

STRUCTURE AND CHANGE IN THE YUKON ECONOMY

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1.0 INTRODUCTION

The current decade is proving to be a challenging one for people throughout most parts of the world. Change, often difficult to control, and disruptive in nature, is a dominant part of reality for many people and institutions. Economic change is particularly unsettling and acute, affecting the way people and institutions inter-relate in basic and fundamental ways. For instance, many people are finding that the nature and conditions of work, and earning income have changed drastically. Many industries and businesses which previously seemed secure are faltering, or have disappeared entirely. Decisions to invest capital must take into account new risks and new uncertainty. Governments are finding that they can no longer count on what once appeared to be secure revenue sources. And the catalogue of changes goes on and on.

Even those not directly affected by economic change are feeling the impact of many of the changes. One of particular importance is increased insecurity. People in Canada and western economies generally feel less certain than they once did about their own future and the future of their children. A second is that most people are experiencing a general decline in public services.

In virtually all countries, public services believed to be essential to maintaining an acceptable standard of living are in decline. And a third has been a loss of confidence in institutions once highly trusted. Governments, businesses, and unions are no longer perceived as having the capacity to deal effectively with a rapidly changing future.

Many analysts believe that the changes which many people are seeing and feeling reflect substantial and significant changes in the structure of modern economies. Economies, they say, are in a transition that will result in them being much different in the future from what they are today. If they are correct, it will be important to understand the kinds of changes that are underway, and the implications of such changes. The ability of people within economies to realize their aspirations, and the capacity of economies to realize full potential, will in all likelihood, depend upon the extent to which governments and businesses understand and adapt to changes underway.

This paper addresses the question of change, in relation to the Yukon. It is based on the general observation that the Yukon exists in a Canadian and world environment, and is affected in an important way by world market forces. The basic and underlying structure of the Yukon economy is, and will continue to be affected by market forces external to the Yukon, and common to many other areas of the world. The question, at one level, becomes one of determining what the

effects of external changes are, and will be, in the future. At another level, it is one of determining the nature of internally generated changes taking place within the Yukon, that will have lasting affects on economic activity. And at yet another level yet, it is one of determining the kinds of changes that can be induced or generated from within the Yukon which are both desirable and possible.

It is entirely possible that an understanding of the economy and changes taking place within it will reveal critical choices that can, and even must, be made. The existence of choices implies that there are alternatives; alternatives that may in some cases be constrained by some of the changes that are at work, but which, if selected, will affect the long term structure and nature of Yukon society. The challenge is to identify what some of the alternatives are, and how preferred alternatives might be pursued. It is to these questions that this paper will be addressed.

2.0 GOALS AND OBJECTIVES

Questions about the kind of economy that is wanted in the future cannot be addressed without identifying objectives, or goals. Goals reflect the values which ultimately guide the making of choices, and thus assist in assessing options. Goals are in some sense ideal concepts. The ability to achieve them is very often constrained by external factors rooted in the external

environment. In addition, these ideals may come into conflict with one another. What is actually done must therefore often be tempered by the fact that trade-offs must be made. These considerations are just part of the reality of dealing with decisions and changes in a complex world. Nevertheless, a failure to articulate goals, in a meaningful way, makes it impossible to even begin to consider and discuss what should be done in often difficult and complex circumstances.

Yukon 2000 has contributed in a substantial way to the articulation of widely held goals among Yukon people. These goals, as reported in the Yukon 2000 Fall Conference Report include:

1. The Option to Stay in the Yukon

This goal suggests that changes that do take place should support those who have chosen to make the Yukon their home, and who wish to continue to live and to work in the Yukon.

2. Taking Control of the Future

This goal suggests that there is a widely shared desire among people in the Yukon to reduce dependency on decision makers resident outside the Yukon, and to shape the future direction of the Yukon economy on the basis of internally determined goals.

3. Achieving an Acceptable Quality of Life

Obviously all people aspire to standards of living and a general quality of life that is the best possible under their circumstances. It is nevertheless often difficult to translate

this aspiration into a more specific statement around which there is general agreement. The report of the fall conference of Yukon 2000 suggests, however that there are a number of agreed elements to this goal as it applies to Yukon people, including fair compensation for work and effort, the maintenance of opportunities to pursue lifestyles traditionally afforded by Yukon society, the maintenance of the quality of social and public services, and the preservation of the special quality of Yukon's environment.

4. Achieving Equality

The elimination of poverty and the assurance of the opportunity for all to participate on equal terms in economic opportunities is an important goal in pursuing change and development in the economy.

5. Increased Job Opportunity

Growth in job opportunities are necessary if Yukon people, and particularly young people are to have the real choice to stay in Yukon, and to pursue their aspirations as permanent Yukon residents.

6. Diversification of the Economy

Diversification is considered by many people as a necessary element in increasing economic opportunities, and in bringing greater stability to the Yukon economy.

7. Increased Participation in Decision Making

Participatory decision making within the process of economic

change is important in assuring that people, as much as possible, understand, accommodate, and direct the process.

It is important to recognize that these goals cannot be pursued separately, or in isolation from one another. While they each refer to matters of importance to the Yukon, and to Yukon people, they are closely related in quite complex ways when viewed from the point of view of future change and adaptation, and particularly when related to specific kinds of initiatives which could be helpful in terms of their realization.

Taken as a whole, these goals may be seen as a set of developmental principles. Development is the process through which social/economic goals as a whole are achieved. It is a process of integrating and advancing the social and economic life of a society, in keeping with the mutually felt desire of all people within the society to have the society realize its full potential. As such, it involves a strengthening of the capacity and opportunity for all individuals and families, social groupings and communities to participate in the future and to fulfill their unique individual and collective needs and aspirations. Collective goals are a statement of such needs and aspirations, and thus provide a set of guidelines which should ensure that no one is left out of the process of growth and maturation within the society. But they must be seen as an inter-related whole, a matter which has important implications in terms of devising the means for achieving the goals, since this also suggests and indeed recognizes that people and communities are fundamentally

part of the whole society. The means adopted for realizing the goals must fundamentally maintain and strengthen the place of people and communities in society. A society cannot be considered to be developed to its full potential if some people or communities have only weak political, social and economic linkages with society as a whole, and where some are highly dependant on others for their material, social and spiritual well-being.

Development is thus fundamentally concerned with realizing potential. Potential is itself very difficult to describe and measure in precise terms because of its subjective nature, and because it means different things to different people. It is only meaningful if all people are brought into its formulation for a society, and if accommodations are made among people to ensure that the full participation of some is not at the expense of others who are left severely disadvantaged. Its realization is also dependant upon the kinds of changes that people are prepared to tolerate and encourage. And it also depends upon the degree to which society is prepared to take action to break down the barriers and constraints that block the participation of those who lack the power and resources needed to ensure a relatively equal basis of participation.

Development is thus a process that involves, in part, integrating goals and putting people on a more equal basis in terms of participation in the social and economic life of a society.

Development should not be seen, however, as a "zero-sum game", in which there are gainers and losers, with all gains for the gainers being at the expense of what is lost by others.

Approached creatively, development can be a process that realizes important gains for virtually all members of society, over the long term, in terms of opportunity, security, and fairness; whether these be defined in economic or social terms. This does not mean that there will not be times when some will have to make sacrifices in order to provide a better balance of opportunities for others; but over the long term such sacrifices can generally be compensated for through the realization of greater social and economic well being generally.

The pursuit of development requires that a society be capable of self criticism. The articulation of goals, and the bringing together of these goals into a coherent whole presumes that the society is prepared to judge what happens in terms of those goals, and to change the way it functions when what happens is not consistent with those goals. This implies an acceptance of criticism, and a willingness to change and adapt behavior, whether it be the behavior of individuals or institutions.

Neither of these can be expected to happen without differences in views, disagreement, and occasional conflict. Forums for presenting views and resolving disagreements are thus very important. The creation of new forums, to supplement existing political and quasi-political structures, may be necessary as part of development. However, the creation of such forums must itself be carefully considered and nurtured in order to ensure

acceptance and legitimacy.

3.0 ECONOMIES IN TRANSITION

Numerous observers of economic conditions in Canada and other parts of the world economy have noted that economies are in some sense undergoing a process of fundamental change. Most suggest that, while the underlying factors causing such change are rooted in the 1970's and even earlier, the significance of these changes can best be understood by observing what has happened in the 1980's, and particularly during the period following the 1982 recession. An understanding of the economic changes evident in the 1980' reveals that economies generally are undergoing fundamental changes which are becoming a permanent part of economic life. The result is that basic structure of such economies will very different in the future from the type of structure characteristic of the past.

Those who support this view often cast their arguments in the form of past, present, and future economies. The past economy, often referred to as the "industrial type economy", is losing many aspects of stability and continuity that it once enjoyed. This type of economy, deemed to be descriptive of most of the developed market economies during most of the 20th Century, has the following characteristics:

- * a relatively high concentration on goods production, which is

capital intensive and in which competition is limited, compared to the production of services, which is labour intensive and generally highly competitive.

* a strong emphasis on manufactured goods, where economies of large size are important.

* rapid growth in consumption of resource commodities, with such commodities playing an important role in maintaining the traditional manufacturing industries.

* relatively prosperous hinterland or regional economies, which, while small in population and distant from large population concentrations, have realized prosperity on the basis of resources harvesting and extraction.

* an economic division of the work force, characterized by relatively high earnings in goods producing industries, and relatively low earnings in services producing industries (resource industries being included in goods producing industries).

* a division of the work force by sex, in which males, who provide primary family support, largely work in the higher earning occupations, and females, who generally work to earn extra family income, tend to work in the lower paying occupations.

It is argued by such analysts that these characteristics are fundamental to the structure of the "old" or industrial economies. It is also argued that many of these economies are undergoing basic changes which will be far reaching, with immense implications for the future. Some of the fundamental changes which have been identified include the following:

- * a shift in emphasis in consumer spending, with consumers devoting a greater share of their income to services, and an ever smaller share to manufactured goods; resulting in a general and continuing decline in the importance of manufacturing in overall economic activity.

- * a shift toward lighter, longer lasting, more technologically sophisticated consumer goods, with a resulting decline in demand for metallic resources, and in energy needed to produce and use such goods. As a consequence, consumption and utilization of many resource products and products of "heavy goods industries" are falling into absolute decline.

- * increased discovery and exploitation of resource deposits in third world countries, under relatively low cost conditions, furthering re-inforcing the decline in domestic utilization of the products of resource based industries; with the result that output and employment in resources industries are in decline.

- * increased production of manufactured goods, for export, in third world countries with relatively low wages.

* a major shift in the structure of employment earnings, with those employed in manufactured goods and resource industries more and more losing their advantaged position in terms of earnings, as job growth stabilizes in these industries and as low cost foreign competition becomes more important.

* a rapid increase in the participation of women in the work force, as women more and more seek continuing employment in order to provide family income.

* a growing relative importance of small business in production and employment as the service industries grow in relative importance, resulting in small businesses becoming more important in job creation, and resulting in an overall downward pressure on average earnings within the economy.

* declining relative prosperity in regional or hinterland economies, as resource industries experience lower sales, lower prices, and lower earnings.

The Canadian economy, being one of the major industrial economies, exhibits many of these features of change.

There remains among economists some debate about the extent to which the observed patterns are part of a relative slow recovery from the effects of the 1982 recession, and the extent to which they in fact represent a transition to a new kind of "post-industrial" economy. This debate is not a trivial one, in that if the changes which have been identified are not

part of a transition to a new, re-structured Canadian economy, but rather are only temporary as the economy recovers from the shock of a recession, then the economy of the future can be expected to be little different from the economy of the past. If, on the other hand, these changes are truly part of a transition, then we can expect that the Canadian economy of the 1990's and beyond will be quite different from what we have known for most of the post World War II period. The ways in which it will be different will depend upon the final working out of the forces identified in the above as being part of the transitional process.

There can be no doubt that the recovery from the 1982 recession has proceeded more slowly than might have been expected given the experience with earlier post war recessions. However to argue from this that the Canadian and similar economies are not in transition at all, but rather are simply recovering from a recession, stretches the interpretation of available data beyond credibility. The weight of the evidence supports the suggestion that the economy is going through a process of major structural change. Indeed, a return to the structure and economic characteristics dominant prior to the 1980's is now almost universally accepted as improbable.

If this is the case, what might the Canadian economy look like in the 1990's and beyond? What will be the significant structural characteristics of the "new" economy that is now taking place?

Making economic predictions is difficult in the best of circumstances. Attempting to do so when major changes are taking place, the shape and form of which we are now only dimly seeing, is considerably more so. Nevertheless, there are some broad generalizations about the future which are highly likely to hold, and which are of considerable significance in attempting to understand the nature of future economic challenges and opportunities. Included among these are the following:

1. A continued erosion of the traditional "heavy goods" industries, with a shedding of labour in these industries on a relatively continuous basis, and reduced consumption of metals which have been an important constituent part of the products of these industries. The metallic resources industries will also be faced with increased competition in world markets from new and relatively low cost supplies which have only recently come on stream in a number of third world and less developed economies. Wages will decline in both the heavy goods industries and the metallic resources industries, as will overall profit flows. These industries will also lose their historic importance in absorbing substantial numbers of new entrants into the work force at relatively attractive wage rates. The declining strength of the metallic resource industries, and declining wage rates in these industries, will together have important implications for regional economies, where metallic resource extraction and processing have generally contributed to the prosperity of many regional economies. Not only will employment

in such industries decline, but the economic effect of such decline will be accentuated by the fact that the earnings premiums for workers in such industries will likely disappear, as will the surpluses or economic rents that were so prevalent in much of the post war period, and particularly during the 1970's. The economic impact of these changes will be strongest in the western, mid-north and northern regions of Canada, where metallic mining and processing have been largely concentrated.

2. The traditional manufacturing sector, and traditional manufactured products, will become relatively less important as consumers opt for goods with greater durability, more attractive design, ease of use, and technological sophistication. At the same time, relatively low cost manufactured products from new plants in countries with low wages and other costs will place increasing pressure on Canadian manufacturers, both in terms of traditional products, and products meeting the new tastes of consumers. This will mean that, in general, manufacturing activity in Canada will decline in terms of relative economic importance, and may even decline in terms of overall employment. Perhaps even more importantly for regional economic development strategies, it will mean that regional based manufacturing will face even greater competitive challenges than in the past, with the likelihood that manufacturing will become relatively less important in regional economies, given the accentuation of already important competitive disadvantages such as high transportation costs, small scale operations, and short

production runs.

3. The services sector will become much more important in the economy. The services sector is composed of health, social and educational services, business services such as legal, accounting and consulting services, food and accommodation services, and a number of other community and personal services. The devotion of more spending to leisure time activities, the shift toward the purchase of services which once were provided by household members within the home, and generally growing demands for the products of the services sector will see this sector become the primary source of new job growth in the economy. This sector has traditionally had lower earnings than the goods sectors, with the result that average earnings per employee will fall. This will create pressures on households to maintain income by increasing the number of primary earners in a household. The service sector will also tend to attract a disproportionate number of new entrants to the work force, since new entrants are more inclined to accept lower wage jobs. The shift in overall labour force structure to lower paying service sector jobs will also tend to undermine the earnings premiums enjoyed in the goods producing sectors.

4. The number of women entering the work force will continue to grow at a faster rate than for men, with women being concentrated in the services sectors. Women will, partially as a result of this, and partially as a result of sex discrimination in wage structures generally, continue to earn less on average than men.

The increased participation of women in the work force will alter the pattern of demand for goods and services, with the increased importance of services being further emphasized.

5. The transport sector, which includes transportation, communications, and utilities, will grow in relative importance as leisure travel increases at a more rapid rate than spending on goods and services generally, and as communications expand in response to new technologies, and as production of goods and services utilizes data processing and communications more intensively. The growth in this sector will be tempered by stable or declining energy consumption, which will cause the utilities sector to grow at a rate below the average in the economy.

6. The small business part of the economy will grow more rapidly than the large business sector, with the largest proportion of new jobs being created by small businesses. This growth in the small business sector is largely a reflection of the growing importance of services, and to some extent technological change which makes small business more competitive. The small business sector is less unionized, and tends to be characterized by much greater ease of entry, than sectors which are dominated by a few large firms. The result is that both rates of profits and employee earnings tend to be lower for small businesses, and there is generally a lessor ability to protect price and wage structures.

7. Capital financing for small business will become more important as the importance of small business in economic activity increases. The response of financial markets and institutions to this is uncertain, since most of the structural change in financial markets to date has favoured larger scale financing arrangements. It is likely that financing will act as a constraint on small business, and that there will be resulting continuing pressure on governments to take measures to improve the access of small business to capital financing.

8. The government sector will stabilize in relative importance, and perhaps contract to some degree. This will largely be in response to limited growth in revenue, resistance to tax increases, and large deficits among governments. The overall result will be a decline in some government services to the public, and a reduced ability of government to support economic development.

4.0 PATTERNS AND CHANGES IN ECONOMIC STRUCTURE IN THE YUKON

The Yukon is, in many ways, closely tied to the Canadian and world economies. Changes in these economies can be expected to have a considerable affect upon the Yukon economy. Nevertheless, the Yukon is also unique in many important respects. It has a relatively small population, it is geographically remote from the large consumer markets of North America, it is uniquely

endowed with a rich natural environment, and its natural productive capability is defined by its northern, mountainous location.

It is thus to be expected that the Yukon economy will have a number of unique structural characteristics which make it quite different from the Canadian economy generally, and from various regional economies within Canada. It is also to be expected that changes within the underlying structure of the economy will be different, even though many of the forces of change impacting on the Canadian economy will also impact upon the Yukon economy. However, given the differences, the Yukon can be expected to face unique challenges, constraints, and opportunities as development takes place.

4.1 Industry Structure of the Yukon Economy: Pre-1982

It has been stated that the process of change has been described as involving the past, present or transitional, and future economy. The past economy, formed by various forces at work in the post war period, can be understood by examining the structure of the economy prior to 1982. 1982 is chosen as a significant year because the recession of that year brought into sharp focus the changes at work which give rise to the idea of a transitional economy. The examination of Yukon economic structure will thus start with the situation prior to 1982. Statistics from 1981 will be used for this purpose. This will give a picture of the

past Yukon economy, and will provide a basis for investigating whether or not the economy has been experiencing fundamental structural change simultaneously with other economies.

One way of describing economic structure is in terms of the distribution of output by major economic groupings, or sectors. The standard practice is to divide the economy into eight sectors, a practice which will be followed here. The first question to be addressed is one of how output was distributed in the Yukon economy in the pre-1982 period, and how this distribution compared with other regions, and with the national economy.

Table 1.0 describes the distribution of employment, for 1981, by sector for the Yukon, Canada, and for the economic region of British Columbia centered on Prince George. The Prince George region is chosen for the purposes of making comparisons because it is a remote, northern region with some geographical similarities to the Yukon.

One thing of significance to be noted is that the primary industries, which are essentially the resource extraction industries, are much more important in the Yukon and Prince George than for the rest of Canada. The reason for this, as it applies to the Yukon, rests almost exclusively with the importance of the mining industry at the time these data were collected.

TABLE 1.0
 EMPLOYMENT BY SECTOR
 YUKON, PRINCE GEORGE REGION, AND CANADA; 1981

SECTOR	PER CENT OF TOTAL EMPLOYMENT		
	PRINCE GEORGE	YUKON	CANADA
Primary	12.6	12.6	7.1
Manufacturing	21.3	2.6	19.2
Construction	7.6	7.5	6.5
Trans, Comm, Util	8.9	13.2	8.1
Trade	16.2	13.8	16.9
Finance	3.7	4.1	5.4
Services	24.3	25.2	29.3
Public Admin	5.5	20.9	7.6

Source: Government of Yukon, "Yukon Economic Development Perspective Update" (Draft), December, 1986

The second thing of significance, is the fact that manufacturing figures very small in the Yukon economy, compared to both the Prince George region, and to the rest of Canada. This is hardly surprising when the Yukon is compared to Canada as a whole, given the major concentration of manufacturing in the industrial heartlands of Ontario and Quebec. The explanation of the difference between the Yukon and the Prince George region is more interesting. The essential difference here is that the

manufacturing in the Prince George region almost exclusively involves the processing of the products of the resource extraction industries of the region. Extensive forward linkages have developed in the region, with primary resource production as the base; while similar linkages have not developed in the Yukon.

Other significant differences applying to the Yukon are:

- the relatively greater importance that transportation assumes;
- the relatively smaller importance that the trade sector occupies;
- the importance of government employment in the Yukon. Government employment represents close to 21% of Yukon employment, compared to 5.5% in the Prince George region, and 7.6% for Canada as a whole.

It should be noted that these data describe the importance of industries only in employment terms, and on the basis of relative importance. There are some important shortcomings in looking at structure in this way. One is that the value of output per employee may be very different for different industries. Figures such as those presented do not necessarily reflect the relative importance of output in each sector for a particular region. Another problem is that the value of production in each sector in a particular region, if it could be measured, would give us a better comparative measure of the state of development of a sector compared to another region, since it would then be possible to look at the actual amount of output produced; and to

compare it on some standardized basis, such as output per capita, to other economic regions and to the Canadian economy.

Unfortunately, the statistics needed to calculate the value of production for each sector of the Yukon economy are not currently collected and reported. Essentially what is needed are data which show the total value of the output of each sector, minus the value of goods and services produced in other sectors, or imported into the Yukon, and used to produce the output of the sector in question. It is this net value which represents the actual value of production in each sector, and which would be useful for comparative purposes.

In the absence of such data, an indirect method has been developed to estimate this value of production in each sector. Essentially what is done is that the total value of Yukon production of goods and services is allocated to sectors in proportion to employment in each sector. These values are then adjusted to recognize that some sectors use relatively more labour than others to produce a given amount of output (using calculations for sector labour intensities developed on the basis of the Canadian economy as a whole). This adjusted figure represents an estimate of the actual value of production for each sector. Each of these is also calculated on a value of production per Yukon person, and compared to the value of production per person in Canada, to get an idea of how each sector compares to the rest of the country in terms of "maturity" or level of development. The general notion here is that if a

sector is similar to the rest of Canada in per person production, it can be considered a well developed sector. On the other hand, if it is significantly lower, it can be considered a "underdeveloped sector"; and thus a matter of significance with respect to the structure of the Yukon economy. And if it is significantly higher, the sector can be considered one of relative specialization in the Yukon.

Table 2.0 contains the results of these calculations for 1981. Once again, 1981 figures are used because the purpose of the present analysis is to develop a description of the Yukon economy against which subsequent changes can be compared, as a way of examining structural change. The basic assumption is that 1981 is fairly representative of the structure that prevailed for some time prior to this, and thus provides a good base for examining subsequent changes during the post-1981 "transitional" stage.

TABLE 2.0
 PRODUCTION BY SECTOR; YUKON AND CANADA; 1981

Sector	Yukon	Yukon	Canada
	(Total) \$ millions	(Per Capita) \$	(Per Capita) \$
Resources	111,139	4202.64	856.53
Man	9,943	376.02	2595.93
Const	28,114	1063.12	753.05
Trans	65,773	2487.15	1528.76
Trade	28,434	1075.20	1358.75
Finance	30,710	1161.28	1603.22
Services	51,836	1960.13	2480.58
Pub Admin	73,520	2780.12	975.18
Total	399,349	14879.56	12151.31

An examination of Table 2.0 reveals a number of interesting conclusions. In 1981, which is taken to be generally representative of earlier periods, there were considerable differences in sectoral outputs per capita in the Yukon. There were also considerable differences in output per capita, by sector between the Yukon and Canada.

Turning first to the resources sector, it ranked far ahead of all other sectors in terms of per capita output in the Yukon. This sector, which was made up almost totally of mining in 1981, represented close to 28% of total Yukon output, compared to 7% for Canada as a whole. It was clearly the dominant sector in the Yukon, which conforms to the results which were derived using employment as a measure of importance. However, the dominance of mining becomes much more extreme when these estimates of output are applied. The reasons for this dominance of mining are obvious; the existence of three relatively large mines and a strong placer miner sector, combined with the high value of mineral production at that time, combined to put mining in a leading position within the economy.

The transportation sector is also revealed to have been an especially important sector in the Yukon. This sector includes within it transportation, communications, and utilities. It is not possible to determine with certainty why per capita output was considerably higher than for Canada as a whole. However, the

primary factor giving rise to this importance would appear to be the much greater importance of mining, and thus a greater need for transportation services to carry the mining product to export positions. Transportation and mining are closely linked in the Yukon, particularly because mine products are all exported, and in a unprocessed state. The construction industry also had a higher per capita output in the Yukon than Canada as a whole, again no doubt because of the linkages with the mining sector. However, the discrepancy here between the Yukon and national figures was not nearly as significant as in the case of resources and transportation.

The manufacturing industry in the Yukon is found to be relatively unimportant in the Yukon in 1981, with a per capita output of \$376, compared to \$2596 for the country as a whole. On a per capita basis, it was only about 1/7 that of the whole country. The reasons are, first, the Yukon has not been in a position historically to develop a substantial manufacturing industry for consumer goods. The Yukon market is small, and there are large transportation and handling costs involved in getting such products to markets in the larger population centres. Given that there are also major cost savings resulting from large scale plants and long production runs, Yukon manufacturing of consumer goods has generally not been cost competitive, either in serving local markets, or in penetrating external markets. The manufacturing sector also includes processing of resources products. The relatively significant amount of employment in manufacturing in the Prince George area, identified earlier, was

almost solely the result of processing of resource products. Clearly, in the Yukon, such processing is relatively small. The forward linkages between resources and processing have been relatively limited in the Yukon, although most of the manufacturing that has developed can be attributed to processing and fabricating resource products. The reason for this is primarily related to the importance of mining. The processing of the products of hard rock mining tend to be subject to considerable cost economies associated with large scale processing. Unlike forestry, and some other resources products, economics tends to dictate that processing take place in a few, large processing plants, drawing on the products from a large number of mines in many locations. These plants are generally located at central transport points, and close to cheap energy sources. The Yukon is not able to offer these attractions, and thus processing of the product of hard rock mines has not been established in the Yukon.

It is worthy of note that the trade and finance sectors have a lower per capita output in the Yukon than for the country as a whole, by a fairly substantial margin. The former contains within it both wholesale and retail trade; while the latter includes financial services, insurance and real estate.

In the case of the trade sector, this can be attributed to the fact that there is a considerable degree of external ownership. The consequence of this is that a substantial amount of the

purchasing, accounting, and management functions are carried out in central locations outside of the Yukon. The same explanation holds true in the case of the finance sector, with the additional consideration that in insurance, risk pooling and funds management are also centred in financial centres outside the Yukon. The largest proportion of all activities, other than retail service, in the finance industry is concentrated in larger financial centres, given the structure of the industry. For this reason, there has been limited development of this sector in the Yukon, as is reflected in the 1981 data.

The lower per capita value of output in the services sector in the Yukon compared to the rest of the country is difficult to explain. This sector includes health, social, and educational services, as well as business services, food and accommodation, and personal services. It would be reasonable to expect that health, social and educational services might approximate national levels, given that these are provided at a level consistent with national standards in the Yukon (with the exception of post-secondary education). It is possible that a lower level of business services and a lower level of provision of post secondary education might explain some of the difference, although it is by no means clear that this is the case.

The per capita output figures also suggest that the government sector was large in the Yukon. On a per capita basis, government is revealed to be almost three times the national average in terms

of value of services provided, in 1981.

The reason for this difference in the per capita size of government expenditures is also difficult to identify. In general, it is not at all clear that the level of government services to Yukon people on average exceeded that for Canada as a whole in 1981. Indeed, the basic policy framework would appear to have been one of providing services equivalent to, but not above, the national standard in most cases. One possible explanation is that the large territory, and large administrative costs associated with the administration of the territory in terms of resource management and general overhead, means that government activity must be much greater on a per capita basis. And while this is without doubt a factor, it is virtually impossible to attribute the whole, or even a major part, of the per capita difference between the national and Yukon figures to this factor alone. The additional level of activity simply could not be substantial enough to account for the disparity exhibited by these figures.

Another possible explanation for the higher per capita value of government in the Yukon might be the higher costs generally of undertaking activities in the Yukon. Wages and salaries, energy, supplies, and other important parts of the costs of providing government services are all substantially higher, on a unit basis, in the Yukon than elsewhere. However, this factor can be accounted for relatively readily by discounting the value

of government services in the Yukon by an appropriate factor that recognizes these higher costs. When this is done, the per capita value of government services still exceeds the national average in 1981, by almost 2 1/2 times.

The only thing that might explain this is that the data are faulty; and more precisely, that original data for government services contain different things for the Yukon than they do for the country as a whole. For instance, it is possible the statistics for the Yukon include activities in government that elsewhere are included in services. The item for government in the Canada statistics does not, for example, include health care services and educational services. These are included instead in the services category. In the Yukon, many of these services are provided directly by the territorial government, and at least part of this activity may be inadvertently reported in government. Unfortunately, while it does appear that this is at least part of the explanation, there is no practical way of determining the exact magnitude of error resulting from this incomparability of the data.

Assuming it is the case, it explains two discrepancies in the Yukon data when compared with the national data. First it explains, in part at least, why the government category is so much higher than for the rest of the country. And, second, it explains in part why the services category is lower than for the rest of the country. Neither of the per capita figures appear to make sense on any other basis. While government on a comparable

basis is no doubt larger than elsewhere, it is highly unlikely that it has been larger by the magnitudes indicated in the data presented in Table 2.0 (which, it should be added, conforms to the figures used in most documents). And it also seems highly unlikely that services have been smaller in per capita terms than elsewhere, given the apparent importance of lodging, food services, and other tourist related services.

Recognizing the difficulties associated with the available data, an attempt has been made to "correct" the data in Table 2.0 by making two adjustments:

- 1.) fixing government services at a per capita level 25% above the national average, to account for higher overhead costs and the large geographical area relative to population; with the remainder of activity previously in government shifted to services.
- 2.) reducing the value of output in each sector by 25% to account for higher costs in the Yukon.

On this basis, Table 3.0 shows the proportion of total output attributable to each sector, and the ranking of each sector in order of its importance, and the per capita output estimated for each sector, on a basis which makes it comparable in actual terms with other areas. The per capita output figures can be effectively compared with those for Canada in Table 2.0, to get a picture of the degree of development of a sector relative

to the national average.

TABLE 3.0
DISTRIBUTION OF YUKON OUTPUT ON PER CAPITA BASIS; 1981
(ADJUSTED)

Sector	Per Capita Output (\$)	Proportion (%)	Rank
Resources	3360	28.0	1
Man	300	2.5	8
Const	744	6.2	7
Trans	1980	16.5	3
Trade	852	7.1	6
Finance	924	7.7	5
Services	2856	23.8	2
Government Admin	984	8.2	4

Source: Derived by author

The major difference in the conclusions that result from this modification in presenting the data is that services become much important, and government administration much less, relative to the whole. While this would seem to conform to the general impression that tourism related services have played a large role in the Yukon, it is difficult in the absence of more information to claim that the data in this regard are an accurate representation.

The presentation of the per capita output figures on a cost adjusted basis also accentuates the degree to which both the trade and the finance sectors in the Yukon are below the national average on a per capita basis. Indeed these sectors appear to be

significantly under-developed in the Yukon, with finance being only about 58% of the national average on a per capita basis, and trade about 63% of the national average, on the same basis.

4.2 The Structure of Employment and Work in the Yukon Economy

The underlying structure of the economy in terms of employment and work is generally referred to as the structure of labour markets within the economy. In general, the concerns here are with the participation of people in the work force, the relation between participation and demands for labour in terms of establishing earnings and the distribution of employment, and the relative position of different people in the work force in terms of earnings, employment and unemployment.

Turning first to the participation of people in the work force, it should be noted that the number of people working, or seeking work in the Yukon economy is dependant, to an important degree, on migration into or out of the Yukon economy. Historically, there has been considerable variation in such movements of people, with some years seeing a net movement of people out of the economy, and other years seeing a net movement of people in. During the last five years of the 1970's, for instance, there was a net movement out of people in three of the five years, and a net movement in of people in two of the five years. Over the whole five year period, however, there was a net movement out of 683 people, which was equal to about 3 per cent of the

population.

Mobility has acted as a strong "corrective" factor whenever imbalances arise between the number of jobs available, and the number of people seeking work. A result has been that earnings of working people relative to other parts of Canada have remained relatively stable, and at a premium over those elsewhere. Another result has been that cyclical unemployment has not been as large a problem as in other resource based regional economies. Downward pressures on wages and rising unemployment during periods when there is a surplus of people looking for work relative to work available has been limited by out-migrations of people.

A second aspect of participation relates to the numbers of people of working age actually working or looking for work. In most parts of the country, there has been a considerable difference in these numbers for different groupings within the population. Three groupings that receive particular attention in this regard are youth, women, and aboriginal people. With respect to youth, during the 1960's and 1970's, a growing proportion of the work force was made up of young people, as the effects of the post war baby boom were felt on the economy. With respect to women and aboriginal people, the proportions involved in the work force in the 1960's and 1970's in Canada were well below the proportions for the remainder of the population, although the proportion of women in the work force increased significantly throughout that period.

Two things became evident by the end of the 1970's, however. One was that the growth in young people entering the work force had largely levelled off, and the other was that there was a much increased participation of women compared to the earlier decade. With respect to aboriginal people, there was relatively little change in the low rate of participation, indicating a continuing low level of inclusion of aboriginal people in the work force.

In the Yukon, the picture was only different in terms of women. In the Yukon, there has traditionally been a higher level of participation of females in the work force, with the result that, in proportional terms, there was not as rapid a growth in the number of people looking for work as elsewhere. This meant, in turn, that there was less pressure in terms of new job creation in the Yukon, compared to the rest of the country.

Another dimension of labour markets of interest is the structure of earnings. It has already been pointed out that, in the Canadian economy as a whole, the resources and manufacturing industries have generally enjoyed earnings substantially in excess of earnings in other sectors of the economy. In addition, women have generally had average earnings well below those of men, and regional economies have generally had average earnings below those for the rest of the economy.

The Yukon presents a somewhat different picture, in comparison to the national economy, in two respects. One is that manufacturing

earnings in the Yukon have generally been close to the average for the trade and services sectors, while earnings in the resource and transport sectors have been at a considerable premium. The other is that average earnings overall in the Yukon have been well above the national average, with this premium generally falling in the range of 35% to 40% during the 1970's. In terms of average earnings of women, the figure in the Yukon has been well below that of men, just as it has in the national economy, with women only earning about 2/3 of what men earn, on average.

A further aspect of the working of labour markets has to do with structural patterns of employment, employment growth, and unemployment. The distribution of employment in the years preceding 1982 has already been dealt with. The main features of employment distribution in the Yukon has been that the resources, government, and services sectors have employed a much larger proportion of the work force than in the overall Canadian economy, and manufacturing has employed a much lower proportion. Transportation has been slightly higher, and trade and finances slightly lower.

In terms of employment growth, the Canadian economy prior to 1982 experienced a growth of employment which was substantial, averaging about 3% per year. In the Yukon, there was relatively little growth in general, with only one year, 1981, evidencing any substantial growth.

Turning to unemployment, for the Canadian economy as a whole, the period prior to 1982 was one of increasing unemployment along a relatively stable trend, with structural unemployment reaching in the range of 8% to 9%, which was almost double the level of the previous two decades. In the Yukon, the level of structural unemployment was higher than for Canada as a whole throughout the whole of the 1970's and early 1980's, although the degree of cyclical instability appears to have been somewhat less. The higher rate of structural unemployment during this period likely was attributable to a continued gap between the available work force and jobs in the rural communities, where migration tends to be less of a mitigating factor (other than in the rural mining communities).

4.3 The Structure of Business in the Yukon Economy

An important aspect of the functioning of an economy is the structure of business in terms of business size, concentration, and ownership. These factors have an important impact on job creation and employment, the structure of earnings, and on the financing of capital investment.

A recent study showed that 89.6% of the business establishments in the Yukon employed 5 persons or less in, while only 1% of the establishments employed more than 50 persons. About 6.5% employed between 6 and 15 persons, and about 3% employed from 16 to 50 persons. These figures indicate that the economy is very heavily

oriented toward small business operations.

In terms of absolute numbers, there were 25 businesses employing more than 50 persons, of which 4 were in mining, 1 in construction, 2 in transportation and utilities, 3 in retail trade, 1 in accommodations, and 2 in other services. In the 16 to 50 size group, there were 46 establishments, with the majority being in transportation, trade and accommodations. The 6 to 15 size group, with a total of 96 establishments, were concentrated in transportation, trade, and accommodations. The total in the 1 to 5 employee category was 1,346; with construction, transportation, trade, business services, and accommodation being the most numerous, together accounting for 60% of this total.

Unfortunately, data does not exist to permit a comparison of these results with other regions, or the country as a whole. However, an examination of income tax statistics done elsewhere tends to support the contention that smaller size enterprises are of greater significance in the Yukon than elsewhere.

In general, the conclusion that one can draw from this is that the small business sector occupies a dominant position in the Yukon economy. This means, in turn, that this sector is extremely important, both in terms of employment and investment.

Another aspect of business structure which is potentially important is the degree of outside ownership. Unfortunately, data on ownership by resident of owner is virtually non-existent.

One study has suggested that the percentage may be about 25%, and that these businesses represented well over 60% of the total business returns of the Yukon. If this is relatively accurate, it suggests that while the proportion of businesses which are non-Yukon owned does not appear to be large, such ownership is concentrated in the larger sized operations, and thus is much more important in economic terms than the numbers might at first suggest. It also appears that the industries which have a high degree of outside ownership are mining, transportation, communications, utilities, wholesale trade, and finance.

There are a number of possible reasons for concern with respect to this aspect of ownership. One is that decisions made by externally owned firms may take less account of Yukon interests and opportunities than those internally owned. Another is that externally owned firms may have a greater outflow of profits, cash flow, and management returns than do internally owned firms. And another is that the concentration of externally owned firms among larger operations, concentrated in a few sectors, may have a disproportionate effect on economic activity if such firms do behave differently than internally owned firms. This could be particularly important during times of structural change, if these sectors are affected differently by change than other sectors.

4.4 Investment Flows and Capital Financing

An extremely important part of the functioning of a modern

economy is the structure of capital financing, and of capital financing systems. The last few years have seen some very profound changes in the structure of capital markets internationally and in Canada, with changed roles for the various institutions, and generally a much greater integration of markets. The general result has been increased access to pools of finance capital, as capital flows more readily from capital providers (savers) to capital users (investing firms).

However, there is considerable evidence to suggest that not all firms requiring financing to carry out capital projects have been equally advantaged as a result of these changes. Access to capital is greatly facilitated by size, substantial equity, and a multi-national base of operations. Financial markets are structured such as to more readily facilitate financing of firms meeting these requirements, at least in general. The result is that new firms, small firms, regional and local firms, and firms with little or no equity generally encounter substantial insitutional barriers to financing projects, even when such projects show substantial economic prospects. The situation is exaggerated when firms have these characteristics in combination, and also when projects are marginal in economic terms.

The above description is, of course, a generalized one. Local and regional structure may be different, with the possible result that the barriers do not have the impact described. Information on the structure of financial markets in the Yukon is relatively

limited. However, a study undertaken for the Yukon Government on access to capital in the Yukon provides some insights in this regard. That study suggests that the situation in the Yukon is not greatly different from that described. That study found that in general, established firms with substantial equity, and larger firms, do not experience difficulties in financing capital expenditures, when external financing is required. New firms, small firms, and firms with limited equity do, on the other hand, experience substantial difficulties in gaining access to needed external capital. Further, the problem of limited equity is the largest problem, with the other problems becoming less important as the amount of equity, relative to overall requirements, increases.

The situation described is of concern because it can mean that profitable projects capable of being sustained cannot proceed because the sponsoring firms are unable to finance the projects. The problem relates directly to the structuring of the financial system. Capital is prevented from flowing to economically desirable projects because the system is unable or unwilling to obtain and rely upon the relevant information, and the system is highly conservative about taking a chance on losses for smaller scale projects. There is a systematic structural bias against smaller scale firms which are not in a position to make loans virtually loss proof. This situation is not unique to the Yukon, but as shall be seen later, the consequences for the Yukon may be more severe than for other parts of the economy.

4.5 The Changing Structure of the Yukon Economy: Post-1981

The Yukon economy has experienced a considerable amount of change, and even disruption, since the early 1980's. The most notable of factors associated with this experience was a North American, and indeed to a considerable extent, a world-wide recession which had its origins primarily in the United States economy. This recession, which was most pronounced in 1982, was followed by a relatively weak recovery in many countries, and for numerous commodities. This weak recovery has been particularly evident in the case of many natural resource commodities.

An important question to be addressed is one of to what extent the structure of the Yukon economy has changed since 1981. This includes a consideration of each of the structural aspects of the economy examined in the previous section, including the structure of output, of labour markets, of business, and of capital markets. 1981 is used as a kind of bench mark for examining structural change because the 1982 recession had a profound effect on the Yukon economy, just as it had a profound effect on the Canadian and other economies; and because post 1981 changes should provide a basis for determining whether the Yukon economy has been in transition in the 1980's; in keeping with earlier views expressed about economic change in industrial economies generally.

4.5.1 Changing Industry Structure Since 1982

The first question to be addressed is one of changes in the structure of output in the Yukon since 1981. If one takes 1985 as the base for comparison purposes, this structure appears very different from 1981, which provided the earlier baseline for examining structure. The most significant change from 1981 is the dramatic decline in the importance of mining. Mining employment fell to almost 1/3 of what it was in 1981, with a roughly corresponding drop in the contribution of mining to the output of the Yukon economy. By 1985, primary resources production contributed less than 9% of the total output of the economy, compared to about 28% in 1981. Another important change was the drop in importance of the transport sector, with employment in transportation services declining in the range of 50%. This in turn likely resulted in a drop in the contribution of the transport sector to the value of production by about 1/3, with the overall sector contributing a little over 10% of production, compared to 16.5% in 1981. Another sector which appears to have experienced a drop over the period was the construction sector, although the pattern here appears to be more one of variation than of a clear cut trend. The wholesale trade component of the trade sector, and the finance sector also appear to have declined, when employment data are used as an indication of levels of activity.

Other sectors, on the other hand, appear to have experienced a

growth in their level of production, with the two most important being public administration and services. Unfortunately, data is not available that would permit putting precise measures on the value of production by sector, comparable to data presented earlier in the paper for 1981. However, it appears that the distribution of output by sector, on a comparative basis, would roughly be as indicated in Table 4.0.

TABLE 4.0

PROPORTION OF OUTPUT BY SECTOR, 1981 & 1985

Sector	1981	1985
Resources	28.0	9.0
Manufacturing	2.5	3.0
Construction	6.2	6.0
Transportation	16.5	10.5
Trade	7.1	7.0
Finance	7.7	8.5
Services	23.8	42.5
Government Admin	8.2	15.0

These results, if correct, point to the fact that underlying factors impacting on the Yukon economy are very similar to those identified earlier as being national and international in character. The most important of these is the changed conditions with respect to metallic minerals, both in terms of increased international supplies and decreased growth in consumption. These resulted in a sharp and significant drop in hard rock mining output, and a reduction in those sectors in which activity is closely linked to mining. The most significant of these is transportation, with construction also being a sector affected. Manufacturing appears to have been largely unaffected,

strengthening the conclusion that it tends to be weakly if at all linked to primary resources output.

The only sector which showed substantial increases in output over the period was the services sector, where expansions tended to be in those areas dependant upon the level of tourism activity.

Expansions in tourism appear to be the main causal factor in the growing importance, and growing absolute levels of output, in the services sector. Government administration seems to have grown modestly during the period in terms of absolute levels of output, although the increase in overall importance of the government sector is at least to some degree the result of a decrease in overall output in the Yukon economy associated with the declines in the production of resources, transport, and construction.

Two other sectors which appear to have experienced a decline in levels of output over the period are the wholesale trade component of the trade sector, and the finance sector. This reflects the fact that these sectors are also linked to the resources sector, and as the resources sector declined, so too did these sectors.

An overall conclusion with respect to changes in structure over the period was that the sectors producing goods declined substantially in importance over the period, while the sectors producing non-goods increased substantially in importance (these being trade, finance, services, and government administration). This suggests that the Yukon economy is moving structurally

toward an economy that is much more oriented toward non-goods production. This is pretty much in keeping with the overall changes being observed with respect to the overall Canadian and other developed industrial economies. The implications in terms of employment and income creation, earnings, and investment patterns could be substantial, if this is a relatively permanent change in the economy of the Yukon.

The changes identified in the above are largely changes that have been brought about as a result of various market forces impacting upon the Yukon economy. The economy is not isolated from such effects; indeed they can be seen as the most powerful of all of the effects at work. As was stated earlier, the Yukon economy functions in a national and international context. The underlying forces at work at these levels impact powerfully on the Yukon, and to a large extent dictate structural changes, in the absence of public policy to offset such changes.

One perhaps substantial reservation can be advanced with respect to the conclusions contained in the above. In 1986, the Cyprus-Anvil mine re-opened, with major consequences for the Yukon economy. The level of employment in mining, after having gone through a 5 year period of being in the range of 1/3 of the period immediately preceding 1982, increased significantly, and to a point above 70% of the 1981 level. Other closely linked sectors, particularly construction and transportation, also showed significant increases in levels of activity. Construction appears to have roughly returned to its 1981 level, and

transportation increased substantially, although it appears to have remained substantially below the level of 1981.

Unfortunately, it is not possible to draw final conclusions on the other sectoral impacts of this development because the data needed to do so are not yet available. In general, however, it is reasonable to conclude that many of the structural changes that appeared to be underway during the 1982 to 1985 period have been, to some degree, masked by the mine opening, giving the appearance of less substantial change.

However, while the impact of the mine re-opening was substantial, it is premature to conclude that it negates the direction of structural change identified. The Yukon economy is a small economic unit, and the mine in question is a significant addition to the economy, largely because of its size. However, this mine appears to be an anomaly relative to the general pattern. It is highly unlikely, given general trends in markets for metallic resources, that other mines of this magnitude will come into production in the Yukon in the foreseeable future. This mine re-opening resulting from intensive public and private sector effort, which was successful because of the unique situation of this mining property. Its re-opening cannot be attributed to underlying trends in markets in metallic minerals, nor can it be attributed to a unique competitive advantage of minerals production in the Yukon. Thus, its effects can be interpreted as being one-time in nature, and unlikely to be duplicated in the foreseeable future.

The effect of this development has been to increase the relative importance of the resources sector to roughly about 1/2 of what it represented in the pre-1982 period. It can be expected that, from this new base, the structural change away from resources, and towards non-goods producing sectors, will continue. The immediate effects of this change will be ameliorated, with substantial benefits to Yukon people and the Yukon economy. But, considered on a continuing basis, all of the factors contributing to this change will provide an important dimension to change, and to the opening up of opportunities, in the economy. Sustaining opportunities, based on underlying market factors, will be largely dependant upon the factors contributing to the kinds of changes identified during the 1982-1985 period. Others may be realizable, but these will depend upon deliberate policy initiatives to achieve gains not realizable from market driven initiatives.

One sector not referred to to any degree in the above is the manufacturing sector. Throughout the whole period, through to 1986, manufacturing has changed little in terms of employment and value of output. Manufacturing, a relatively small sector, appears neither to be part of, nor to be affected by, structural changes taking place. The reason for this is relatively simple. Manufacturing in the Yukon is not linked to activity in other sectors. It is almost exclusively constituted of small enterprises serving the Yukon consumer market, where particular circumstances provide a market opportunity. Changing national

and international conditions have had little impact on these enterprises, just as changing conditions in the Yukon have had little impact. It is thus clear that changes in structure in the Yukon economy will have little impact on manufacturing opportunities, so long as these remain market driven. Any change in the level of activity of manufacturing will require deliberate measures to create opportunities. This is a question that will be discussed in more detail in due course.

4.5.2 The Changing Structure of Work and Earnings

The period 1982 to 1985 has also been one of substantial change in the structure of labour markets in the Yukon. The first, and perhaps most pronounced of these changes, has already been indirectly referred to in the preceding discussion with respect to the structure of output. Employment opportunities declined substantially in the resources, transportation, construction, finance, and wholesale trade sectors. Virtually all of these declines can be attributed to the direct and indirect effects of the downturn in hard-rock mining, and thus to the significant change in international markets for metallic minerals. Employment growth occurred in the services, public administration, and retail trade sectors, with the largest being in the tourism related components of the services sector, and with the lowest being in public administration which exhibited only limited growth. The growth in the latter industries was not enough to absorb all of the increase in the labour force, however, since out-migration continued over the period, and the level of

unemployment grew substantially.

The change in the pattern of employment had significant implications for the structure of earnings. The percentage of total wages and salaries earned in the resources, manufacturing, and construction, sectors fell from 31.3% to 12.9% of all wages and salaries, while the percentage from transportation, trade, finance, services, and public administration rose from 69.7% to 87.1%. This shift reflects both relative changes in numbers in these two groupings, but also the fact that the resources and construction industries have been high wage industries, while the parts of the latter group which had most significant growth are lower wage industries. The overall effect has been that while employment growth has taken place in the service industries to compensate for job losses in the resources sector, the contribution to total income per job created has been substantially less. This is in keeping with structural changes in employment and earnings throughout the Canadian and other economies, where job losses in high income sectors are being replaced by job gains in low income sectors. The main reason that the services sectors have lower earnings is that these sectors tend to be dominated by small operations, and thus they tend to be much more competitive in structure. They also tend to have a work force which is unorganized, and thus they tend to absorb the largest part of the growth in the work force, and that part which is in the weakest bargaining position.

One aspect of change in the Yukon economy which is of particular interest is the extent which average earnings in the Yukon exceed the national average. Historically, average earnings in the Yukon have exceeded average national earnings by a significant amount, reflecting higher costs of living and relatively high wages in the resources sectors, particularly mining. The gap between traditionally high Yukon wages and national average narrowed substantially between 1982 and 1985, falling from a premium of over 40% in 1981, to just over 15% in 1985. This is a reflection, not only of the change in the distribution of jobs in the Yukon economy, but also of the fact the relatively high wages which were once a relatively stable feature of the mining industry, are no longer so. Weak market conditions in the mining sector, and declining employment in the resources sector generally across the country is undermining the long-standing privileged position which workers in this sector have enjoyed. As a consequence, it can be expected that another aspect of structural change that will continue on into the future is that mining employment generally will not yield the extremely high earnings it once did. Whereas mining jobs in the Yukon once yielded average earnings about twice those in the trade and many parts of the services sector, this has fallen to a point where the premium today, on average, in resources is only about 35%. The point at which this premium will finally stabilize is not clear, but it is clear that the relative attractiveness of mining jobs as a means of increasing the income base of the Yukon has declined substantially. It is also of interest to note that the re-opening

of the Cyprus-Anvil Mine appears to have had little affect on this differential, providing even stronger evidence of the relative permanency of the new situation.

The pattern of unemployment is also of interest when considering the structural nature of labour markets. With respect to the Canadian economy, many people believe that the economy will for characterized by a much higher rate of unemployment than was characteristic of earlier periods, largely because of the growth in number of people seeking work, fundamental mis-matches in skills people possess relative to new job opportunities, and much longer adjustment times taken to match people with jobs. In support of this view, continuing unemployment rates in the 8% to 10% range have existed in most industrial countries throughout the 1980's. The experience in the 1982 to 1985 period in the Yukon seemed to support this view, when unemployment rates rose to the 15% to 17%, and remained relatively stable in this range. However, the experience of 1986, supports an alternate view. The unemployment rate in the Yukon dropped dramatically between 1985 and 1986, as the result of the stimulating effect of new economic activity, including the mine re-opening. This suggests, in dramatic terms, that high unemployment is not itself a structural thing. Unemployment is a function of jobs, and concerted efforts to create jobs clearly have the ability to reduce unemployment. Changing structure can alter the kinds of jobs, and their value, but it does not of itself mean that high unemployment is inevitable.

4.5.3 The Changing Structure of Business

Due to lack of reliable statistics, it is difficult to get any clear picture about how the structure of business has changed during the 1980's, either in terms of size or ownership.

However, on the basis of some of the preceding discussion, it is possible to infer some things.

First, with respect to business size, the shift of economic activity away from primary resources, and towards services, and tourism related services in particular, suggests that small business is playing a much bigger role in the creation of employment and income that it did previously. This is because the declining sectors exhibited decline because of a decline of activity by relatively large mining companies, while the growth in the services sectors must have been largely generated by small business because of the dominance of small businesses in this sector. And this suggests, very importantly, that capitalizing on opportunities accompanying the structural changes taking place will depend upon ensuring that the small business sector has maximum opportunity to realize its potential, consistent with other goals for the economy.

A further consideration in this regard is ownership. The small business sector tends to have a much larger degree of Yukon ownership than does the larger business sector. It would thus appear that the changes taking place in the Yukon economy will

have the affect of reducing the degree of external ownership in the Yukon, both in terms of proportion of firms and the proportion of production, with the effect likely being more dramatic with respect to the latter than the former. This could have a quite profound affect on the nature of investment decisions and other business practices, as well as on the retention of business returns within the Yukon. The growing importance of small business, and of Yukon owned business will also have implications in terms of business financing, which will be dealt with in the next section.

4.5.4 Capital Financing and Business Financing

There does not appear to have been much significant change in the structure of business financing in the Yukon during the 1980's, with the exception of one important factor which relates to the above discussion regarding business size and business ownership. It has already been indicated that the changes in financial systems generally over the past few years have mostly benefited the larger scale firms, and particularly those that operate on a national and international basis. Smaller firms, regionally based firms, and particularly firms in these categories with limited equity, have had to continue to depend upon the traditional sources (internal savings and bank loans). The banking system in the Yukon continues to operate on traditional principles which are more concerned with protecting against loss than realising on solid opportunities.

With the changing structure of business in the Yukon, this will likely have rather serious implications. While the larger, externally owned businesses which provided a substantial amount of the new investment in the Yukon in the past had relatively easy access to capital financing, the same is not true for the smaller, Yukon owned businesses which are becoming much more important in generating employment and output in the Yukon. This suggests a constraint on realising economic opportunities which will become ever more important as the structural changes identified become more important to the economy; and this is access to capital to finance investments. This is a matter that will require attention if the full potential of the Yukon economy is to be realised in the future.

5.0 THE ABORIGINAL ECONOMY

One important dimension of the Yukon economy not dealt with to this point is the aboriginal economy. The aboriginal economy is, of course, the original foundation, historically, of the Yukon economy. Today, it continues to be an essential structural component of the economy, with its own particular characteristics. And it can be expected to be a very important part of the future of the Yukon economy.

5.1 Aboriginal People in the Economy

An examination of the aboriginal economy must begin with a

perspective on the present situation of aboriginal people, and their participation in the economy. Aboriginal people, as recorded in the 1981 census, number slightly in excess of 4,000, making up about 20% of the Yukon population. Approximately 40% reside in Whitehorse, with the remainder distributed throughout the rural communities, making up over 30% of the population of these communities.

There is an absence of good data pertaining to aboriginal people, particularly relating to economic factors. The aboriginal population is generally younger than the overall population, with a greater concentration of people in the 15 to 45 years of age category. When considered as a proportion of the prime working age population, aboriginal people are more important than the 20% they represent in the total population, making up in excess of 25% of the 15-45 age group.

Aboriginal people do not participate in the Yukon labour force to the same degree as do non-aboriginal people. While accurate data are again lacking, it is estimated that about 50% of aboriginal people participate in the Yukon work force, while the equivalent proportion for non-aboriginal people is in excess of 80%.

Further, of those who do participate, there is a much higher incidence of unemployment for aboriginal people. Unemployment rates for aboriginal people are estimated to be from 4 to 5 times higher than for non-aboriginal people, suggesting that a rate in excess of 50% is not unusual. Aboriginal people also tend, when employed, to be engaged more frequently in seasonal

employment; and unemployment rates for aboriginal people tend to remain more constant than for non-aboriginal people. It is clear that low rates of work force participation, and high unemployment, are endemic amongst aboriginal people in the Yukon.

The available evidence also suggests a significant disparity between aboriginal and non-aboriginal incomes. In 1981, for instance, total average family income in the Yukon was almost \$31,000; while average family income for aboriginal people was just over \$21,000. The average income for individual males was over \$19,500 in the same year, while for aboriginal males the figure was just over \$9,000. The average income for individual females was about \$10,500, while for aboriginal females the equivalent figure was \$7,000. Further, over half of Yukon families earned in excess of \$30,000, while fewer than 30% of aboriginal families did. All of these figures suggest that earnings of aboriginal people fall substantially below those for the population as a whole, which is consistent with the situation in the country as a whole.

The reasons for both the employment and earnings data are complex, and not totally known. The low participation rates and the high unemployment rates can be attributed to a host of factors, including barriers to participation which are racial in origin, lesser amounts of experience among aboriginal people in jobs which are relevant to opportunities, lower levels of education and training, differing attitudes toward wage labour

and participation in the cash economy, and a general state of economic underdevelopment in the rural and aboriginal economy. The lower levels of earnings among aboriginal people can be attributed to these same factors, but additionally to a lower level of participation in the market economy through business and business related activity, and to the predominance of such activity among aboriginal people in small scale, low returns generating types of activity. Unfortunately, there is little substantive data which would document more fully the nature and character of native participation in the commercial economy other than through wage labour. Such data as there are tend to focus on commercial earnings from the harvesting and marketing of fish, fur, and other wildlife, where native people have clearly dominated economic activity. Output from these activities is estimated to represent about 2/3 of one percent of the total value of output of the Yukon economy, which is small when viewed in this way. However, the percentage is clearly much higher when applied to rural communities, or to the aboriginal economy; but again no reliable estimates are available.

5.2 The Aboriginal Economy

While the foregoing data provide some insights of the relative position of aboriginal people in the Yukon economy, they suffer from a serious shortcoming in that they do not present a clear picture of the aboriginal economy as a definable structural aspect of the Yukon economy. By this, it is meant that such data do not present a picture of aboriginal people and their economic

relations among themselves and with the rest of the economy, as part of a distinct sub-system.

It is argued that it is a mistake not to do so. The aboriginal economy has grown and developed from unique historical foundations. It has gone through change and adaptation over time, but it has never been subsumed into the larger economic structure in an assimilative way. Aboriginal people have retained their special individual identities, and many unique forms of economic relationships have continued and flourished on that basis. So too have aboriginal communities retained their unique identities, with economic relationships being a fundamental part of such identities. And as a consequence, relationships with the larger economy have been shaped and formed through time under the influence of these factors.

The implications of all of this have never been documented, with the result that it is difficult to describe in precise terms, the critical structural and other characteristics of the Yukon aboriginal economy. Some things are fairly clear, however. One is that wage labour, and the economic relations upon which a wage labour system is based, is not the dominant form of economic participation. The low level of participation in the work force masks the fact that aboriginal people do in fact contribute productive work of value which does not appear in market measures of economic activity. Some of this takes the form of food and shelter which is provided for individuals and members of the community on a non-marketed basis. But there are numerous other

kinds of family and community based work which is not apparent in standard measures of work of value.

A second distinguishing feature of the aboriginal economy is the relationship of people and communities to the natural resources. A substantial amount of the economic activity in aboriginal communities relates to the use and management of natural resources. This is partially historical, and partly because the major aboriginal communities are located in rural and remote locations where resources provide the most important form of productive wealth. The major resources that provide the basis for much aboriginal economic activity are the naturally occurring products of the land, particularly the forest and wildlife, and the surface water systems. The ownership and management of these resources is very different from other forms of wealth dominant in the industrial economy. Part of this arises because of the Indian interest in and claim to these resources; part of it relates to the existing legal control being vested in the Crown; and part of it relates to the uniqueness of the resources themselves, and the special things that must be taken into account if they are to be effectively utilized.

Another feature of the aboriginal economy that makes it unique and different is the fact that, historically, economic surpluses have not been retained, and the capital base has not been continuously expanded, in parallel with the ever expanding capital structure of the industrial economy. This is partly the result

of the types of economic relations that have existed between aboriginal production and the market system, and partly the result of the lack of access to outside capital. These factors have generally resulted in many of the elements of economic "underdevelopment" which characterize the aboriginal economy, in the Yukon and elsewhere.

The final important feature of the aboriginal economy is that it is made up of a number of sub-systems, based in small communities. These community based economies are generally quite self-sufficient in terms of production, with only a small part of production geared to external needs and opportunities. The population base is small, meaning that production is on a small scale. And production is generally organized in a way that blurs the common distinctions between owners and workers, and between those who control capital and those who provide labour. Economic roles are highly integrated, with the community often being the defining unit of economic organization. It is this feature more than any other that makes it meaningful to speak of the aboriginal economy, and of people being part of that economy rather than of the larger dominant economic system. Development will necessarily have to proceed on the basis of recognizing this reality, if it is to proceed at all. This, taken in combination with the other factors referred to in the above, has important implications for the future of the Yukon economy. It suggests first, that if aboriginal people are to be part of the future development of the Yukon in a meaningful way, accommodations will have to be made which recognize the special nature of the

economic sub-system of which aboriginal people are a part. This will include such things as resources management, capital financing, & training; but will also have to extend to fundamental issues of economic planning and co-ordination of economic activity. It will mean that both governments and the private sector will have to be prepared to work co-operatively with Indian people, in order to ensure that the aboriginal economy realizes fully its potential. And it suggests, secondly, that aboriginal development will proceed in its own way and in accordance with its own patterns, consistent with the internal structure of the aboriginal economy. The pattern of development will not, in many respects at least, replicate the pattern of development in the non-aboriginal economy. It will be dependent upon the organization of the aboriginal economy that evolves as development proceeds. And this in turn will depend on aspirations and decisions of aboriginal people. There are many such aspirations and decisions which have yet to be defined. It will be essential to make provision for a resolution of these matters, in accordance with a timetable set by aboriginal people themselves.

5.3 Aboriginal Claims and Aboriginal Self-Government

Two of the most important evolving issues which will impact upon the future of the aboriginal economy are the settlement of Aboriginal claims in the Yukon, and a determination of the impact that self-government will have on Indian participation in the

Yukon economy generally.

Turning first to the issue of aboriginal claims, it is premature to say what a claims settlement will involve, and thus what the precise impacts will be. However, it can be stated with relative certainty that a claims settlement must and will be achieved at some appropriate time in the future. In the absence of such a settlement, the whole Yukon economy will be beset with uncertainty. This is especially so given the importance of natural resources to the future of the Yukon economy, and given the fact that the continuing aboriginal interest in the lands of the Yukon constitutes one of the fundamental political and legal reasons for arriving at a settlement, from the point of view of governments and Yukon society as a whole. Until aboriginal ownership and control of resources is more clearly specified in a legal sense, resource use planning and management will be fraught with difficulties.

It can be anticipated that a claims settlement in the Yukon will be comprehensive in nature. It will include most, if not all of the following: a definition of Indian lands, over which bands and individual Indian people will have exclusive rights of ownership; a definition of additional resources to which Indians will have exclusive rights to use; a definition of resources which Indians will have the right to share; a defined structure for Indian participation in management of part or all of the surface resources of the Yukon; a definition of guaranteed rights of aboriginal people in the Yukon, including rights to public

services such as education, health care, and perhaps income maintenance; the establishment of the collective rights of Indian people to establish and operate certain political, economic and social institutions, including Band Councils with extensive powers, educational institutions which are aboriginal controlled, and perhaps economic development institutions with guaranteed capitalizations and extensive investment, training, and other responsibilities for management of Indian assets. This listing of possible, and indeed likely, items to be included in a claims settlement is not intended to preclude or otherwise establish the possible content of a claims settlement. Rather, it is intended to indicate that the political, social, and economic structure of the Yukon is likely to be radically altered through the achievement of a claims settlement. And the result will be to radically alter the actual and potential basis of Indian participation in the Yukon economy. Indians will be more organized, have much greater economic resources, and be in a much stronger position to avail themselves of opportunities. They will have the means to participate in the economy in a large and important way. The actual form of participation will depend on the final outcome of negotiations, and the resulting roles and opportunities accruing to individual Indians and Indian institutions.

A separate but related development which could also have significant implications for the future development of the aboriginal economy in the Yukon is the increased importance of aboriginal self government. Aboriginal organizations and Indian

Bands across Canada have been engaged for some time now in efforts to gain legal and political acceptance of rights to self government. It is becoming apparent that these initiatives will continue, and that non-aboriginal governments and members of society at large will be required to recognize the movement of aboriginal people to greater and greater self governance. It is also likely that the federal government, and perhaps provincial governments, will take steps to embed many of the evolving approaches to self government into the legislative and legal framework of the country.

It can be anticipated that aboriginal people of the Yukon will be full and active participants in the process of extending self government. The results could be extremely significant for aboriginal development in the Yukon, and for the economic development of the Yukon generally. At a minimum, it will result in Band Councils, and institutions established by Band Councils, becoming much more active in influencing, initiating, and directing economic development activity. Beyond this, however, it is likely that through time, the exercising of aboriginal government powers will result in a whole new institutional framework for aboriginal participation in the economy. This institutional framework will take the form, through time, of a complex aboriginal controlled infrastructure that encompasses planning, financial mediation, investment, human resource development, resources utilization, business development and support, and any number of other activities critical to the

full realization of development opportunities. The exact structure and organization of this infrastructure will be something that will evolve in accordance with political decisions of aboriginal people themselves, and thus cannot be predicted at this time. But whatever form it takes, it will substantially expand and broaden the identity of the aboriginal economy as an identifiable component of the Yukon economy. This expanded importance will in turn be increased by the expanded access to physical and financial resources resulting from the settling of aboriginal claims.

These developments suggest that, in the future, aboriginal people will play a much expanded role in the Yukon economy. And they will do so as a people, applying their energies, ingenuity, and resources to the task of development. Relationships to the non-aboriginal economy will be extensive and complex. But they will be based on an uniquely structured aboriginal economic system, which will contain all of the essential elements of economic systems generally.

6.0 REALIZING FUTURE POTENTIAL

The preceding sections of this paper reviewed the developmental goals of the Yukon economy, and then examined the structure of the Yukon economy from the point of view of change and adaptation. In general, it was concluded that the economy has been going through a process of structural change, with the result that the economy of the next decade and next century will

be substantially different in a number of fundamental ways. The current decade is thus one of transition, as the factors giving rise to change reach into the economy and bring about the adjustments that are part of the process of change.

In an important way, the forces generating the changes in structure that have been discussed have their roots in a vast array of market forces, some of which are internal to the Yukon, but many of which are national and international in scope. The changes taking place can be said to be "market driven".

In looking into the future, it can be expected that there will be additional market pressures, and opportunities, that will arise. It will be important, in building a secure future, to respond to such market pressures, and to take advantage of market opportunities, that have the potential to yield real benefits to Yukon people and to the Yukon economy. Markets generally provide a basis for determining the value and sustainability of economic activity. Activities which have the capacity to recover costs on a sustaining basis, when costs themselves are market determined, can generally be accepted as providing benefits which justify the activities. In addition, such activities will be self-sustaining, without outside help and assistance, and thus provide a secure basis for building the future, unless unexpected events intervene. It is thus important, when looking to the future, to be aware of, and responsive to, the directions of, and opportunities generated by markets.

There is, nevertheless, a case to be made for not relying solely on market forces and directions when looking at the development of the economy into the future. While many of these have to be examined with specific application to particular circumstances, some general principles can be advanced. In some instances, there can be failures within particular markets that actually impede the process of realizing on developments which promise real and sustaining economic benefits. An example is where there are administrative or institutional rules that impede the financing of investments which meet standard profitability requirements. In other instances, there may be certain kinds of things of real value which go into the production of other things, and the costs of which could be covered, but which will not and indeed cannot be produced for a market. Much of the public infrastructure falls into this category. Because of the nature of roads, water systems, waste disposal systems, and the like, they must be provided by public agencies. In yet other instances, economically justified activities may not be undertaken without some form of government help, because there are institutional or other barriers that prevent them from being taken advantage of. The displacement of energy consumption with energy conservation investments sometimes fall into this category. In yet other cases, markets may fail to recognize the waste associated with unemployment, making special measures to create jobs a desirable activity, even if there is some public cost associated with doing so. The benefits that come from having people work at producing things of value may more than

justify such costs. Government involvement may also be necessary in order to ensure that resources are put to their best or most highly valued uses. Markets often cannot take into account the contribution that certain kinds of uses of resources may make to recreation, or to the realization of the full potential of the tourist industry, or of the extra benefits that will come from multiple as opposed to single uses of resources. And of course, when goals are seen as essentially developmental, complex matters such as ensuring equity and full participation and economic integration into the economy are not necessarily accounted for when market forces alone are left to determine outcomes.

The foregoing is not intended to be a full cataloguing of the arguments for depending upon markets to determine what should be done in the future; nor is it intended to be a full cataloguing of the arguments for the involvement of government. What it does suggest, however, is that a realization of economic potential in the future will likely depend upon a sound mix of responding to market pressures and opportunities, where appropriate, and government involvement and assistance where the latter promises real benefits in terms of the achievement of economic goals.

6.1 The Issue of Diversification

In any discussion of future development in the Yukon, the issue of diversification invariably arises. Diversification can be

understood as a process of economic change and adaptation, that leads to permanent structural change in the economy, but of a particular type. Basically, the idea is that the economy should become more structurally "balanced". A more structurally balanced economy is one which both reduces the relative importance of the currently dominant sectors; and, often at least, also one which more closely approximates the structure of an industrialized economy. The arguments for such structural change are not always totally clear. However, the argument is most often applied to economies which are highly dependent upon either primary resources production, or on some select part of the services sector such as tourism. One common thread in the argument for diversification is that it will lead to greater stability in an economy. This, however, may or may not be the result, depending upon whether the sectors to be emphasized are more or less unstable than the existing sectors on which the economy is highly dependent. While it may be argued that the greater the "balance" in sectors, the less likelihood there is that all sectors will be at the bottom of a cycle at the same time, this is by no means assured, nor does it seem to follow from actual experience in all cases. Another fairly common thread in arguments for diversification is that it would be desirable to shift economic activity toward more labour intensive activities, since this would lead to a greater amount of job creation for any given amount of investment. And another, often implied, is that non-diversified economies are essentially underdeveloped in terms of manufacturing activity, and manufacturing is the defining activity of an industrial economy.

What is needed, it is argued, is more manufacturing. This will lead to more jobs, more wealth, and a higher rate of growth.

There are some fairly substantial problems with these arguments for diversification. One is that there is no standard definition of the balance of sectoral activity that can be considered desirable, from any of these points of view. Obviously, equality in the importance of all sectors cannot be set as a goal; not even the most highly industrialized and successful of economies have this kind of structure. If the goal is to be the same as an industrialized region or country, it is difficult to see how this could be defended. Many regions would not only find it impossible to sustain the structure of an industrialized region without major and continuing support of industries, but they would also likely be much worse off in terms of incomes and wealth. After all, one of the reasons resources are more important in some regions than others is because some regions have extremely valuable resources, which they would relegate to lesser importance only at a considerable loss of well being to residents of the region. Another problem with the standard diversification arguments is that they often seem to be presented separately from arguments regarding the role that markets play in determining a major part of economic activity. Market pressures must essentially be supplanted by some other criteria for determining the kind of economic activity a region is to have. And while there is nothing wrong in principle with introducing other criteria, the choices exercised within such

criteria should have some kind of economic rationale. An argument for diversification in and of itself provides no such rationale. For these reasons, it is suggested that diversification itself is not an acceptable argument for pursuing structural change in an economy. The real question that must be pursued is one of what kind of structural change would generate real economic benefits to the residents of a region or an area. It is entirely possible that increased specialization might be the desirable goal within this framework. And even more importantly, it does not follow that the standard model of diversification involving increased industrialization, will necessarily achieve this goal. In many cases, an increased emphasis on manufacturing may not be sustainable, with the result that moves in this direction will increase instability, rather than decreasing it. One can point to many instances where the imposition of processing activity in a region actually creates more instability than if some other option for development had been pursued.

As a result, discussions with respect to future change in the structure of the Yukon economy will emphasize the pursuit of opportunities which will yield maximum, sustaining benefits, rather than opportunities which will simply reduce specialization and increase the importance of manufacturing, both of which figure large in most standard arguments for diversification.

6.1.1 The Argument for Job Creation

Another argument often advanced in support of a changed structure in the economy is that some kinds of activity will yield more job creation benefits than other kinds of activity. This argument has a stronger rationale than does the simple case for diversification. Jobs are extremely important to the people of a region, since most people earn their livelihood by working for jobs that pay wages and salaries. These earnings in turn provide the income needed to support other business activity, and to pay taxes, in the region. This becomes even more important during times of high unemployment, when everyone, including the unemployed and taxpayers, are better off if jobs are available for the unemployed.

The question that arises, however, is one of the importance that job creation should play relative to other criteria; and in particular, how are particular kinds of job creation to be selected out in preference to other kinds. Should attempts be made to create jobs in selected sectors, for instance? And should job creation efforts be concentrated only on the public and voluntary sectors; or alternately should they be applied only to the private sector?

These are not particularly easy questions to answer; and yet they deserve to be addressed if job creation is to be one of the criteria to be applied in the pursuit of economic goals. In an

effort to move toward an answer, some general principles need to be considered.

One might be that job creation should in general be pursued in those kinds of activities that will realize the greatest economic benefits to the Yukon. This does not mean concentrating on those sectors which are highly labour intensive, unless these are the sectors which it is most advantageous to develop in any event. And in general, it certainly suggests that there are choices regarding the kind of activity that is to be pursued. The first step in assessing such choices should always be to determine the kinds of activity that will be the most desirable, from the point of view of Yukon society. Programs should then be structured to encourage such activity, rather than being designed first, with the activities to be pursued being determined by the design of the program.

This also suggests that programs should be largely non-discriminatory regarding whether activity is undertaken by the public sector or the private sector. This suggestion is likely to be considerably more controversial. Some would argue that because such programs generally involve public funds, such funds should not be used to benefit privately owned enterprise. However, if this is accepted, the funds may be directed into uses which yield much smaller benefits. Others argue that the private sector should not be eligible for such funds, since this will give some businesses an advantage over others. This is considerably more difficult to deal with, since such funds should

only be made available where jobs are actually created. But this will favour new and expanding businesses over already established, stable operations. In the final analysis, this will likely have to be accepted as one of the costs of getting the most effective outcomes for money applied to job creation.

As a final comment with respect to job creation activity, it must be recognized that such activity has direct effects for the individuals who benefit through the creation of the jobs. Such activity must thus take into account the interests of the individuals involved. These individuals will be best served if the jobs created are worthwhile and useful, given that the dignity of the individual will be clearly enhanced in such circumstances. In addition, it will be to the advantage of the individual if the jobs are sustainable, rather than short term, and of a make work nature. It will also be to the advantage of the individual if the jobs are in keeping with the changing structure of the economy, since this will increase the sustainability of the jobs and the skills acquired, and increase the flexibility of the individual in terms of job options.

This latter point also introduces the matter of training. If jobs created are in areas that are likely to become of growing importance in the future, the skills developed will likely be of future as well as present value to the economy. Training can obviously be an important part of getting the best result in jobs. If job creation activity is consistent with patterns of

future change and development, public investment in training will provide considerable long term payoff. Training and education can and should be linked to job creation, if job creation is planned so as to ensure that the jobs are created in sectors and areas that are likely to be of continuing importance in the economy.

In conclusion, it must be recognized that job creation, by its nature, involves government taking steps of some sort to affect the pattern of economic activity. These efforts have impacts on the individuals affected, and on the economy. The effects on both should be taken into account. The dignity and the long term position of the individual will be enhanced if the effort results in jobs which are sustainable, and which have a future within the changing structure of the economy, and opportunities within the economy. The interests of the economy, and thus of all of the citizens of the Yukon, will be best served if the effort is directed toward activities which will contribute most to the economy. In choosing those areas to emphasize in such effort, the contribution of various alternate forms of economic activity must be the important factor. And such value must be assessed, taken into account the longer term changes in structure of the economy, and the the pattern of development that is likely, given the evolving opportunities, and given the objectives that have been established.

6.2 The Nature of Future Opportunities

In the final analysis, the realization of the objectives established for the Yukon economy will depend upon a full capturing of future opportunities to generate employment and income, and the maintenance of the resulting economic activity on a sustaining basis. This will require a full appreciation of the evolving market opportunities, and an aggressive pursuit of such opportunities by Yukon entrepreneurs. But it will also require that governments respond with appropriate support, and initiatives, in order to ensure the capturing of those opportunities which would otherwise be missed.

6.2.1 The Role of Governments

This latter point suggests that there is an important role for government in advancing the economic development of the Yukon. Some of the most important ways that government might be involved include:

- 1.) Encouragement of private sector investment and job creation in cases where there are special barriers limiting the ability of Yukon entrepreneurs to take advantage of profitable opportunities. These might include barriers to access to capital, unavailability of a skilled work force without training, special infrastructure needs, and special market information needs.
- 2.) Support for job training in keeping with the evolving character of economic opportunities in the Yukon.
- 3.) Support for the development of new capital financing institutions, which will improve the flow of investment capital, and which will strengthen entrepreneurial capacity within the Yukon.
- 4.) Investment in supportive infrastructure, where such infrastructure provides multiple benefits to a large number of

parties when provided on an efficient basis. This may include transportation, communications, energy supply, water supply, waste disposal, culture and recreation.

5.) Support for investments which will generate sustaining jobs for the unemployed.

6.) Support for developments which, because of their size or complexity, will not realize full developmental impacts without government involvement.

7.) Support for activities which provide simultaneous benefits to a number of firms, and that will assist firms in taking advantage of opportunities. Examples are market research and development, research, technological change and adaptation, and the development of public facilities which will assist the tourism industry (such as parks). In these cases, it would be virtually impossible for an individual firm to capture the returns from such activity, but the activity is clearly justified when the benefits to all firms are taken into account.

The above suggests a number of important ways that government involvement can be important in the realization of opportunities for the future. In each case, it is necessary to carefully examine the ways that such involvement should take place, consistent with the kinds of opportunities being addressed. The next sections will survey the kinds of opportunities that may arise in terms of development, the implications in terms of capturing such opportunities, and the ways that government might need to get involved, if at all.

6.3 Opportunities In Primary Resources

Primary resources are considered, in terms of economic activity, to include any productive activities which draw directly upon natural resources to provide the basis for the activity. As such, it includes the extraction or harvesting of the products of

land and naturally occurring water systems; and thus extends to mining, forestry, fishing, hunting, trapping, and farming. But it also extends to the use of the land and water systems for parks, wilderness recreational activities, and other such leisure and tourism related activities. In keeping with conventional economic classifications, it does not include the processing, refining, and further manufacturing of the products of the primary resource using or harvesting activity; these kinds of activities are included in manufacturing.

It is obvious that the primary resources sector has played an important role in the economy of the Yukon. Earlier analysis has suggested that the largest component part of this sector prior to 1982, the metallic minerals, will, in the future, occupy a place of lesser importance in the economy. This is because of the changing world wide conditions of demand and supply with regard to such minerals, and the low probability that additional Yukon based production will be competitive under such market conditions. It is always possible that circumstances will change again in the future, and this situation will reverse itself. However, the probability of this occurring is relatively low and thus individuals and governments should proceed on the expectation that the Yukon economy will, on a continuing basis, move more and more away from its heavy reliance on hard rock mining. In the absence of new discoveries of very high quality deposits of such minerals, market forces cannot be expected to maintain the historic importance of such minerals. The inescapable conclusion is that private and public sector effort directed toward job creation and

development must look to other alternatives; alternatives where market forces will support, rather than work against, the creation of new, sustaining activity.

An obvious exception to this is in placer mining, where gold extraction has, and will likely continue to experience gradual growth in demand and long-term profitability. However, since this sub-sector is relatively small as an employment generator, and since much of the surplus from it appears to be taken out of the Yukon economy, it offers relatively little as a basis of achieving the developmental goals which have been set out. This is not to say that it should not be considered a desirable part of the economy, to be sustained; but only that it has little potential to become a strategically important sector for re-structuring the economy consistent with the goals set out.

The forestry sub-sector is one in which there is considerable interest in intensifying activity in the future. Three things should be noted with respect to forest harvesting. One is that it too is relatively small. Another is that the resource itself is of a nature as to constrain the competitiveness of forestry in what is essentially a highly integrated international market. Most of the Yukon forest has low per acre yields, and is slow to re-generate, making it difficult to compete on international markets. And the third is that the Yukon currently has little processing capacity, limiting the ability to penetrate internal markets in the Yukon, where products can command a premium

because of distance from other sources.

There do appear to be some forest stands that could be harvested on an economic basis, although not likely on a sustaining basis. The successful exploitation of such stands will be enhanced if steps are taken to increase the internal use of the harvested products in the Yukon; indeed it can be argued that this is essential if continuing subsidies are to be avoided. Thus, capitalization on forestry opportunities will require that import substitution measures be initiated; measures which have not resulted to date from unimpeded market activity. It will also likely require that forestry development be accepted as transitional, sustainable only so long as economic forest stands are available. And, given that import substitution measures will likely be at some cost to Yukon residents, initiatives in forestry will have to be on the basis that relatively small gains in terms of employment and surplus generation are justified relative to the cost.

One sub-sector within primary resources that has attracted periodic attention is primary food production. Traditional primary food production has generally emphasized products of land, and thus its inclusion in the resources sector. However, the Yukon faces some very special problems here related to land quality and climate. These factors make it almost certain that crops produced in the Yukon could never be competitive in external markets. However, there is a possibility that meat production, and perhaps some milling of cereals, could be

successful if produced for the internal market. The fact that these have not developed to any extent to date suggests that market forces are not favourable. However, this is an area that needs further exploration. So too does the possibility of producing perishable vegetable products, and eggs. In all of these cases, too things should be noted, however. One is that a concerted effort would be required to organize the production-marketing-processing systems; an effort that would clearly require both government and private producer effort and resources brought together on a cooperative basis. The second is that this kind of effort will involve extensive cooperation, and some considerable cost, relative to the gains to be realized. A cooperative study of opportunities within a cost-benefit framework, and of a fair distribution of costs between taxpayers and private producers should be undertaken before any steps are taken to significantly expand the agriculture/food sub-sector of the economy. This kind of examination is particularly important given that the potential gains in jobs and extra income generated is likely to be relatively small.

It has been noted that the fish and wildlife resources of the economy make a substantial contribution to the overall economy of the Yukon. The most important questions that arise here relate to the management and conservation of these resources, access to use by different parties, the handling of conflicts that arise in terms of competing and multiple use, and possibilities for expanded further processing. The first three of these will be

addressed extensively in other papers, and thus will not be dealt with here. However, it should be noted that the importance of these resources to the aboriginal economy makes it important that these questions be examined in terms of aboriginal economic development; a matter which will be addressed later. The last of these matters, that of further processing, is worthy of special consideration. The market for clothing using wildlife products as an ingredient, appears to be one with considerable potential. This must be tempered by a recognition that the lobby in opposition has had some negative affect. However, it does appear that manufacturing based on the use of wildlife products may have considerable potential; a matter which will be addressed again when manufacturing is discussed.

6.4 Opportunities in Transportation and Construction

It has been indicated that the transportation and construction sectors in the Yukon have generally varied in importance, following the changing importance of hard-rock mining. The linkages between these sectors and the historically dominant sector have, not surprisingly, been determined to be strong. This raises the question of whether the strategic importance of these sectors will continue to decline; or whether new opportunities for jobs and income creation can be identified in the Yukon.

Turning first to transportation, some opportunity for growth might be expected if stronger linkages can be developed with

tourism related activity, and if such activity can be expected to become ever more important in the Yukon economy. Growing importance for tourism related activity is indeed in keeping with the kinds of market driven structural changes at work. A problem is that tourists originate outside the Yukon, with the result that a large part of tourist transport originates outside as well. It has proved difficult for Yukon based operators to tap a major part of this business, something that is unlikely to change with growing tourism. It is also unlikely that there are any workable and acceptable policy initiatives that will alter this, since practically all would require special preferences for Yukon operators which would deter expansion in tourism activity, and also conflict with trading arrangements with the United States, which is a major source of tourists.

Turning to the construction sector, it should be noted that construction activity is largely driven by activity in other sectors. Most construction activity is also site specific, with the result that it generates jobs and incomes in the Yukon. There is little to be accomplished in focussing on the construction sector as a strategic sector. Its importance will depend upon the importance of other sectors. There are two exceptions to this conclusion, however. One relates to the desirability of giving preference to Yukon residents on construction projects. This could enhance the importance of construction in achieving the goals set out, if outside residents contribute an important part of labour to Yukon projects. In general, this does not appear to be the case, suggesting that

little would be accomplished by such a measure. Further study of employment in construction might be desirable to confirm this conclusion. A further possibility to be considered would be to give a preference to Yukon based firms on construction products, thus increasing the retention of profits in the Yukon, and also the tendency to employ Yukon labour. A requirement of this sort currently applies to government projects. While it is not clear how much this increases incomes and employment in the Yukon, a continuation of this policy, or some variant of it, will likely be beneficial.

To the extent that Yukon preference provisions reduce "leakages" of employment and income to the outside, they will have their greatest effect if applied to those sectors and activities which will occupy either a large or growing part of Yukon economic activity. In the case of the Yukon, it is clear that the most important on this basis are mining, government, and services, with the later being the most important in the future. For this reason, consideration should be given to including services, and perhaps also mining, in future preference provisions in the construction sector.

6.5 Opportunities in the Trade Sector

The earlier analysis suggested that the trade sector can be divided into two component parts, the retail trade sub-sector, and the wholesale trade sub-sector. The retail sub-sector

compares favourably with other economies in terms of relative level of activity, and will likely be expected to continue to do so. Maximizing opportunities for Yukon based businesses here will likely depend largely on ensuring that small businesses have favourable access to capital, a matter that shall be dealt with later. For the wholesale sub-sector, the situation is somewhat different, in that activity here is less than what is supported in other comparable economies. The reason appears to be the high degree of external ownership in the trade sector, and the tendency to carry out many wholesaling activities outside the Yukon. Increasing the amount of wholesaling activity carried out in the Yukon would be beneficial in terms of jobs and incomes, but could only be accomplished by altering the ownership structure in the trade sector. It is difficult to know how this might be accomplished. However, possibilities include improvements in access to capital for Yukon based businesses, and changes in the procurement practices of major buyers of goods and services. The major buyers can be classed as consumers as a whole, government, the mining industry, and the accommodation and food services sub-sectors of the services sector. It is unlikely that any workable measures could be mounted to change the practices of consumers as a whole. With respect to the others, requirements could be established to give preferences to Yukon owned wholesalers and retailers. The acceptability of such requirements would have to be carefully tested, however, before any steps were taken to implement such requirements.

6.6 Opportunities in Finance and Real Estate

Earlier it was pointed out that the finance and real estate sector is relatively under-developed in the Yukon economy. The main reason for this is the structure of the financial services sub-sector of this sector, although the structure of the economy in general has also been a factor. With respect to this latter point, the dominance of mining, which itself has been dominated by a few large, externally controlled firms, has meant that the capital financing of this sector has largely occurred with little if any participation of the Yukon financial services sector. But the financial services sector itself is made up exclusively of large, externally centered financial institutions. The only functions carried out in the Yukon under these circumstances have been the retail services functions, with virtually all of the management, accounting, and investment functions taking place externally.

The only practical way of altering this situation is to develop an active Yukon based financial sector. Such a development would not only increase the importance of financial services in terms of Yukon based jobs and incomes, but would also have the potential of better serving the capital financing needs of the Yukon based, small business sector. The means through which a Yukon based financial services sector could be developed could involve all, or some combination of the following:

- development of a Yukon credit union system

- development of a Yukon based trust company (since a trust company could be established on a scale appropriate to the size of the Yukon economy, which is not the case with a bank, which would be another theoretical alternative)
- development of a Yukon "treasury branch" system, similar to that in Alberta, with government as the only or major shareholder.
- development of a government lending institution, but which does not accept deposits. Each of the preceding three involve full financial mediation, in the sense that the institutions both make loans and accept deposits.

In the financial and real estate sector, financial services provide the major opportunity for structural adaptation. Real estate services have some similar characteristics, but are not as significant in the relative underdevelopment of this sector as are financial services.

6.7 Opportunities in the Manufacturing Sector

In keeping with the standard classification of economic activity used by economists, the manufacturing sector is defined as including all economic activity, including the processing of the products of the resources, that results in the production of goods, with the exception of primary resource production and construction. The important practical point is that resources processing is included in manufacturing.

It has been shown that manufacturing has occupied a very small place in the Yukon economy historically, and that little change occurred in this respect during the transitional period following 1981. The reasons for this have already been explored. However, it is important to consider the possible role that manufacturing might play in the future.

The first thing to note is that there do not appear to be any significant market forces at work that will lead to an increased place for manufacturing in the Yukon. All of the market forces that have impacted historically will continue to be of importance. In addition, it can be expected that in the future, Canadian manufacturing will as a whole become less competitive, reinforcing any obstacles that may stand in the way of developing regional manufacturing opportunities.

There are three possibilities in terms of increasing the importance of manufacturing in the Yukon, nevertheless..

One is the possibility that some products unique to the Yukon might be pursued, and for which manufacturing elsewhere is unlikely to be competitive. This kind of development, based on experience, usually depends upon the inventiveness and special skills of people who are committed to the region in question. An example is the development of a number of farm machinery manufacturers in Manitoba, Saskatchewan and Alberta, based on the knowledge and inventiveness of the farmer-founders. But an

even more impressive example is Yukon Native Products Co-operative as a manufacturer of clothing and clothing-related products. This operation constitutes one of the most significant and important manufacturing success stories in the Yukon, and indeed in small regional economies anywhere in Canada. A unique product, differentiated on the basis of its Yukon origins and successful design, has achieved significant market penetration in one of the most difficult sub-sectors to penetrate, namely that of textiles. While clothing manufacturing has been on the decline elsewhere in Canada, this manufacturer has flourished, against all odds, with considerable opportunity to expand. Indeed, it is likely that market absorption capacity will be such in the future as to absorb much increased production. This reinforces a most basic of truths, and that is that a unique product can flourish in the most difficult of markets. What is needed is ingenuity, imagination and determination, none of which can be forced. The key is the individuals themselves. Government can only assist this kind of thing by being supportive in numerous ways. One is through assistance with applied production research, technology transfer and adaptation, and marketing. Another is through capital financing. And yet another is through training. And there may be other ways that government support can be justified, which will be unique to the product in question.

The second is the possibility that Yukon produced resources products might enjoy increased demand in external markets, and that the processing of such products could be undertaken on a

cost-competitive basis in the Yukon. One product for which this might be true would be the fabrication of clothing products from the products of Yukon wild life. The success of Yukon Native Products in clothing and clothing related products has established a unique product, identified with the Yukon and its wildlife resources. There is clearly a possibility that this particular manufacturing opportunity might enjoy increased market penetration in the future, with significant benefits in terms of jobs and incomes in the Yukon, by extending its product lines to include other products of Yukon wild life. Alternately, others might attempt to capitalize on such opportunities. Government could play a role here by assisting with production and market research.

A third possibility falls into the general category of what can be called "import substitution". This option for increasing the amount of manufacturing activity has already been alluded to in some of the earlier discussion. This approach emphasizes efforts to substitute Yukon based activity for goods imported from outside the Yukon. A review of sectoral reviews undertaken for Yukon 2000 suggests the following possibilities in this regard:

- 1.) The substitution of Yukon produced food and agricultural products for imported products. This possibility is attractive given that the major part of food consumed in the Yukon at present is brought in from outside. The production of meats, dairy products, eggs, and vegetables are all possible. If these were produced in the Yukon, they would create jobs and incomes both in their production and in their processing. The biggest constraints to producing these products are the costs of producing feed, and the costs of establishing the necessary climatic conditions (mainly involving heat). It is clear from

experience to date that these are unlikely to be overcome without government assistance. As has already been indicated, these possibilities need to be subjected to a comprehensive cost benefit analysis to determine whether any or all can be justified on a cost effective basis. Further, much work would need to be done on the needed measures to organize production, marketing, and processing in such a way as to ensure that any initiatives would capture full potential benefits. Given the importance of heat to at least some of these possibilities, the use of waste heat and of co-generation of heat and other energy forms must be included in any examination of the food production option.

2.) The substitution of imported energy products for Yukon produced substitutes. It is estimated that over \$100 million dollars per year is spent in the Yukon on imported energy products. This is primarily devoted to petroleum. The heating component of this expenditure could potentially be reduced by shifts to wood, although a considerable amount of this shift has already taken place. A shift to electricity is also a possibility, given the existing excess electricity producing capacity in the Yukon. This latter possibility would require further study, and would also require the development of appropriate pricing arrangements, probably taking the form of lower prices for electricity used for space heating than for other purposes. A third possibility is to increase the pace of retrofitting homes and buildings to reduce energy consumption, through the use of Yukon labour and Yukon produced materials.

3.) The substitution of selected imported durable goods for Yukon produced goods, where the production of such goods is not subject to significant economies from large scale production, and where the goods are used in considerable volume in the Yukon. One possibility already under examination by the Yukon government is office furnishings for government offices. There may very well be other products which have potential in this regard. The most effective way of encouraging such substitution is likely through "value-added" based procurement preferences implemented by major purchasers in the Yukon. Such preferences have the advantage of leaving the decisions on whether to undertake such activity to suppliers. The Yukon Government has examined the possibility of implementing such a preference system in its purchasing policies. Consideration should be given to testing such a system on a trial basis for selected products, and to extending such a system to select private sector buyers who have relatively large requirements for selected products which could be produced in the Yukon. Unless and until such tests are undertaken, it will not be possible to determine the potential for this kind of import substitution.

6.8 Opportunities in the Services Sector

Given the structural changes that have been underway in the Yukon economy, one of the important sectors to consider in terms of future possibilities is the services sector. This sector, which is now the largest sector in the Yukon economy by a considerable margin, is an amalgam of health, education, and social services activities; business services such as consulting, accounting and legal; food services; accommodation services; and a variety of other services to individuals and organizations.

Turning to the first of these, namely health, education, and social services, these are almost totally dependant upon government financing, and in the Yukon tend to be provided almost totally by government. A substantial argument can be made for a growing relative importance of these activities. The growing importance of the elderly suggests that health and social services will require a growth in activity in excess of the population increase. The relatively low level of educational attainment of aboriginal people, and the underdeveloped state of post-secondary education in the Yukon suggests a possible need for increased activity in the educational sub-sector. Whether or not any of these are realizable in the future will depend almost totally on the availability of the needed public funds, which in turn will depend on the preparedness of the federal government to provide the needed fiscal transfers. These considerations should play an important role in up-coming negotiations leading to a new Yukon Government financing agreement with the federal government.

Growth in the business services areas will depend on three things: the linkages with other growing (private) sectors in the economy, the contracting practices of government, and the availability of trained and skilled personnel. None of these would appear to favour substantial growth in this subsector. Nonetheless, this is one of the rapidly growing small business sectors in most parts of the Canadian economy, and there is no reason why this should not be true for the Yukon also. As a result, it is suggested that investigations be undertaken to find ways to support growth in this area, including the use of value added contract preferences for these kinds of services, special training assistance for Yukon residents prepared to establish these activities in the Yukon, and encouragement for Yukon businesses to use the services of Yukon based consultants, accountants, and lawyers.

One of the major areas for growth and expansion is in food services, accommodation, and tourism services. This has been one of the most rapidly expanding areas in the Yukon in recent years, and is accompanied by rapidly increasing consumer spending in these areas throughout the North American economy. This is the result of two separate developments. One is the tendency to go outside the home for many services once provided almost exclusively by labour inside the home. And the other is the increased popularity of leisure activity involving travel.

Numerous examinations have established the latter as an area of great potential for the Yukon. The growing tendency of people to travel further and to explore new wilderness oriented holidays works to favour the Yukon. So too does the close proximity of the Yukon to Alaska, which is growing in importance as a destination for American travellers. A full exploitation of the tourism opportunities for the Yukon must involve a strategy that has a focus on improved marketing on the one hand, and a diversification and development of tourist attracting activity and facilities on the other. In particular, further development of wilderness and scenic areas, and activities complementary to such areas, will likely be important to realizing the full potential of tourism in the Yukon. This in turn will require the expansion of recreation, accommodation, and food services in the rural and remote areas. And all of this will require resources management practices consistent with realizing such opportunities, including the management of water, forest, fish, and wildlife resources. Managed in an appropriate way, each of these will be extremely important in realizing the full potential of tourism. The Yukon Government is currently developing a new tourism strategy. It will be critically important that these developmental considerations be included if tourism is to achieve its potential as an economic activity in the Yukon. Should these developmental considerations be included, it can be expected that tourism activity will be an area of rapid expansion, with the result that accommodation, food services, and tourism services generally will contribute significantly to increased employment and income,

Other parts of the services sector, involving the provision of specialized services to individuals and families can also be expected to grow significantly in the future, in keeping with the general trend toward a growth in the importance of these in the consumption pattern of the typical household. Most of these are provided through small owner-managed businesses, and thus a realization of these opportunities will depend upon providing favourable conditions for the establishment and operation of such small businesses.

6.9 Growth of Opportunities in Government Sector

In general, it can be expected that the growth in the government sector will be low to moderate in the future. This is largely a consequence of the highly constrained financial environment in which governments, and particularly the federal government, are currently operating. However, there is at least one consideration that could make the Yukon somewhat different from the general pattern, and that is the devolution of responsibilities from the federal to the Yukon Government. The process of devolution will likely identify a number of areas, particularly related to resources management, aboriginal services, and social services, where the Yukon population is served at a level below national standards. Should these be fully recognized in the devolution negotiations, it can be expected that employment and income in the government sector will increase.

6.10 Realizing Opportunities for Small Business

Earlier in this paper, it was noted that the sectors in which small businesses dominate are expected to be the sectors which will, generally, experience the greatest growth in opportunities. The full realization of opportunities in the Yukon will thus require that special attention be given to factors which constrain the ability of small businesses to reach their potential.

In this regard, it is important to emphasize those constraints which are in some sense legitimate economic factors, and those which are not. In certain cases, businesses are constrained by such things as environmental protection, consumer protection, and other such legislation. To the extent that these legislative constraints have been imposed in order to ensure that businesses recognize costs which their activity imposes upon the economy, and to ensure that consumers have available information which they would not otherwise have, these constraints should be seen as legitimate. In other cases, businesses are constrained because their products cannot realize a price which will cover costs. In these cases, a clear and obvious case should have to be made for subsidization before subsidies are provided, since the inability to recover costs suggests inefficiency or inappropriateness of activities. In yet other cases, there may be factors at work which mean that economically justified activity cannot be undertaken because of constraints which are

unjustified. An example of this is where the lending practices of financial institutions in effect prevent businesses from undertaking profitable investments. This has been identified as a real constraint in the Yukon economy. In this case, there is a strong case for government involvement to ensure that such beneficial investments are in fact undertaken. The form of this government involvement could vary. It could include direct government lending, the establishment of new financial institutions which would be more responsive to Yukon small business, or loan guarantees and other forms of subsidies to existing financial institutions designed to induce them to be more responsive to Yukon small business. Given that access to capital for small businesses has been established as an important problem, consideration should be given to one or some of these alternatives to remedy the existing situation.

6.11 Realizing Opportunities in the Aboriginal Economy

The aboriginal economy in the Yukon has been, and continues to be, a significant component part of the overall economy. It sustains a very substantial part of the population of the Yukon, and is the basis of organizing numerous important productive activities. For many important reasons, it must be understood as a separate but integral part of the overall economy. It is defined by a people who are racially and politically distinct, by a form of economic organization which has many distinct characteristics, and by a legal and governance structure which is

an important part of the relationships which aboriginal people have with Yukon and Canadian society.

In many respects, the aboriginal economy is underdeveloped at the present time. This is not to suggest that its development should be measured by conventional standards of development applied to society as a whole. But it does suggest that the economic participation of aboriginal people has been limited by many constraints and barriers externally imposed, and which have prevented them from realizing the potential that clearly exists. And it also suggests that the importance of the aboriginal economy can, and likely will, increase substantially in the future. There can be little doubt that aboriginal people want to play a much more important economic role in the future. This has been confirmed on many occasions by statements of their leaders, and by statements of people themselves when invited to reflect upon their hopes and aspirations. There also can be little doubt that aboriginal people, and the aboriginal economy, can contribute, in a significant way, to the future development of the Yukon. The realization of many opportunities may, in fact, depend highly upon the active participation of aboriginal people. The aboriginal interest in land and other resources of the Yukon makes it highly improbable that many of these resources can be utilized to their full potential without active aboriginal involvement.

Some of these kinds of developments may be critical to realizing the full future potential of the Yukon. A growing and developing

tourism industry, for instance, will not fall into place. A "critical mass" of tourist attractions will be essential, appealing to a diversity of interests. The attractions will nevertheless have to draw upon the natural resources and offerings of the Yukon. It is quite clear that the development of wilderness recreational and leisure activities, for example, will be essential if the broad base of attractions needed to realize the full potential of tourism is to be achieved. These kinds of developments, based on natural resources often close to aboriginal communities, may very well be the kinds of developments that aboriginal people will wish to include in their own developmental strategies. And if they are, the benefits will extend to the Yukon economy as a whole, since each development that acts as a draw to tourists benefits others in the services sector as well.

These, of course, are not the only kinds of developments that will take place within the aboriginal economy. But they serve to emphasize a very important point with respect to future development in the Yukon. And that is that a full realization of economic potential may not be possible if the aboriginal economy itself is not provided the support needed to participate in development. Without numerous aboriginal originated and controlled developments, the whole of the Yukon economy will be held back. And this will become more pronounced a problem as aboriginal control over resources is made more extensive as a result of the settlement of aboriginal claims. Aboriginal

skills, aboriginal resources, and aboriginal community involvement will be some of the essential ingredients to sectors such as tourism sustaining growth.

However, aboriginal participation in the future of the Yukon economy is desirable not just to ensure that the remainder of the Yukon economy reaches its full growth possibilities. Aboriginal participation is also essential if the goals established as part of Yukon 2000 are to be realized. Those goals clearly established that all people in the Yukon are to be included in the economic future of the Yukon. This has not been the case in the past. Aboriginal people have not enjoyed the same material benefits as non-aboriginal people. Unemployment and poverty have been the reality for far too many aboriginal people. Aboriginal communities have remained under-developed economically, notwithstanding the wishes and efforts of community members and leaders.

As has been the case in other parts of Canada, the "solution" has largely involved welfare, grudgingly given and grudgingly received. The welfare dependency found in so many native communities is no more liked by native people than it is by others. And the cost to society at large is substantial, both in terms of wasted human potential and wasted tax dollars.

In the Yukon, the commitments made as part of Yukon 2000 to date provides a basis for a new start. This new start must be based on a kind of social contract between aboriginal people and

communities and the rest of the Yukon. The critical element in this must be the intention to create real and meaningful opportunities for aboriginal people to become full and active participants in the future Yukon economy. The terms must be such as to ensure that aboriginal people can maintain their own unique economy, under their control and with a continuation of the special forms of economic relationships that are important to aboriginal people. And there must be a preparedness by governments and the non-aboriginal private sector to address the constraints and barriers to development that have existed to date, on terms that recognize the integrity of the aboriginal economy, and the need for aboriginal people to find solutions and control development. It has been proved time and again that this is the only possible way to realize successful development in the aboriginal economy.

The constraints and barriers to meaningful participation by aboriginal people must be studied further, with the active involvement of aboriginal people. Many matters have yet to be resolved, and many questions remain unanswered, particularly among aboriginal people themselves. What is needed at this time is the recognition that the participation of aboriginal people, through their own institutions and enterprises, is indeed seen as the necessary for the future, by governments, by the private sector, and by Yukon society at large. What is also needed is an acceptance that special resources and special measures will be necessary to facilitate such participation,

given the historic denial of opportunities for aboriginal people, and the resulting disadvantages that they now face. And lastly, what is needed is an assurance that aboriginally controlled institutions and enterprises will be seen as the necessary instruments for building and extending the aboriginal economy. With these kinds of assurances, and the corresponding commitment of resources, aboriginal people and aboriginal communities will have the confidence to plan for the future, and to become full and active participants in the Yukon economy of the future. And the result will be that aboriginal people in the future will enjoy prosperity and independence, rather than poverty and dependence.