NUNAVUT'S ECONOMIC CHALLENGES

BRIEF SUBMITTED
TO THE
STANDING COMMITTEE ON FINANCE
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NUNAVUT TUNNGAVIK INC.

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SUMMARY

Nunavut ("our land") is where the largest land claim agreement in Canada has been reached and where a new Territorial government was established in 1999. It is a land of opportunity, a fact revealed recently by the opening of the Jericho Diamond Mine, and the continued optimism over the development of gold deposits at Meadowbank and Hope Bay. The people of Nunavut ("Nunavummiut") are excited about the prospects of increasing their contribution to the nation's wealth. But they also have concerns about their own involvement in these and other developments. The richness of Nunavut's natural resources can provide for a strong economic base, but focused public investments are needed to ensure that this activity has a strong positive impact on the quality of life of Nunavummiut.

Over the past few years, the Territory has made steady progress in securing productive opportunities for the people of Nunavut. Impact and benefit agreements under the Nunavut Land Claims Agreement, between Inuit associations and mine developers, as well as fisheries training programs with guaranteed work placements, are examples of this progress. Nunavut has also made great strides in improving the coordination of its socio-economic efforts between stakeholders. Government and non-government organisations, the private sector, communities, elders and youth are now working on common goals through the *Nunavut Economic Development Strategy* that was developed in cooperation in 2003. The *Strategy* is now being implemented with guidance from the recently-formed Nunavut Economic Forum, in which Nunavut Tunngavik Inc. is an active participant.

Unfortunately, most experts agree that despite these efforts and the noteworthy successes of the past few years, Nunavut will fall short of its development objectives if it remains on the current path with respect to improvements in education and training and social and economic infrastructure.[1] The Territory is simply without the financial resources necessary.

Some may consider that Nunavut already receives enough support from the rest of Canada, especially after new agreements on formula financing, housing, and community and economic infrastructure. However, this belies the extent of challenges facing Nunavut today. The Territory is home to 25 communities, of which only one is tax-based, and all of which are isolated from each other and to southern Canada. This means each community independently requires a certain level of infrastructure— such as its own airstrip, power plant, health centre, RCMP detachment, hamlet office, and school—

[1] Research by the Conference Board of Canada and PriceWaterhouse Coopers along with other third-party economic experts have all concluded that Nunavut is falling behind with respect to education and infrastructure, and that these failings will result in a social collapse if not addressed.

despite the low populations of some communities. It means also that the Government of Nunavut has the responsibility to meet such infrastructure requirements in all but one of these communities. In addition, communities were not established around a large industrial activity that would provide a basis for its economic and social development. Meanwhile, the arctic environment has a dramatic impact on the economy, social well-being and the culture and values of the people who live there, not to mention the cost of living and the cost of operating public programs, which can more than double that of southern Canada in some communities.

The demographic differences between Nunavut and southern Canada are also stark. Nunavut has, by far, the youngest population in Canada with a median age of 22. Approximately 85 per cent of the population is Inuit, and the largest community is Iqaluit, with a population of about 6500.

An appropriate analogy of Nunavut's current socio-economic situation was made by the Nunavut Economic Forum in a document entitled *Qanijijuq (Preparing for the Journey)* where the Territory's demographic situation and state of infrastructure were compared to that of southern Canada in the 1950s and 1960s when the country was witnessing the birth of its Baby Boomer generation. At that time, the federal government responded with nation-building programs and policies that supported families, education, new business, and most importantly, infrastructure. Nunavut needs those types of nation-building programs now.

In the *2005 Nunavut Economic Outlook*, a lot was made of the economic potential in Canada's newest territory, its rich resources and its young and eager population, but it also warned of the dangers of failing to provide this economy and its people with the investments they require to succeed. Now is the time for Nunavut to build its foundations for the future through long-term financial agreements that will ensure its full potential can be reached.

A BACKGROUND TO NUNAVUT'S CHALLENGES[i]

Nunavut's challenges can be generally described as a need to build the foundations for an emerging economy and to generate greater participation of Nunavummiut in their own economic development. More specifically, this foundation must include dramatic improvements in the Territory's physical infrastructure and human capital.

There are no simple solutions or "quick-fixes" for the challenges Nunavut faces. The deficits that exist today in its human development and capital stock stem from decades of under investment and/or neglect. This document will describe these two investment priorities for Nunavut's future performance and potential.

Education and Training

In late 2005, members of the Nunavut Economic Forum were asked to identify areas of priority for their organisations and for the Territory. They agreed that education and training was most important. This conclusion was later echoed by Justice Thomas Berger in his report on Implementation of the Nunavut Land Claims Agreement, emphasising the urgency for an improved education system in Nunavut.[2] And with a majority of its population below the age of 20, it is without question that the development of Nunavut's children is most important investment area.

The poor state of education and training impacts the Territory's economic progress and the quality of life of Nunavummiut. Employers in the public and private sector struggle to find qualified Nunavummiut to hire, despite an unemployment rate above 15 per cent when discouraged labour are included—a figure based on Nunavut's 10 largest communities, and thus one that does not include communities where unemployment rates are highest. Finding qualified labour is especially difficult for the private sector. It struggles to compete with government in terms of wages and benefits; a problem that hampers the success of small business and is a major obstacle to realizing opportunities for growth. It is worth mentioning that government itself has shown severe problems in moving towards the objective of a representative labour force as provided for in Article 23 of the Nunavut Land Claims Agreement.

Levels of education in Nunavut have shown a slight improvement over the past five years with more students staying in school and more graduating with a trade, college or university diploma. As a result, the percentage of Nunavut's population with at least a high school diploma is improving. But Nunavut has a long way to go before its graduation levels equal those of other Canadian jurisdictions. Nunavut must find ways to keep its young people in school. Furthermore, while an increased graduation rate is an

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[2] Thomas Berger, "The Nunavut Project" 2006. This report outlines recommendations for implementing Article 23 of the Nunavut Land Claims Agreement. Justice Berger was appointed conciliator by the federal government, Government of Nunavut and Nunavut Tunngavik Incorporated in 2005 to solve an impasse in negotiations for a new Implementation Contract.

important first step, successful education means attaining the knowledge and skills necessary to participate in life and in a work environment. And on this point, Nunavut has to improve the quality of education its children receive.

The Government of Nunavut has responded to this challenge by investing what it can. No fewer than 15 communities (out of 25) received or are set to receive some form of upgrades to their education facilities. This includes the replacement of Jonah Amitnaaq School in Baker Lake as well as Joamie School in Iqaluit, which was destroyed by fire. Access to education has also improved through investments in accommodations for students attending Nunavut Arctic College. More recently, the government announced plans to use a portion of its *Northern Strategy* money to open a trades training centre in Rankin Inlet.

The Government of Nunavut is also in the process of developing a new K-12 curriculum that aims to meet the needs of Nunavummiut students, with greater attention paid to their unique culture, environment, and language, while also addressing the need for improved comprehension of English, math and science. A comprehensive *Nunavut Adult Learning Strategy,* to tackle the challenge of bringing adult Nunavummiut into the workforce by providing them with literacy and numeracy skills, as well as appropriate trades training, is also being developed.

New buildings and programming are important, but there remains the more difficult challenge of program implementation which includes hiring and retaining qualified staff, including more Inuit educators. It is at this implementation stage that many experts fear Nunavut will struggle given the broad scope of need and the limitations of available funding.

The *2005 Nunavut Economic Outlook* predicted robust economic growth over the medium term, but this forecast came with a serious cautionary note. It stated that the risk of Nunavummiut failing to improve their levels of education and training and thus participate in the emerging economy goes beyond the loss of income and a temporary drop in overall GDP. Instead, it could result in a catastrophic decline in Nunavut’s socio-economic performance and potential. Such a risk must be addressed with long-term strategies.

Social and Economic Infrastructure

The capital stock of a region is an important building block for growth, and in Nunavut, the region faces a severe infrastructure deficit. The poor state of infrastructure is limiting economic potential, suppressing human development, and threatening environmental performance. And as much as the current stock of capital is failing to meet the needs of today, the situation will likely deteriorate in the coming years if the pace of investments does not change. For example,

- in addition to new infrastructure, there is a growing need to replace existing infrastructure that is fast-approaching or long-past the end of its lifespan;
- existing infrastructure is under increasing pressure from a growing population—municipal facilities as well as the stock of housing in many communities were not designed to meet current demands—that has serious repercussions for community well being and environmental integrity;

- meeting new national standards for municipal services such as water supply, sewage systems and waste disposal are already far beyond Nunavut's financial capacity; and,
- global climate change will bring severe weather that is more frequent and intense—many of Nunavut's buildings, roads and airports were not built to a standard that could sustain this type of environmental pressure.[3]

From an economic standpoint, some of Nunavut's most valuable natural resources are inaccessible because of missing infrastructure. Most of the Territory's mineral deposits are, for all intents and purposes, stranded from development because of a lack of roads and marine facilities. This means only the most productive deposits, or those with easy access to the ocean or the Northwest Territories winter road system, can be considered for development. Meanwhile, poor marine infrastructure is limiting the expansion of Nunavut's fishery.

Conditions are worse when looking at Nunavut's public infrastructure; more specifically, its state of public housing. In both the original *Nunavut Economic Outlook* and its subsequent Update the dire situation regarding Nunavut's housing was highlighted. Unfortunately, little has changed in the past three years to alleviate the stressed infrastructure.

The overcrowded and poor quality of homes in Nunavut are contributing to numerous negative outcomes in social performance, such as the Territory's high rates of tuberculosis, lower respiratory tract infections, and suicide. Poor housing can also be a contributing factor in student test scores and at-work performance. Nunavut can do a lot to fix its education system, but if not paired with similar improvements in its housing, most of the potential gains in education will be lost.

To tackle the housing crisis, the Government of Nunavut invests 10 per cent of its annual budget to public housing—by far the most spent, in relative terms, by any government in Canada. But even with this amount of dedicated funding, the cost of operating and maintaining existing homes ($19,800 annually per unit) limits the number of new units that can be built. Less than 100 units are typically added to the public stock each year.[4] As it stands, the Government of Nunavut already currently maintains over 3,600 public homes. Twenty per cent of these are over 25 years old—not old by southern standards, but given Nunavut's climate and the building codes in place during their construction, most of these older homes are in need of replacement or major repair.

Earlier in 2006, the federal government announced a $200 million program to support public housing in Nunavut. Present estimates suggest this will afford the region 700 new units, to be built over a three- to four-year time period. This is a healthy start, and will make a difference over the short term. But given that the current demand for housing in Nunavut has been estimated at 3,000 units and that this new fund will not pay for the

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[3] "Experts: Climate Change could wreak havoc on infrastructure," Jane George, Nunatsiaq News, July 8, 2005, based on a report released by the Adaptation and Impacts Research Group of Meteorological Service of Canada.

[4] The Nunavut Housing Corporation in coordination with the CMHC has built 300 public units in Nunavut from 2000 to 2004.

annual operation and maintenance costs, more will be needed for the long term after this initial fund is absorbed. Discussions on a long-term strategy should begin now.

Building more houses will alleviate some of the pressures in Nunavut communities, but other community investments are needed. The Government of Nunavut has responded by raising its capital budget to build schools and hospitals, though this level of spending is not sustainable. There are also efforts to adopt new cost-saving and energy-efficient designs in their construction activities and are discussing new conservation policies to reduce the burden on existing infrastructure while slowing the need for new infrastructure. Across the Territory, capital planning is now integrated at the community level through a joint committee of government and municipalities leaders. Meanwhile, through the efforts of the Nunavut Broadband Development Corporation, 2005 saw the introduction of affordable public broadband to all 25 Nunavut communities.

Unfortunately, despite these actions and the federal government's new economic and community infrastructure programs, experts agree that Nunavut is not yet on track to eliminate its infrastructure deficit. Failure to address shortfalls in basic human needs such as housing and community infrastructure carries the risk of a major social collapse in Nunavut. There is a real concern that the industrial growth anticipated over the medium term will not result in widespread improvements in the quality of life for Nunavummiut if these social performance issues are not addressed. This last point cannot be overstated, and Nunavut must remain resolute in its efforts to address these challenges.

CONCLUSION

Nunavut's population is dominated by young people. When this generation of Nunavummiut enter the workforce, they will transform the Territory economically, socially and politically. Coupled with the Territory's rich resources, this generation has an opportunity to bring Nunavut into an era of great prosperity.

However, with greater access to the outside world through television and the Internet, these young people understand fully their situation with respect to others in Nunavut, Canada and the world. They also know that Nunavut has the potential to provide them with a high and sustainable quality of life, and thus will not accept the status quo. They will demand more from their institutions of public government, their education system, their communities and their economy. If the foundations are not in place for them to succeed; that is, if their education system fails them so that they emerge into the labour market without sufficient skills and knowledge to participate, if their communities are without adequate housing and safe public infrastructure, and if they are otherwise surrounded by poor socio-economic conditions, they will not remain in Nunavut with its guarantee of no work and low standards of living. An exodus of bright young Nunavummiut would have profound impacts on the Territory's social and economic performance and potential.

This threat is real, but avoidable. Nunavut must seize the opportunity to work with its federal partners and find long-term solutions for building Nunavut's foundations and thus secure a prosperous future for Nunavut and Nunavummiut.

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[i] This document was based extensively on research published by the Nunavut Economic Forum, Nunavut Tunngavik Incorporated, and the Government of Nunavut, including:

2005 Nunavut Economic Outlook: An Update on Five Years of Progress, Nunavut Economic Forum, prepared by Impact Economics (July 2005).

2005 Progress Review of the Nunavut Economic Development Strategy, Nunavut Economic Forum, prepared by Impact Economics (May 2006).

Labour Force Survey, Nunavut Bureau of Statistics (July 2006 release).

Nunavut Ten-Year Inuit Housing Action Plan, Nunavut Tunngavik Incorporated and Government of Nunavut (August 2004).

Qanijijuq (Preparing for the Journey), Nunavut Economic Forum (August 2004).

2001 Nunavut Economic Outlook, An Examination of the Nunavut Economy, Nunavut Economic Forum, prepared by The Conference Board of Canada (May 2001).