

The regional socio-economic impact of the extractive industry

A contribution from the SSDEI
to the RMI

Draft

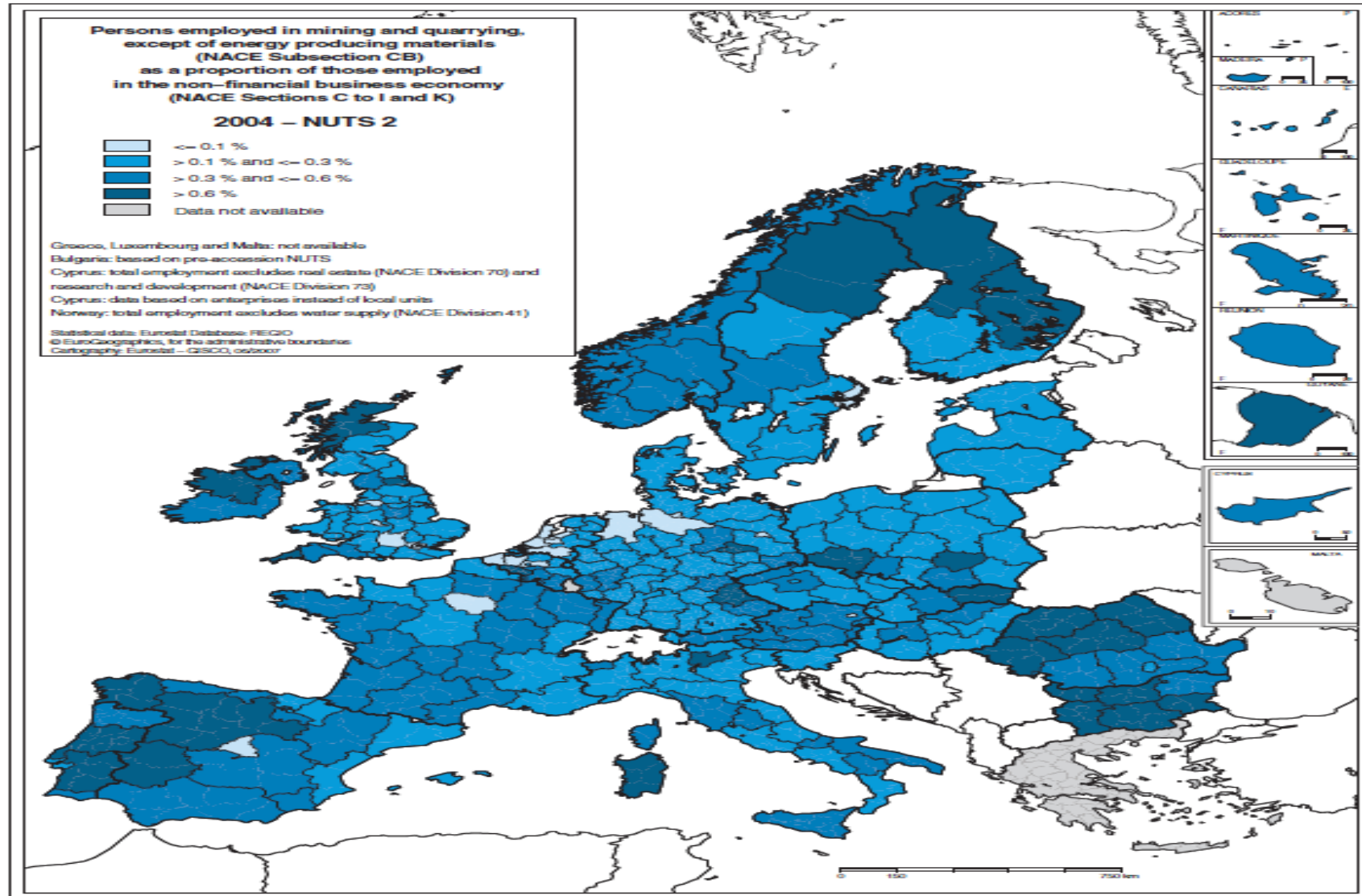
Direct Employment

- In EU27 there are about 17,000 enterprises active in the sub-sector of the non-energy extractive industry.
- In 2004 these enterprises directly employed about 290,800 persons while achieving a total turnover of 40,051 million EUR.

Indirect Employment

- As a standard rate it can be assumed that every direct employment place provides 3-4 indirect places.
- These indirect jobs can be linked to supplier, RTD and service industries, but also to community related services.

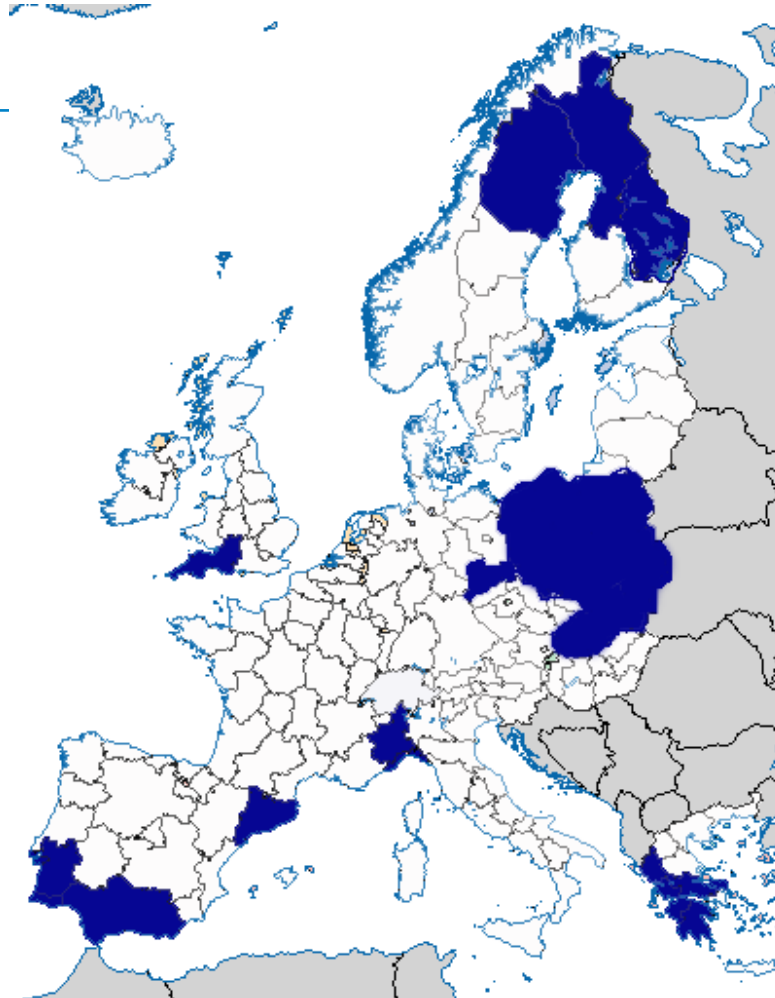
Regions in Europe – employment in the sector



Regional spread in Europe

- The map shows the regional distribution of these employees. It is significantly obvious that there are some peripheral regions specialized to non-energy extractive industry as they show higher employment rates than others. They are placed in Bulgaria, Romania, the north of Sweden and Finland as well as the southwest of Portugal and the west of Spain.
- As extractive industry can only take place in regions where resources are available and extractable, some special observations can be made about the regional economic diversification.
- In 50% of the NUTS 2-regions, only 0.2 to 0.5 per cent of employees were working in the extractive industry-sector, in another 25% this relation was even less than 0.2 per cent. On the other hand, NUTS 2-regions of *Slaskie (Poland)* and *Agder og Rogaland (Finland)* are characterized by a high proportion of extractive industry employees (5 respectively 10% of all employed people are working in the extractive industry there). Nonetheless it needs to be highlighted here, that in some countries non-energy extractive industry and quarrying means a great relatively contribution of the turnover of non-financial business economies. Exemplary Bulgaria and Poland with 0.8 respectively 0.5 per cent shall be mentioned. Concerning the value added they even account for 1.9 respectively 1.1 per cent.

THE ENMR PARTNER AREAS



European association for mining industries, metal ores and industrial minerals

Industry structure and employment figures in general



- The enterprise structure is basically two-faced: while metal ores and industrial minerals are mainly mined by large enterprises (more than 250 employees), aggregates sector has next to some large companies a large number of SMEs.
- Despite restructuring during the 10 years period between 1996 and 2006 a total increase can be detected.
- The extractive industry generates employment in three different ways, whereas it has to be separated between direct, indirect and induced employment.
 - Direct: persons directly employed in extractive industry, summarizing to nearly 300,000 persons
 - Indirect: persons employed in sectors or sub-sectors that supply goods and services to extractive industry and quarrying industry
 - Induced: persons employed in businesses sustained by re-spending of incomes generated by direct and indirect employment



Relevance for the GDP of regions and total EU



- The importance of the extractive industry cannot solely be measured at the numbers of persons directly, indirectly or induced employed in the extraction.
- Account has also to be taken to their importance as an essential input factor and driver for supplier industries and the downstream users (construction, manufacturing) and their contribution to regional or national economic status and development.
- This shows to be even more important as some extractive industry regions are defined as *Objective One Areas* with a GDP below 75% of EU27 average.
- Examples are the already mentioned NUTS-2 region *Slaskie (Poland)* as well as south Portugal NUTS-2 region *Alentejo*.



Employment and age

- In the total non-energy extractive industry and quarrying sector 97.1% of employees work on a full-time basis while the average of non-financial business economies only aggregates to 85.6 per cent.
- The second important characteristic can be found in the employee's age structure. This structure features the following specifics:
 - 16.8% under 30 years old
 - 56% under 50 years old
 - 27.2% over 50 years old

Value added in terms of employment and investment



- Because of this age structure, the non-energy extractive industry sector recorded a labour productivity of 50,900 EUR per person employed. This is some 10,000 EUR (or 20 per cent) above the non-financial business economy's average.
- In setting this figure in relation to the personnel costs per capita (27,000EUR) it is given a value-added per capita of 188.7 per cent. This is significant higher than the figure found in the total non-financial sector that only provides an average of 148 per cent.
- As a further regional important factor the total amount of investment in relation to the total expenditures will have to be considered. In non-energy extractive industry and quarrying sector this relation is double as high as average, accounting to 9.7 per cent.



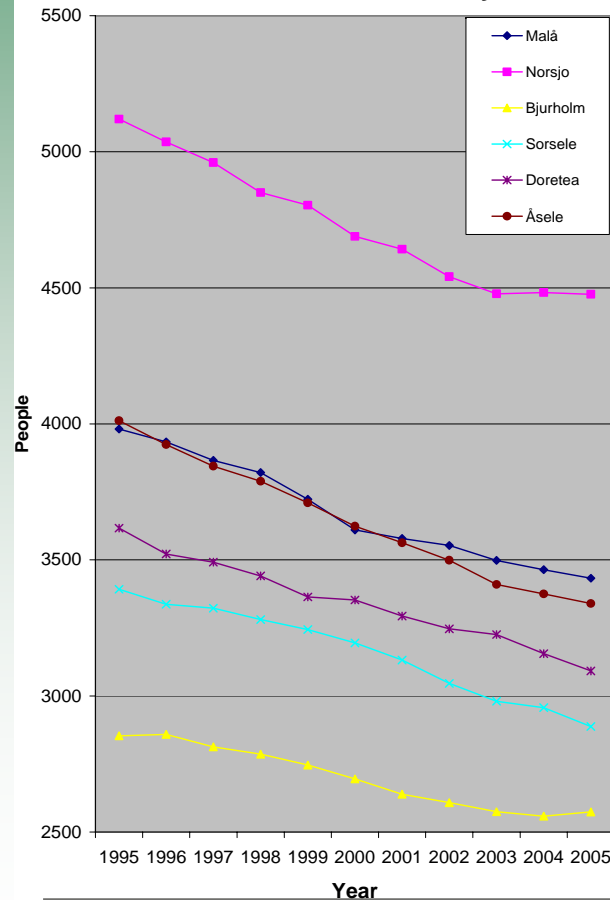
Development of regions by the extractive industry



- Reducing poverty through the extractive industry and thus developing regions is an important contribution to creating the EU's social cohesion and avoiding additional migration.
- As already mentioned some extractive industry regions are characterized as Objective One Areas. Enlarging extractive industry's activities has therefore to be seen as a possibility to generate development in these special regions and as a way to overcome underdevelopment and poverty.

About European Mining Regions

North Sweden Mining Regions
Population Change in Small Towns
Västerbotten County



Mining as an socio-economic engine; Norsjö, Sweden

One example:

Chart of North Sweden population trends for the smallest towns in Västerbotten County (all Objective 1), home to two mining districts:

- The Skellefte Field
- The Gold Line

Norsjö is much more heavily influenced by mining activity than the other small towns in this in-land rural area

ENMR - Recommendation 1

Continue and strengthen the European Network of Mining Regions as a platform with a strong presence in Brussels

- **Objective:** *Enhance the European mining regions' contribution to the European Union's socio-political dialogue*
- **Objective:** *Influence global raw materials supply policies on behalf of minerals-dependent European industries*
- **Objective:** *Develop and maintain a balanced approach to mining and related industries in Europe*

ENMR - Recommendation 2

Provide a platform within the ENMR for the sharing of knowledge with regards to the implementation of environmental legislation and the remediation of mining legacies

- **Objective:** *Increase environmental management competence through increased use of European and global environmental management knowledge assets and expertise*



ENMR - Recommendation 3

Provide a platform within the ENMR for the sharing of knowledge with regards to social and economic planning and development throughout the mining lifecycle.

- **Objective:** *Increase social and economic development and planning competence through the increased use of European and global knowledge assets.*



ENMR - Recommendation 4

The European Commission should undertake the development and promotion of an EU-level mineral policy and raw materials supply strategy

- **Objective:** *Increased exploration and mine development within European mining regions to improve the security of the raw materials supply for European manufacturing industries.*
- **Objective:** *Increase European Union support for the formation and development of mining clusters in European mining regions.*

Factors to improve the regional development



FACTOR	OPPORTUNITIES FOR REGIONAL DEVELOPMENT
Fiscal income	<ul style="list-style-type: none"> • direct, indirect and induced fiscal income for regions • distribution of fiscal income earned by state to the regions
Employee's income	Regional spending of employee's incomes/wages
Economic development	<ul style="list-style-type: none"> • Investment in economic infrastructure creates attraction for further public and private investment • Downstream users of mined materials take up residence in regions to keep down transportation costs to be competitive
Social development	<ul style="list-style-type: none"> • Investment in social infrastructure (hospitals, schools, sport, culture, recreation, etc.) source of new jobs, incentive for further in-migration and basis for economic diversification
Improved land-use planning	<ul style="list-style-type: none"> • Tradable know-how • Achieved geo-data can also be used for other purposes
Science and education	Support for extractive industry related scientific institutions
Extractive industry related scientific research and respective outcomes are useable in other areas	<ul style="list-style-type: none"> • Biology (aquatic and terrestrial pioneer plants) • Geo-sciences • Engineering
Restructuring after mine closure	<ul style="list-style-type: none"> • Process and outcome of mine closure as a chance for sustainable regional economic stability

Conclusion

- **The European extractive industry is of great importance for the regions where it takes place.**
- **It is an important factor for supra-regional growth and development, for instance as essential input factor for downstream users and for the creation of wealth in the European Union.**
- **It is the backbone for many local industries that cannot go global.**
- **It is the backbone for technology providers that otherwise would be located outside of Europe.**
- **In its role as one basic provider of jobs, impetus for technological innovation and source of know-how it can thus be a major driver for “knowledge society”.**

Conclusions

- Since the extractive industry is dependent on the use of land, at least temporarily, it needs the active recognition of its benefits by political decision makers, other members of the civil society and the inhabitants of extractive industry regions. Only this allows the European extractive industry to work progressively and sustainable in present and in future.



Recommendations

- The EU's and the MSs' infrastructure policy should include mineral deposit in their strategic planning.
- The EU's cohesion/structural funds should facilitate investments into extractive industry in Objective 1 and 2 regions and facilitate where possible rehabilitation projects.
- The EU's Research policy should support the research into raw material exploration, processing and resource efficiency.
- The EU's employment policy should....
- ...