The socio-economic contributions of a timber mill to a small country town: a case study

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Summary

Plant closures in small towns have been shown to have devastating socio-economic impacts. This study examined the economy of a small Victorian country town which had one sawmill as its major industry. This was calculated as providing about $60 000 of financial inputs to the town each week. If the major mill closed, these inputs would decrease to about $3 800 and the town population as a whole would decrease by about 10%. Few employment opportunities for redundant mill employees exist within the town. Closure of the mill would be of major detriment to the town's future.

Introduction

The forest industry and the availability of native forests for harvesting are arguably the most controversial environmental issues that have faced Australia over the last two decades. The conflict that has evolved during this time between the timber industry and the environmental movement can be attributed to the structural features of contemporary Australian society that are not amenable to change (Watson 1990). In contesting the way that Australian native forests should be managed, the respective interest groups have focused on different aspects of the debate. The environment movement concentrates on what they see as the ecological and biological need to protect the forests through the establishment of National Parks and Reserves (Watson 1990). On the other hand industry focuses on jobs, economic contributions and community incomes that the forest industry brings to the economy (Dargavel 1995).

The current Regional Forest Agreements have been seen by the Australian Government as a means of easing the 'conflict and uncertainty' surrounding the forest industry, by providing twenty-year agreements on how Australian native forests will be managed (e.g. Commonwealth of Australia 1999). The increasing public pressure for Governments to increase National Parks has seen resources for timber processing decrease. This, in turn, appears to have led to sawmill amalgamations and closures (Watson 1990). Not surprisingly, such activity has jeopardised the investment climate within the timber industry.

This paper investigates a small Victorian town (Heyfield), located 200 km east of Melbourne and just north of the Latrobe Valley. The town has, as its supporting industry, a native hardwood sawmill. The paper presents an analysis of the economic and social contribution the timber industry makes to this small country town. This includes the socio-economic consequences if, for some reason, the plant were to downsize or close. The town has a population of around 1600 people, and is located in a district with both agricultural and timber industries. Associated with the mill are a number of separate but vertically-integrated ancillary firms specialising in contract kiln-drying for this one client. It should be noted that there is no suggestion that the mill is about to close.

Although this paper focuses on one Australian town, the impact on small country towns of closure of a single industry is a well-known phenomenon. For example the closure of a steel mill in a single industry town (Youngstown, USA) has been described in these terms:

> The loss to the valley is impossible to define, for this decision will affect almost every aspect of life. Besides the 5000 families whose livelihood is cut off, railroaders, truckers and others who serve the Campbell plant will be affected. Youngstown, Campbell and Struthers, along with their schools, the county, the library and the other institutions will lose millions of dollars in tax income; even the bedroom townships will be affected (Buss and Redburn 1993),

Heyfield and the mill

Heyfield was declared a town in the 1860s with initial development of a sawmill, tannery, flour mill, brickworks, school and Anglican and Methodist churches. Development continued into the early part of the twentieth century, during which time Heyfield served as a service centre for the surrounding farming and pastoral district. The town was established as a forest conversion centre following a Royal Commission recommendation after the 1939 fires (Fletcher 1993). The town originally attracted eight timber licensees (Howell 1995). Today just two mills remain. Of these, one is a large value-adding mill and the other is a smaller mill which acts as a resaw facility for the major mill.

The larger mill receives 95 000 m^3 of sawlogs per year and consists of a green mill and a processing plant. These employ one hundred and twenty-seven people in a range of administrative, technical, managerial and unskilled classifications. One hundred and seven employees reside within the town of Heyfield. The mill pays the employees, who are also Heyfield residents, a total of approximately $3 000, 000 per annum in wages. Most employees earn between $25 000 and $30 000 per annum, while core managers and supervisors of the mill receive between $50 000 and $55 000 per annum. The smaller resawing mill relies on the larger mill for ninety per cent of its business. It has eighteen employees, five of whom reside within Heyfield. There are also seven trucking, carting and harvesting contractors. Between 25% and 80% of the business

of these contractors is related to the Heyfield sawmills (Table 1). Products from the mill are exported to markets all around the world.

Table 1. The attributes of contractors who undertake business with the major mill. The number of employees includes the owner of the business. Part-time employees are counted as 0.5.

Type of business	Fraction of turnover of business with sawmills (%)	Number of employees	Number living in Heyfield
Carting timber	25	25	0
Carting timber and chips	80	4.5	4.5
Harvesting sawlogs	25	6	3
Harvesting sawlogs	25	4	0
Carting logs	40	6	4
Logging	33	8	4
Logging	66	4	4

Methods

The study was based on interviews with workers and residents. Employees were sampled using a stratified random sampling design. This was considered more efficient and representative of the true mean than simple random sampling (Robson 1993). The employees within the sampling population were stratified into $1 000 wage intervals ranging from $15 000 to $55 000 per annum. Only employees who resided and worked within Heyfield were included in the sampling and interviewed. In calculating the total socio-economic contributions of the employees, non-Heyfield residents were included but not interviewed. Due to time and resource constraints, a sample of one third of employees from each stratum was considered most appropriate and representative. The survey was designed to provide information about the employees' socio-economic situation. The personal interview style was chosen because many of the workers were known to have poor literacy skills (Robson 1993).

Questions asked during the interviews followed a logical sequence of introduction, main body of interview and closure. Interviews were held in the conference room of the mill – a setting familiar to all employees of the mill and ancillary industries. Thirty minutes was allocated for each interview. Much of the questioning identified expenditure by employees on specific Heyfield businesses. These were used to derive average expenditures per employee for that particular business or sector. These, when multiplied by the total of employees, gave a figure for the total amount that Heyfield-based mill and ancillary firm employees were spending at each shop each week.

Information about the mill and its operation was obtained by interview with the mill's Operations Manager. Data regarding business expenditure and company donations were sourced from the respective accountants and/or secretaries. For the contractors and resaw mill, their reported business expenditure was multiplied by the fraction of their business turnover attributed to the larger mill. Demographic information was compiled using company records and results from the 1996 Australian Bureau of Statistics census. Information regarding community facilities was obtained by interviewing their respective officers.

Results

Many interviewees expressed a strong belief that the presence of the timber industry in Heyfield is vital to its socio-economic well-being. Comments included 'Without it (the mill) the town would die', 'The mill is everything to Heyfield', and 'Without the mill, no Heyfield'.

Figure 1 shows the distribution of annual earnings of the main mill workers, and Figure 2 shows the age distribution of the mill workers. For most of the workers there is no correlation between age and annual earnings. In contrast, the smaller group of supervisors and on-floor managers is aged between 35-50, and there is a positive relation between age and earnings. Table 2 shows the total estimated weekly spending in Heyfield attributable to the presence of the mill. The mill was shown to inject $60 000 worth of financial inputs to Heyfield per week. This equates to approximately $3.1 million per annum. On average, Heyfield businesses believed the timber workers made up 25% of their total customer base.

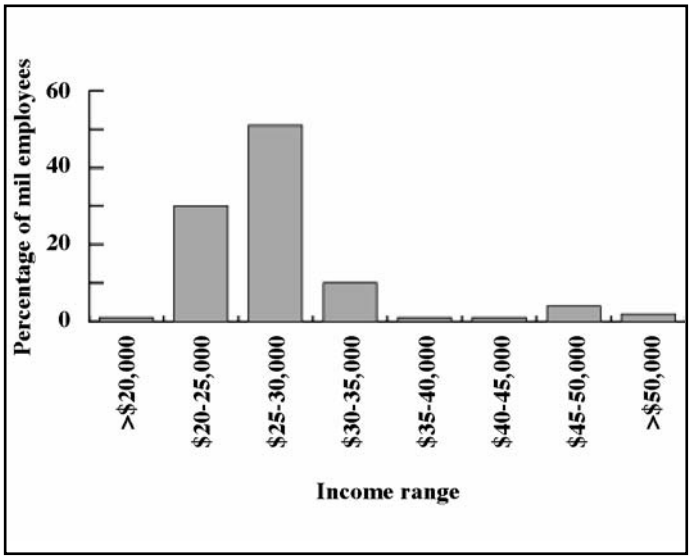

Figure 1. Percentage of mill employees within income categories (1999 values)

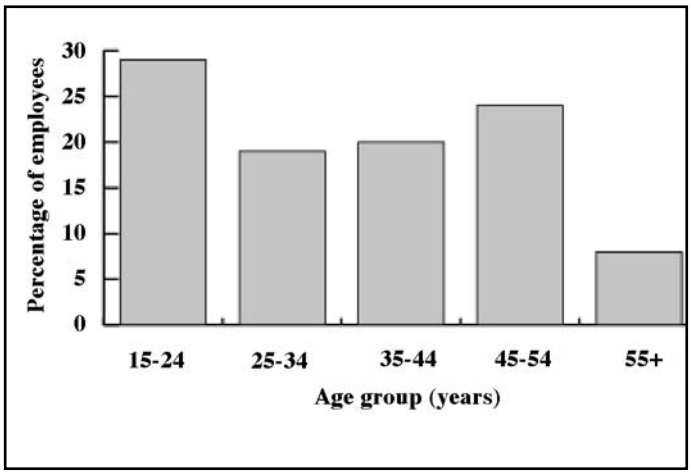

Figure 2. Distribution of ages amongst mill employees

Table 2. Total estimated weekly spending within Heyfield attributable to the timber industry.

Source of expenditure	Amount spent now	If mill closed
Mill business	$ 4,077	$ 0
Mill employee	$ 27,266	$ 1,289
Resaw mill	$ 22,350	$ 0
Resaw employee	$ 1,179	$ 208
Non-Heyfield employee	$ 860	$ 0
Contractor business	$ 2,222	$ 0
Contractor and employee	$ 2,282	$ 2,282
Total	$ 60,236	$ 3,779
Rounded value	$ 60,000	$ 3,800

The apparent imbalance between the expenditure of the major mill ($4077) and the resaw mill ($22 350) indicates that the major mill either purchases in Melbourne or has on-site employees to do much of the work. Since the timber mill's workforce and their families form a large component of the Heyfield community, it was hypothesised that their social and community involvement would be as significant as their economic contributions. However the interviews indicated low usage of Heyfield's facilities by the workers from the mill and ancillary industries.

Projected impacts of the mill closure

When presented with the hypothetical scenario of the mill's closure, definite demographic trends emerged. About 85% of mill employees believed there was no alternative employment within Heyfield. The number of employees who were willing to leave the town in search of alternative work decreased with age (Fig. 3).

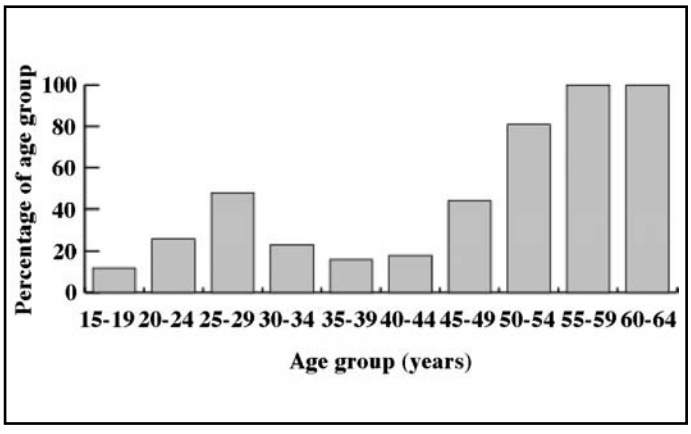

Figure 3. Percentage of mill employees who would stay in Heyfield after retrenchment.

As might be expected, the potential to find alternative employment within Heyfield is very limited. The option of travelling to other local destinations for work is also limited since none of the surrounding towns provides timber industry opportunities. Other 'timber towns' require unrealistic daily travelling distances. Should those employees who said they would leave Heyfield if mill employment ceased actually did, then Heyfield's population would decrease according to the percentages shown in Figure 4. The result would then be a disproportionate decrease in the percentage of younger people in the town. Additionally the enrolment at the Government primary school would decrease by 11%, at the Catholic school by 7%, and at the kindergarten by 6%. It is possible that the town has some potential for increased tourism because of proximity to a large dam and mountains, but, in general, displaced employees would have little experience or capital for such ventures.

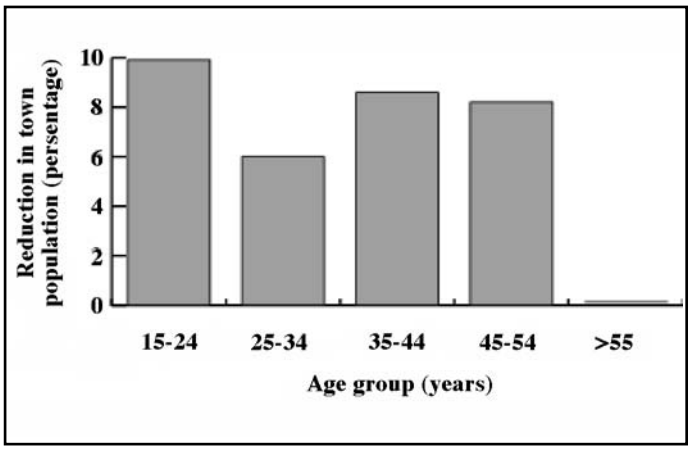

Figure 4. Reduction in town population if mill closed down as a percentage of age classes within the town.

Should the larger mill in Heyfield close then substantial decreases in expenditure within the town would occur (Table 2). If this happened, few of the visions for Heyfield identified within the social assessment carried out as part of the Regional Forest Agreement are likely to be met. These included improving water management, stabilising the district population (i.e. providing opportunities for young people to remain in town), and finding and developing new tourism opportunities (Commonwealth of Australia 1999).

Conclusion

Should the mill close, there would be a massive reduction of financial inputs into Heyfield. There are limited alternative employment opportunities for mill workers, with eighty-six per cent of employees believing that they would be unable to locate alternative employment within Heyfield. The pessimism regarding alternative employment increases with the individual's age. If the mill did close then the proportion of younger people in the town would substantially decrease. This would also lead to a decline in enrolments at the schools, kindergartens and clubs. Those who said the town 'would die' would appear to be justified in their comment.

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