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Newfoundland and Labrador

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Introduction

Of the Atlantic Provinces, Newfoundland and Labrador (NL) has the highest proportion of population (60%) living in rural areas as defined by the OCED¹ definition of urban versus rural, where urban must contain at least one small city with a population of 50,000 or more. As of April 2015, the NL Statistics Agency reports that the population of NL is 525,756². Rural NL is characterized by its vast geography, dispersed low-density population, and with a location in relation to major markets that creates challenges not only for business but also the delivery of public services. Those challenges can be summarized as:



[1] Higher transportation costs associated with the import and export of goods and services,

[2] A small provincial market requires a focus on exports to grow,

[3] A shifting population from rural to urban and from small coastal communities to larger regional centres has resulted in labour supply and sustainability issues in small rural communities,

[4] The trend of ageing and declining populations in the majority of rural communities seriously compromises their viability and sustainability.

Since the closure of the cod fishery in 1992 many small coastal communities in rural NL did not recover economically³ or from the resulting population decline. However, larger communities concentrated along and proximate to the Trans-Canada Highway grew during this period⁴. The Trans-Canada Highway runs inland through the centre of the province and away from the coastline. According to the 2011 Census, 82% of the province's population lived within 60 km of this transportation corridor, suggesting a shift from coastal small, rural communities to urban or larger rural centres and their adjacent communities.

Many rural areas were excluded from an expanded shellfish industry after the cod moratorium, due in-part to the more concentrated access to licenses. These places now face an uncertain future because of ageing populations and out-migration. Even those communities that attempted to diversify with tourism and small niche industries found these provided limited opportunities and employment for young workers. The out-migration to larger centres and the rest of Canada was not avoided. The overall trend in rural NL is for industries and services to be concentrated in fewer communities. Potentially this will create a more concentrated population with small local clusters that on the whole will be further from the larger rural service centres. Excluding the growing larger rural regional centres along the Trans-Canada Highway and in a few instances elsewhere, those rural areas involved in aquaculture, the shellfish industry, mining, forestry, as well as tourism, have the potential to be sustainable in the future, assuming they can address the ageing population issue.

Within this context this chapter will review the challenges related to demography and human capacity, governance, and the rural economy. Rural NL is facing continued challenges due to its natural resource dependence, which combined with unprecedented demographic challenges, makes a regional approach to development and governance

more urgent than ever. Whether citizens, communities and governments are ready to embrace this change remains to be seen.

Labrador, with 9% of the province population, is resource rich and its export based economy of hydro-electric power generation, mining (e.g., iron ore and nickel). Thus, its overall socio-economic well-being and growth is susceptible to the volatility of global commodity prices and market demands. The smaller coastal fishing communities in Labrador are struggling with ageing and declining populations, as well as attracting young workers to the fishing industry. Aboriginal communities, as elsewhere in Canada, have younger populations with higher birthrates. Self-governance, particularly by the Inuit Nunatsiavut Government, are showing progress in tackling social and economic challenges, but again, much of this progress is rooted in resource-dependent activity.

On the Island part of the province, larger rural service centres are concentrated for the most part along the Trans-Canada Highway with the small fishing communities located along the coastline. Overall, larger rural regional centres along the Trans-Canada (e.g., Corner Brook, Grand Fall- Windsor, Gander, Clarendville, etc.) are growing and are targets for economic diversification as well as centres for public services, while a majority of the smaller coastal fishing communities are trying to maintain their place in the new economy while losing some of their services⁴. Some smaller regional centres like Stephenville, Marystown and Bay Roberts provide similar service functions to their respective rural regions.

Like Labrador, the Island portion of the province the economy is dominated by resource extraction and processing related to mining, oil extraction, fishing, and forestry. Tourism and niche industries are present in rural NL, in many instances developed by young entrepreneurs, and are helping to diversify the economies in smaller rural areas. However, these lack the scale to stop the out-migration of the majority of youth from these rural regions. Location and commodity dictate the fortunes of many rural areas in NL. For example, the drop in iron ore market prices is creating layoff issues for western Labrador while the new the hydro-met nickel plant in Long Harbour on the Island will create new opportunities for that region. Furthermore, the downturn in the oil industry in Alberta will impact rural NL where a majority of the 10,000 long distance commuters reside in rural communities.

For large rural communities (i.e., population > 10,000) population growth varied: Corner Brook declined by -1.0% from 2006-2011, while Clarenville in the east grew by 14%. However, small rural (i.e., population <10,000) regions had consistent decline from 21% for urban non-adjacent to 8% for adjacent during the same period. This rapid decline in small rural region populations will eventually impact growth for both urban and large rural areas because over the last 20 years the population growth in those areas were the result of in-migration from the smaller rural regions. This supply of youth will eventually run out, likely sooner rather than later. The challenge is how to address the issues of growth and chronic decline in rural NL.

Demography and Capacity

For about 20 years the age structure of the population in rural NL at best exhibited low growth model characteristics with decreasing birth rates and increasing longevity. Generally, populations where low growth is expected have issues with aging populations and maintaining existing labour forces. But in many rural communities the age structure of the current population has declined past this low growth threshold where the age cohorts are negatively skewed towards the older cohort. The residual effect of chronic population decline and low birth rates is ageing populations where youth leave and are not replaced by births or in-migration. Population decline and ageing is the biggest obstacle to growth and development in rural NL.

On June 15, 2015 the provincial government release a report titled "A Population Growth Strategy for Newfoundland and Labrador, 2015 – 2025" to address the issue of ageing, workforce shortages. According to the premier "this province is now at a point where the number of people leaving the workforce each year is exceeding the number of people entering". This will be more of a challenge for small rural areas that have problems, historically, retaining their youth and attracting migrants because of limited opportunities, as well as the seasonality of employment in tourism and the fishery. Adding to the complexity of the problem is there are approximately 20,000 long distance commute workers from NL working outside of the province and an estimated 10,000 working in Alberta before the recent downturn in the oil prices⁵. Large numbers of the long distance commuters are displaced workers who could not find employment in rural NL.

The response to the rapidly ageing population in rural NL is that larger rural centres use their existing public service infrastructure and other amenities to promote themselves as retirement and age friendly communities. Given the lack of infrastructure and services in many small rural areas these regional centres become a destination for retirees and in many cases is the reason for their growth. Because of past government spending constraints the destination towns have not consistently renewed their infrastructure, but the presence of existing public services and amenities in these centres far exceeds the services in the small rural regions and that in itself becomes an attractor for rural retirees.

The capacity issues in the current labour market are more about finding workers for mega projects such as hydro-electric power projects and offshore oil development, as well as ongoing and new mining activities. The traditional industries such as fishing, fish processing and forestry had 46%, 63% and 51%, respectively, of their workforce 45 years or older while the oil services industries had 82% of their workers aged less than 45⁶. Capacity issues are critical for the traditional industries with its lower pay and seasonality issues.

Governance

Rural NL does not have any formal regional governments. Volunteer municipal councils with very few paid staff often run many of the smaller municipalities. Smaller rural communities provide only basic services while many larger regional centres provide services comparable to a small city of 50,000. Under this model of independent municipal government their administration is limited to their local boundaries. Freshwater and Tomlin⁸ suggest this model of governance creates an environment of self-interest that can lead to negative consequences for neighbouring communities because there is no incentive, with past government policies, for collaboration. Self-governance, particularly by the Inuit Nunatsiavut Government, is showing progress in tackling social and economic challenges, but again, much of this progress is rooted in resource-dependent activity.

Added to these issues is the problem of municipal governance with formally organized incorporated municipalities (276) and unincorporated local service districts (177). Local service districts (LSDs) are outside existing municipal boundaries and the provincial municipal policies allow these areas



to grow to sizes that may exceed the population of neighbouring incorporated towns. With rural municipalities already struggling financially these LSDs do not levy property taxes. For example, in the LSD a resident will pay a few hundred dollars for services while a resident of a neighbouring municipality may pay several thousand dollars for their services. In many cases LSD residents do not want to be a part of a municipality where they would have to pay more for the services they receive⁹.

From a governance perspective this creates a disparate environment where collaboration for economic development and growth as well as sharing services becomes one of fragmentation rather than a unified approach⁸. The 276 organized municipalities are represented by their own independent umbrella organization, Municipalities Newfoundland and Labrador (MNL). This organization represents the interests of municipalities and fosters an environment of regional collaboration for inter-municipal cooperation, community partnerships, regional cooperation or partnerships, service sharing and regional service delivery arrangements.

In 1995, a policy initiative led by the provincial government resulted in the identification of 19 economic zones (later growing to 20) managed by

Regional Economic Development Boards (REDBs) to provide some institutional structure for regional economic development within the zones. What was unique about this approach is that members were locally selected by constituent stakeholders: municipalities, business, organized labour, education and training institutions, and community development organizations amongst others. However, in 2004 the government created another development entity named the Rural Secretariat and its mandate was to focus on partnership development between the Provincial Government and communities in rural regions. Operationally this was more of an advisory approach where the government appointed members who brought regional concerns to the province for review¹⁰.

Because of funding cuts the REDBs were closed in 2013 and another attempt at fostering the concept of regions for economic development had concluded. The NL government has shifted from its policy of subsidies for economic development to one of promoting agglomerations, economies of scale and competitiveness¹⁰. If rural NL is to be competitive and sustainable within this framework regional governance has to be a ground up and not the top-down approach. As an independent entity

MNL has an important role to play in this process and its recent policies and strategies on collaboration are a step in the right direction.

Economy

Rural NL is a resource extraction export based economy with very little secondary processing. Only three large secondary manufacturing plants are located in the province: the paper mill in Corner Brook, the oil refinery in Come-by-Chance, and the nickel hydro-met plant in Long Harbour. Traditional rural industries such as agriculture, forestry, logging, fishing and fish processing are the top employers in rural NL but provincially account for only 2.4% of the GDP and 3.3% of the workforce. Copper, gold, nickel and iron ore mines are located in rural NL and represent 5.8% of the total GDP and employ 1.9% of the workforce, while the urban centric oil extraction and support activities contribute 28.4% to provincial GDP and employ 3.8% of the workforce². Since the 1992 cod moratorium the construction industry has emerged as a major employer in rural NL. In many instances this is a very young and mobile workforce that for the most part works outside of the communities they reside in. Construction accounts for 10.7% of the provincial GDP and 9.5% of the employment in NL. The high growth in construction is related to projects in oil and hydro-electric power development as well as spillover effects from the oil and mining industry. Mining and oil extraction industries tend to attract the younger skilled workers from the smaller rural regions where opportunities are limited. To a degree the traditional industries, especially the fishery, has been given a lower profile provincially in terms of development and policy.

The ability of industries in rural NL to be competitive while achieving economies of scale is a challenge. The industries can be competitive but attaining economies of scale may be problematic. Scarlett¹¹ suggested that except for St. John's economies of scale cannot be realized in sparsely populated rural regions. Freshwater et al.¹² support this idea but suggests economic growth results from increased productivity. If agglomerations and economies of scale are not possible in rural NL then policy for economic development and productivity improvements should be at the firm level. This microeconomic approach may be more feasible in small economies associated with small rural areas.

Recent decline in global iron ore and oil commodity

prices has had a dual effect on the rural NL economy. Firstly one mine has closed in Labrador West while 150 workers were laid off from the mine still in production. Declining oil prices have also resulted in layoffs for the Alberta long-distance commuters who live in rural NL. This impact is noted by the fact the 11 charter flights per week to Alberta were recently cancelled at the Deer Lake Airport in western NL. The impact of the Alberta worker layoffs will impact the economy of many small rural communities where there are no other opportunities for employment.

Recommendations

The combined pressures of resource dependence and demographic decline make the prospects for small rural and remote communities daunting. Where there is a successful mine, saw mill or fish processing plant, trained workers and good management can achieve high productivity and economic sustainability. As long as long-distance commuting allows workers to maintain homes in rural areas and earn high wages elsewhere, there will be some stability, but more and more families choose to live in large centres, or within daily driving distance of larger centres, where they can access health care, personal services and amenities. Other than for remote communities, a regional approach to economic development, labour market planning and governance is essential. Remote communities will need policies and programs adapted to their unique needs, but expectations of equal services will likely need to be tempered significantly. Governments will respond to opportunities and local leadership, but regional – as opposed to local – capacity development must become the mantra for decision makers at all levels.

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