, structuralist approaches to the problems of unemployment, poverty, and alternative forms of economic development such as are appearing with greater volume in the literatures on community economic development, as well as in environmentalist, feminist, and radical economics.²⁷ Structuralist approaches can be consistent with Keynesian-type initiatives to stimulate economic growth, at least of an environmentally sustainable or restorative type, and to alter the regional distribution of aggregate demand. So also can they be consistent with providing support to labour mobility through positive measures such as grants, portable pensions and seniority, recognition of standardized skills, protection for housing equity, and better labour-market information. As will be considered in the next section, structuralist approaches and community economic development advocates generally go beyond the existing approaches by emphasizing local and regional *self-sufficiency*, increased direct social *participation*, and greater distributional *equity* in economic development.

²⁷ I have used the term “structuralist” to cover a broad range of writings that depart from laissez-faire and go beyond Keynesian macro-level policy prescriptions in their direct focus on small town and neighborhood-level development. Many begin with a focus on unemployment, poverty, and economic inequality as caused by various market structures and the existing “standard” neoliberal policy direction as well as traditional Keynesian orthodoxy. The community economic literature is often eclectic in character and contains a variety of premises that range across liberal Keynesianism, institutionalism, marxism, anarchism, ecology, and holistic medicine. The references list a variety of books and articles dealing with community and local economic development. These include: OECD (1984, 1985, 1987, 1990), Kitchen (1985), McLeod (1986), Ross and Usher (1986), Perry (1987, 1989), Decter (1989), Fosler (1991), Ekins and Max-Neef (1992), Nozick (1992), Bingham and Mier (1993), Daybutch (1993), Fontan (1993), Fontan et al. (1993), Shragge (1993), Douglas (1994), Perry and Lewis (1994), Lean (1995).

Forms of Intervention

This section considers, first, the pattern of intervention that took place at Elliot Lake, then the general forms of intervention that have been recommended in government reports and studies and, lastly, what other alternatives might be possible in the new conditions of hinterland development.

As in numerous other mass layoffs in single-industry communities, the response of the federal and provincial governments at Elliot Lake reflected a combination of the general line of labour market and social policy together with some ad hoc emergency measures specific to Elliot Lake under immediate political pressures. It should be noted that, for all levels of government, the Elliot Lake-specific measures were all initiated after the layoffs had been announced in early 1990: there were no serious preliminary measures or preparations undertaken in the community.

In terms of financial payments, for the federal government the largest financial flows into Elliot Lake during the period were social-program transfer payments, in order: the Canada Pension Plan, Old Age Security (including the Guaranteed Income Supplement), Unemployment/Employment Insurance, the Child Tax Credit, the GST Credit.²⁸ Apart from the normal course of transfer policy, the only other major initiative was in increased training funds which, for the main layoff years of 1990 to 1993, amounted to about \$10 million (Leadbeater and Suschnigg 1997). (This was equal to about \$2,500 per employee at Denison and Rio Algom.) In fact, the federal government actually downsized and withdrew significant federal operations from Elliot Lake (notably the AECB and CANMET) during the period of the layoffs. Given the historical responsibility of federal policy in the development of Elliot Lake (Leadbeater 1998a), it is remarkable how minimal was the federal government's Elliot Lake-specific assistance and how much of the adjustment process was left to "normal" social program and labour adjustment measures.

For the provincial government, there were also major transfer payments, in order: Social Assistance, Workers' Compensation, and Provincial Tax Credits. However, there was substantially greater specific assistance to the Elliot Lake and North Shore area, in two major commitments. The first was \$15 million committed by the Peterson Liberal government in 1990 for economic diversification (\$7 million for Retirement Living, \$2 million for airport improvements, \$2 million for small business development, \$3 million to

²⁸ The federal and provincial transfer payment situation is discussed in detail in Leadbeater (1997).

establish a field station for reclamation and mine research, and \$1 million for a regional drug and alcohol treatment centre). The second and much larger financial intervention came under the Rae NDP government as a result of considerable high-level pressure from the Steelworkers union. The provincial cabinet committed over \$250 million of Ontario Hydro funds²⁹ to the area through a special Order-in-Council dated June 6, 1991. Its main provision (for \$160 million) was to subsidize production at Rio Algom's Stanleigh Mine in order to continue production until December 1996 (production actually ended in June 1996). The commitment also included support for energy-efficiency projects, municipal debt repayment, training assistance and job creation, an economic diversification fund (ELNOS), as well as a policy commitment supporting the Patten Post hydroelectric project on a nearby river.

Despite these major sums of money, there has been no major private-sector diversification or recovery yielding substantial numbers of long-term jobs. Regional data on business startups, closures, and employment is not collected in a systematic manner nor, despite a great deal of rhetoric about the importance of "wealth creation" is there regional data on wealth gains and losses (through closures, bankruptcy, etc.). However, based on municipal business development reports as well as the local media coverage, one can say that to date Elliot Lake has had no large- or medium-scale private business startups or expansions. Further, while there have been some small- (or micro-) scale business startups, their numbers have been small, they generally have had only one, two or up to three persons employed, and (due to statistical deficiencies) it is not possible to measure the extent, if any, of changes in *net* employment, incomes, and wealth brought about by the startups and expansions. This said, it is important to note that at some point around 1994 there was probably a stabilizing at least temporarily of private business employment and a slowing of private disinvestment in Elliot Lake. Given the real possibility that Elliot Lake could have gone through an even deeper business collapse and mass exodus, the apparent stabilizing of private business activity was a turning point. However, this stabilizing of private business activity was mainly dependent on public and parapublic sector intervention and the general recovery in aggregate economic activity. Since then, there has not been either a substantial diversification or a sustained rebound of

²⁹ Ontario Hydro was the main purchaser of uranium from Elliot Lake and central to the survival of uranium mining – and Elliot Lake – in Ontario (Leadbeater 1998a).

private business activity.³⁰

Public-sector activity fared considerably better though not without major difficulties caused by federal and provincial cutbacks and local political divisions. As mentioned above, the Retirement Living Program, which has received considerable attention both in Canada and internationally (Streib 1997), was the single most prominent economic initiative during the layoff period. Developed as a municipal non-profit housing corporation with significant public start-up financing, Retirement Living aimed at attracting retirees from outside the region through low-cost housing and is widely credited with being the single most important initiative in stemming the net outflow of population from the community.³¹ Provincial funding also contributed to some other prominent projects with potential to generate some long-term employment and stability: the White Mountain Academy of the Arts and the Elliot Lake campus of Collège Boréal, both parapublic sector efforts in the field of education.

Among other public initiatives, the funding of municipal debt retirement thwarted possible municipal bankruptcy and reduced the level of municipal employment and services cuts. Energy efficiency subsidies contributed in the short term to some renovation activity and reduced heating costs. Elliot Lake job creation money was used mainly for short-term employment to requalify laid-off workers for UI/EI and left little in terms of permanent employment. The commitment to the Patten Post hydroelectric project never materialized. The other major development initiative receiving provincial support was ELNOS, a regional business development fund based in Elliot Lake. This initiative, which has been following standard local economic development and business development promotion approaches, has so far had relatively few visible successes in job creation and has been dogged by controversy and limited credibility and support in Elliot Lake and the North Shore communities.

Overall, of the relatively large public sums that flowed through Elliot Lake only a

³⁰ According to the censuses of 1986, 1991, and 1996, employment in Elliot Lake dropped from 8,085 to 5,295 to 4,280, respectively; that is, in 1996, it was about 53 percent of the 1986 level (Leadbeater 1998a). In fact, the local economy may currently be entering a more difficult phase because the full effects from the final mine closure (at Stanleigh in 1996) are now being felt (severances and EI benefits together take approximately a year and a half to exhaustion) and, as well, there is a general weakening of aggregate economic conditions in northeastern Ontario.

³¹ There have also been some criticisms related to the Retirement Living Program. The most visible have been those related to its favouring of newcomer retirees over established residents and the inadequacy of health-care services for retirees at Elliot Lake.

relatively small proportion was focused on active measures for developing new industries or other forms of diversification. Most of the money went not to redirecting the local economy but to slowing and mitigating the immediate impact of the closures in Elliot Lake (particularly in the money to Rio for extending production at Stanleigh), saving the housing stock, and assuring the provision of basic municipal services.

As well, the efforts at finding new directions that did occur were often beset by political division and a lack of openness and community solidarity. As observed elsewhere (Leadbeater 1998a), in boom times at Elliot Lake the dominant values fitted easily with an increasingly high level of consumerism and an individualization of social and environmental problems. But with the mass layoffs of the 1990s and the acute crisis facing Elliot Lake's development, it became increasingly apparent that neither these dominant economic and social values nor the legacy of top-down, company-town democracy could hold the community together under stress. In terms of the high level of internal conflict that emerged after the layoffs and the relatively low level of cooperative, collective, or solidaristic community development responses, the situation that unfortunately plagued Elliot Lake was typical of a "corrosive" rather than a "therapeutic" community.³²

When seen in terms of the overall evolution of public interventions in single-industry communities in Canada, the situation at Elliot Lake does not appear exceptional. In recent decades, governments have discussed a variety of policy directions for mining and other single-industry resource communities, all of which were shaped by the general economic context of the industry and aggregate economic conditions. In the late 1960s and 1970s, the main concerns about single-industry communities tended to be ones of growth and workforce stability; thus, studies were done on socio-economic problems of rapid growth, on the inadequacies of services in mining communities, and on attaining greater community scale and stability through centralizing mine settlements in regional mining centres.³³ In this context of industry expansion, Cram (1972), for example, observed: "Finding, satisfying, and keeping workers in mining operations in the Canadian Arctic and sub-Arctic is a subject of some concern to mine operators and government agencies alike."

³² This type of analysis has grown out of the large literature on natural and social disasters. See, for example, Barton 1969, Freudenberg and Jones 1991, and Picou et al 1997.

³³ See, for example: the several studies coming from the University of Manitoba, Centre for Settlement Studies such as Siemens (1973), Matthiasson (1973), or MacMillan et al. (1974); Energy Mines and Resources Canada (1976).

In the 1980s and 1990s, with major job losses and increased capital mobility, the emphasis shifted to community decline, workforce mobility, and – with pressures to highgrading and more remote mining locations – to fly-in mining. The number of reports and studies, governmental as well as non-governmental, relating to the problems of mining and other resource communities was substantial. A selection of governmental reports related to mining communities is listed in Table 14.³⁴

Table 14. Selected official reports and studies related to single-industry resource communities*

1997	House of Commons Standing Committee on Natural Resources. <i>Think Rural!</i>
1996	Natural Resources Canada. <i>Partnerships for Sustainable Development.</i>
1994	Whitehorse Mining Initiative. <i>The Leadership Council Accord</i>
1989	Task Force on Tax Benefits for Northern and Isolated Areas. <i>Report</i>
1988	Canada Employment and Immigration Advisory Council. <i>In Search of a New Partnership.</i>
1987	Canada Employment and Immigration Advisory Council. <i>Canada's Single-Industry Communities: A Proud Determination to Survive.</i>
1986	Newfoundland Royal Commission on Employment and Unemployment. <i>Building on Our Strengths</i>
1986	Advisory Committee on Resource Dependent Communities in Northern Ontario (Rosehart Report). <i>Final Report and Recommendations.</i>
1983	Canada Indian and Northern Affairs. <i>Northern Mining Communities.</i>
1982	Task Force on Mining Communities (established by Federal, Provincial, and Territorial Ministers responsible for mining). <i>Report.</i>

*Further detail on these reports is provided in the reference list at the end of this report.

However, a review of the various policy recommendations indicates that very little has been implemented, especially from the 1980s reports. In fact, one can observe a near-abandonment of federal responsibility in the economic development of single-industry

³⁴ For reviews of various policies affecting mining communities, see Haugh (1984) and Keyes (1989).

mining communities.³⁵ The 1996 federal mineral development policy paper avoids all discussion of the problems of existing mining communities or the implications of the proposed mineral policy for the future development of mining communities. Informed observers suggest that this shift in policy is driven by two main factors, federal fiscal cutbacks and a change in federal-provincial powers towards the provinces. While these factors are important, it must also be noted that corporate rather than labour or community interests have had a much stronger voice in government circles, particularly in ones driven increasingly by neoliberal economic doctrines.

The types of intervention that have been recommended to deal with the problems of mining community decline have followed fairly standard lines, and can be summarized briefly as improving access to loan capital, stimulating private entrepreneurialism, and increasing labour mobility. First, there is a typical recommendation for some form of community development fund mainly to facilitate small-scale private business loans. The policy issues centre around whether such adjustment funds should be community-based (along the Manitoba Reserve Fund lines) or individually based (along RRSP lines), and who should pay to establish them. Governments have tended to favour some mix of contributions from workers, governments, and companies. (The Steelworkers union, the largest union in mining, has opposed both the individually based adjustment funds and worker contributions on the grounds that workers already bear most of the cost of adjustment.)

Second, there is an pronounced emphasis on supporting private entrepreneurialism and self-employment rather than public job creation measures or the government as employer of last resort.³⁶ Third, there are some concessions to labour in the form of measures to increase worker (outward) mobility. These have included suggestions for recognizing mining as a trade, increasing pension portability, and mitigating equity losses in housing. While there is a certain amount of rhetoric related to the importance of value-added activities and diversification, public intervention is generally left to improving capital access and encouraging entrepreneurialism.

Apart from governmental and industry-government reports, the other main policy

³⁵ Currently, the main and perhaps only new mining-specific policy development at the federal level that might have some effect on adjustment issues for mining communities is the development of MITAC, a mining sectoral council.

³⁶ A useful discussion of the background of the 1980s emphasis on “entrepreneurial culture” is Burrows (1991).

voice heard about mining communities was the Canadian Association of Single Industry Towns (CASIT), from about 1985 to the early 1990s. The policy approach of CASIT, which reflected largely the local business element in single-industry towns, reflects a desire for more aggressive measures to accelerate growth in hinterland communities. Its proposals for a “frontier” development policy involved a fairly strong element of state intervention for what could be characterized as “region-building.” CASIT (1987) proposals included, for example, regional tax zones, with the central notion being that the further people live from urban centres the lower should be their tax. Their concept of a “Community Self-Reliance Fund” proposed a community-controlled fund based on governmental funding in which every municipal dollar would be matched by two provincial dollars and three federal dollars. Their more aggressive approach to the regional development of value-added production included explicit support for import replacement and such measures as a job-export tax. In terms of entrepreneurialism, they argued for entrepreneur immigration (such as fur farmers from Russia and private woodlot owners from Finland) and for the sale, settlement, and development of Crown land “by a new breed of pioneer.”

However, the CASIT approach, like that present in most official government reports, failed to recognize the newly emerging conditions of hinterland development and the growing economic polarization within hinterland communities themselves. In its enthusiasm for the frontier ideal, there was attention neither to questions of aboriginal land claims and development, nor to the particularly difficult conditions of women or of the old and the young in declining mining communities and, hence, of issues of equity and inclusiveness in hinterland economic development. Further, CASIT’s uncritical view of mining corporations as demonstrating not only “strong corporate responsibility” but also “a strong sense of community” reflects the traditional view of local business elites in company-dependent towns and is not widely shared as a basis for policy by labour and many community groups outside business, especially in situations of company closures and withdrawal from communities. In any case, despite its relatively conservative approach to class distributional issues, numerous CASIT proposals run directly counter to the main trend of neoliberal policy, particularly taxation policy, which is central to the type of hyperentrepreneurialism and regional redistribution their proposals reflect.

Community economic development (CED) approaches contain a wide range of political-economic views, some of which (such as those of the OECD) see their measures as supplementing or perfecting the main line of neoliberal policy, while others see it as setting a different direction, whether that is in incremental social reform to alleviate such problems as unemployment or in more radical efforts to achieve a more fundamental

redistribution of power and economic resources and to displace neoliberal policy. Fontan et al. (1993) have constructed a typology of “CED initiatives” that includes: equity investment; loans with technical assistance; human resource development; and planning, research, advisory, and advocacy services. Of course, each can cover quite different directions in policy, such as equity investment focused on cooperative and community non-profit enterprises versus a focus on equity investment to support exclusively private enterprises. Sometimes the type of work that follows standard capitalist models of business development at the local level with little direct attention to values of community self-sufficiency, democratic participation, or distributional equity is characterized as “local economic development,” while “community economic development” as such is limited to approaches that give substantial weight to these (non- or extra-capitalist) values.

In practice, community development approaches are far from consistent in shaping particular economic policies, structures, and practices to encourage self-sufficiency, participation, and equity. But they tend to tilt in particular directions along certain structural dimensions of economic development. First, in terms of ownership, CED approaches tend in principle to favour cooperative, social ownership, or widely distribute ownership over private corporate or highly concentrated ownership, with individual or family, small-scale ownership being a middle ground. Second, in terms of specialization and the division of labour, CED approaches tend to oppose extreme occupational or geographical division of labour in favour of some redundancy of economic functions (Lockhart 1985). Third, in terms of scale, CED approaches tend to extol small- and medium-scale organizations over large-scale organization, mainly on the grounds that it increases the possibility of direct control by producers and members of the community. Fourth, in terms of capital mobility, CED approaches tend to oppose the unfettered movement of capital in favour of tying capital to communities through community-based ownership structures. Fifth, in terms of the distribution of employment, incomes, and public services, CED tends to favour greater equality in distribution and access. Sixth, in terms of economic decisions, CED prefers increased direct participation rather than simple reliance on market “signals” and “consumer sovereignty.”

It is not difficult to see that such approaches would lead to forms of intervention that generally conflict with the direction of current neoliberal policy, which favours, for instance, private corporate ownership, large-scale global organization, and the unfettered free movement of capital. However, as has been argued in this paper, the new conditions of development of single-industry resource communities requires a change of direction. This includes efforts by the communities themselves to change hinterland ownership and

distributional structures to counteract the mobility of capital, to reduce extreme regional and international divisions of labour, to make social equity and environmental sustainability fundamental factors in economic policy, and to emphasize “empowerment” and more democratic forms of ownership and administration in economic development.

Finally, there is some recognition in community economic development approaches that communities can become more active agencies in determining their futures. Barnes and Hayter (1994) have observed that the literature on local economic development has two main positions on the prospects of declining hinterland communities. The optimistic view “begins with the assumption that there are groups of individuals – agents – within a given community that have the potential to become income-generating entrepreneurs provided that the right kind of incentives are present.” The pessimistic view is that “the very structure of capitalism ensures that competition among communities will undermine any generalized local development.”

The analysis of this paper suggests the new conditions of capitalist development in hinterland areas do reduce the possibility of success of the optimistic private entrepreneur view, but this does not lead necessarily to the pessimistic view. Communities are capable – particularly with a greater emphasis on community and regional self-sufficiency, direct participation, and distributional equity in economic development – to alter the conditions of capital accumulation and competition. This is unlikely by itself to end layoffs or their impoverishing effects, but it is a policy direction with substantially greater prospect of benefits to hinterland communities than what we have experienced from neoliberalism. The following outlines briefly some possible public policy directions to help meet the new conditions of hinterland resource communities.

Policy Directions

(a) ***Pre-crisis monitoring, information access, and public awareness.*** Long before the crisis period of actual or threatened layoffs, communities need to be actively involved in monitoring their employment and resource conditions, reporting to their communities, and anticipating potential problems.

1. Every mining and resource region needs an economic monitoring system to provide early warning of impending closures or layoffs. Numerous case studies of layoffs have shown that management information about impending layoffs is often unreliable (the company has a material interest, among other things, in not encouraging early departure of its workforce). Hence, the municipality, the union, and other community organizations need to play a leading role in establishing, with financial support from Community Development Funds, a monitoring body, for regular information gathering, analysis, independent geological and other expert environmental advice, and community reports.

2. Northern Ontario and other hinterland regions need much improved statistical information on economic and social conditions in their regions. Statistics Canada alone or in conjunction with regional municipalities should organize accessible regional databases and analysis units. Statistics Canada's current cost-recovery policies are making it increasingly difficult for disadvantaged areas to access data; these user fees need to be eliminated or substantially reduced, at the very least for municipal and non-profit organizations.

3. The federal government should upgrade its labour market information and data collection, particularly on the demand side. As noted, the current regional information on job vacancies is inadequate and an increased portion of all vacancies is not even reported on the job banks, which means jobs are less available to persons in remote areas. The declining federal activity in labour market information means the field is increasingly dominated by private services (which are more restrictive in access) and informal networks (which favour "well-connected" people and are less open for public scrutiny against discriminatory practices).

4. The federal government should establish an independent centre overseen by representatives from single-industry communities with research resources, legal services, and other support for communities developing measures to counter or contend with mass layoffs. The centre could be the base for “rapid response”-type teams that could work with municipalities and community groups who request information or assistance. The centre could also be a watchdog to ensure the NAFTA labour and environmental side agreements as they affect single-industry communities are maintained.

5. The province should ensure that every resource community has the support of permanent land-use and resource planning staff. Many smaller communities do not have direct access to permanent planning staff and are at a distinct disadvantage in terms of information, negotiations, and community awareness of long-term planning issues.³⁷ Provincial and municipal funds should be pooled to establish permanent planning units responsible to every community in a common watershed or other geographical area.

(b) **Community economic development.** The federal government has some limited involvement in community economic development, particularly through the Community Futures program, and this does useful work in small-loan provision for business startups and small-scale expansion. However, there should be a stronger role for federal support of alternative directions in community economic development that involves a broader social participation in the hinterland communities. As well, there need to be stronger federal-provincial initiatives to establish jointly financed Community Development Funds.

1. Several reports and organizations have advocated a type of Community Reserve or Development Fund (such as Manitoba’s Mining Reserve Fund and the B.C. Natural Resource Community Fund) to be triggered for use in the event of closures or mass layoffs for “transitional relief.” However, this does not go far enough. Prior to layoffs, there needs to be a regionally based Community Development Fund on an ongoing basis targeted specifically for employment diversification through community-based economic development, public works and services, identification of environmental liabilities, and

³⁷ The issue is not only one of absolute need but of subprovincial inequities. For instance, some communities in Northern Ontario, like Elliot Lake, do not have a permanent planner while towns of comparable size in southern Ontario do.

development analysis and planning. The capital in this fund should come from a designated portion of resource rents (or royalties) as well as a matching system of municipal-provincial-federal funds (such as the CASIT formula of one-to-two-to-three dollars). The operation of the fund should be fully transparent and accountable to the community, should encourage community discussion of and participation in economic development, and should be based on publicly discussed and approved guidelines.

2. To support alternative forms of community economic development, the federal government should fund and establish a foundation for research, financing of pilot projects, and the dissemination of experience across Canada. The federal government should also support training and community development programs with an activist orientation (such as the Company of Young Canadians or Frontier College), open to all ages, and directed towards cooperatives, community enterprises, and other forms of self-reliant, community-based development.

3. “Third-sector” housing can play a big role in maintaining and attracting a stable population, as well as in stimulating community economic development and alleviating increasing poverty. CMHC should be re-activated into the area of non-market housing to facilitate, finance, and otherwise support third-sector housing strategies for hinterland communities.

4. Given the importance of community awareness and cultural development in increasing participation in economic development, the federal government needs to establish a commission to review communications and cultural policies as they affect hinterland communities. The federal government should also take an active role in the support of public libraries, the expansion of Industry Canada’s Community Access project, the facilitation of regional freenets, and active measures to counteract media monopolization of information sources in hinterland areas.

5. The federal government should establish a Canadian centre that specializes in providing communities with practical ideas and technical support to help deal with the environmental damage of mining and other resource-use activities as well as to identify possible new industries (such as the use of tailings or other waste materials).

(c) ***The closure and layoff process.*** This paper has argued that there exists a conflict between the unfettered capital mobility and the stability and security of communities, especially at the hinterland margins of the economy. Some strands in community economic development thought see it as necessary to restrict this mobility and clarify the social obligations of outside corporations in the interests of communities. One option is the negotiation of community-corporate contracts; however, the relative bargaining power of small single-industry communities suggests that legislated protections are needed. This is especially the case for numerous “company towns” where the local political elites have ties to the corporations with whom they would be negotiating.

1. The advance notification provision in federally and provincially regulated industries needs to be extended to a minimum of one year (Ontario currently has 16 weeks [500+ employees], 12 weeks [200–499] and 8 weeks [50–199]) and those notified must include the local municipality. The union and community, as represented by the municipality, must be given an adequate opportunity to negotiate outside the collective bargaining process.

2. Failing a successful voluntary negotiation, the community and employees should have the right to invoke a mandatory Closure Review. In this process, the review committee and the community would have a legislated right to know information on all factors bearing upon the decision to close (assets, obligations, etc.), to propose alternatives to closure and layoffs, and to delay closure or otherwise facilitate a buyout.

3. At the time of the announcement of the proposed closure, the company must report all recent public subsidies received and assets held by the company or its affiliates. The report must cover at least 15 years and include the controlling company and its affiliates, not simply the local mine. Because of the possibilities of internal transfers, firms must be fully accountable for all public funds or assets received and anything owing.

4. There should be a more careful review of the principles of representation on company and community adjustment committees, as well as on government-sponsored committees involved in training or other aspects of the adjustment process. Company representatives should not include supervisors or others directly in authority over the labour representatives. Spouses must be designated for inclusion in the committee structure. In many northern communities, aboriginal people must also be designated for

inclusion in the process. Specialists in community economic development also need to be involved to address issues of broader community interest.

(d) ***Remedial labour market and social policy measures.*** This paper holds that the trend of neoliberal social and labour adjustment policy to reduce social-program eligibility and benefits has effects that are particularly biased against hinterland, resource-dependent communities. Social programs are especially important as community economic stabilizers and have become the only major support provided by governments, particularly the federal government, to communities going through mass layoffs and employment decline.

1. The single most important program directly operative in mass layoffs has been UI. The EI reform in 1996 has had and will continue to have significantly adverse effects on laid-off miners and other workers in resource communities, both in the immediate effects on benefits following layoff and in long-term eligibility. Despite its greater attention to part-time work, EI further narrows the focus of coverage of unemployment insurance towards urban areas and to prime-age males with regular employment, a form of the labour reserve increasingly less typical of hinterland areas. If coverage is not increased, federal policy will lead inevitably to more use of social assistance, downloading to the provinces, and further deterioration in hinterland living standards.

- The maximum period of claim needs to be extended rather than contracted: retain variation in the maximum period of claim based on regional unemployment conditions, but with a return to the previous 50-week norm, with the possibility of extension for training to two additional years
- Laid-off workers who have not received EI in five years should not be subject to an income-tax clawback of EI. For many long-tenure and older workers, the last year of employment is the last at a relatively high wage and, together with their severance, a major part of the bridging to an often much lower-paying job or pension.
- The new “intensity” rule should be reconsidered as it means that workers who collect more than 20 weeks in the past five years will have their benefit rate reduced. High unemployment regions with limited permanent work will see even fewer benefits go to their areas and penalization of their seasonal workers.

2. The federal government should restore mobility grants to laid-off workers for interviews and moves; spouses should also be made eligible for mobility grants. Workers in hinterland areas are disadvantaged by the costs of distance and lack of personal contact with employers and training institutions.

3. CMHC should establish a housing buy-back fund for designated communities. With the building or purchase of housing in designated remote communities, companies would be required to set deposit amounts or purchase insurance through CMHC to guarantee that owners of housing would have the option, in the event of layoffs or closure, to sell back their purchased housing unit at its purchase cost in real dollars.

(e) *Long-term macro-level measures.* Growing mobility of capital, intensified mining techniques, and competitive pressures are increasing pressures for short-term highgrading and reducing the life-cycle of mining operations. This has adverse consequences for the stability of mining communities. As well, increased numbers of persons are questioning the environmental consequences of mining as an industry, especially with the increased pressures towards highgrading and the major scale of many of today's mining operations.³⁸ These pressures have employment effects that can be mitigated to some degree by macro-level policies that affect the structure and distribution of labour demand.

1. The federal government should use the income tax system to encourage a reduction in the work week, especially as it applies to resource towns with limited employment opportunities. Groups of workers who negotiate a four-day week could be given an income tax reduction to help compensate for the income loss. The government should establish an independent Centre for the Reduced Work Week, which would provide ideas and technical assistance to unions, municipalities, and other organizations trying to develop means to reduce the work week and increase the number of available jobs.

2. Greater attention should be given to the quality as well as the quantity of jobs

³⁸ For instance, as Young and Sachs (1995) comment: "Today, mining moves more soil and rock – an estimated 28 billion tons per year – than is carried to the seas by the world's rivers."

provided in job creation schemes, including those supported with wage supplementation. We need to assess whether the jobs created actually make a net contribution to the tax and transfer system. An “economic dependency line” indicating the income level at which transfers received equals taxes could be a useful tool to evaluate if jobs created are net contributors or recipients in the tax and transfer system.

3. The federal government should act to impose “green taxes” on non-recycled minerals in order to make prices of mine products reflect more closely the actual social and environmental costs of mining. This would reduce the consumption of virgin resources relative to recycling and efficiency measures and extend the life of existing ore bodies and support existing communities. To lessen its direct effects on existing mining communities, the tax should also be on all imported minerals. A substantial portion of the revenues should be returned to the communities through their Community Development Funds.

4. In general, subsidies to mining for employment stimulation in purely extractive activities should be eliminated, and all mining property should be made taxable for municipal property taxes. However, developmental subsidies for clearly linked value-added ventures related to mining deserve greater support, especially if they involve a substantial portion of community-based ownership and protections against plant runaways and the looting of capital assets. Fiscal subsidies or incentives in exploration should be limited to ventures within daily commuting range of existing community townsites, in order to help extend the life of existing communities rather than encourage the formation of new temporary towns or commuter mining.

5. The increased use of commuter mining, which not only has adverse environmental, labour, and family consequences but also threatens existing mining communities, needs to be mitigated by federal and provincial legislation. In particular, all mining operations outside the boundaries of organized municipalities should be required to pay municipal taxes comparable to those in established mining communities. These revenues would be remitted to the closest adjacent existing communities. As well, to protect worker interests in commuter mines (which often resemble closed company towns) and increase the difficulty of union representation, labour legislation should be reformed to facilitate industry-wide bargaining in mining and to strengthen the rights of association at all mine worksites.

6. The Canadian government and other public bodies must press for the development of stronger international treaty standards on environmental and labour conditions in mining, together with international monitoring and means of launching public legal action against any offending parties.

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