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YUKON 2000

SMALL BUSINESS AND THE YUKON: A LINKAGE REPORT

**Draft Discussion Paper
Prepared For The
Yukon Economic Strategy
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This linkage paper complements YUKON 2000's efforts which defined growth opportunities in eleven sectors of the Yukon economy. While those sector reports describe large industrial groupings such as mining or tourism, and look at such areas as cultural industries, this study looks across all eleven sectors from a particular perspective: the small business viewpoint. The authors here see the Yukon's economic energies and performance in terms of their help for or hindrance to enterprise development on small scales. Two issues, taken from this report's terms of reference, describe its purpose:

1. "To what extent does the small business sector contribute to Yukon employment and incomes?", and
2. "Discuss the likely role of small business in the development of the Yukon through to the year 2000."

As this report's Table of Contents indicates, these questions are answered in stages. Those stages perhaps best start with some attempt to see these present efforts in their place with other economic events in the world, events that do and will have profound effects on Yukon developmental prospects for the next few decades. The search here looks for what some northern economists call a "new staple" or a "new stamp" to shift reliance away from large project industries mostly benefitting outsiders.

No doubt the readers are aware that the present recession's cure is widely thought to be found in the private sector. That sector's engine for growth is the new enterprise, small or large, successful or not. Economic development through business starts requires enterprising people to organize capital and other resources. It requires individuals to take risks in entering the marketplace and in hoping to survive, and even becoming wealthy.

Canada's policymakers and those of most of the world's nations (including the Soviet Union and China), apparently believe that as the world economy becomes more interconnected, and thereby exposed to radical shocks in technology, markets and economic and social events, the strongest fibres of a nation's economic fabric are those consisting of small, innovative businesses who can bear future uncertainties through adaptation of entrepreneurial energies to new opportunities. Western economies, including Canada's, will more and more be developed by businesses with high information and service content, without direct dependence on primary resource markets, and based more in regional market sectors from which they will compete with similar business from around the globe. The first order of any new enterprise's competitive efforts will concentrate on import replacement, particularly with simple products and moving to increasingly high technology.

In this world, large scale multinational resource and manufacturing companies will not disappear; they will simply become less important in developed countries and economies, and more the main business of the developing countries. That trend is clearly evident now. Canada's competition in mining, forestry and food comes from countries which twenty years ago were "have not" importers of aid from western democracies.

Various Canadian governments have already done a great deal to foster growth in small business. And that arena has responded strongly to the stimulus. Firms with less than 20 employees provide most of the new jobs and new innovation in Canada. Diversification is led by the small enterprise, not by the older, larger and product-committed corporations. In a modern economy, rigidity is a flaw, and ironically enough, rigidity most often comes with size, rather than with age of an enterprise, particularly in a restricted competitive environment. The environment has changed: competition comes from everywhere, now. Small is not just beautiful, it is smart.

Clearly the Yukon shares specific development opportunities with Canada as a whole. Some economic characteristics are the same for the region and country: a resource-based, city-dominated economy with narrow market bases for primary products sold internationally. A small population and erratic employment opportunities. A large government sector plays a key role in development and social services. But government may play a shrinking role in the face of fiscal necessity and the in light of new economic forces calling for more private initiatives, particularly at the community level.

Small business in the Yukon, as in the rest of Canada, is and will be the centerpiece for regional economic stability and growth. Section Two describes how small business in Canada and the Yukon presently plays out its role. That section also describes how small enterprise might grow.

2.0

SMALL BUSINESS AND THE YUKON

The first part of this section concerns itself with the character of small business as an economic unit, particularly in light of recent Canadian and global events. The second part addresses the particular character of small business in the Yukon, using analysis from a number of sources, and presenting statistical evidence in Tables A to D (Appendix). The data for much of that statistical work came from Yukon government and other local sources (bibliography items 1, 8, 14, 15 and 16).

First, something of the creature that is small enterprise.

Business size is traditionally depicted by gross annual sales and number of employees. Sometimes organizational descriptions are also used. For example, an enterprise with less than \$1 million annual sales, fewer than 20 employees, and with a loose, owner-operated management structure would qualify as a small business in all three ways. Small business is also associated with growth, with innovation, with a single product line, and with a high proportion of equity financing or owner capital in its first years of operation. As time passes, debt financing grows rapidly until the business reaches middle size where it then returns to equity financing through public offerings. Of course all these generalizations' applicability depend a good deal on the industry sector and local and international market conditions for the products and services. For the present purposes the employee and organizational criteria are most useful: less than 20 employees and owner-operated.

A kind of two-tiered business phenomenon is presently occurring in Canada. Mergers are consolidating and concentrating the traditional and "smokestack" industries, while in the small business arena, diversification and market entry are exploding phenomena. In a country whose medium-sized business sector is relatively weak and small, and growing more so, the definition of small businesses is becoming an easier task. There's a clearer middle ground. Most businesses in Canada are small.

Studies indicate that in recent years businesses with less than 20 employees generate eight times more jobs than those with large workforces (more than 100 employees). Since September, 1984, firms with less than 50 employees have created 400,000 new jobs. By 1990, if current trends continue, 90% of new jobs will come from small business.

Business failures are also higher among the smaller enterprises, but generally failure in one enterprise does not discourage further ventures. The personal history of successful entrepreneurs is populated by failures, even bankruptcies, yet the dynamics of business start-up, success, and even significant numbers of failures are valuable forces for economic growth. It also makes good market economics, to say nothing of jobs, incomes, taxes and the rest.

No doubt the formidable statistics and hard work of small business has compensations. Many small enterprise owners whose operations remain small by choice, even though viable, suggest the attraction of independence and contact with their local communities are magnets to lure them into the marketplace, away from jobs with large corporations and potential relocation. There's a sense of personal power in one's own business.

Women provide a good deal of the new business momentum in Canada and elsewhere. Women have often turned to their own businesses as second breadwinners in families. As female economic and political power grows, much of that power shows itself in the small business arena.

The changing face of world economics also mitigates toward "cottage" industries. Capital- and technology-intensity replace labour through centralized pools. The proprietors of the cottage enterprise operate a low overhead, low volume service or product business that is adaptable, innovative, and market oriented. Computer businesses come to mind, as do light industry manufacturing, professional services and various "rent an expert" type operations. In a fast-changing economy, this kind of enterprise is resilient because it is small and adaptive, and attractive to entrepreneurs because it demands a diverse range of talents. It can still pool large project risk over an alliance of similar firms. Such enterprises appeal strongly to freshly unemployed, highly trained refugees from large corporations. But such industries also present opportunities for anyone with skills to sell and managerial dedication to organize these skills for production or service.

Modern economic realities, globe-circling technology and world markets are taking enterprise back to compact, small businesses as diseconomies of scale shift Canada's and the world's centres of financial gravity. The Yukon bears no significantly different experience in that regard than does any other economic region.

The entrepreneurial development challenge for the Yukon is particularly acute in some sense, though. The Yukon's economic fabric is loosely woven, spread over a large territory, connected with fairly good communications infrastructure, but knit together over a thin market population and modest production base. The linkages are weak by their very nature. But there are linkages, whose strength can be tempered by looking to world markets for sales, and world alliances for support. Governments and local communities can also help. But more of that in Section Five.

2.2 The Yukon's Small Business: A Sectoral Approach

First, an introduction to the statistics. This paper relies heavily on the state of research in the Yukon for small business information. Those sources are listed in the bibliography. The authors have reorganized and performed some manipulation of that source data, the results of which are shown numerically in Tables A through D. First, some preliminary highlights from those tables.

1. Table A. The Yukon's principal goods producing industries - mining, manufacturing and construction - clearly dominate production businesses. The value of production figures, averaged for 1981-85, rank construction first and mining second. Of course, the averaging hides the relative decline of mining output

value over the period. In 1981, mining value was 1.5 times that of construction; by 1985, value was about one-third that of construction. The averaging process may represent a clearer overall picture, though. Mining is now recovering strength.

Employment follows a similar pattern to production value. However, manufacturing employs more people relative to its production value than do the other large goods producers: 15% of employment, but only 4% of value of production.

In the goods producing industries the strong building blocks for small business development will likely come from three present dominant industries. Manufacturing is of particular interest. Its potential to link with mining and construction is already particularly strong because of its present dominance by small businesses with strong labour pools and resilient records in the face of the recent recession.

Analysis based on Table A's figures show that capital-intensive mining and construction averages \$184,000 and \$303,000 in production per employee. More labour-intensive manufacturing (at \$51,000) and agriculture (\$47,000) show more employment growth potential per dollar increase in production. Forestry's \$102,000 occupies middle ground.

2. Table B. This exhibit completes the business sector list for the Yukon, but shows only employment figures. Not surprisingly, the biggest single employer is government (at about 40%). Government impetus in small infrastructure is likely to keep that employment figure relatively high in future years, but one would expect it to decline in relative if not absolute terms as economic development in the private sector grows.

The contributions of the transportation, retail trade and accommodation sectors to employment are next after government. These business types are "skeletal" enterprises, fundamental to community existence and to future growth.

Table A and B taken together show a total employment figure for 1985 of approximately 9,600, 86% in the services, 14% in goods production. The age distribution, skewed toward youth in both native and non-native populations, puts a good deal of pressure on the economy for job creation. History and Canadian trends would anticipate the service sector to continue to provide most of the new jobs. That is where Canada's markets will be. It is also where Canada has the most capability to compete: in high technology and second level industries requiring capital and a well trained work force. The goods producing sector will move away from intensive labour use, while associated service industries will become more labour intensive.

3. Table C. brings the major private sector businesses (excluding government) together to compare, for 1985, their relative number of employees (full and part time), their number of services, and their market areas.

Finally this table documents the number of businesses who operate in all markets or only in some segments of their national/international marketplace. These data give some insight into relative diversity of various sectors by the number of businesses in them. They also show how much employment they generate directly, and indicate the industry's market "reach" for activity areas. For each sector the data shows the number of businesses operating, total employees, total service offered to customers, how many sell exclusively to particular markets as opposed to all markets. The last two columns indicate the number of businesses of the total in the second column that do not sell to all markets, therefore are "segmented" in their marketing efforts. The last column expresses the number of segmented businesses as a percentage of the total in the "Businesses" column.

Businesses with few employees, few services and high segmentation percentages tend to have low potentials for growth that will nurture small business development as well. There are relatively fewer direct linkages to other businesses in the community, or anywhere in the marketplace. Logging is such an example: 10 businesses, 17 employees, 24 services and a 90% segmentation factor. However strong on its own, its linkages are relatively weak, so its potential as an economic catalyst are equivalently weak: it doesn't stimulate other businesses as much as would some other business which sells to more markets.

In contrast, accommodation is a strong stimulator of other activity: 163 businesses, 881 employees, 423 services and a 53% segmentation factor. Retail trade shows similar characteristics.

Other industries fall between these extremes, but it is perhaps useful to note that there are no necessary correlations between number of employees and number of services - mining in contrast to retail trade or accommodation - but there is correlation between number of employees and diversification across markets. From this evidence, a long market arm creates more employment opportunities. Not a surprising result in an economic world where businesses of all sizes, even at the outset of operations, look to international markets for sales. That broad outlook may be a key element in nurturing small business.

Generally 74% of all Yukon businesses sell to selected markets in Canada. So 26% cover all markets, and so offer larger small business growth opportunities.

4. Table D. carries the data from Table C one further step, showing average number of employees and how many services each private industry sector offers. The overall averages are about 4 employees per business, confirming other sources that about 90% of Yukon businesses employ fewer than 6 employees, and that 98% employ 25 or fewer.

The average number of offered services per business is about 2, ranging from a high of 2.71 for construction, with its many subtrade and related activities, to a low of 1.24 for health and social services. Among the big employers per firm and in aggregate in a sector, mining has a low service index of 1.52, as does transportation(1.91) and communication(1.47). In contrast among the big employers, wholesale trade(2.53), retail trade(2.15) and accommodation(2.60) are relatively high in service spreads. All the other factors equal, the broader the services, the more fertile the financial and market grounds for small business.

While the tables discussed in this section are indicators of the status quo and point some directions for new linkages, a good deal more research could isolate opportunities more thoroughly by getting behind the specific activity of businesses in services and market areas. For example, relating value of sales to services and community markets would focus on import replacement. Purchases information for each business in a sector would provide more useful evidence for the same objective. Definition of Canadian and international markets would describe opportunities for exporting outside the region.

2.3 Character and Potential in Small Enterprise

Of the 1500-odd businesses in the Yukon, most are small. The majority are service oriented. Goods producing industries provide about 20% of employment and about the same percentage of businesses, although construction firms make up most(60%) of the businesses who produce goods. There is a clear contrast between mining and construction: mining is a large enterprise; construction a small one, although both are vital contributors to employment and Yukon incomes.

Taking each sector in turn, the following potentials seem apparent:

2.3.1 Agriculture

With regulatory change to allow access to local and other markets, this sector could expand. Lowering transportation charges through negotiation alliances and through bulk buying would spur development. Marketing wild game is also a potential market, a market, for example, very successfully developed in New Zealand for export. The land transfer process is presently an impediment to growth, as is the access to credit in the traditional banking system. There are potentials for use of technology to grow more food and improve storage and processing facilities to further create import replacement. Cheap energy may be the key growth element needed.

2.3.2 Logging/Forestry

Tied to improvements in the manufacturing sector, access to markets nationally and internationally and some pooled resources in technology such as kilns, this sector can expand. The key for growth is a higher volume-added component, and more world market access. Present sawmill capacity cannot adequately serve local markets, and severely restricts Yukon industries requiring a reliable wood supply. A strong local demand is not being met, partly because the market producers do not consider the market large or consistent enough. There is a Catch 22 situation here: which comes first? The demand or the capability to produce?

2.3.3 Mining

This is an international business with a few large corporations and a host of smaller enterprises, particularly in the placer and exploration areas. It supports a great many spinoff industries in the service sector, including exploration and research services. That umbilical relationship with world prices tends to introduce shocks into the local economy with erratic resource prices.

But diversification across both the host and associated industries would smooth out those changes in employment and income. By bartering or otherwise exchanging the technology of the large, capital-intensive firms to smaller industries through joint ventures, subcontracts, direct purchasing and training programs, the two sectors could develop new, related products for both sector markets. For example, placer technology brought in from outside Canada might increase local productivity and inspire new ventures. Yukon mining expertise might be sold around the world as a training business. Or a service industry might coordinate its and a mining company's efforts to sell a value-added subsidiary product of the metals extraction and refining process. For example, in a recovering market for lead and zinc, and a rather more steady market in gold and silver, where are the value-added, secondary product opportunities to spur a dampening market in new directions, or to take advantage further of a strong market? The question is not whether the opportunities exist. They always do. The questions rather surround the personal and policy initiatives to find and pursue those opportunities. The extractive and resource-based industries throughout the world face the same questions.

2.3.4 Manufacturing

This is a small firm industry now. Its linkages with other sectors provide it with particularly strong potentials to develop secondary products, not only by the nature of production and related services, but also because it is labour intensive, highly entrepreneurial, and well connected to international markets through both its buying and selling activities. As Table

C indicates, it has a low segmentation ratio (70%). Closely connected to forestry, it requires better access to raw resources (as in tree cutting licences), technology (as in kilns) and market information (as in publishing and communications).

Manufacturing has some particularly strong problems in the area of regulation: food testing and inspection needs localized authority, for example, as does forestry evaluation and regulation.

Considering this vital sector's appetite for market information, policy makers and entrepreneurs in small enterprise might work more closely to tap into the global market information available in automated forms with computers. And there may well be a number of very powerful opportunities in information businesses themselves. A perusal of the Yukon Business Directory indicates a solid base of information analysis professionals - the local economy will require a good many more as the manufacturing and services sectors grow. Aside from technology, information is the key element in manufacturing, particularly in a highly innovative, volatile world market. The Yukon can expand in small, adaptable corporate units, sensitive to the winds of change in a information-laden age. The native crafts industry may be a particularly good candidate for marketing efforts, or for spinoff industries. For example, are traditional skills transferrable to high technology electronics? Probably.

2.3.5 Construction

Like manufacturing, construction is technology and information-sensitive. Unlike manufacturing, its markets are likely to expand more inside than outside the Yukon. This industry is closely linked to manufacturing, tourism, services and government activities. Import substitution may be particularly opportune here, given those linkages: construction buys and sells across a broad spectrum of sectors. It has information linkages to many businesses. Those connections are a resource in the small business development process.

2.3.6 Service Sectors

The dominant private sector employers, these businesses vary a good deal in their growth potential for small businesses. Transportation will remain strong, tied to goods industries and tourism. But transport sectors, with the possible exception of trucking, lack the smaller business potential of retail trade, publishing, finance, education and tourism. Small, local capital projects will provide a good deal of impetus for growth. There are other stimuli, too.

There is a direct linkage between devolution of economic and political decisionmaking and incentives for modest enterprise, particularly in service industries. In fact, a small, technology-reliant service may be a much more natural evolution

of native people's and community-based lifestyles than has been a resource-based centralized economic structure. So-called traditional lifestyles have in fact over the years incorporated into their ways a good many of the same characteristics of modern service industries: selected high technology combined with labour intensity, job mobility across industries, but job immobility within regions or cities. Strong community linkages and high information exchange also characterize both.

Likely a retail-related, service-oriented economic base will bring a larger proportion of native populations into the economy, whether they be as wage earners or as business proprietors. Presently about 48% of natives work in the wage economy, and an uncertain number are entrepreneurs in traditional activities and other businesses. It is evident that the incidence of technical training among natives is closer to that of the non-native population than any other education level (22% versus 30), (reference 9) and that is encouraging for small enterprise. The missing component is business training.

Service industries tend to reach outside their local markets. They therefore import linkages at the buying and selling end of transactions. National borders are not serious impediments even with tariffs. In prospect of free trade agreements, the Yukon may be able to tap into a world economy that much more easily. But research and communications technologies must be improved.

The inherent strength in the service sector has been borne out by recent events. When mining and related activities felt the cold breath of recent recessions, the small sectors held their grounds, admittedly helped by government, by tourism growth, and resilient gold and silver markets. The small sectors cut margins, looked for new markets and looked for cost savings in their operations. And they have largely survived. That alone is testament to their futures.

3.0 JOB CREATION AND INCOME DISTRIBUTION

This issue reaches outside the small business development arena, cutting across all sector and linkage studies. The numerical character, the age and the geographical distribution of the population and work force is not at present conducive to an economy dominated by a few, large firms in extractive businesses. Hence a good deal of unemployment and erratic economic fortunes, alternating with the prosperous times. Jobs and incomes come and go with metal prices and with corporate events shaped outside the Yukon in many cases.

While infrastructure (transportation, communications, social services) is good, provided in large part by a government sector, there are some new directions to consider in light of recent evidence. A review of the highlights follows:

3.1 In the 1971-81 period, mining has directly created fewer than 200 new jobs in the region, about the same as manufacturing. By contrast, employment creation in other sectors was much higher: public administration(1520), community, business and personal services(1290) and trade(815) led the way. Some 5100 new jobs arose during that period in all sectors(reference 6).

3.2 The population distribution has not altered substantially in the last 20 years, as between native and non-native populations. The traditional lifestyle, though changing, stays alive and where it traditionally was. That fact affects employment levels in native populations and the potential for business growth involving natives. Overall population has increased beyond 27,000 in recent months, mostly in Whitehorse and Faro.

3.3 As one economist for the McDonald Commission put it, " A buck is not a buck in the North". High costs and various taxation issues have negative effects on Yukon income earners. The less access a wage earner or business proprietor has to the low cost markets of the South, the more he or she is hostage to that big-cost, low-benefit Yukon dollar. Wage averages are higher for both native and non-natives, but they do not entirely blunt the problem. For an entrepreneur, without collective bargaining power and without profit guarantees, the high cost, low yield dollar is particularly daunting.

3.4 The annual increase in the work force at present trends requires about 400 new jobs without in-migration. McDonald Commission projections for native and non-native workers show that even under optimistic growth assumptions for present industries and particularly in mining and tourism, there will be job scarcities without significant outmigration by non-natives. Job projection figures created by economists(reference 6) are evidently a controversial issue in the Yukon. However, the Anvil re-opening recreates job opportunities. But recent downward trends in the Yukon's relatively high wage rates may encourage more business startup activity in a job market with persistent double digit unemployment levels.

3.5 About one-half of the Yukon government's total revenue comes from direct transfers from the federal government. In fiscal 1985-86, of the \$400 million spent by both levels of government, \$74 million was used for economic development.

3.6 Population and economic opportunities focus on cities: 70% of the population lives in Whitehorse, 6% in Watson Lake and 6% in Dawson City. Business numbers are more concentrated: 75% in Whitehorse, 7% in Watson Lake and 5% in Dawson. Service industries are even more concentrated.

3.7 Four dominant sectors provide employment:

- * government
- * services
- * mining
- * tourism

Estimates of their relative size vary. Two, services and tourism, are prime targets for small business development.

3.8 Fishing, hunting and trapping provide a good many jobs not recognized by statistical studies. Some of these activities, along with outdoor recreation, are part of tourism and service industries. These businesses may well have stronger linkages to external markets, and therefore stronger growth potential, than many economic architects and entrepreneurs realize.

3.9 Leakages are a primary economic issue: \$100 million spent on petroleum products; \$40 million on food; \$40 million on manufactured goods. Those \$180 million outflows place some dimension on potential import replacement activities, and illustrate the weak linkages of local Yukon expertise to local markets.

3.10 As in the rest of Canada, business skills have been neglected by public education systems. Numerous public and private organizations have lamented this fact. To some extent the balance has been addressed in many regions. For example, in British Columbia the Department of Education has funded some 20 enterprise or incubation centres, largely controlled by the local communities, to foster business education and direct counselling. At the federal level, training initiatives include the work of TIEM, a private sector business development enterprise in joint venture with the public sector to create and finance new businesses. The major financial institutions federally and provincially are also involved in business education. The new economic reality nation-wide for a resource-based, trade-oriented economy is small business. Education is a fundamental beginning in the process of turning Canadians into entrepreneurs. The Yukon faces similar shortcomings and challenges, building on recent modest progress.

3.11 Research and development (R & D) remains a Canadian weakness. Especially true in the small business sector, where financial incentives are not attractive in the light of an uncompetitive and unresponsive banking system, and where corporate concentration makes startup risk in research-rich business particularly acute. The small middle-ground business sector makes R & D difficult to rationalize by small companies, and not pressingly necessary by the large corporations often branch-plant accretions of multinationals. Yukon 2000's public discussion paper mentions six prime R & D areas (page 57). There are others: notably in technologies allied to present industries and to market and production opportunities in new "sunup" industries in forestry, manufacturing and services.

The Yukon government has commissioned investigations into import substitutions (reference 3). A preliminary list of new products and services were identified. Such efforts are important starts toward encouraging local business to compete with non-Yukon businesses for the Yukon market.

The Yukon, like all Canadian jurisdictions, benefits from several program levels supporting small business. The territorial and local governments encourage business through creating infrastructures (roads, schools, markets, utilities and such) and direct financial support for enterprise. The federal government performs similar tasks, with wider, national objectives. While these efforts are useful, albeit sometimes overlapping, the small business sector's special requirements have not always been met in the midst of support for the large, extractive industries and public service infrastructure.

In recent years, the support for education programs has benefitted small business. There have been other initiatives by various bureaucracies, but few if any initiatives have attempted to coordinate a systematic interaction between the three or four economies in the Yukon: the first, the traditional or subsistence economy whose major participants are native peoples, the second, an extension of the southern wage economy (largely resource-based), and the third, a welfare economy. Other authors see a fourth economy: a local wage economy in part separate from its southern host. That is the strongest, but not the only, small business seedbed. As with the linkages between sectors, the linkages among these subeconomies provide the opportunities for small business growth, particularly in light of the evidence of part-time employment: part-time business activities are possible with such work patterns.

Institutional programs have not focussed on the lattices that connect these sectors. Instead they invoke financing and other criteria better suited to another kind of economy, in another time, with guidelines taken from southern metropolitan centres.

Notwithstanding these critical remarks, it is clear that the Territorial Government can help small business development a great deal. In partnership with the various Federal departments such as the Federal Business Development Bank, Regional Industrial Expansion and Employment and Immigration, the public sector will remain a strong force in small business development. The Yukon's Economic Development, Mines and Small Business in particular will focus efforts on helping small enterprise find and develop market opportunities.

Several Special ARDA agreements tend to target particular groups such as the native community. Other programs include both natives and non-natives for support. But often natives and non-natives fail to strike alliances to take collective advantage of support programs. Most of the problem may lie in private initiative, but likely there could be better marketing efforts for these programs at community levels.

And so, finally, what is to be done? A good deal of the answer to that central question falls out of the discussion to this point in the report. Various sorts of answers invite classification: public and private initiatives; financing initiatives recognizing small business needs; structural initiatives in the regional economy; actions that will add strength to the linkages between large and small, public and private enterprise; educational programs at all levels to target business literacy skills; selective financial actions of local governments to buy locally and support local enterprise as a customer, all other things being equal... and so on. All these kinds of suggestions are equally applicable to Canada as they are to the Yukon. But perhaps there are some specific policies and institutional actions to be taken. A list follows.

5.1 Section 2.0 outlines development potential by sector. A small business agency would organize government efforts to help businesses. The agency would coordinate the programs of all other levels of government. By its nature, it would cut across all sectors, and affect most businesses in the Yukon. It might appropriately report directly to cabinet committee of the Yukon government. As examples, such an agency might address the need for airport upgrading in communities. It might look at a proposal for keeping a highway open more effectively. It might examine the idea of a grading agency for lumber. It might look for ways around the insurance, financing and bonding issues that interfere with business development in the Yukon. It would be proactive and reactive: serving as an ally and acting as an initiator in a kind of "business ombudsman" role.

5.2 The financial resource base of small business needs special attention. Access to debt and equity remain problems out of proportion to the risk of small enterprise. Commercial financial organizations have been unresponsive, a particularly acute problem for small business in the Yukon. The answer may lie in a development fund, or a taxation incentive program for investment pools for small businesses. Several provinces, including B.C., Ontario and Quebec have such programs. Equity capital is particularly difficult to access. Several government studies (references 1,4 and 5) advocate new financing programs, among them such an equity fund.

This fund might best be administered by private sector community groups, with government representation on the Board of Directors. In that way, the often-made criticism is met: the business community, not a bureaucracy, however valuable its advice might be, makes the majority decisions and does the major research into financing strategies for small business.

5.3 Community, not regional, development is the keystone activity. Town by town, community by community, the Yukon's small business sector will grow when economic decisionmaking is decentralized rather than centralized, and with it the focus of local buying efforts. At the same time, those local businesses must look to sell to the world. The "city-state" economy is an important idea only recently recognized (reference 10). The first steps toward growth and resilience begin at each business's front door, in its own community.

While the contrary argument for concentrating economic power to achieve scale economies (the arbitration idea: reference 8, page 33) has conceptual merit, in fact through alliances one can achieve economic centralization and market power while remaining physically decentralized. All the computers do not have to be in the same room. Nor do the business premises have to be in the same town.

5.4 Support for women in business. Statistics indicate that women start the majority of new businesses in Canada (3:1 to men), plan them longer before startup and enjoy a higher success rate (47% last beyond 5 years; in the case of men, 25% survive). While Yukon women are gaining ground in relative salary levels to men, they may well deserve particular attention for support in starting businesses. Education will likely be part of that help.

5.5 Research and Development. The discussion in Section 2.0 outlines sectoral linkages that might encourage small enterprise. These potentials need more investigation. Data of the type indicated in Tables A through D require refinement and deeper analysis. For example, a sector by sector community analysis of the potential for import replacement would be very useful. Such an approach has been used by Third World countries such as Indonesia, with some success, using CIDA support. A similar program in British Columbia, called "B.C. First" has as its objective "identifying goods and services currently being imported into the province and then sourcing these goods and services within British Columbia". The procedures have a considerable appetite for data and management of alliances. Buyers and sellers in each community would be encouraged to look inward first for goods to buy and sell, and to work together to sell outside.

There appears to be a feeling prevalent in the business community that there are some key development opportunities going unnoticed by private and public sectors. For example, if the capped wells at Eagle Ridge were viable producers of sweet natural gas, and could be used for motor vehicles, food production and manufacturing, then the bulk of the \$180 million leakage mentioned earlier becomes significantly stoppered. While this serves only as an example of an idea, there seems to be plenty of business fantasies to create. Some will work. The research process will help find out which will create profits and which will not bear development.

Research might examine the technical feasibility of a home fixtures industry. Or of producing rock bolts locally. Or clothes.

In technical research, the resources of a highly trained workforce in mining, government, manufacturing and construction could provide baseline talents for technology transfer and importation into regional and local communities to start new business. Is an electronics industry tied to mining exploration such a bizarre local prospect? Is biotechnology industry allied with forestry, fishing, trapping and manufacturing a possible new small enterprise? Such efforts to search for business alliances need not exclude southern or international partners, in this age of aircraft and modern communications. The high costs of energy, food and manufactured goods to the region give urgency to this investigative process. But so too should the potential for expansion in strong Yukon business sectors such as tourism, building on strengths as much as on weaknesses.

5.6 The large Subagreements that federal and regional governments work out, as with the recent \$10 million tourism one, usually have small business development components in them. But they might be focussed further to subregional areas outside Whitehorse, and on particular tourism markets. That process is under way. Some local commentators indicated the need for still some fresh approaches here.

5.7 Enterprise/Incubation centres. These "half-way houses" for small enterprise are extremely popular with federal and regional policymakers. The embryo business gets financial, training and even real estate space for getting started and continuing operations for the first few years, then is "cut loose". Fees are often charged. A variation, called the "Minnesota model", does the same sort of thing for established enterprise needing rejuvenation or redirection into new markets. The developmental results are encouraging, particularly when they are run by a broad spectrum of community groups, and require some financial commitment from the enterprises aided. Recently the Yukon's Economic Development Department established business development offices in Watson Lake and Dawson. Those offices could become the first steps toward fully fledged, locally run enterprise or incubator centres.

5.8 Market research. The governments have a role to play in providing market research for all business sectors. Taking the research and development of \$5 one step towards specifics, one would search the globe for long-term development opportunities and markets. Local markets also have vacuums that represent opportunities for Yukoners. Incentive programs for private investigations would be most effective, but governments rather than the private sector may have to lead a large number of the initiatives. A "selling the North overseas" idea comes to mind.

This process requires listing the region's and each community's business related characteristics. Many apparent weaknesses are in fact strengths. For example, the immobility of native populations, the isolation, the large, unpopulated expanses, the hunting/trapping subsistence economy... all these are conducive to particular kinds of small business wed with modern technology and world markets.

Policy makers in the private and public sectors, working together, could develop a superior data base for market opportunities.

As an example, the Yukon government's recent report on the "Dominant Service Center" for the Yukon (reference 5) gives some indication of the supply lines to the region. The next step requires a more detailed origin and destination study for goods and services to and from the Yukon. Such a study might give local Yukon businesses more bargaining power with suppliers and transportation companies and would identify how transport costs might encourage more local industry.

5.9 The land claims process as economic stimulus. No doubt a volatile political issue, these settlements will likely provide impetus for economic development. Policy makers in other regions of Canada have been at some pains to encourage accumulation of venture capital. The Yukon's native people will have a unique opportunity to invest in their region with such settlement proceeds. Perhaps settlement capital from the North West Territories and elsewhere might also be lured into the Yukon. In any case this source of equity and debt capital is one among many potential financial resources. It has some particular attractions because it is local, though.

5.10 A formal structure, perhaps called the Yukon Small Business Institute financed by governments and industry, run by the private sector, with a global, proactive (read "aggressive") marketing vision, might very well rally community development forces around a host of new and viable initiatives. One might put a chapter in each community, much like a Chamber of Commerce. The institute would have an educational role, too. It would differ from a Chamber of Commerce in the degree to which it focusses its energies on economic growth in one particular sector. It would act like a cross between an organization like the Canadian Federation of Independent Business and the Asia Pacific Business Institute. In fact the Institute and several of its satellite organizations would offer good blueprints for such an organization in the Yukon.

5.11 A bipartisan government and community review of the financial services available to community businesses in the Yukon. Such review would perhaps suggest ways to encourage more responsive, local decision-making for credit applications and develop a stronger communications link between the financial institutions and the communities they serve. In some cases the

process might also encourage market entry by other financial institutions or help create cooperatives or credit unions from local resources.

5.12 An innovation institute geared toward technical and business assistance for the invention-oriented new business. The entity would be geared to help launch the enterprise that will manufacture a new product requiring rights protection and technical support.

5.13 Deregulation and devolution. These two items of jargon sum up a large area of concern to the private sector. They mean less government and fewer government rules for the business community. They also mean more locally based government decisions. For example the forestry resource might become more directly the responsibility of the territorial government as part of the process of extending security of tenure for forestry-reliant businesses. Forestry evaluation might also be a more locally based and community-responsive process.

Deregulation might also have an effect on the financial services industry and on the regulatory climate in a number of other areas such as taxation and transportation.

5.14 Business Education has several direct and indirect benefits to a community. Aside from selling citizens on the idea of independent business as a career, and helping train them to survive as business proprietors, educational institutions become information exchange centers for business issues and opportunities. While a good deal is being done in the Yukon, much of this effort is fairly new. Distance education, using television and radio, and bringing educational resources to the students, is also very feasible, given the communications resources already present in the Yukon.

One can find many examples of cooperative education programs and other college-based models for linking post-secondary education to the business community. B.C.'s efforts provide examples where students work in business and in classrooms as part of their educational experience. Small business is an important part of that process.

Canadians are often accused to being professional employees, not businesspersons. That accusation has less validity now than before the current recession, as earlier discussion indicated. The educational process will play an important role in economic growth by training young and old to see the independent business as an employment, and, more importantly, as an income alternative.

Taking the evidence and opportunities described here to the year 2000 is an exercise in calculated fortune-telling. As such it is dangerous. Yet clearly there are indications that the Yukon's economy has many resilient small businesses whose cross-sector activities will continue to link communities together. This discussion has attempted to point out what present structures tell policymakers about that future. This paper has also suggested a number of strategies for taking advantage of strengths and opportunities in that present to enhance the prospects of growth in small business in the future.

In the face of these suggestions for encouraging small business development, a cautionary note is in order: any efforts to help business starts and growth must be sensitively aware of the present business community. Too often a government program helps one business drive another out of the market. The net effect is not encouraging for others. Clearly such issues of unfair competitive support will color all efforts by governments to help enterprise. The status quo is best altered by markets.

While the extractive sector will likely still play a significant role in Yukon well-being, there seems substantial evidence that its predominance will give way in relative terms to other kinds of enterprise. Clearly there are opportunities to hasten that diversification. And the government sector will continue to be a catalyst. Part of the public sector work will require luring Yukon citizens into the marketplace.

As in the rest of Canada, the shape of this region's future is largely determined by its own citizens and world markets. The more diverse and numerically strong the business community is, and the more focussed its interests are to its own community, the more likely it will as a region escape the worst of the economic shocks so much part of the Yukon's business history.

...Development is a do-it -yourself process;
for any economy it is do it yourself or don't
develop.

...Cities and the Wealth of Nations
- Jacobs (reference 10)

APPENDIX

Table A: Goods Producing Industries

Table B: Non-Goods or Service Industries

Table C: All Businesses: Employees, Services and Market Areas

Table D: Averages: Employees and Services per Business

TABLE A: GOODS PRODUCING INDUSTRIES

Type	production(000's), average values\$	production percentages	Employment	Employment Percentages
	1981-85	1981-85	1985	1985
Agriculture	\$1,500.00	0.54%	32	2.33%
Forestry	\$1,730.00	0.62%	17	1.24%
Fishing	\$304.00	0.11%		
Hunting and Trapping	\$1,214.00	0.44%		
Mining	\$117,649.00	42.46%	639	46.54%
Manufacturing	\$10,660.00	3.85%	209	15.22%
Construction	\$144,000.00	51.97%	476	34.67%
		100.00%	1373	100.00%

SOURCE: REFERENCE 15

TABLE B: NON GOODS OR SERVICES INDUSTRIES

Activity/Industry	Employment	Employment Percentages
Government	3677	44.78%
Transportation	694	8.45%
Communications	424	5.16%
Wholesale Trade	211	2.57%
Retail Trade	1286	15.66%
Finance	139	1.69%
Real Estate	87	1.06%
Business	318	3.87%
Educational	24	0.29%
Health and Social	112	1.36%
Accommodation	881	10.73%
Other Services	359	4.37%
Totals, Service Industries	8212	100.00%

SOURCE: REFERENCE 14

TABLE C: ALL BUSINESSES: THEIR EMPLOYEES, SERVICES AND MARKET AREAS

Number of Businesses Serving Various Market Areas

Type	Businesses	Employees	Services	Local	Yukon	Yt/Nwt	Northwes	Canada	#segmented	percent segmented
Agriculture	20	32	46	4	9	0	2	1	16	80.00%
Logging	10	17	24	5	3	1	0	0	9	90.00%
Mining	23	639	35	1	2	1	10	0	14	60.87%
Manufacturing	61	209	148	4	20	6	13	0	43	70.49%
Construction	166	476	450	12	70	28	32	1	143	86.14%
Transportation	117	694	223	19	28	3	37	3	90	76.92%
Communication	19	424	28	4	5	3	2	0	14	73.68%
Wholesale Trade	43	211	109	3	9	9	14	3	38	88.37%
Retail Trade	288	1286	618	56	112	35	38	3	244	84.72%
Finance	17	139	34	1	11	0	1	2	15	88.24%
Real Estate	25	87	45	5	6	0	8	1	20	80.00%
Business	128	318	246	12	46	12	37	4	111	86.72%
Educational	24	24	45	5	6	2	2	1	16	66.67%
Health and Social	42	112	52	6	16	0	4	0	26	61.90%
Accommodation	163	881	423	51	25	1	6	3	86	52.76%
Other Services	360	359	497	97	96	18	13	7	231	64.17%
Totals	1506	5908	3023	285	464	119	219	29	1116	74.10%

SOURCE: REFERENCE 14

TABLE D: AVERAGE NUMBER OF EMPLOYEES AND SERVICES PER BUSINESS

Industry	Employees	Services
Agriculture	1.60	2.30
Logging	1.70	2.40
Mining	27.78	1.52
Manufacturing	3.43	2.43
Construction	2.87	2.71
Transportation	5.93	1.91
Communication	22.32	1.47
Wholesale Trade	4.91	2.53
Retail Trade	4.47	2.15
Finance	8.18	2.00
Real Estate	3.48	1.80
Business	2.48	1.92
Educational	1.00	1.88
Health and Social	2.67	1.24
Accommodation	5.40	2.60
Other Services	1.00	1.38
Totals	3.92	2.01

SOURCE: REFERENCE 14

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