



CALEDON
INSTITUTE OF SOCIAL POLICY

Poverty and Prosperity in Nunavut

by

Ken Battle and Sherri Torjman

November 2013

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The Caledon Institute of Social Policy was engaged by the Nunavut Anti-Poverty Secretariat, which provides oversight and leadership to support the Nunavut Roundtable for Poverty Reduction in the implementation of Nunavut's poverty reduction strategy. We were asked to comment on Nunavut's social safety net and to consider a 'made-in-Nunavut' social policy inspired by Nunavut's unique history and values, and geared to its social, demographic, economic and political characteristics. This paper is intended to launch an exchange of ideas on a new social vision for Nunavut. Our emphasis is on reforming Nunavut's income security system, one of the principal objectives of Nunavut's poverty reduction strategy.

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Introduction

Nunavut was formally created as a Territory in April 1999. It grew from a dream about the future – of opportunity and prosperity for the people of the North.

In the words of the Nunavut Land Claims Agreement, which voiced the commitment to create Nunavut, the aim of the new territory is “to encourage self-reliance and the cultural and social well-being of Inuit.”

Nunavummiut are a resourceful people guided by strong values that have stood them well for centuries. Unfortunately, the dream of a better tomorrow has not materialized for many. The social and economic fabric that had once provided a measure of security is wearing thin. Educational attainment is low, poverty is high and health outcomes are among the worst in the country.

The evidence makes a strong case for significant change. The voices of the people speak powerfully to the same conclusion. As the 2009 Throne Speech poignantly notes: “People believe we have lost our sense of purpose and belonging – our cultural connection to our land and to our families and communities and our balanced way of life.”

To tackle its many tough problems, the Government of Nunavut formulated a long-term *Tamapta Action Plan* clearly shaped by Inuit culture and values. The Plan has several core components, which are concerned with individuals, communities and the Territory itself. By 2030:

- *Nunavummiut will continue to have a highly valued quality of life and a much better standard of living for those most in need.*
- *Individuals and families will all be active, healthy and happy.*
- *Communities will be self-reliant, based on Inuit societal values, with reduced dependence on government.*
- *Nunavut will be recognized for its unique culture, its people’s ability to help one another and its useful contributions to Canadian and global issues.*

The Government of Nunavut recognizes that its tough problems, including widespread and deep poverty, cannot be tackled by any single organization. It has made a commitment to engage actively with several partners – including Inuit organizations, other governments, non-governmental organizations and business – in developing programs and policies to reduce poverty.

In February 2012, the Government of Nunavut and Nunavut Tunngavik Inc., (the Inuit organization that ensures that promises made under the Nunavut Land Claims Agreement are carried out), together released *The Makimaniq Plan: A Shared Approach to Poverty Reduction*. The document articulated the goals that the Government and its partners hope to meet over 18 months. *Makimaniq*, the Inuktitut term for “empowerment” or “standing up together,” calls on all residents to play a role in reducing poverty across the Territory.

The Nunavut Roundtable for Poverty Reduction, co-sponsored by the Government of Nunavut and Nunavut Tunngavik Inc., is currently drafting a community-driven five-year poverty reduction action plan. The action plan will build on the themes identified in *The Makimaniq Plan*.

The big challenge

It is no exaggeration to say that Nunavut faces an existential challenge at this time. The *status quo* is not an option. But if the present is not the desired pathway to tomorrow, then what is? There are no clear markers to prospective directions – other than the core values that have provided such strong guidance in the past.

Nunavummiut have always been guided by a strong sense of values and principles that have stood as steadfast anchors throughout the centuries. These are set out in the *Tamapta Vision* and include:

- *Inuuqatigiitsiarniq*: respecting others, relationships and caring for people
- *Tunnganarniq*: fostering good spirit by being open, welcoming and inclusive
- *Pijitsirniq*: serving and providing for family and/or community
- *Aajiiqatigiinni*: decision-making through discussion and consensus
- *Pilimmaksarniq/Pijariuqsarniq*: developing skills through observation, mentoring, practice and effort
- *Piliriqatigiinni/Ikajuqtigiinni*: working together for a common cause
- *Qanuqtuurniq*: being innovative and resourceful.

This *Social Vision* takes into account Nunavut's unique geographic and socioeconomic context. It has been written with Inuit societal values in mind, but without explicitly integrating Inuit values and principles into the recommendations.

The proposals within the *Social Vision* are intended to complement other poverty reduction efforts currently under way at the community and territorial level. Inuit values and principles guide these efforts, such as the work of the Nunavut Roundtable for Poverty Reduction.

The following *Social Vision* is written with an eye towards the fundamental choices that Nunavut must make. Nunavut's roots, firmly planted in a traditional past, are being buffeted by strong headwinds of economic change. Should it embrace the traditional way of life that served its people so well for thousands of years? Or should the Nunavut of tomorrow be guided by a more 'modern' market-based vision, given the Territory's vast pool of natural resources and its location of global strategic importance?

It is likely that neither path alone – the security of the past nor the lure of wealth in the future – provides a satisfactory route to well-being down the road. There may well be a third option that blends core elements of the old and the new. The purpose of this *Social Vision* is to consider that possible third way – to explore the unexplored.

The economic and social landscape

Nunavut is a vast area, with most of the region made up by Arctic tundra. It is isolated from the rest of Canada and there are no roads connecting communities or Nunavut itself to any other province or territory.

The land is sparsely populated. Only about 34,000 people, 80 percent of whom are Inuit, live in 25 communities.

Nunavut's economy is shaped by several factors. It has virtually no manufacturing and a limited services sector. Very little of what residents consume is produced in the Territory. Significant money flows out of Nunavut as a result.

The federal government is the largest source of financing in Nunavut, and government is the primary employer. Ottawa provides more than 90 percent of the funds required to administer the programs and services delivered by the Government of Nunavut. The federal government also brings money into the region through defence spending and its own social programs, including child benefits, Employment Insurance, the Working Income Tax Benefit, Old Age Security, the Guaranteed Income Supplement and the Canada Pension Plan.

Nunavut has been on the federal government radar screen in recent years as a result of federal interest in Arctic sovereignty, the Northwest Passage and economic opportunities that may result from melting sea ice. However, federal activity is not expected to create significant employment growth in coming years.

The mining sector, by contrast, has been expanding and will be the greatest source of new full-time and permanent jobs for the foreseeable future. Increased global demand for mineral resources has brought some of the world's largest companies to Nunavut. However, the glitter is off the gold as the world price for many commodities has dropped. Projected resource development will end up being slower than anticipated.

New money that enters Nunavut's economy does not circulate long before leaving in the form of imports. Current living standards are maintained through a constant flow of money into the Territory from outside sources – not through the circulation of money within its borders as is the case for most economies. Details about the labour market and incomes picture in Nunavut are presented in **Appendix A**.

News on the jobs front is disappointing.¹ Despite vigorous resource development, Nunavut's unemployment rate – 13.7 percent as of June 2013 – is significantly higher than the 7.1 percent Canadian average, Yukon (5.3 percent) and the Northwest Territories (7.3 percent).

Nunavut's employment rate – the number of people employed as a percentage of the population 15 years and older – was 57.7 percent in June 2013 compared to 61.9 percent for Canada as a whole. Nunavut's 57.7 percent employment rate is much lower than the other two territories, at 71.0 percent in Yukon and 71.9 percent in the Northwest Territories.

The Inuit population does not do as well in the workforce as the non-Inuit population. The unemployment rate for the Inuit population ages 15 and over in Nunavut was 22.5 percent in 2011 compared to 16.5 percent for Nunavut as a whole. The employment rate was 46.5 percent for the Inuit population but a much higher 89.2 percent for the non-Inuit population.

Lack of requisite education, skills and mobility all contribute to unemployment. There is a substantial mismatch between job requirements and available skills and experience. The construction and operations of a mine require hundreds and sometimes thousands of workers in one location.

Jobs in mining generally need higher levels of education and skill than many local workers can provide. The mining industry demands that its workers meet certain literacy and numeracy standards. Inuit participation is often limited to the unskilled and semi-skilled jobs involved in the project. These jobs do not offer sufficient financial incentive for some of the unemployed to leave social assistance (more commonly known as ‘welfare’) once various benefits for recipients are factored in.

Other jobs that are better paying might require a family to relocate, forcing many to give up their publicly subsidized housing. The employment opportunity comes at far too high a price. Income support and public housing offer security that paid employment does not. Taking a job might mean lower net income and higher housing costs – not an economically wise choice. We revisit this problem of the ‘welfare wall’ later.

Moving also requires some savings. In Nunavut, only the largest communities have banking facilities and anyone on welfare is not likely to have any spare money. In the absence of roads, costly air travel is the only available means to relocate.

The income picture, at least at first glance, appears a bit better. The 2006 Census found that the after-tax income – income after government income programs and income taxes – of Nunavummiut, on the whole, is comparable to the national average. The average after-tax income was \$28,781 in Nunavut compared to \$29,214 for the country as a whole in 2005.²

But levels of income do not take into account the effect of prices and therefore do not reflect the purchasing power of that income. A dollar in Nunavut is not the same dollar elsewhere in Canada.

The cost of energy throughout the Territory is high. Lack of roads means that perishable goods must be flown into its 25 communities at great cost. Air freight is about six to ten times the cost that other remote regions pay for ground freight. Prices for some goods and services, such as food, housing and transportation, are double or triple the rest of the country – effectively rendering Nunavummiut considerably poorer in their purchasing power than other Canadians.

There is more to poverty than low income alone. Inequality – or the gap between various income groups – has been growing in Nunavut as it has in Canada and the rest of the industrialized world, though in a unique manner in Nunavut.

The *2010 Nunavut Economic Outlook* contends that inequality in Nunavut is taking the form of a divide between those engaged in the wage economy – including a new and growing middle class – and:

a large number of Nunavummiut who are not yet ready, are unable, or are unwilling to participate in the wage economy. Not enough is known about the motivations of this group. For example, the drop-out rate of high school students in some Kivalliq communities has worsened over the last few years, despite the growth in the region's economy. This runs counter to the belief that students drop out because there are no real job prospects in their community. We accept that there are some Nunavummiut who prefer a more traditional Inuit life. But others have seemingly lost their way in the transition from a traditional Inuit way of life to a wage-based culture and lifestyle.

The *2010 Nunavut Economic Outlook* identifies the growing gap between haves and have-nots: “This divide between rich and poor that is emerging across Nunavut stands as one of the greatest challenges Nunavut faces in reaching its goal of a high and sustainable quality of life.”

The social side of the equation is equally troubling. Nunavut is a young Territory not just in terms of its political creation. The residents themselves are young. While the number of Nunavummiut over age 60 is expected to double in the next 20 years, the Territory is dominated by young people under age 15. The largest population cohort in Nunavut is below age 15, while Canada's largest population group is approaching 60. **Appendix B** gives some data on Nunavut's demography.

Given the population profile – a relatively young population – perhaps one question trumps all: Are the kids okay? Not if educational achievement and health outcomes are any indication.

Appendix C provides selected details on key health and lifestyle indicators. On 15 out of 20 categories, Nunavut ranks below Canada. These factors include infant mortality, life expectancy, suicide, smoking, physical activity, heavy drinking, sufficient consumption of fruits and vegetables, and contact with the health care system.

On the whole, Nunavummiut do not perform well in school. Nunavut's high school graduation rates and general reading, writing and math skills compare poorly with the rest of Canada.³

It didn't used to be like this...

There was a time when 'poor' was not the word typically used to describe the people of Nunavut. Until recently, there was no such thing as 'poverty' as it is currently understood.

Despite enduring periods of extreme economic deprivation defined by food scarcity and even starvation, many Inuit argue that poverty – defined as lack of income – did not exist in the past. Inuit clearly had no or limited cash income in their indigenous settlements. They were self-reliant through subsistence hunting, fishing and trapping. Theirs was a life in which community figured prominently and people looked out for one another.

The promise of the North and its wealth of resources was the spark that opened up the Territory and the development of its resources. As part of this ‘modernization,’ Inuit were moved into settlements whose purpose was to provide the foundation for resource development in the region, help establish and maintain sovereignty, and mitigate the dire physical conditions in which some Inuit lived.

The dream of a better future has not materialized. Instead of the anticipated prosperity, resettlement has hastened the deterioration of traditional skills. The loss of customary hunting and trapping has significantly limited these skills as a productive alternative to the wage economy.

The associated lack of suitable employment options has cost Inuit their independence. Far from a road to riches, the promise of a new life inadvertently has increased their reliance on government-provided income support programs.

Four in ten people in Nunavut – 13,197 or 39.3 percent of the population – received social assistance in 2011, the latest date for which data are available. This is the highest proportion of all the provinces and territories and is an extraordinary statistic that speaks volumes. In communities that were surveyed, nearly 70 percent of Nunavut’s children live in households rated as food insecure and 15 percent of all these children experience at least one day in the year when they do not eat. A detailed picture of welfare provision and receipt in Nunavut is presented in **Appendix D**.

In addition to low income, Nunavut’s food insecurity stems from a lack of country food. There are lower stocks of wildlife and fish, high costs of harvesting and diminished land-based skills, all of which have reduced the availability of local food.

There is heavy reliance on public housing in Nunavut, which comprises more than half the housing stock – compared to only an estimated 6 percent in Canada. While affordable housing ensures a secure base for families, it has also created unintended disincentives by discouraging relocation to other communities that offer employment opportunities.

The welfare wall

Welfare systems across Canada traditionally have provided not only income but also various services such as supplementary health care, prescription drugs, disability-related supports, child care and subsidized housing.

If social assistance recipients manage to move from welfare to the workforce, they not only lose these income benefits and services but also see their typically low earnings reduced by federal and provincial/territorial income taxes and payroll taxes (Canada Pension Plan contributions and Employment Insurance premiums). Factor in work-related costs for clothing, transportation and child care, and the result is the ‘welfare wall’ – sometimes called the ‘welfare trap.’

Welfare is far and away the most prominent part of Nunavut’s income security system. But the conventional model of the welfare wall appears not to hold in Nunavut. People do not have to be on

social assistance to receive services such as supplementary health care and prescription drugs, child care, disability-related costs and subsidized housing. However, the situation is complicated.

Inuit receive supplementary health benefits as beneficiaries of the Nunavut Land Claims Agreement, which excludes the remaining residents of the Territory. In many communities, a higher proportion of jobs may come with supplementary health insurance than down south. For example in Pangnirtung, many of the main employers are some version of government (hamlet, Government of Nunavut regional office, school, health centre) and most of those jobs provide supplementary health care. But this is not true of all jobs or all communities.

A Daycare Subsidy is available to provide financial support to low-income families who reside in Nunavut to help make day care more affordable while parents work or attend school. Moving from welfare to work will not affect eligibility for the child care subsidy, though moving from low-paying work to higher-paying work would reduce or end the subsidy since it is an income-tested measure.

Public housing plays a prominent role in Nunavut's welfare system, but it cannot really be said to form part of a welfare wall. More than half the population lives in public housing, most of them Inuit. There is a heavy demand for more public housing, which costs around \$180 million annually or five times the \$33 million cost of income support. Public hearings held by the Nunavut Roundtable for Poverty Reduction, co-chaired by the Government of Nunavut and Nunavut Tunngavik Inc., and an investigation into the Nunavut Social Safety Net, heard participants express fears of losing their home or facing rising rental costs, which can affect some people's decisions whether or not to take a job.

In Nunavut, Income Support pays the actual cost of shelter and utilities. While moving from Income Support to paid employment means the loss of the housing benefit, public housing is still available and rent is geared to income, providing a higher subsidy to lower-income households.

The needs test used to determine eligibility for welfare basically reinforces poverty and dependency, requiring applicants to deplete most of their assets in order to qualify. Far from a way out of poverty, social assistance unwittingly has become a social and economic ghetto for many recipients.

The fact that labour market programs, such as training and upgrading, used to be attached to social assistance throughout Canada added to the welfare wall. Prospective employees were required to be on welfare in order to access the supports and services that help get them back to work. However, many unemployed or underemployed residents would benefit from the education, training and other work supports that welfare provided. Fortunately, the recent trend is to separate employment services from welfare, which is a positive development.

In Nunavut, so many households are in receipt of welfare that the link with labour market programs and services in fact is quite effective. The introduction of the federal Labour Market Agreement (LMA) in 2009 allowed for underemployed and under-skilled individuals not on welfare, as well as people on welfare, to access education and training.

It is important to note, though, that almost all households receiving social assistance in Nunavut live in public housing, which in effect stretches their cash incomes from welfare. Housing is discussed below.

The absence of a prominent welfare wall in Nunavut is a good thing. Nunavut already provides important services to its low-income residents, whether they are on welfare or not. This is a crucial ingredient of income security reform.

However, the sheer size and pervasive nature of Nunavut's social assistance system far outweigh any concerns about the traditional welfare wall. The contrast between welfare in Nunavut and the rest of Canada is striking.

In most parts of Canada, welfare is a relatively small program in terms of its size of the population. At last count (2008), it ranged from 2.4 percent of the population in Alberta to 10.5 percent in British Columbia. It stood at 49.1 percent in Nunavut that year, and 60 percent or more of the population is on welfare in some Nunavut communities.

Welfare typically carries with it stigma and even shame. In Nunavut, it appears not to, or at least not so much. In fact, some welfare recipients refer to social assistance as "my pay."

Work and welfare may not mesh for some people in Nunavut. We made this point earlier and it is worth repeating here. Welfare can create a disincentive to work if potential workers decide they prefer the security and stability of social assistance and subsidized housing over the uncertainty of employment, especially if they work in unskilled or semi-skilled jobs that are low paid. Even if workers have the skills and experience to find better-paying jobs, they have to weigh the cost of potentially losing their prized public housing.

Social and personal factors may also play a role in the welfare versus work conundrum. Some workers may resist relocation to a job away because of ties to family, community and the unique culture of a region. Families and communities also provide essential supports, such as child care and elder care. Regional dialects are another factor restricting mobility.

Welfare is supposed to be the income support of last resort, coming into play only when people in need do not qualify for other income programs. In Nunavut, welfare dominates the income security system and effectively serves as the income support of first resort. There is an issue regarding access to important income programs, such as Employment Insurance and Old Age Security/ Guaranteed Income Supplement/Senior Citizens Supplementary Benefit. The problem is one of culture and language. For example, the federal government provides information on its income programs only in English and French. Staff in Nunavut may, in some cases, not fully understand how to access federal programs. Some people are uncomfortable going to the Service Canada office.

Many recipients use welfare only once and then get back on their feet. But some end up relying on the program for years – which may lead to a lifetime of poverty and dependence. The report *Understanding Poverty in Nunavut* put it forcefully:

For hundreds of Nunavummiut, there is a very real possibility that they will be recipients of Income Support benefits for many years and some may use the program for the rest of their working lives, even in a scenario where the economy grows and poverty is drastically reduced...for some people in some communities, the opportunities for self-sufficiency through participation in the wage economy are slim.

Modernizing the social policy architecture

The proposed policy architecture set out in this *Social Vision* is based on the goals identified in *Tamapta*. All Nunavummiut deserve to have their basic needs met, which means working together to ensure:

- affordable, healthy food, safe water and a home
- safety
- a sense of belonging and purpose
- family support and friendship
- education and opportunities to learn
- communication in our preferred language
- personal responsibility
- pride in our culture, our languages, and in who we are
- stewardship of our environment and wildlife
- access to the land for personal growth and sustenance
- opportunities for fun, recreation and culture.

The Government of Nunavut has set out an extensive *Action Plan* for 2009-2013 to help realize these principles and to meet its economic and social objectives. The *Action Plan* is a robust vision with identified priorities that include improved education and training, more housing options and reduced poverty.

More recently, *The Makimaniq Plan: A Shared Approach to Poverty Reduction*, articulated the goals that the Government and its partners hoped to achieve during the 18-month period ending the fall of 2013, when there will be a general election. *The Makimaniq Plan* identified the top six areas on which the Territory will focus. The *Social Vision* presented in this paper builds on *The Makimaniq Plan* by exploring ideas related to education, housing and income security, with emphasis on the latter area.

Any Social Vision must seek to balance its *safety net* and *springboard* functions. Given the challenges of life in the North, there must be adequate supports to ensure that all citizens have access to the basics of life – food, clothing, shelter and safe water, among them – and that no one lives under life-threatening circumstances. These supports effectively comprise the essential safety net function of this *Social Vision*.

The traditional way in which Inuit lived in harmony with nature and with the support of family and community effectively ensured these safety net protections. Today, these protections take the form of affordable housing and income security programs.

But an equally important part of this *Social Vision* is to ensure sufficient opportunities for improved social and economic well-being. These actions comprise its essential *springboard* function. One crucial dimension entails support for the early years for children and parents. Another involves investing in education and skills, and enabling participation in the wage economy. A third route is to promote economic activity in communities that have no natural economic base.

These springboards to opportunity are entirely consistent with Nunavut's stated vision in which poverty is understood as more than lack of household income. It is a broader concept that includes loss of self-reliance, the result of deep fissures in Nunavut's social and economic foundation.

The *Inuit Qaujimagajatuqangit Katimajit* explored the problem of poverty during its Spring 2010 meetings in Iqaluit. The elders noted that poverty has at least two dimensions. First, it involves deprivation, when there is insufficient food to provide for oneself and one's family. Second, poverty exists when a person or household does not have the means – knowledge, tools and equipment – to obtain that food. While the elders were referring to hunting in particular, this statement can also be applied to the knowledge, tools and equipment required to participate in the modern wage economy.

All this to say: Poverty in Nunavut must be tackled from the perspective of both income support, and work and learning capability. The *Social Vision* presented here captures this dual thrust, which is explained in terms of six essential building blocks:

- early childhood development
- education and literacy
- skills training
- regional economic development
- affordable housing
- income security.

i. Early childhood development

All jurisdictions require services that are appropriate to their demographic profile. In the case of Nunavut, this demographic imperative means paying special attention to children, youth and young families.

Perhaps the most devastating aspect of child poverty is its psychological impact: lack of security, choice and hope for a better future. Children living in poverty generally face a higher risk of psychosocial difficulties than other children, including more mental and physical health problems, academic troubles and behavioural issues – difficulties that can follow them throughout their life.

Entrenched parental poverty can start a chain of socioeconomic risk leading to reduced readiness for and acceptance of school, poor behaviour and attendance, higher unemployment, low-status jobs and social marginality. The school drop-out rate for children living in low-income families is twice as high as for other children and carries lifelong implications for employment and income security. Childhood poverty is often associated with lower educational attainment, low earnings in adulthood, psychological problems and greater likelihood of involvement in criminal behaviour.

A growing body of evidence from Canada and other countries shows that opportunities for well-being throughout life are created or denied in the critical early years, when child development is forged along physical, emotional, social, linguistic and intellectual dimensions. During this vital period, certain parts of the brain need positive stimulation to develop properly.

Early childhood development programs are an important means of mitigating childhood deficits and promoting healthy development. These measures vary from one jurisdiction to another. They typically include combinations of health, education and social services in the form of prenatal care, nutritional supplements for pregnant mothers, home visiting for new parents, Head Start and preschool programs, family resource centres and regulated child care.

But effective early childhood interventions must start before birth. One of the most significant prenatal measures involves the prevention of Fetal Alcohol Spectrum Disorder (FASD), a condition that arises from consumption of alcohol during pregnancy. Children born with FASD typically exhibit some form of cognitive, behavioural or physical impairment. As adults, they comprise a substantial proportion of the prison population.

High-quality child care can compensate, to some extent, for developmental deficits. Quality early childhood interventions have been shown to improve performance in school, lessen the learning risks associated with low income, and enhance parents' childrearing and coping skills.

Strong supports for families are also linked with greater success down the road as measured by high school completion and employment. Such supports are estimated to reduce child abuse by as much as 50 percent and stave off the lifelong consequences of abuse. Similar programs help prevent aggressive behaviour among young children often associated with failure in school, and subsequent delinquency and criminality.

From an economic perspective, high-quality affordable child care facilitates education, training and employment. It can make the difference between a below-poverty and above-poverty income for many families.

The Government of Nunavut has recognized the social and economic value of early childhood development programs. It has made a commitment to improving the availability of these programs by enhancing funding mechanisms for licensed child care facilities and providing training opportunities for child care staff. Its plan ideally will move beyond child care alone to include a continuum of varied supports for families with young children.

Family literacy, for example, targets parents as the means of improving the reading and writing skills of all family members. Reading to children is one of the most effective routes to raising their literacy levels. Enhancing the literacy proficiency of parents is a crucial lever for both parents and children.

ii. Education and literacy

Not surprisingly, education and literacy are the most important springboards out of poverty. Knowledge and learning are keys that unlock the doors to both economic and social well-being.

Unfortunately, there are far too many Canadians who have not attained the basics. The 2006 Census reported that a shocking 40 percent of Aboriginal Canadians ages 20 to 24 have not completed high school. Low high school completion rates can have devastating outcomes. Education is the means by which all individuals can improve their social and economic circumstances.

But even the completion of high school – while one of the most powerful pathways out of poverty – does not ensure more-than-basic literacy proficiency. Literacy is the ability to understand and employ printed information in daily activities at home, at work and in the community in order to attain personal goals and develop knowledge and potential.

The Territory remains a long way from achieving an acceptable graduation rate and an educated population. Almost three-quarters of Nunavut’s working age population struggle with serious literacy and numeracy challenges, and do not meet the minimum education and literacy levels required to participate in an increasingly knowledge-based economy.

Basic job readiness also involves more than high school graduation; a postsecondary diploma or degree, or a trade certificate, is required for most positions. Far too many workers are excluded from the labour market because they cannot meet higher skill requirements. Employers are also seeking workers with a more sophisticated array of capabilities that include decision-making, teamwork, problem-solving, entrepreneurship, leadership, information technology skills, the ability to communicate effectively and a desire to learn.

Fortunately, the Government of Nunavut has given top priority to education and invested millions in recent years in an upgraded curriculum, new schools and training facilities, and additional teachers and support staff. In 2009, Nunavut’s new *Education Act* came into force and will serve as a foundation for improving literacy proficiency and rates of high school graduation.

iii. Skills training

For many Canadians, even high school completion does not guarantee a decent job. Some individuals face barriers to employment, whether these result from racial discrimination, severe and

prolonged disability or substance abuse. Others encounter obstacles related to transportation or affordable, quality child care.

Even in the absence of these obstacles, it can be difficult for prospective workers to find a job. There are challenges embedded in the labour market itself. Labour market restructuring and rapid technological change have had a profound impact upon the nature of work.

All too often, the pool of available skills in a given region does not keep pace with its changing economic base. Many communities lack ongoing upgrading and training to ensure that its skill set matches new demands.

Significant steps have been taken by the Government of Nunavut on the education and training front. Once through high school, resources are available for students who wish to continue their education or pursue trades training, including financial aid, housing, child care support and assistance for transportation costs.

The Government of Nunavut has also invested in a Trades Training School in Rankin Inlet, and a new Mining Training Society has formed in the Kivalliq region. The Government of Nunavut has pledged to develop a High School Graduation Diploma for Mature Students. Subsequent initiatives will expand training capacity for mining occupations. Through Nunavut Arctic College and its partners, Nunavut will increase postsecondary opportunities in all occupational categories.

One particularly effective solution in a rapidly changing technological environment is known as ‘customized training.’ At the core of the approach is the identification of current and prospective job opportunities in various sectors of the economy and for specific employers.

A selected organization typically conducts a methodical, in-depth exploration of the labour market. It then determines the skill requirements related to local employment opportunities. The designated organization also assesses the skills, knowledge and abilities of the individuals currently unemployed or underemployed. Participants in customized training programs tend to be social assistance recipients, although the approach need not be limited to this population.

Participants who have received market-relevant training are then matched with appropriate job opportunities. Local employers who have been engaged in the process generally use the designated organization as their hiring window because prospective employees have been pre-screened for their suitability to the work. However, lack of employer engagement remains an obstacle in the hiring of participants.

Nunavut has committed itself to a strategic approach to reducing gaps between those who are unemployed and available job opportunities. It will take stock of the current labour force in the Territory and compare it to the demands of the labour market. Subsequent initiatives will expand training capacity for mining occupations, in particular.

Fortunately, over the past ten years, Inuit participation in mining projects has improved. The advances have come about, in large part, through the implementation of the Nunavut Land Claims Agreement, the signing of Inuit Impact and Benefit Agreements, and increased training by Inuit organizations, governments and mining companies.

While education and market-relevant training are key pathways to economic success, they do not guarantee a life free from poverty. In fact, thousands of women and men across Canada work full time for wages so low that they still end up living in poverty. Others can find only casual or contractual employment, piecing together two or more jobs to earn a meagre and unstable income.

iv. Regional economic development

Nunavut must develop mechanisms to bring new wealth into disadvantaged regions and communities. The current economic outlook for the Territory shows that growth will occur in pockets. A greater emphasis on regional economic development throughout the Territory would help create employment for Nunavummiut who seek to participate in the wage economy but are unable to find appropriate opportunities.

v. Affordable housing

Any serious *Social Vision* literally begins at home. The Government of Nunavut has committed itself to the development of a comprehensive long-term Housing Strategy that addresses the continuum of accommodation by increasing the stock of public housing, strengthening the rental market and providing support for private homeownership.

This commitment is a positive development. Additional affordable housing will be required in the Territory to meet growing demand. Based on fertility assumptions, household formation and current occupancy rates, the *2010 Nunavut Economic Outlook* predicted that Nunavut will need 1,672 new public housing units by 2025. An estimated 110 new units will be required every year for the next 15 years over and above the replacement or repair of existing units.

Nunavut's challenges with housing are rooted both in what it has and what it lacks. On the plus side, there is a large stock of affordable housing. This factor is normally considered a good thing. The cost of building and maintaining a private home makes ownership unattainable for most Nunavummiut, due in part to the high cost of materials coupled with relatively low incomes.

But in Nunavut's case, affordability derives from the fact that public housing comprises 53 percent of the total housing stock. Public housing across Canada, by contrast, comprises only about 6 percent of the overall housing stock.

The widespread availability of public housing has been a blessing in the Territory. Housing and its associated costs are extraordinarily high. It would be near impossible for most households to

survive the climate, employment limitations and transportation challenges in the absence of this crucial support.

At the same time, relatively easy access to public housing acts as an impediment to labour mobility. Few residents are able to move to potential employment opportunities if it means giving up secure accommodation.

There are several ways to bolster the availability of high-quality, affordable housing. The most common approach is to enhance the *supply*, which usually means increasing the number of reasonably priced housing units in a given community. The supply focus often involves the construction of new housing, generally in the form of rental units.

New construction is the most expensive option and typically requires a longer time frame to prepare the required infrastructure, such as electricity and sewers. The 2013 federal Budget announced an additional \$100 million over two years for new housing construction in Nunavut.

The other major route to affordable housing focuses on the *demand side* of the equation, which refers to households' ability to pay the rent. This approach does not seek to change the number of available housing units. It focuses instead on helping people pay for their existing accommodation.

Typically, this financial assistance involves government payment of a designated amount or rent supplement to the owner or renter of the property. Tenants pay part of the market rent and the provincial/territorial or municipal government contributes the remaining amount up to a set maximum. Because the total cost is offset partly by government, landlords are able to charge less to households.

Another option is to provide the rent supplement directly to the tenant. The advantage of this approach is that the assistance moves with the individual. It is a 'portable' benefit that does not tie the household to a given community within the jurisdiction paying the subsidy. In Nunavut, such an approach would help address the mobility challenge in which prospective workers are expected to move to where the jobs are – in communities rich in natural resources.

But focusing on the demand side of the housing equation may not work for Nunavut. While a portable rent supplement addresses the demand for housing by enabling people to pay for accommodation, it does not redress the severe physical shortage of housing throughout the Territory.

One way to tackle the supply problem in Nunavut is to explore the possibility of non-profit and co-operative housing arrangements. These models have worked well elsewhere in the country to help meet gaps in affordable housing.

Another, albeit more limited, option is to require any company that has been awarded a license to develop a resource-based industry to build or finance the supply of affordable housing in the community in which the resources are being extracted. Prospective workers would not have to face the possibility of losing their homes if they choose to seek a job in another community. The housing

would be made available to all Nunavut residents and not just to ‘job tourists’ from the south, as is currently the case.

vi. Income security

a. wage floor

A major challenge for both employers and governments is to find ways to make work pay for the working poor. One of the oldest social programs in Canada is minimum wages, which establish a *wage floor* in the workforce.

Nunavut does well in relative terms with respect to its minimum wage. At \$11 per hour in 2013, it is the highest in the country. See **Appendix E**.

A full-time job in Nunavut generates maximum annual gross earnings of \$22,880, assuming an eight-hour work day and year-round employment. On the other hand, the value of the minimum wage in Nunavut does not reflect its true purchasing power, given the high cost of living in the Territory.

Nunavut’s minimum wage is not indexed to the cost of living, like most jurisdictions. But *ad hoc* increases since the Territory was created in 1999 have generally exceeded inflation, as can be seen in Figure 12 in Appendix E. However, lack of indexation means that the value of Nunavut’s minimum wage declined by 3.8 percent from 2011 to 2013.

Better wages can be promoted by encouraging local employers to move above the minimum wage to adopt a ‘*living wage*’ policy for both their own employees and those of their suppliers. Employers benefit from paying living wages through reduced employee turnover and improved morale.

b. income supplementation

The federal and provincial/territorial governments provide two types of income security programs. *Income supplementation* programs bolster low incomes. *Income replacement* programs replace income that has been lost due to such commonplace conditions as unemployment, disability and retirement. Nunavut is fortunate to have on hand several federal and territorial programs that can be built upon and strengthened to ensure better income security.

Governments can play a crucial role in helping the working poor by topping up their low earnings through programs that *supplement earnings* from paid work. In its 2007 Budget, the federal government introduced a pioneering earnings supplementation program known as the Working Income Tax Benefit (WITB). The program is indexed to the cost of living.

Nunavut also offers its own work income supplement, called the Territorial Workers’ Supplement (TWS). This program is payable only to families with earned income and children, and is

designed like the federal Working Income Tax Benefit. **Appendix F** illustrates how the Working Income Supplement and Territorial Workers' Supplement operate.

The second significant lever for supplementing low income is *child benefits*, which supplement income rather than employment earnings for families with children. **Appendix G** discusses the child benefits system, which is made up of three federal programs – the Canada Child Tax Benefit, Universal Child Care Benefit and non-refundable Child Tax Credit – and one Territorial program, the Nunavut Child Benefit.

All families with children receive some child benefits, though overall the system delivers its largest amount to low- and modest-income families. Child benefits' supplement to income is sizeable for lower-income families. For example, total child benefits paid to a single parent in Nunavut with one child under age 6 come to \$5,184 in 2013.

Nunavut is unusual in that it reduces its welfare benefits by the amount of the National Child Benefit Supplement – which is the part of the Canada Child Tax Benefit that goes only to low-income families. Most jurisdictions have stopped this practice, with the exception of the three Territories.

The federal government also provides a refundable GST/HST credit that supplements low and modest incomes. In 2013, the maximum payment is \$265 per adult and \$139 per child; there is a \$139 supplement for single persons. For example, the maximum GST/HST payment is \$808 for a couple with two children up to net family income of \$34,561, above which benefits decline to end at \$50,721. The GST/HST credit is indexed each year.

c. income replacement

There is another category of income security programs that serve not to bolster income but rather to replace it. We look at four programs – Employment Insurance, the retirement income system, disability benefits and social assistance.

Unemployed workers may qualify for employment *earnings replacement* because they have lost their jobs due to plant closures, economic downturns or seasonal employment. They may be eligible for replacement income in the form of Employment Insurance. See **Appendix H**.

Seniors are eligible for Old Age Security and, if they have low income, may also qualify for the Guaranteed Income Supplement and Nunavut's Senior Citizens Supplementary Benefit. The Canada Pension Plan provides a pension and other benefits to all retired Canadians who worked in the labour force, whether as employees or self-employed. The Canada Pension Plan Disability Benefit makes payments to former workers with a severe and prolonged disability that prevents them from continuing their paid employment.

Welfare is the program of last resort administered by the Government of Nunavut. The problem is that welfare in Nunavut effectively acts as a program of first resort with few of the other

programs being tapped. One way to tackle this problem is through combined income assessment, described below.

Elements of reform

The good news is that Nunavut already has a range of programs intended to alleviate poverty and inequality through both income supplementation and replacement. So the basic structure of income security is already in place.

There is something wrong, however, when such a large proportion of the population – 39 percent at last count – relies on what is supposed to be a last-resort safety net for a small group of persons who are not eligible for other social programs. Welfare plays far too prominent a role in Nunavut’s income security system.

This *Social Vision* paper proposes that Nunavut’s income security foundation be strengthened, redesigned and rebuilt. Social assistance, the current bedrock of social security, should eventually revert to its original purpose as last-resort temporary assistance. Other geared-to-income programs – including a new Basic Income program that would replace most of welfare, enhanced child benefits, stronger earnings supplements and a refundable cost of living allowance – could displace welfare in importance.

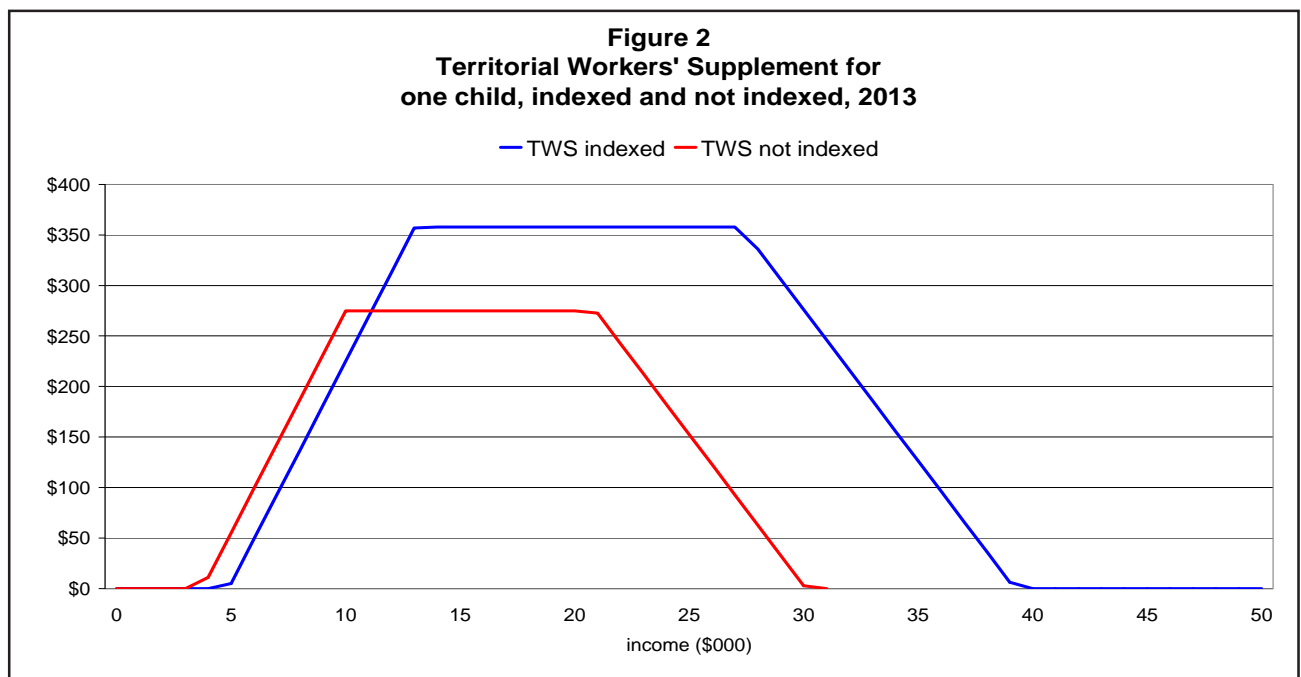
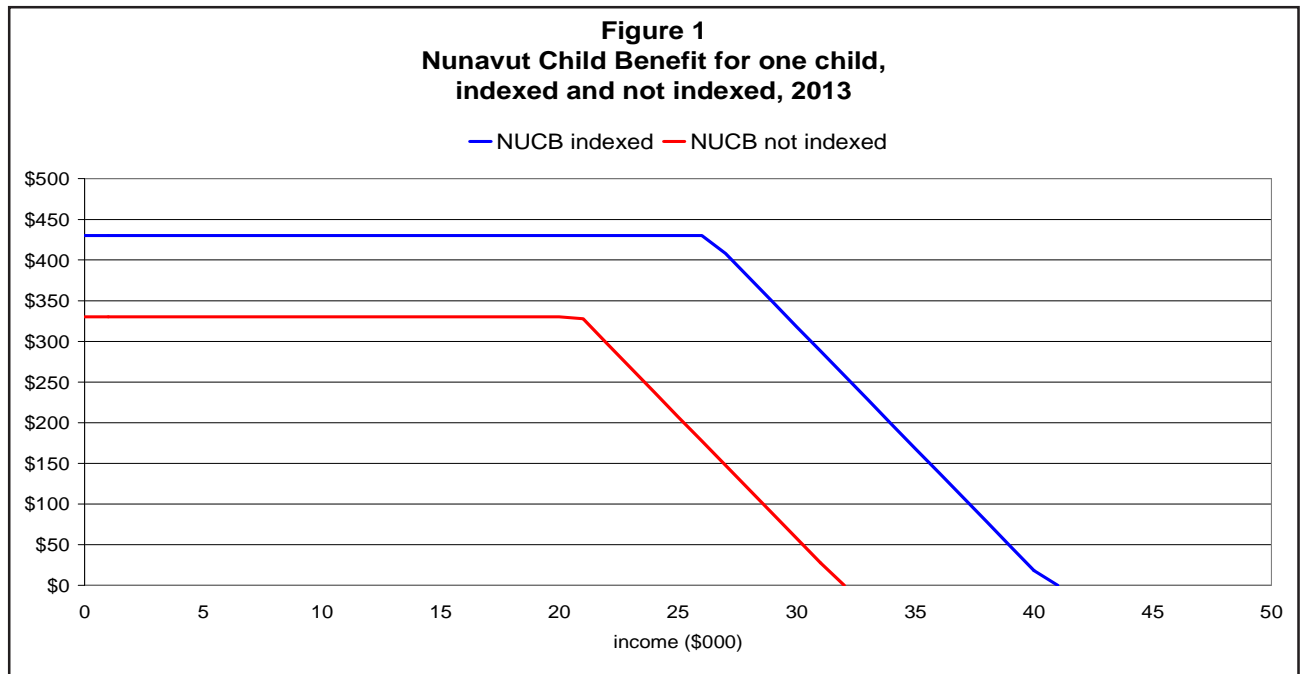
Granted, income programs cannot solve all the problems of poverty on their own. Human capital investment is the best bet over the long run to ensure that Nunavummiut have the requisite education and skills to qualify for decently-paid jobs. Nonetheless, income programs can play a crucial role in tackling poverty, and could do more.

The income security system in Nunavut can be reformed through three stages. Immediate changes can be introduced without significant adjustment to other parts of the system. Intermediary reform requires more time, staff training in certain cases, adjustments within government and possible negotiation with the federal government. Long-term reform involves significant restructuring of the current income security architecture.

i. Immediate reform

a. index benefits

Most federal income security programs, including child and elderly benefits and the Working Income Tax Benefit, are protected from inflation through annual indexation. The sole exception is the Universal Child Care Benefit, which is not indexed. This is an important feature of any income security program. But Nunavut’s income programs – minimum wages, the Nunavut Child Benefit, the Territorial Workers’ Supplement and welfare – are not indexed to the cost of living: They should be.



A proposal arising out of community meetings held recently across the Territory by the Nunavut Roundtable for Poverty Reduction was the need to increase and index welfare payments, especially in light of the high cost of living in the North.

But the absence of indexation has not proven to be a problem with the minimum wage since the Government has, in fact, raised it above inflation overall, resulting in real increases between 1999 and the present. One could argue that Nunavut's minimum wage is *de facto* indexed, and (overall) at a higher rate than the cost of living.

But the lack of indexation of the Nunavut Child Benefit and Territorial Workers' Supplement has resulted in a substantial real loss in the value of benefits and shrinkage in the number of recipients over the years. This effect can be seen in Figures 1 and 2.

Figure 1 shows that the Nunavut Child Benefit in 2013 is worth a maximum \$330 per year for one child in 2013, shown in red. Maximum benefits are paid when net family income reaches \$20,921 and eligibility for benefits ends at \$31,921.

Had the Nunavut Child Benefit been indexed to inflation since its creation in 1999, the maximum benefit for one child in 2013 would have been \$439, payable up to \$27,816, and eligibility would have ended at \$42,441. Not only would benefits be substantially more (up to \$109 more) in 2013 dollars, but more families would receive benefits (both full and partial).

Figure 2 shows the amount and distribution of benefits from the Territorial Workers' Supplement with and without indexation to the cost of living. Maximum payments today are \$275 annually for one child; they would be \$366 if indexed to inflation. Benefits phase in starting at \$3,750 in work earnings. They would have begun to phase in at \$4,986 had they been indexed.

Eligibility for benefits ends at \$31,921 today; that figure would be \$42,441 if indexed. More families would receive both maximum and partial payments if the Territorial Workers' Supplement had been indexed.

b. increase the Territorial Workers' Supplement and Working Income Tax Benefit

For workers who earn low wages, Nunavut's Territorial Workers' Supplement should increase from its current very modest level of a maximum \$275 a year to provide a greater incentive to work and thus help recipients get off – and stay off – welfare.

The Government of Nunavut should consider extending the Territorial Workers' Supplement to workers without children, both single persons and childless couples. As noted, the program should be indexed to keep pace with the cost of living. Since Nunavut was created in 1999, the Territorial Workers' Supplement has lost value each year by the amount of inflation.

The federal Working Income Tax Benefit under the Nunavut version currently pays a maximum \$620 per year for a single worker as opposed to the standard configuration's \$989. But the Nunavut version extends much higher up the income scale, disappearing at \$38,969 compared to \$21,127 under the standard design.

The federal government over time should gradually enhance its investment in the Working Income Tax Benefit, which would allow Nunavut to increase the maximum benefit and reach of its configuration of WITB. There is precedence for this: Ottawa substantially boosted the Working Income Tax Benefit in 2009, two years after it was launched in 2007.

The Territorial Workers' Supplement should be increased, indexed and extended to childless working households. Together, stronger versions of the Territorial Workers' Supplement and Working Income Tax Benefit would go a long way to helping low- and modest-income workers supplement their wages, avoid poverty and earn a better standard of living.

c. bolster and rationalize child benefits

Child benefits are one of the most important income security programs, especially in Nunavut with its young and growing population of families with children. Nunavut families with children are eligible for the federal Canada Child Tax Benefit, a geared-to-income, indexed program that has a proven track record in reducing and preventing poverty and improving families' finances. Low- and modest-income households in Nunavut receive an additional amount through the Nunavut Child Benefit. It has lost value each year due to lack of inflation protection and so must be indexed.

The federal Canada Child Tax Benefit and Nunavut Child Benefit should both be bolstered. The federal government considerably enhanced the Canada Child Tax Benefit in the past: It should do so again. It could help pay for increases to the Canada Child Tax Benefit by abolishing the Universal Child Care Benefit and the non-refundable Child Tax Credit, two flawed and wasteful programs.

Nunavut is unusual in that it reduces its welfare benefits by the amount of the National Child Benefit Supplement, which is the part of the Canada Child Tax Benefit that goes only to low-income families. Most jurisdictions have stopped this practice, with the exception of the three Territories. Nunavut should stop doing this.

d. expand the fuel supplement

Nunavut provides a Senior Fuel Subsidy program, which helps offset the high cost of heating fuel for seniors (age 60 or over) who own their own homes. Eligible seniors are reimbursed full costs up to a maximum number of litres of fuel. Eligibility is based on income, and the maximum allowable subsidy ranges from 2,500 to 3,175 litres of fuel depending on community. The maximum allowable income threshold is based on homeowner rather than household income.

The Government of Nunavut could expand the Senior Fuel Subsidy by extending the subsidy to all homeowners and not just seniors.

ii. Intermediary reform

a. combined income assessment

All income security programs require some form of income test to determine eligibility for and amount of benefits. The inordinate reliance on welfare makes clear that this important administrative mechanism is not working well in Nunavut.

Some elderly persons are on welfare when they should be receiving Old Age Security/ Guaranteed Income Supplement/Senior Citizens Supplementary Benefit. Some unemployed workers are on welfare when they should be on Employment Insurance or should at least be checking to see if they qualify.

The caseworkers who staff the front line of the welfare system appear not to have accessible information on alternatives to welfare and their eligibility rules. Part of the problem is the fact that some program information is not available in the Inuit (Inuktitut and Inuinnaqtun) language.

This problem partly explains the dominance of welfare in Nunavut's income security system. Nunavut is paying out more than it should through social assistance, while Ottawa is paying out less than it should on elderly benefits and Employment Insurance.

One possible remedy is a combined income assessment mechanism. Its purpose would be to improve, streamline and strengthen the frontline administration of all Nunavut and federal income programs including welfare, the Canada Child Tax Benefit, Nunavut Child Benefit, Working Income Tax Benefit, Workers' Territorial Supplement, seniors programs (OAS/GIS, Allowance and Senior Citizens Supplementary Benefit) and perhaps Employment Insurance – as well as the proposed Basic Income, discussed below. Caseworkers would play the key role in administering the proposed combined income assessment system.

The Nunavut Government, with financial and other assistance from Ottawa, would develop a training protocol and curriculum that would explain eligibility rules for income programs, including income and other criteria, and make materials available in the Inuit, French and English languages. Caseworkers would undergo intensive training with opportunity for upgrading as required. They are among the poorest paid in the public service: Higher salaries as part of a plan for improved training and career development would help. A community college could provide this training and could award credentials.

iii. Long-term reform

Reform must go farther. Welfare itself must be dismantled and replaced with a modern program, which we will simply call Basic Income.

A Basic Income program would offer some important advantages over welfare. Unlike welfare's complicated and intrusive needs test, a Basic Income would use a simple income test that

delivered benefits on a sliding scale to persons with low or modest incomes. Unlike welfare, a Basic Income program would not require applicants and recipients to divest themselves of most of their assets – effectively becoming desperately poor – in order to qualify for income assistance. Unlike welfare, a Basic Income could be delivered at low cost and with administrative ease through the income tax system – the key delivery vehicle for income security programs in Canada.

Services – including supplementary health and dental care, early learning and child care, educational upgrading, training and other employment services, and the all-important social housing – should continue to be available to all low- and modest-income residents, regardless of their source of income. Nunavut already does this: It should maintain this important social policy principle of separation of income and services.

Our proposal for a Basic Income to replace welfare would already appear, in fact, to have some resonance in Nunavut. The Nunavut Roundtable for Poverty Reduction conducted a series of community meetings across the Territory, discussing a comprehensive and extensive range of issues on poverty. The idea of a guaranteed income was raised, and it was suggested that the experience of guaranteed income approaches in other countries, such as Norway, be explored.

In short, the proposed *income security system for Nunavummiut* would consist of a package with several federal and Territorial components. Together, these income programs – stronger child benefits, minimum wage, earnings supplements and more accessible Employment Insurance – could help prevent and reduce poverty in Nunavut. Welfare would, over time, revert to its original purpose as last-resort temporary assistance. **Table A** presents the current and proposed components of a stronger income security system for Nunavut.

Conclusion

Poverty in Nunavut is a difficult problem that must be tackled from the perspective of both income support and services, and work and learning capability. This *Social Vision* sketches out a wide range of social programs in Nunavut in the areas of early childhood development, education and literacy, skills training, regional economic development, affordable housing and income security. The main focus is income security policy, a vital area in which both the Nunavut and federal governments play key roles.

Nunavut is fortunate to have in place several federal and territorial income security programs that could be rebuilt and strengthened. Social assistance, the dominant program throughout Nunavut's short life, should eventually revert to its original purpose as last-resort temporary assistance.

Other geared-to-income programs – including a new Basic Income system that would replace most of welfare, enhanced child benefits, stronger earnings supplements and more accessible Employment Insurance – could eventually displace most of welfare. These programs would increase incentives to work while, at the same time, reduce poverty and improve living standards for low- and modest-income residents of Nunavut.

Table A
Elements of reformed Nunavut income security system

program	function	jurisdiction	pros	cons	proposals
minimum wage	wage floor	Nunavut	highest in Canada	high cost of living	increase incrementally
Working Income Tax Benefit (WITB)	earnings supplement	federal	Nunavut variant indexed	long reach but small benefit	increase incrementally
Territorial Workers' Supplement (TWS)	earnings supplement	Nunavut	lever that can be strengthened	small not indexed	increase incrementally index
Canada Child Tax Benefit (CCTB)	income supplement	federal	well designed proven poverty reduction	could be stronger	increase base Child Tax benefit
Nunavut Child Benefit (NCB)	income supplement	Nunavut	lever that could be strengthened	small not indexed	increase incrementally index
Employment Insurance (EI)	earnings replacement	federal	lever that can be redesigned	low coverage low benefits	increase earnings-replacement capacity uniform work requirements and length of benefits
Basic Income	earnings replacement	Nunavut	replace social assistance	conceptual stage requires public education	income-tested design

Endnotes

1. While more new jobs will be created in coming years, the official unemployment rate still lingered at a very high 13.7 percent in June 2013. The jobless rate would be even higher had discouraged workers who have dropped out of the labour market been counted. In fact, the true unemployment rate (i.e., the number of individuals actively looking for work plus those who have given up the job search and those working part-time who want full-time work as a percentage of the workforce) exceeds 50 percent in some communities at various times of the year.
2. Average weekly earnings in 2012 were \$961.72 in Nunavut compared to \$896.81 for Canada as a whole. However, median income – the level of income at which there are equal numbers of people above and below the amount – was only \$27,840 among individuals in Nunavut compared to \$29,250 for Canada in 2010.
3. Nunavut's graduation rate has climbed steadily from 22.5 percent in 2001-02 to an all-time high of 39.0 percent in 2008-09, but that is still an unenviable result. This level is only about half the national average and ranks among the weakest performers among OECD countries, such as Turkey and Mexico.

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**Appendix A
Labour Market and Income Indicators,
Nunavut and Canada**

Item	Nunavut	Canada
Labour force (June 2013)		
participation rate	66.9	66.7
unemployment rate	13.7	7.1
employment rate	57.7	61.9
population 15+	21,500	28,656,600
labour force	14,400	19,104,100
employed	12,400	17,749,000
unemployed	2,000	1,355,100
Median income (2010)		
Census families	\$62,680	\$69,860
couples	\$85,580	\$76,950
single parents	\$28,190	\$37,050
individuals	\$27,840	\$29,250
Average weekly earnings (2012)	\$961.72	\$896.81

Nunavut's unemployment rate was 13.7 percent in June 2013, almost double the 7.1 percent for Canada. The unemployment rate was just 5.3 percent in Yukon and 7.3 percent for the Northwest Territories – way below Nunavut's 13.7 percent jobless rate.

Nunavut's employment rate – the number of people employed as a percentage of the population 15 years and older – was 57.7 percent in June 2013 compared to 61.9 percent for Canada as a whole. The employment rate was 71.0 percent in Yukon and 71.9 percent in the Northwest Territories, much higher than Nunavut's 57.7 percent rate.

The Inuit population does not do as well in the workforce as the non-Inuit population in Nunavut. The unemployment rate for the Inuit population ages 15 and over in Nunavut was 22.5 percent in 2011 compared to 16.5 percent for Nunavut as a whole. The employment rate was 46.2 percent for the Inuit population but a much higher 89.2 percent for the non-Inuit population.

The income picture appears a bit better. The average after-tax income was \$28,781 in Nunavut compared to \$29,214 for the country as a whole in 2005. The average weekly earnings in 2012 were \$961.72 in Nunavut compared to \$896.81 for Canada as a whole.

However, median income – the level of income at which there are equal numbers of people above and below the amount – was only \$27,840 among individuals in Nunavut compared to \$29,250 for Canada in 2010.

A large gap between average and median income is typically correlated with high levels of poverty. The 2006 Census found that the difference in after-tax average and median income for persons ages 15 and older was \$8,739 in Nunavut – much wider than the \$5,907 for Canada.

Total average income was \$34,182 in Nunavut and \$35,498 for Canada, while total median income was \$20,982 and \$25,615 for Nunavut and Canada, respectively. A simple index dividing average income by median income amounts to 1.63 for Nunavut and 1.39 for Canada, indicating greater inequality in Nunavut than Canada.

The average median income was \$62,680 for Census families in Nunavut – the lowest in Canada – as opposed to \$69,860 for Canada in 2010. The median total income for couples was higher in Nunavut – \$85,580 – than Canada, at \$76,950. It was only \$28,190 among single parents in Nunavut compared to \$37,050 for Canada.

**Appendix B
Demographic Characteristics,
Nunavut and Canada**

Item	Nunavut	Canada
	%	%
Families with and without children (2006)		
families with children	85.3	61.5
families without children	14.8	38.5
Children by family type (2006)		
couples	24.8	22.0
single parents	19.3	17.9
female single parents	5.5	4.2
male single parents	2.0	1.1
Average number of children at home per family (2006)	3.7	2.5
Average number of persons in household (2006)		
Marital status (2007)		
single	63.3	41.9
married	33.6	48.3
widowed	1.7	4.8
divorced	1.3	5.1
Population by age group (2011)		
0-14	31.5	16.4
15-64	65.5	69.2
65+	3.3	14.4

Nunavut differs significantly from Canada according to some key demographic characteristics, as illustrated in Table B. Among Nunavut families, 85.3 percent have children compared to only 61.5 percent in Canada, while only 14.8 percent of Nunavut families are childless compared to 38.5 percent in Canada.

Nunavut has more female single-parent families than Canada – 19.3 percent and 17.9 percent, respectively. The same applies to one-parent families headed by men (5.5 percent and 4.2 percent, respectively). Nunavut families have more children on average – 2.0 per family as opposed to 1.1 for Canada.

Among the total population, 63.3 percent in Nunavut are single compared to only 41.9 percent in Canada. Only 33.6 percent (one in three) of Nunavummiut are married (married or common-law) as opposed to 48.3 percent (close to one-half) of Canadians.

Nunavut's age profile is strikingly different from Canada's. Nunavut is younger: 31.5 percent of its population is between 0 and 14 years old in sharp contrast to 16.4 percent of Canadians. Only 3.3 percent of Nunavummiut are 65 or older compared to 14.4 percent of the Canadian population overall.

Appendix C
Health Indicators, Nunavut and Canada,
2012 (unless otherwise stated)

Item	Nunavut % of total	Canada % of total
Infant mortality rate (2009)	14.8	4.9
Life expectancy (2007/2009)		
at birth (all three Territories)	75.1 (72.5 males, 78.2 female)	81.1 (78.8 males, 83.3 females)
at 65 (all three Territories)	16.9 (15.6 males, 18.4 females)	20.2 (18.5 males, 21.6 females)
Influenza immunization	29.2	28.9
Smokers	54.3	20.3
Physical activity	49.7	53.9
Heavy drinking	22.0	17.4
Eat fruits & vegetables 5 times a day	28.1	40.6
Body mass index (adults) overweight or obese	54.4	52.5
High blood pressure	13.1	17.4
Arthritis	12.3	15.4
Contact with a medical doctor	58.0	78.7
Population with a regular medical doctor	17.9	85.1
Perceived mental health, very good or excellent	60.1	71.7
Perceived mental health fair or poor	10.6	5.7
Perceived physical health, very good or excellent	45.1	59.9

Perceived physical health, fair or poor	13.3	10.9
Perceived life stress, quite a lot	18.0	22.7
Life satisfaction, satisfied or very satisfied	83.8	92.4
Sense of belonging to local community, somewhat strong or very strong	85.2	66.1

Appendix C lists several key health-related indicators, comparing Nunavut with Canada as a whole. In 15 out of 20 categories, Nunavut ranked worse than average and in eight it did worst.

The infant mortality rate for Nunavut (calculated as the number of deaths of children less than one year of age per 1,000 live births in the same year) is triple the national rate (14.8 for Nunavut versus 4.9 for Canada).

Life expectancy at birth in Nunavut is 75.1 years or 6 years below the national average of 81.1 years. Females in Nunavut have a life expectancy of 78.2 years or 5.1 years lower than the 83.3 percent for all females in Canada. The average Nunavut male lives 72.5 years – 6.3 years fewer than the average 78.8 years for all males in Canada.

At age 65, the average Nunavut resident lives 16.9 years compared to 20.2 years for Canada. At age 65, females in Nunavut can expect to live another 18.4 years, compared to 21.6 years for Canada. Elderly men in Nunavut live on average 15.6 years as opposed to 18.5 years for Canada.

There are substantially more smokers in Nunavut (54.3 percent) than Canada (20.3 percent). Fewer Nunavut residents report that they do physical activity during leisure than Canada – 49.7 percent and 53.9 percent, respectively. Heavy drinking afflicts only a minority in Nunavut (22.0 percent) but is more prevalent than in Canada (17.4 percent). Far fewer people in Nunavut eat fruits and vegetables at least five times a day – only 28.1 percent versus 40.6 percent for Canada – in part due to the high costs of these healthy foods.

Obesity is a serious problem in Nunavut and Canada overall. There is slightly more obesity in Nunavut – 54.4 percent of adults have a body mass index of 30 or more, versus 52.5 percent for Canada. Obesity increases the risk of health problems such as diabetes.

People in Nunavut have much less contact with the health care system. Only 58.0 percent of Nunavummiut report seeing a doctor as opposed to 78.7 percent of all Canadians. Just 17.9 percent of Nunavut residents have a regular medical doctor as opposed to 85.1 percent of all Canadians.

The majority of people in Nunavut (60.1 percent) rate their mental health as very good or excellent compared to 71.7 percent for Canada. Only 10.6 percent of Nunavummiut view their mental health as fair or poor versus 5.7 percent for Canada.

A substantial group of people in Nunavut (45.1 percent) view their physical health as very good or excellent, though more do so in Canada (59.9 percent); 13.3 percent in Nunavut rate their physical health as fair or poor, as opposed to only 10.9 percent in the country overall.

A large majority of people in Nunavut say they are satisfied or very satisfied with their lives – 83.8 percent; the result for Canada is even higher, at 92.4 percent.

However, Nunavut rates better than Canada on a few health indicators. Slightly more Nunavummiut are immunized for influenza (29.2 percent) than Canadians overall (28.9 percent). Fewer Nunavut residents have high blood pressure – 13.1 percent compared to 17.4 percent for Canada, respectively – and fewer have arthritis – 12.3 percent and 15.4 percent, respectively. Fewer people in Nunavut say they undergo quite a lot of stress than in Canada overall – 18.0 percent and 22.7 percent, respectively.

One striking fact is that 85.2 percent of Nunavummiut have a strong or somewhat strong attachment to their local community, much more than the 66.1 percent in Canada.

This attachment to community has mixed implications for the future of Nunavut's society and economy and its ability to reduce poverty. On the one hand, it suggests that the people of Nunavut have the potential to work together – “to stand up together” – to fight poverty at the community level. On the other hand, the modern economy needs workers to be able to relocate to where jobs are, thus leaving their community.

Perhaps most dismal is the most dismal indicator. In 2009, the suicide rate in Nunavut was 90.1 per 100,000 population as opposed to 11.5 percent for Canada overall. The number of suicides in Nunavut has ranged from a low of 19 in 1999 to a peak of 37 in 2003, but there is no clear pattern. In 2012, there were 27 suicides, down from 34 in 2011. Young people – children, youths and young adults under 29 – accounted for 81 percent of Nunavut suicides in 2012.

Appendix D Welfare

The Government of Nunavut operates a wide range of programs and services. On the income security front, the approach is to provide a mix of income programs that together seek to achieve two distinct, but related, goals – reduce the cost of essential goods such as housing and food, and bridge the gap between what households have and what they need in order to survive.

Shelter costs are lower because half of Nunavut’s population lives in public housing. For these households, personal income is not required for rent, heat, utilities, property taxes and maintenance. The Government covers these costs, which average about \$27,000 per unit on an annual basis.

In 2011, four in ten Nunavummiut – 13,197 or 39.3 percent of the population – receive some form of assistance through the Income Support Program administered by the Department of Family Services.¹ It is defined as “a program of last resort to assist individuals and families meet basic food and housing needs while encouraging participants to become more independent.” It seeks to ensure that all Nunavummiut have access to a minimum standard of living. Nunavut’s social assistance program pays additional benefits for children, persons with disabilities and the elderly.

The second component of Income Support helps welfare recipients who are able to work become more independent through a variety of counselling, training and other employment and social services. It involves a series of programs based on the concept of *productive choices* that are intended to help recipients work toward independence. Participation in these “choices” is mandatory, though the aged and persons with disabilities are exempt:

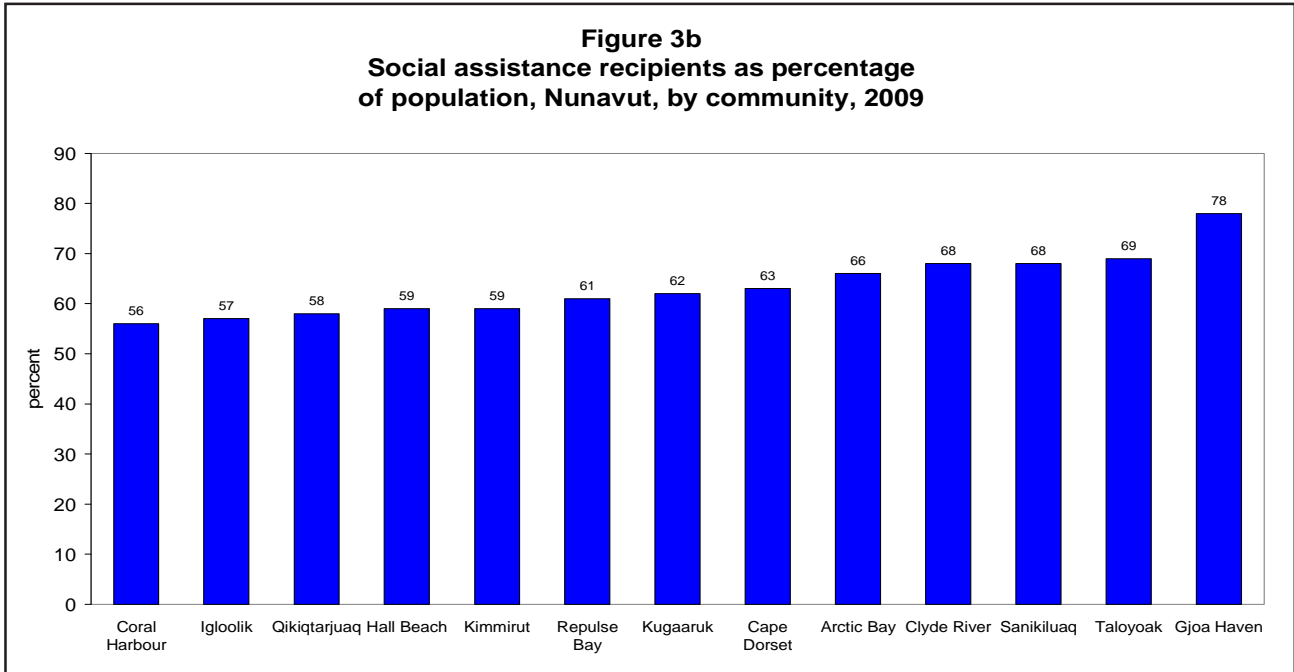
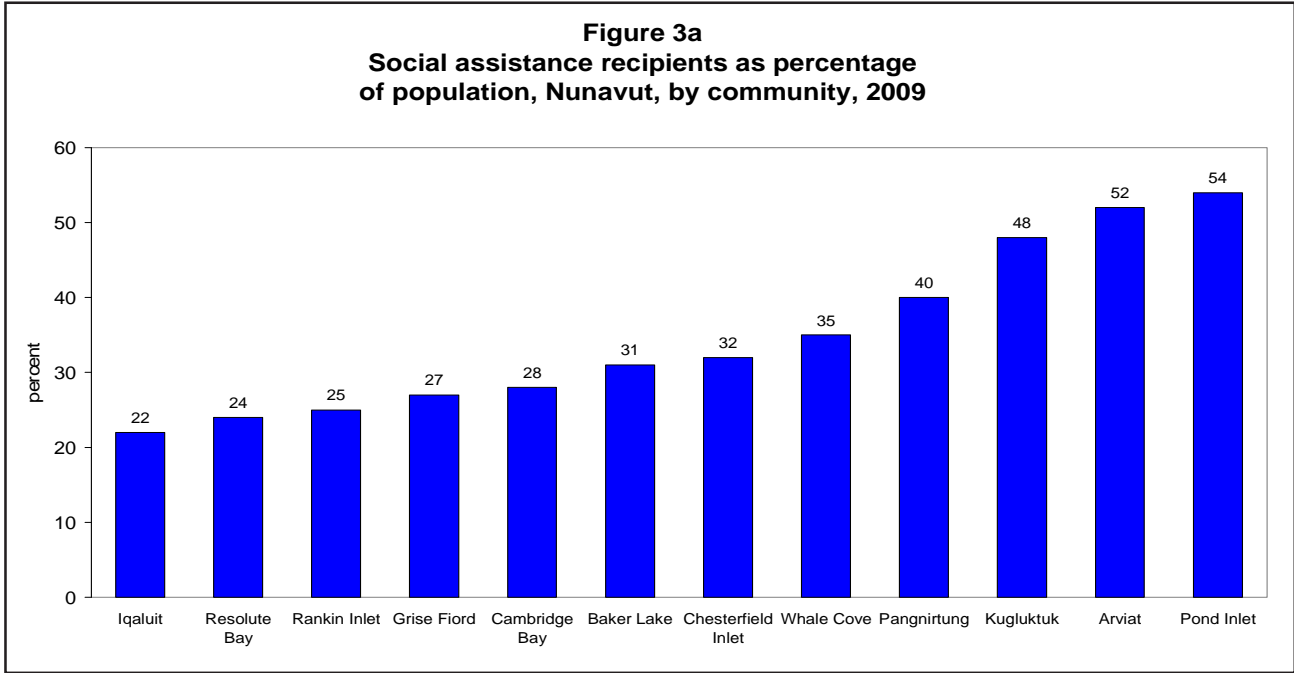
Career Activities refer to upgrading, career support, employment, training, harvesting, community work/volunteer activities and parenting of children under age 5.

Wellness Activities include alcohol and drug counselling, mental health counselling, family support, medical assistance and community justice.

Building Essential Skills involves skills training for the unemployed to enhance their ability to find work. Participants may also receive funding to help cover tuition, books, special equipment, a living allowance, transportation and child care while on an approved training program. Funds are combined with LMA (Labour Market Agreement) dollars to allow more individuals access to training opportunities.

Transition to Work provides additional supports for individuals moving from Income Support to work for the first time, whether in the traditional or wage economy. Income Support recipients without dependants may be eligible for \$175 per month for a maximum of four months for full-time employment, while those with dependants may receive a monthly \$350. In addition, a one-way airfare is provided to get workers to a job.

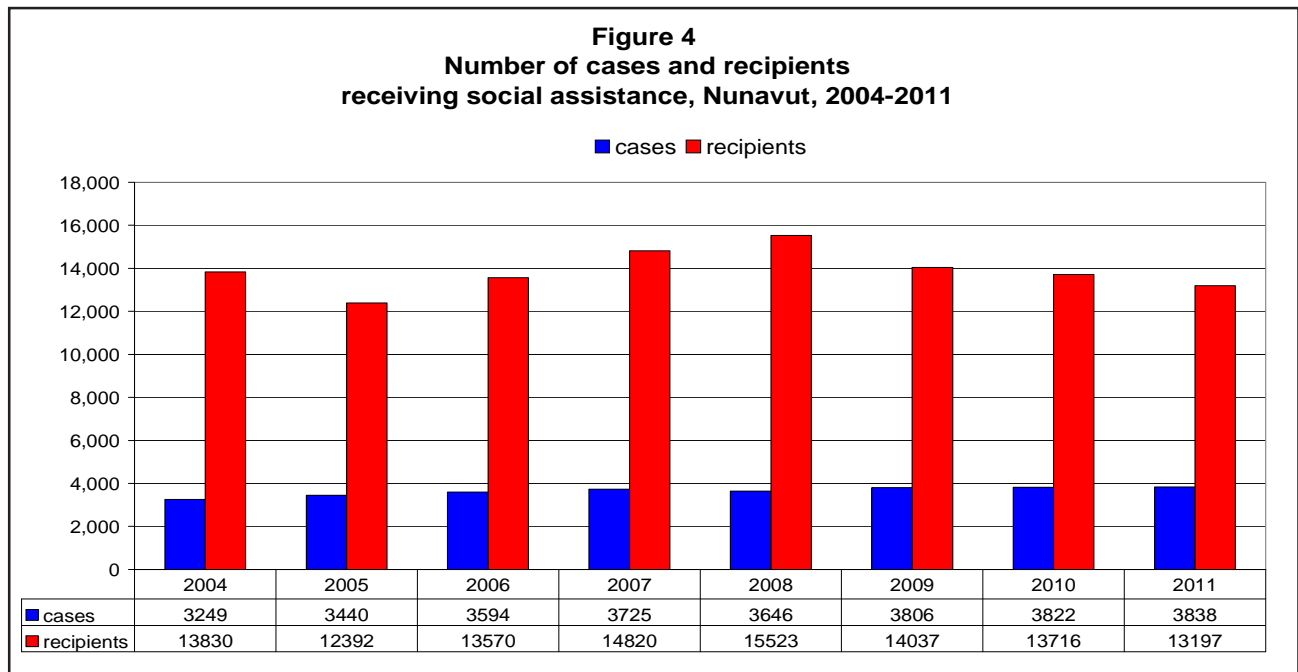
At last count (2011), a large proportion (39.3 percent) of Nunavut’s residents received some form of social assistance. The percentage of people on welfare is even higher in a number of communities, as shown in Figures 3a and 3b. There must be lower stigma associated with this program than in other parts of Canada, where the welfare population is much smaller in relative terms. In Nunavut, some recipients refer to social assistance as “my pay.”



The welfare caseload in Nunavut has been rising in recent years, as illustrated in Figure 4. The monthly average number of cases rose gradually but steadily from 3,249 in 2004 to 3,838 in 2011. But the trend in the number of recipients of social assistance – adults and children – shows an up-down pattern, with the number of recipients rising from 13,830 in 2004 to a peak of 15,523 in 2008 and then declining to 13,197 in 2011.

The pattern is the same when social assistance recipients are considered as a percentage of Nunavut’s population. Figure 5 illustrates the up-down trend, dropping from 46.3 percent in 2004 to 40.9 percent in 2005, rising to a peak of 49.1 percent in 2008 and falling to 39.3 percent in 2011 – the lowest of all.

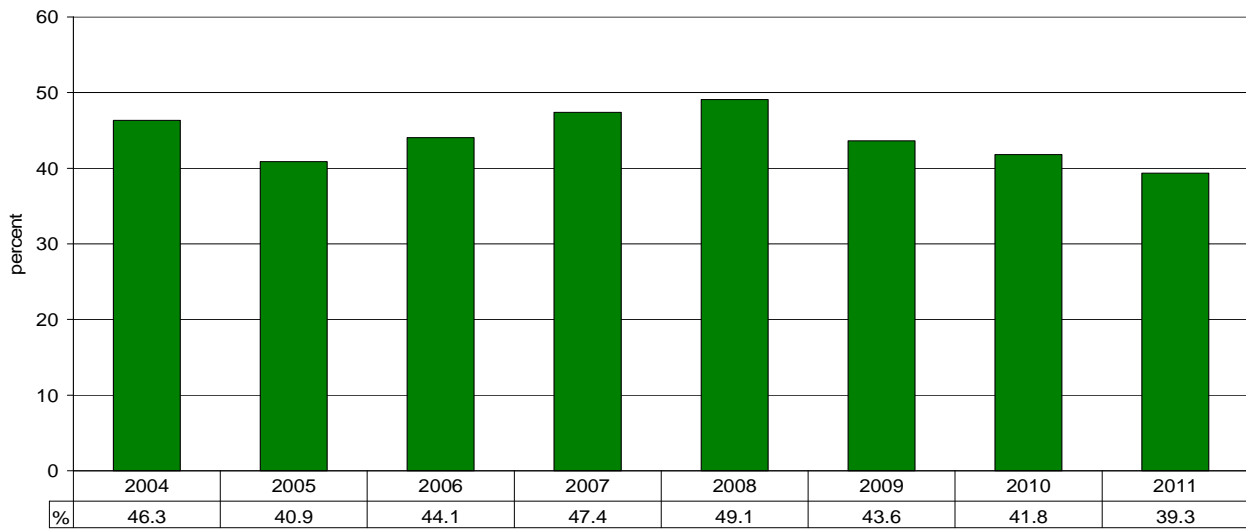
Social assistance expenditures in Nunavut show a similar up-down pattern as the trend in assistance recipients. The cost in current dollars is indicated by the blue bars, while the constant dollar cost is in red. The constant dollar results are more accurate than the current dollars because they factor in the cost of living.



In constant 2010 dollars, social assistance spending in Nunavut rose from \$26.6 million in 2004-05 to \$30.0 million in 2007-08 and then eased to \$27.9 million in 2010-11. Figure 6 illustrates the trend.

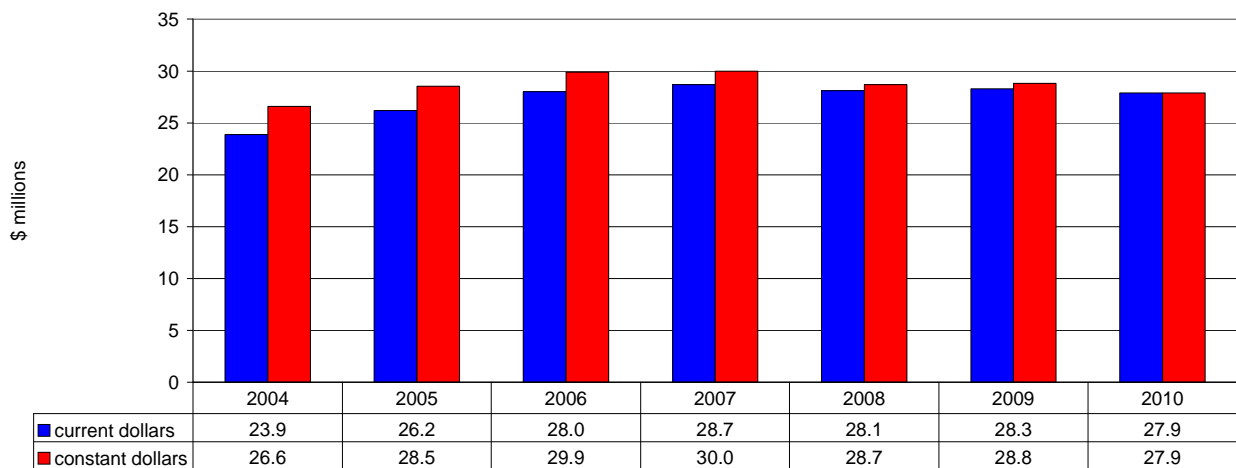
What might explain these trends? One internal factor might be changes in social assistance rules that make it easier or harder to get onto the program. For example, an increase in caseload might be the result of households separating and getting back together several times throughout the year, thus generating new cases. The welfare department also creates separate cases for individuals going out to take training, so that the family is not left without any money if the spouse on training does not send home part of the training allowance.

Figure 5
Number of social assistance recipients as percentage of the population, Nunavut, 2004-2011



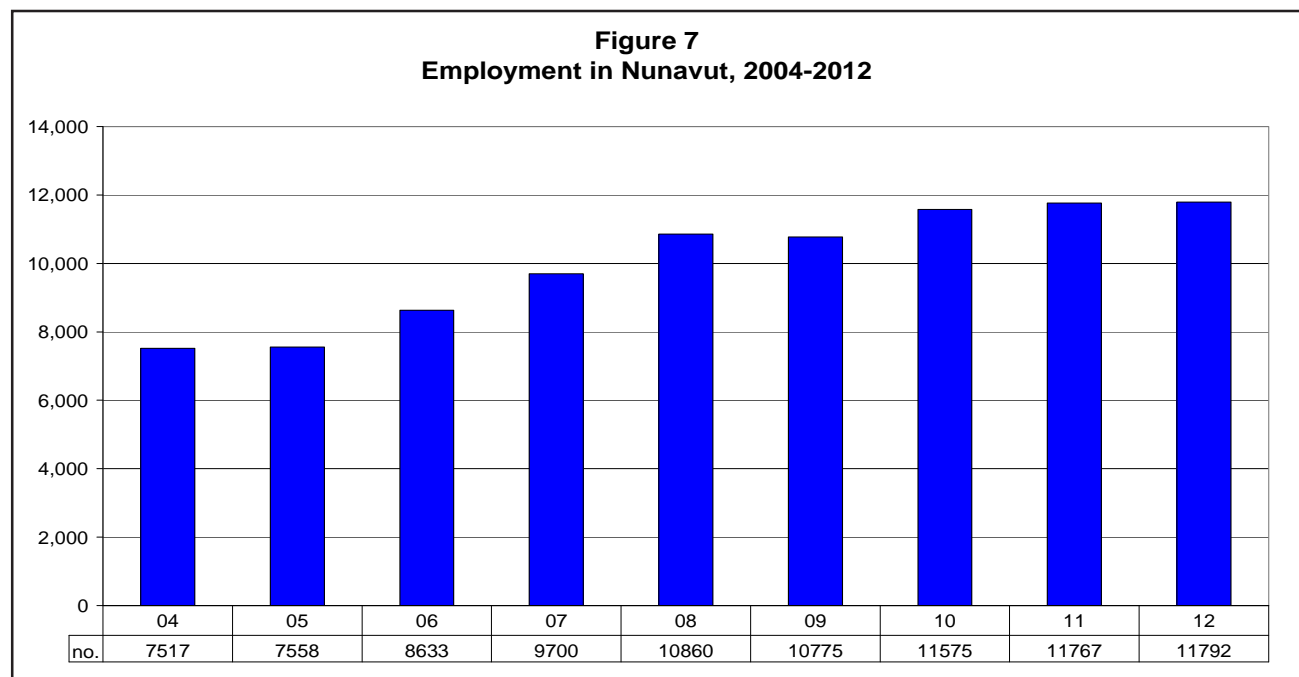
Another significant factor that makes Nunavut’s social assistance system so large is the fact that, in reality, it is the income security program of first resort. In theory, it should be the program of last resort that comes into play only when people cannot access other major programs, namely Employment Insurance.

Figure 6
Social assistance expenditures, current and constant (2010) dollars, Nunavut, 2004-2010



One key external factor affecting social assistance is labour force trends, such as employment and unemployment. Figure 7 plots the number of employed persons in Nunavut from 2004 to 2012. The numbers increased between 2004 (7,517) and 2008 (10,860), levelled off in 2009 (10,775) and then rose to a peak of 11,792 in 2012.

The results are problematic. While there has been steady and substantial growth in employment throughout the 2004-2012 period, the number of social assistance recipients and their percentage of the population have risen and fallen. Healthy growth in employment in the last few years might be reflected in the recent decline in social assistance recipients in Nunavut.

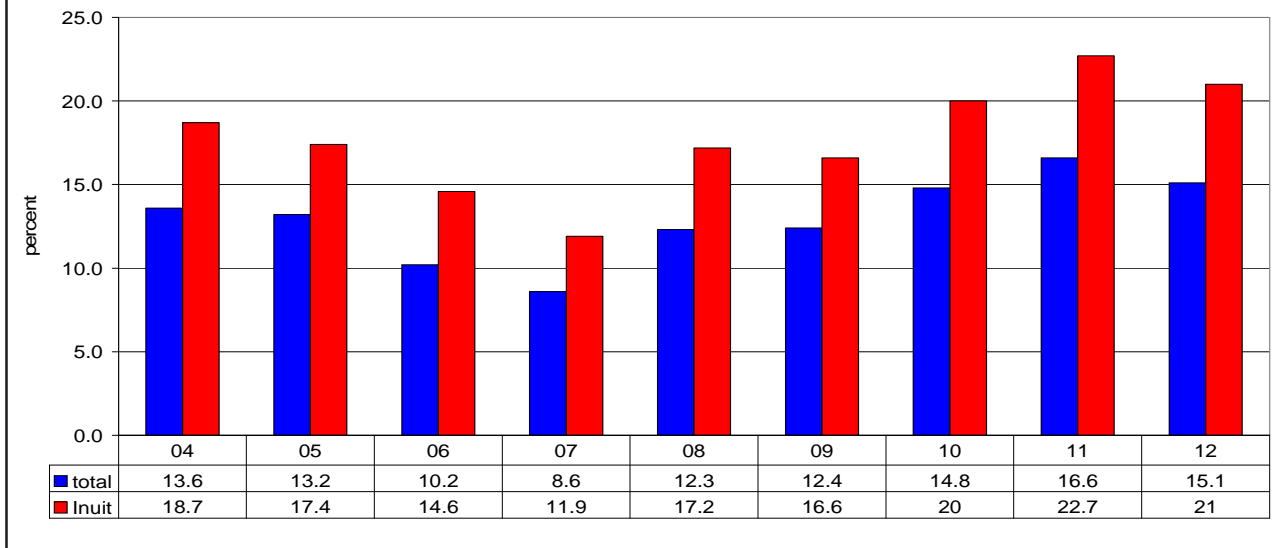


There does not appear to be any obvious connection between social assistance and unemployment, as indicated in Figure 8. The jobless rate in Nunavut fell from 13.6 percent in 2004 to 8.6 percent in 2007, yet the welfare caseload and number of recipients increased. The unemployment rate then rose to 16.6 percent in 2011; during that period the welfare caseload increased only slowly while the number of recipients and their percentage of the population decreased. Note that the jobless rate for Inuit is substantially higher than the Territorial average.

The welfare system in Canada’s provinces and territories – upon which Nunavut’s is modelled – originally was created primarily to provide short-term, emergency assistance to unemployable households with no other source of income. It never was intended to deliver long-term support to substantial numbers of ‘able-bodied’ unemployed and working poor.

Neither was it designed to mesh with the labour market. In fact, some low-income households can find themselves financially better off living on welfare than working.

**Figure 8
Unemployment rate, Nunavut,
total and Inuit, 2004-2012**



Welfare incomes in Nunavut rank low to middling compared to other territories and provinces in Canada, despite the high cost of living in the Territory. In 2012 in Nunavut, a single employable recipient received up to \$7,684 in social assistance and related income benefits; a single person with a disability got up to \$9,884; a single parent with one child age 2, \$14,764; and a couple with two children ages 10 and 15, \$22,235.²

Figure 9 shows maximum welfare incomes in 2012 for a single employable person. Nunavut ranked around the middle, with welfare income of \$7,684. Benefits ranged from a low of \$6,801 in New Brunswick to a high of \$17,334 in the Northwest Territories.

Figure 10 shows that welfare incomes for a person with a disability ranged from \$8,837 in New Brunswick to \$21,524 in the Northwest Territories, with Nunavut in the lower half at \$9,884.

In Figure 11, welfare incomes for a single parent with one child age 2 varied from \$15,018 in Manitoba to \$26,551 in Yukon. Nunavut was at the bottom, with maximum welfare income of \$14,764 in 2012.

Figure 12 shows that welfare incomes for a couple with two children ages 10 and 15 ranged from \$20,318 in New Brunswick to \$36,853 in Yukon, with Nunavut at \$22,235 or third lowest.

One of the most striking findings in this report is the lopsided picture of the size of welfare systems across the country. At last count (2008), the number of social assistance recipients as a percentage of the population ranged from 2.4 percent in Alberta to 10.5 percent in British Columbia – but 49.1 percent in Nunavut. Figure 13 shows the numbers.

Figure 9
Welfare incomes, single employable
person, by jurisdiction, 2012

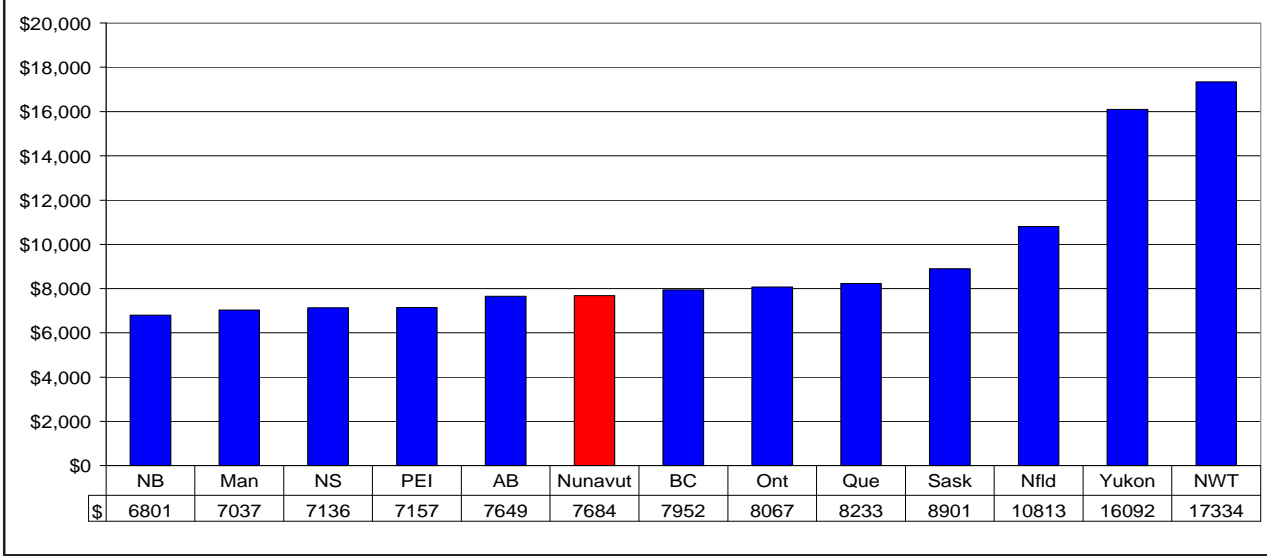


Figure 10
Welfare incomes, person with
disability, by jurisdiction, 2012

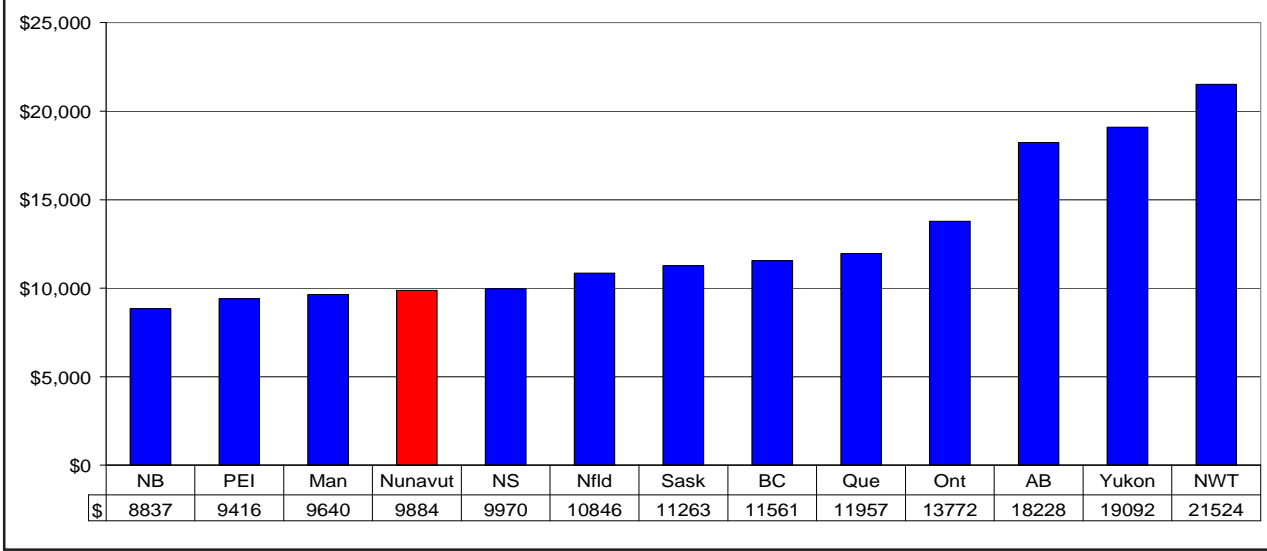


Figure 11
Welfare incomes, single parent
with one child age 2, by jurisdiction 2012

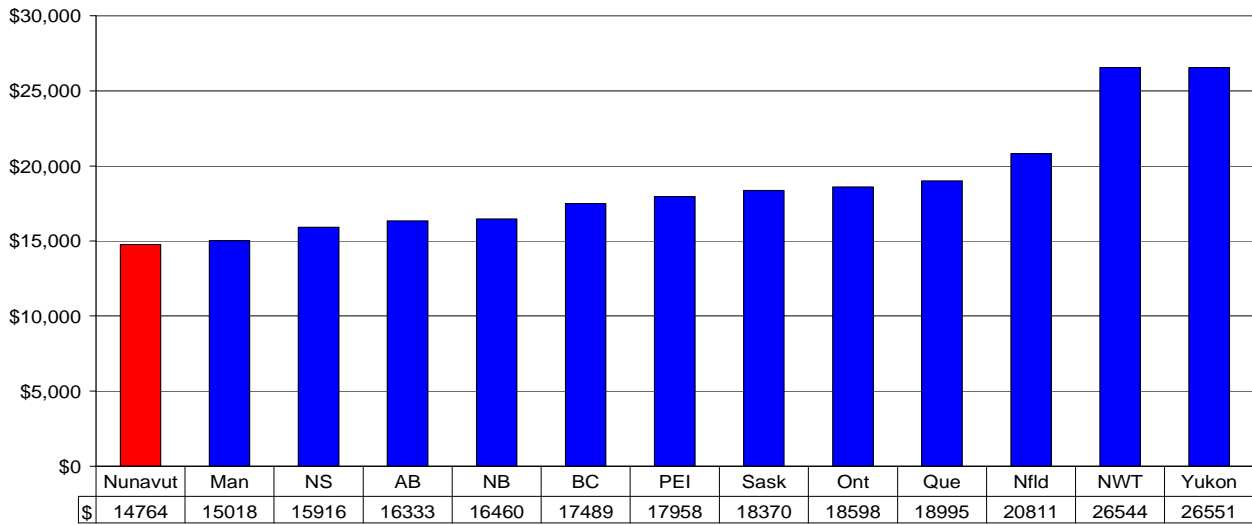


Figure 12
Welfare incomes, couple with two children
ages 10 and 15, by jurisdiction, 2012

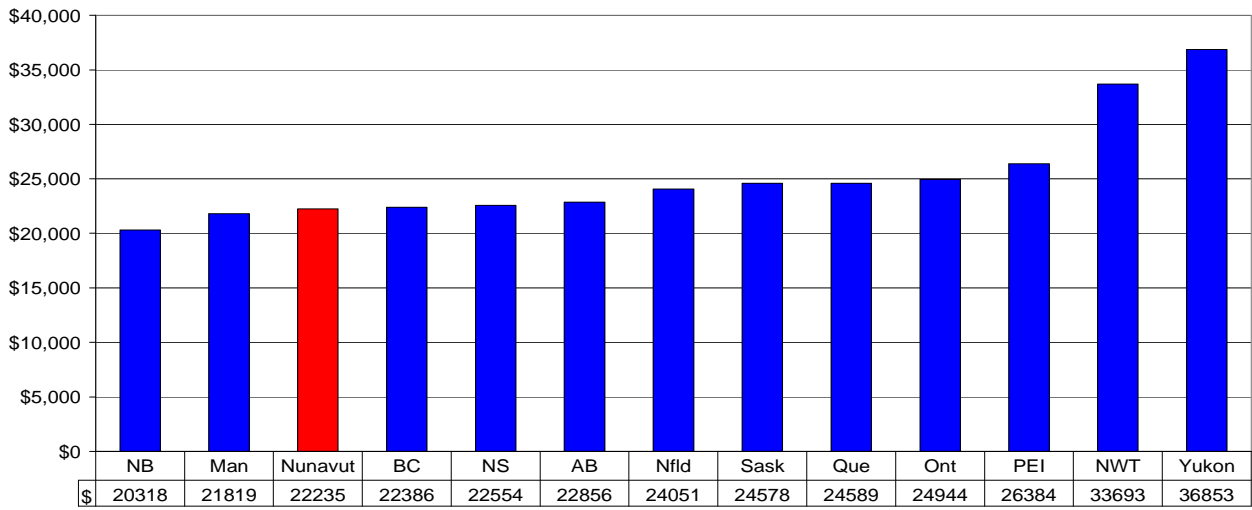
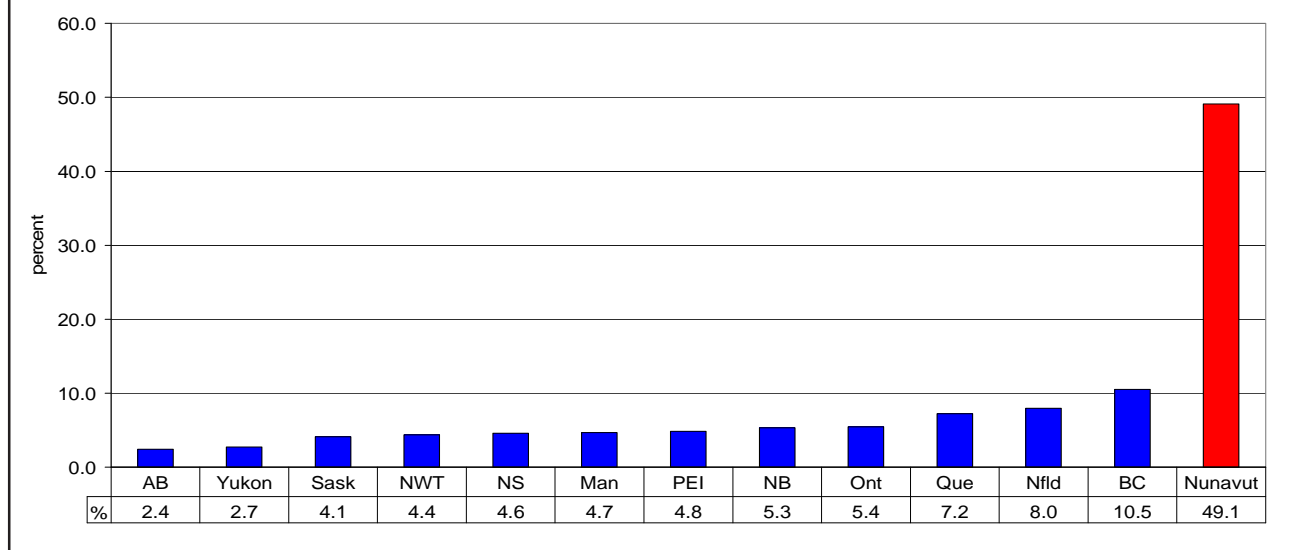


Figure 13
Welfare recipients as percentage
of the population, by jurisdiction, 2008



Endnotes

1. Recipients were in households receiving social assistance, and include children as well as adults. Note that this data is compiled using a manual method; a computerized case management system is not yet in place.
2. One of the basic assumptions used in calculating total welfare incomes for all jurisdictions in Canada is that the household is living in private market accommodation. Until 2012, this approach was used for Nunavut. Estimates prior to 2012 were prepared by the National Council of Welfare, in its annual report *Welfare Incomes*.

Welfare incomes figures up to and including 2007 used the maximum private market rent payable without the need for Director’s approval. These amounts for rent – \$450 for a single person, \$900 for a single parent and \$1,500 for a couple with two children – were significantly lower than the average rents paid. Beginning in 2009, actual average private market rents were employed in the tabulations as well as average fuel and utility amounts. This approach resulted in a large increase in total welfare incomes for all household types. In 2011, the only year for which the Caledon Institute has a detailed breakdown of the welfare components, the average monthly payments used for each household type were:

- shelter – \$2,675
- fuel – \$270
- utilities – \$136 for singles and \$308 for families with children

These yield annual total shelter costs of \$36,972 to \$39,039 for 2011.

In 2012, the Caledon Institute took over *Welfare Incomes* following the federal government’s decision to abolish the National Council of Welfare. We decided that this approach did not accurately reflect the situation of social assistance households in Nunavut and was significantly inflating the amounts paid for shelter, and welfare incomes overall. In Iqaluit, more than 95 percent of social assistance households live in public housing. The costs of public

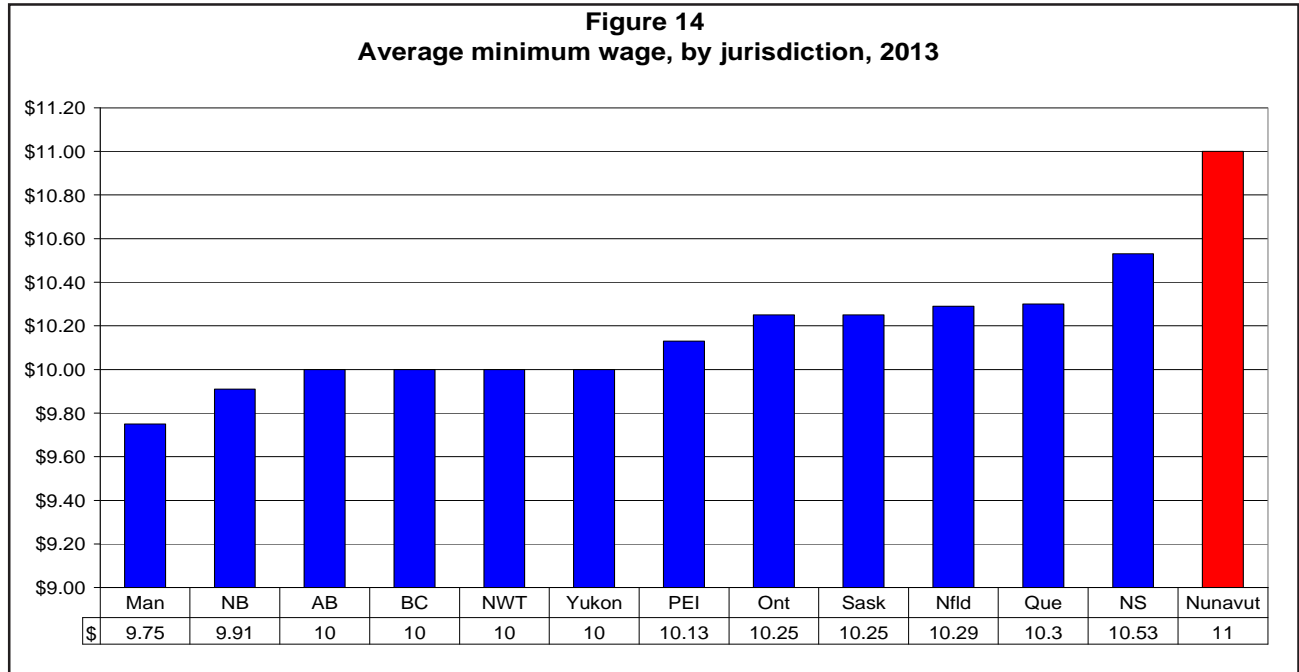
housing are substantially lower than private accommodation. In 2012, the public housing average monthly amounts were used to calculate shelter costs. The monthly amounts employed for all household types are:

- shelter – \$195 (fuel is included in this amount)
- utilities – \$27 (this is the average amount paid for Public Housing. Utility costs are heavily subsidized).

Using these figures, we come up with overall annual shelter costs of \$2,664 for 2012.

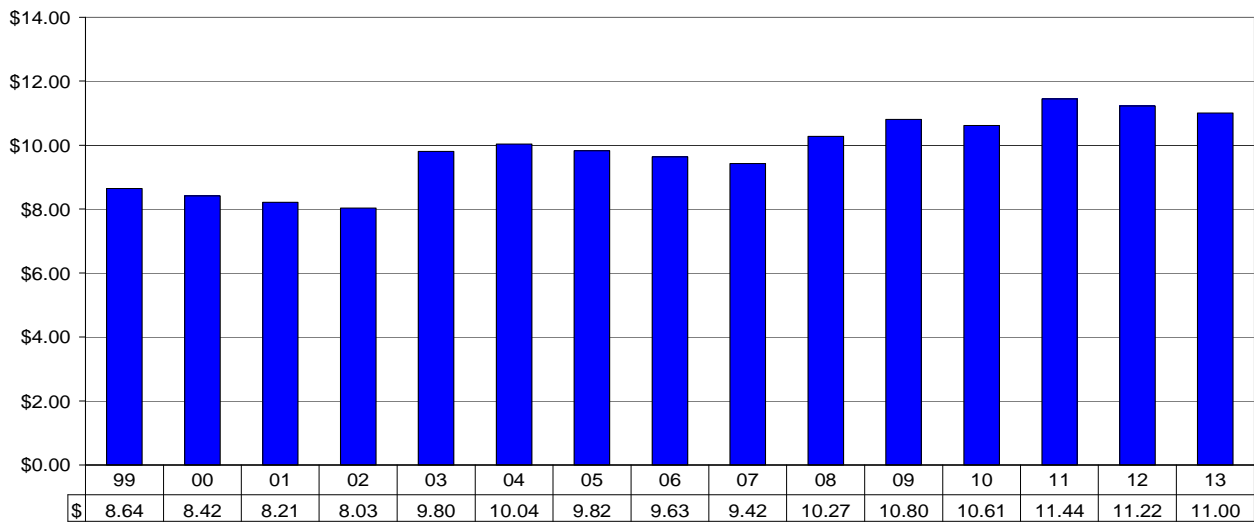
Appendix E Minimum Wage

Figure 14 compares average minimum wages across the country, taking into account any within-year increases. Nunavut has the highest minimum wage in Canada, at \$11.00 an hour.



The value of the minimum wage in Nunavut has risen, overall, since the Territory was created. In 1999, Nunavut's minimum wage averaged \$8.64 an hour expressed in inflation-adjusted 2013 dollars. It rose to \$11.44 in 2011 but slid a bit to \$11.22 in 2012 and \$11.00 in 2013. It was \$2.36 an hour larger in 2013 than 1999, expressed in constant 2013 dollars. Figure 15 shows the trend.

Figure 15
Minimum wage in Nunavut,
in constant 2013 dollars, 1999-2013



Appendix F Earnings Supplements for the Working Poor

Governments can play a crucial role in helping the working poor by topping up their low earnings through programs that *supplement earnings* from paid work. In its 2007 Budget, the federal government introduced a pioneering earnings supplementation program known as the Working Income Tax Benefit (WITB for short). The program is indexed to the cost of living.

Provinces and territories have the option of harmonizing the design of the WITB with their particular income security programs and policy priorities. Nunavut is one of four jurisdictions (the others are Quebec, British Columbia and Alberta) that have taken up the federal offer and reconfigured WITB for their low-wage workers. In fact, Nunavut varies its Working Income Tax Benefit the most. In 2013, the maximum benefit in Nunavut is \$620 for individuals and \$1,241 for families (single parents and couples) compared to \$989 and \$1,797, respectively, under the standard configuration.

However, in Nunavut the Working Income Tax Benefit begins higher up the earnings scale, at \$6,000, as opposed to the standard federal amount of \$3,000. The Nunavut WITB phases in much more slowly above that level, at 5 percent for a single person and 10 percent for a family, compared to 25 percent for a single person and a family at the standard federal level.

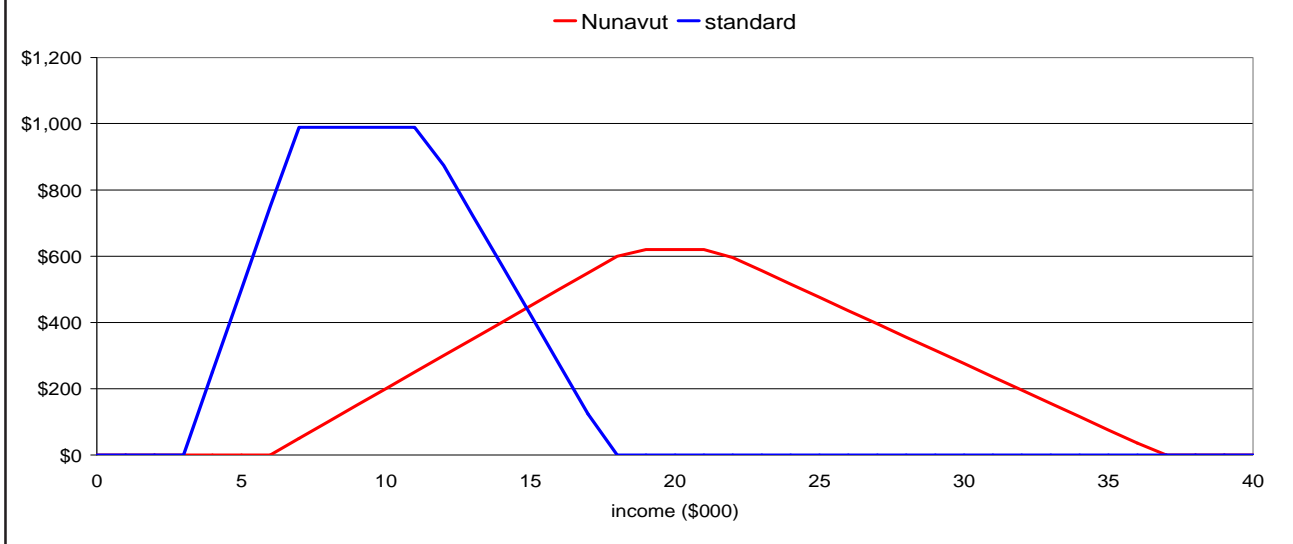
Maximum benefits under the Nunavut design of WITB are reached at net income of \$18,400 for singles and \$18,410 for families compared to the standard configuration's \$6,956 for a single person and \$10,188 for a family. Under the Nunavut parameters, benefits are reduced at the rate of 4 percent for singles and 8 percent for families, compared to 15 percent for both singles and families under the standard design.

Eligibility for the Working Income Tax Benefit in Nunavut ends at net income of \$36,902 for a single person and \$42,788 for a family compared to \$17,827 for a single person and \$27,489 for a family under the standard federal program.

Figure 16 translates all these numbers into an illustration, comparing the Working Income Tax Benefit as it is paid to a single worker in Nunavut and under the standard configuration. The blue line, representing the standard design, shows that benefits begin at \$3,000, rise steeply to reach a maximum of \$989 between incomes of \$6,956 and \$11,231, then fall sharply to disappear at \$17,827.

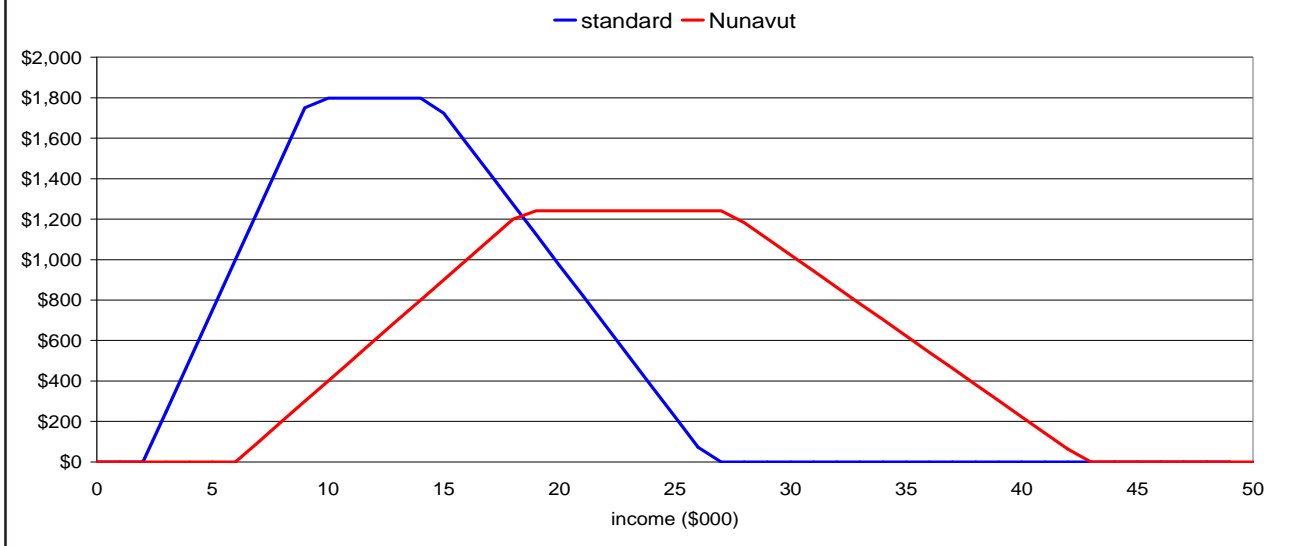
The red line shows benefits in Nunavut. They start at \$6,000 and increase to a maximum \$620 between incomes of \$18,400 and \$21,392, then decline to end at \$36,902. The standard Working Income Tax Benefit pays higher maximum benefits than the Nunavut version but sits lower down the income scale. Payments are lower in Nunavut but reach much higher up the income range.

Figure 16
Working Income Tax Benefit, Nunavut and
standard configuration, single persons, 2013



The picture is much the same for families (single parents and couples), as shown in Figure 17. The Working Income Tax Benefit for families under the standard federal configuration kicks in at \$3,000 and increases to a peak of \$1,797 between incomes of \$10,188 and \$15,509, declining to disappear at \$27,489.

Figure 17
Working Income Tax Benefit, Nunavut and
standard configuration, single parents and couples, 2013

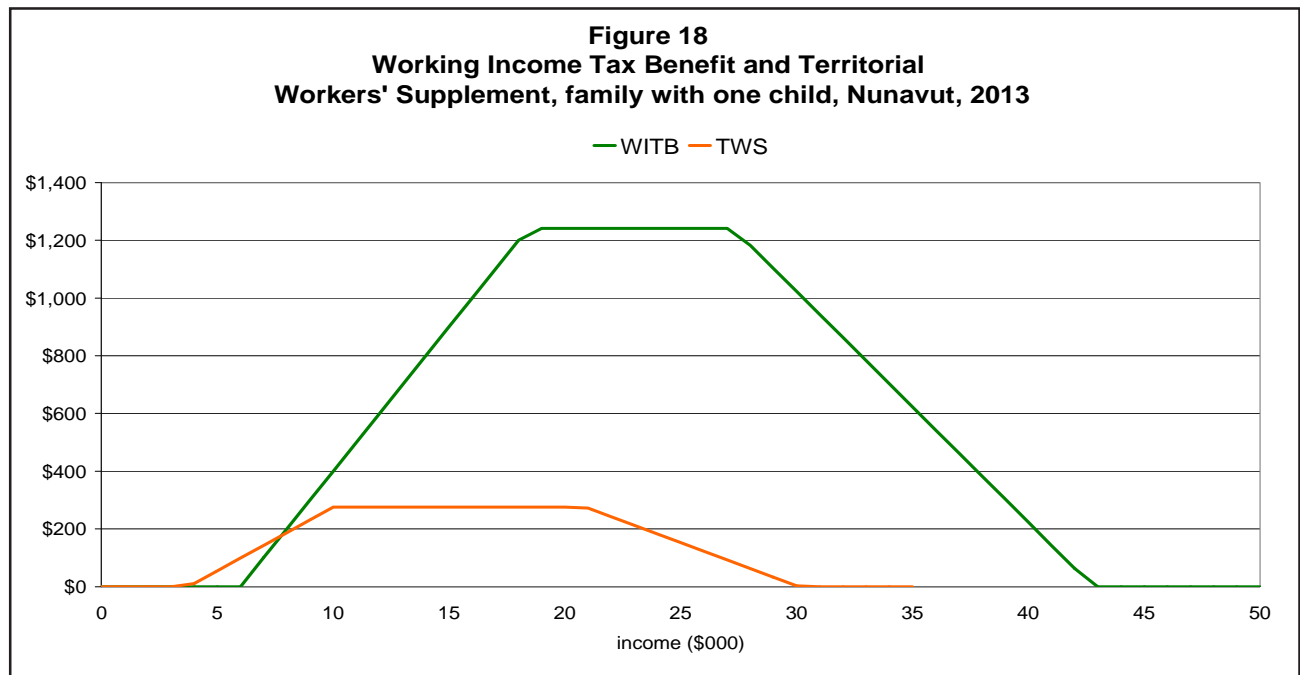


In Nunavut, benefits start at \$6,000 and increase to a maximum \$1,241 between \$18,410 and \$27,275, falling to end at \$42,788. So the Working Income Tax Benefit in Nunavut pays less than the standard version but extends higher up the income ladder.

The Nunavut government also offers an earnings supplement, the Territorial Workers' Supplement. It phases in at the rate of 4.4 percent of earned family income above \$3,750 for a family with one child and 5.6 percent for a family with two or more children, to reach a maximum annual benefit of \$275 for one child and \$350 for two or more children at working family income of \$10,000. Once net family income exceeds \$20,921, benefits are reduced at the rate of 3 percent for one child and 5 percent for two or more children.

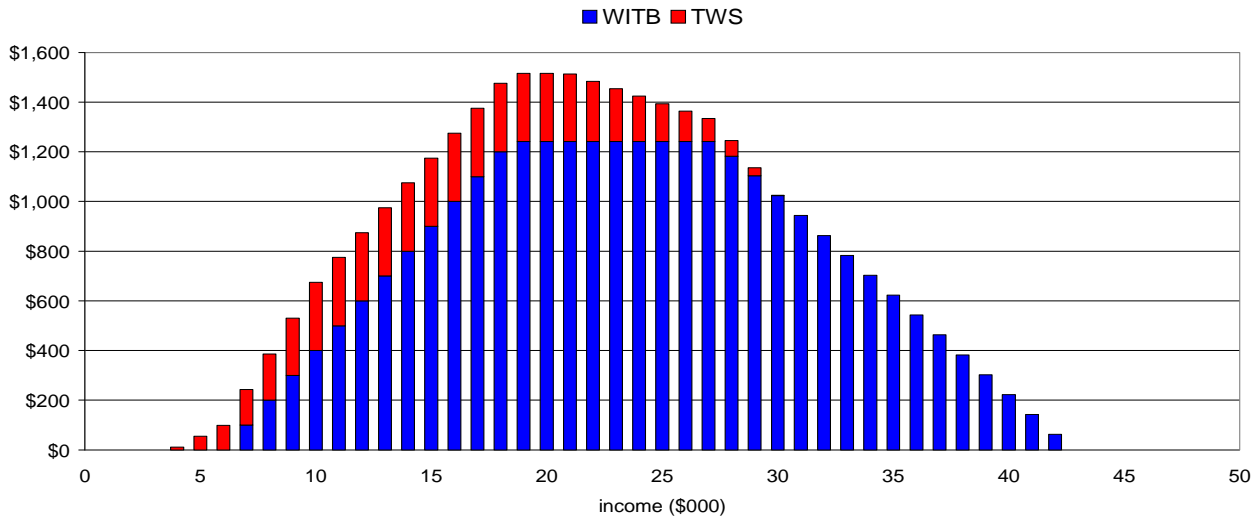
Eligibility for the Territorial Workers' Supplement ends once net family income exceeds \$30,088 for one child and \$31,921 for two children. The program is combined and delivered with the Nunavut Child Benefit. Note that the Territorial Workers' Supplement is not indexed.

Nunavut's Territorial Workers' Supplement is a much smaller and more targeted program than the federal Working Income Tax Benefit, as indicated in Figure 18. The Supplement, shown in orange, pays a maximum of just \$275 annually between incomes of \$10,000 and \$21,000, and declines to end at \$30,088. The Working Income Tax Benefit, in green, pays a maximum of \$1,241 between \$18,410 and \$27,275, and disappears at \$42,788.



However, combined, the federal Working Income Tax Benefit and Nunavut's Territorial Workers' Supplement provide a not insignificant payment to low- and modest-income working families. Figure 19 illustrates the distribution of benefits to a family with one child. Total payments reach a peak of \$1,516 at net family incomes of \$19,000 and \$20,000.

Figure 19
Combined benefits from Working Income Tax Benefit
and Territorial Workers' Supplement, family with one child, Nunavut, 2013



Appendix G Child Benefits

Child benefits are one of the most important social programs, helping reduce poverty and supplement incomes. Both Ottawa and Nunavut deliver child benefits.

The Canada Child Tax Benefit (CCTB) is the largest of three federal programs. As of July 2013, it pays to families with children under age 18 a tax-free annual amount of a maximum \$3,654 for the first child, \$3,397 for the second child and \$3,302 for the third and each additional child. Benefits begin to decline once net family income exceeds \$43,561, disappearing at \$115,211 for families with one or two children and \$153,536 for families with three or more children. The Canada Child Tax Benefit also provides a Child Disability Benefit. The Canada Child Tax Benefit is indexed to the cost of living.

All families with children under age 6, regardless of family income, receive the Universal Child Care Benefit (UCCB), which pays \$100 per month or \$1,200 annually. Benefits are subject to federal and provincial/territorial income taxes, except for single parents who pay no income tax on their payment.

Unlike the federal personal income tax system and major federal income programs, the Universal Child Care Benefit is not indexed, which means that its value declines each year by the rate of inflation. The \$1,200 payment in 2006 is now worth in 2013 only \$1,059 in constant 2006 dollars – a loss of \$141 or 11.7 percent.

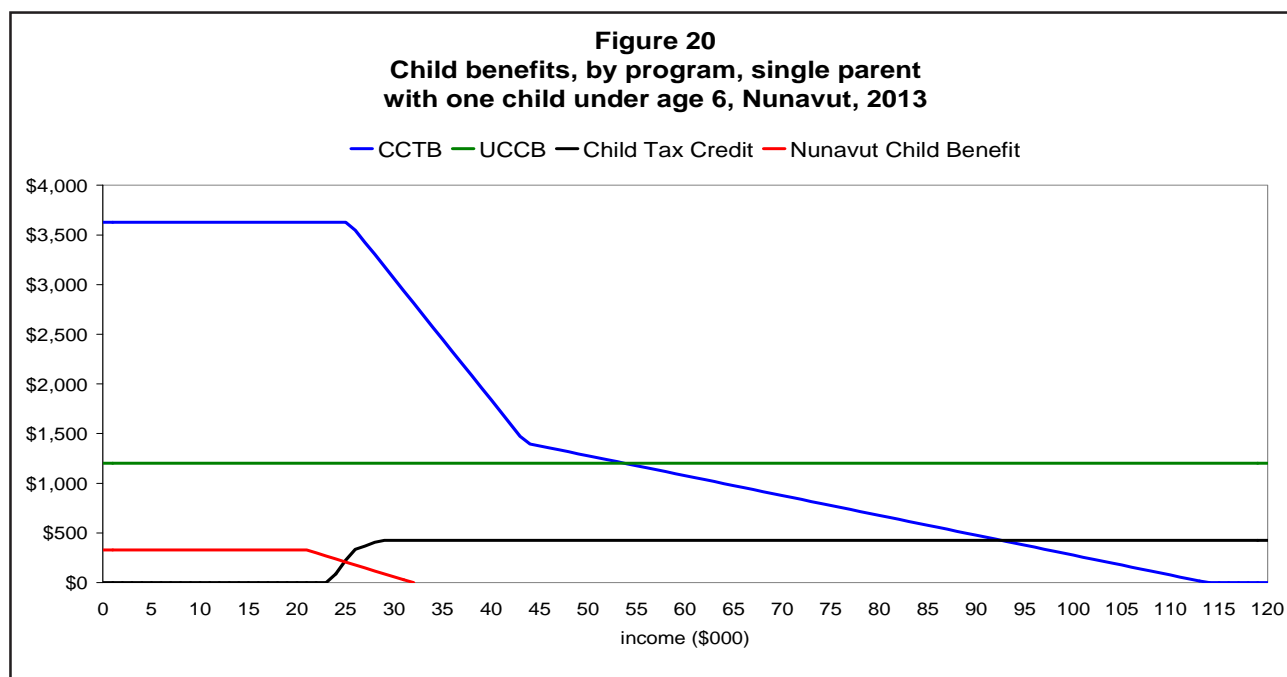
Families with taxable income receive federal and provincial/territorial income tax savings through the non-refundable Child Tax Credit (CTC). In 2013, the Child Tax Credit is worth a maximum \$426 for families with one child; note that this amount combines federal and Nunavut income tax savings. Maximum benefits go to families with net income of \$29,000 and above; partial benefits go to those between \$24,000 and \$29,000; and families with incomes of \$23,000 or less get nothing because they have no taxes to reduce. The Child Tax Credit is indexed.

Nunavut provides the Nunavut Child Benefit (NUCB), a tax-free payment for eligible families with children under age 18. Under the NUCB, families may be entitled to a basic benefit of a maximum \$27.50 per month or \$330 a year for each child. Benefits are reduced at the rate of 3 percent of net family income above \$20,921 for a one-child family and 5 percent for families with two or more children. Eligibility ends once net family income reaches \$31,921 for those with one or two children. The Nunavut Child Benefit is not indexed to the cost of living.

Figure 20 translates these descriptions and numbers into a more understandable picture. We look at a Nunavut single parent with one child under age 6.

The largest child benefit program is the Canada Child Tax Benefit, shown in blue. It pays its maximum \$3,654 up to net family income of \$25,356, then declines quite steeply to \$43,561, above

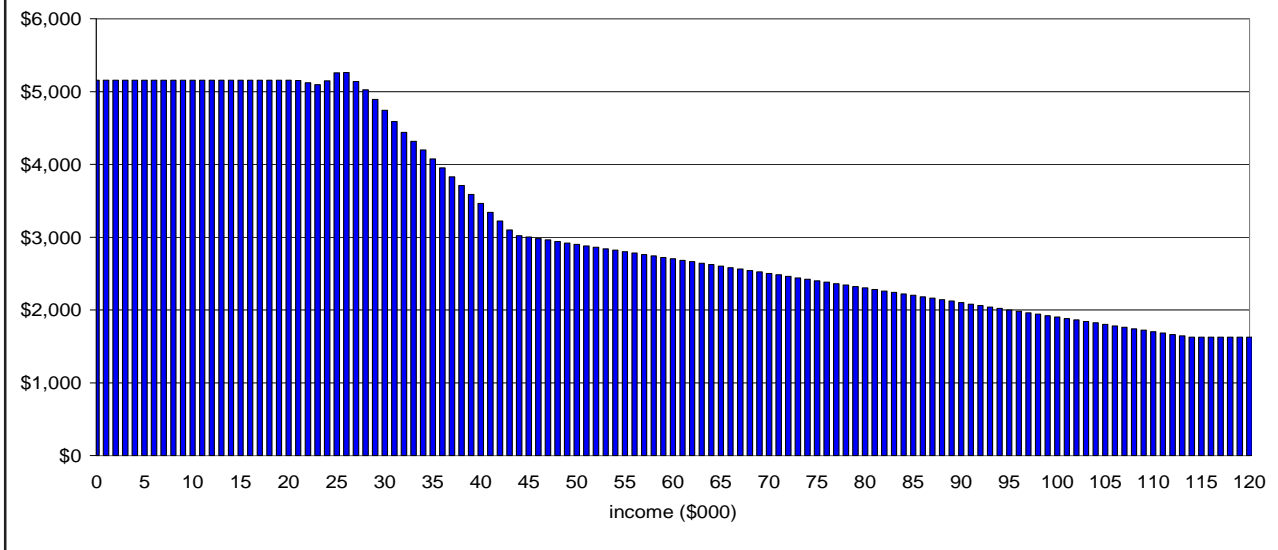
which it falls gradually to end at \$115,211. Next comes the Universal Child Care Benefit, in green, worth the same \$1,200 to all families throughout the income range – rich, poor or middle class. The Universal Child Care Benefit is not taxable for single parents, as indicated by the straight green line, but it is taxable for couples in the hands of both Ottawa and the provinces and territories. The Child Tax Credit, shown in black, phases in at net family income of \$24,000 and pays its maximum benefit of \$426 at net incomes of \$29,000 and up. The Nunavut Child Benefit, in red, pays a maximum \$330 up to net income of \$20,921 and declines to disappear at \$31,921.



What do these benefits look like when added together? Figure 21 shows the picture for a single-parent family raising a young child under age 6. The maximum annual child benefits total \$5,156. The result is a progressive but broad-based child benefit system overall, with the largest amounts going to low-income families and diminishing payments as incomes rise into high-income territory. The reason for this progressive pattern is the power of the geared-to-income Canada Child Tax Benefit, which far outweighs the Universal Child Care Benefit and non-refundable Child Tax Benefit – both of which are not progressive and pay benefits to the rich. Tiny as it is, the Nunavut Child Benefit is designed like the Canada Child Tax Benefit and so is progressive.

We also examined the child benefits payable to couples with two children, one of whom is under age 6 and so receives the Universal Child Care Benefit. The picture is much the same as for the single parent, except that the Universal Child Care Benefit is taxable in the hands of the federal and Nunavut governments whereas it is tax free for single parents. For this family, the Canada Child Tax Benefit pays a maximum of \$7,051 up to net family income of \$25,356, above which it declines sharply to \$43,561 and then more gradually to end at net family income of \$115,211. The Universal Child Care Benefit pays a maximum \$1,200 per child under age 6; federal and Nunavut income taxes begin to reduce the payments at income of \$5,000, and after-tax payments are \$852 at net family

Figure 21
Total child benefits, single parent with
one child under age 6, Nunavut, 2013



income of \$120,000, the highest level showed on this graph. The non-refundable Child Tax Credit phases in at net income of \$24,000 and reaches its \$833 maximum at \$32,000. The Nunavut Child Benefit pays its maximum \$660 up to net income of \$20,921 and gradually declines to disappear to \$34,121.

Figure 22
Child benefits, couple with
two children (one under age 6), Nunavut, 2013

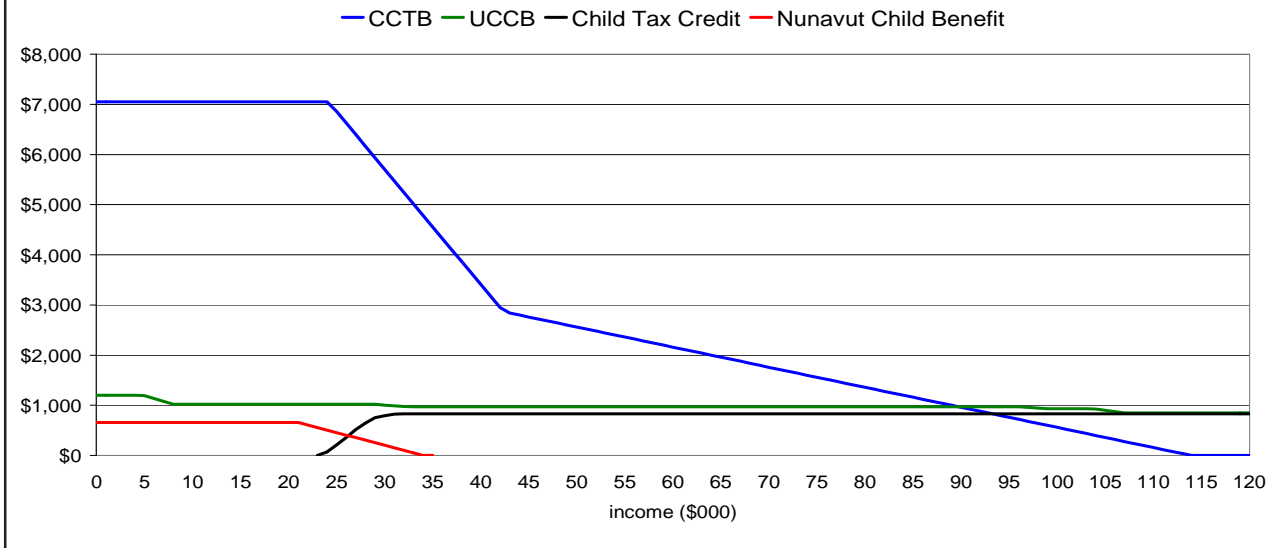
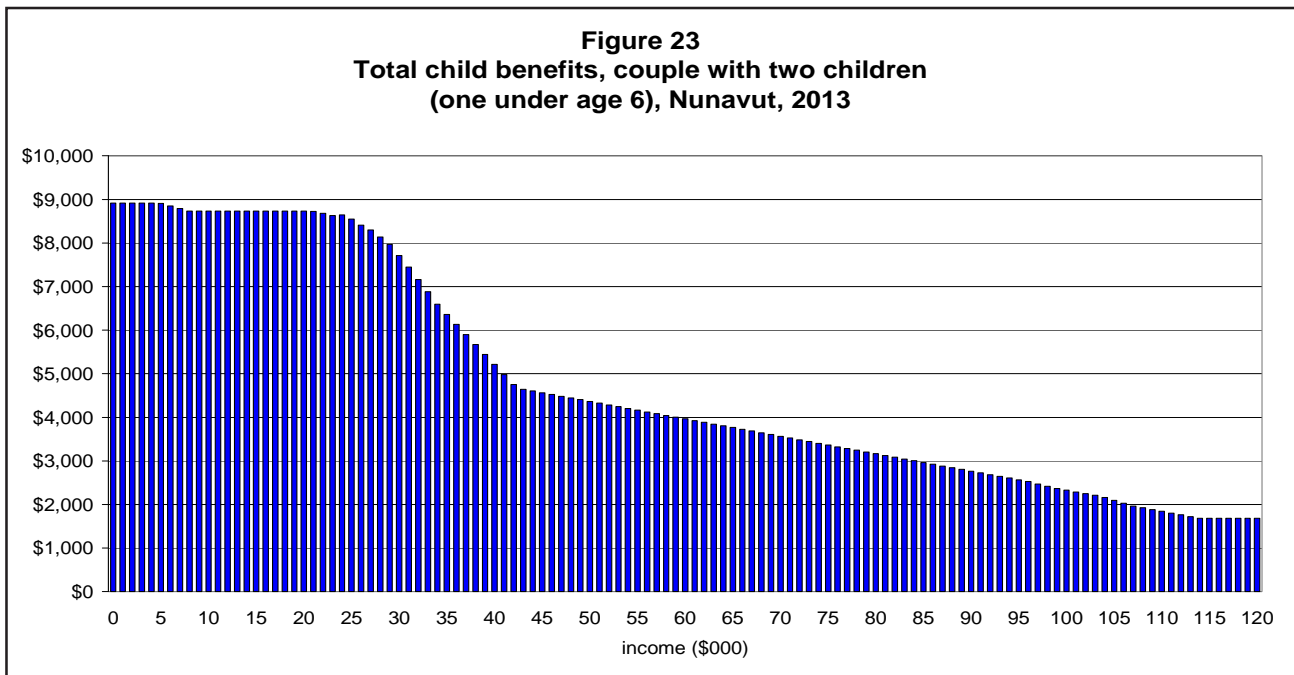


Figure 22 illustrates the four child benefits and Figure 23 shows the combined benefits. Maximum child benefits come to \$8,911.



Appendix H

Earnings Substitutes

Governments also deliver programs intended to substitute for employment income. Three key programs are Employment Insurance, Old Age Security and the Canada/Quebec Pension Plans.

At last count (December 2012), 560 unemployed workers in Nunavut – only 29.4 percent of the Territory's 1,900 unemployed at that time – received regular Employment Insurance (EI) benefits. The reasons for such a low rate of Employment Insurance coverage vary.

Some jobless workers have not paid EI premiums because they have not worked in the last 12 months or their work is not insured (e.g., fishing, trapping and hunting, traditional sources of employment in Nunavut). Others have paid EI premiums but are not eligible for benefits because they have not accumulated sufficient hours of work (e.g., they may do seasonal work) or have left their job voluntarily.

Another important factor is that unemployed workers in Nunavut are more likely to turn first to welfare than Employment Insurance. Some are afraid to go to the Services Canada office and do not have ready access to computers to apply for EI.

Average weekly income benefits from Employment Insurance in Nunavut were \$430 in 2010-11, third-highest in the country after Yukon at \$434 and the Northwest Territories at \$440. But the high cost of living in Nunavut makes EI benefits worth much less in real terms.

Unemployed workers who do not qualify for Employment Insurance may apply for replacement income in the form of social assistance or some type of disability payment if they are unable to work. They have to meet several criteria under the needs test to be eligible for welfare, such as a stringent assets test. Nonetheless, a very high proportion of people in Nunavut get welfare – the income support of first resort.

The public programs that comprise the retirement income system – Old Age Security, the Guaranteed Income Supplement and the Canada Pension Plan – pay earnings replacement benefits to the elderly and retired in Nunavut. In addition, Nunavut provides a Senior Citizens Supplementary Benefit for low-income Nunavummiut, which tops up the federal Guaranteed Income Supplement.

Unfortunately, some seniors in Nunavut do not receive their income benefits. Staff may not fully understand the various programs, so may not advise clients to apply. Some seniors stay on welfare rather than move on to the federal Old Age Security/Guaranteed Income Supplement and Nunavut's Senior Citizens Supplementary Benefit. Yet these programs for seniors pay better than welfare.