

# Background Research

## Growing the NWT

SUPPORTING POPULATION GROWTH OF THE NORTHWEST TERRITORIES

**The GNWT has an aspirational goal to increase the population of the Northwest Territories by 2,000 people by 2019. The goal translates into having a population of about 45,550 residents by March 31, 2019 and represents a growth rate target of 4.6% over five years, or 0.9% annually.**

To achieve this goal, GNWT efforts focus on three objectives:

1. Creating an attractive economic environment for the private and public sectors to retain employees by providing quality government programs and services and assisting in creating an environment that will encourage people to live and work in the NWT;
2. Influence private and public sector recruitment through the marketing of the NWT as a great place to live and work; and,

3. Improving those actions to recruit and retain employees in the Government of the Northwest Territories (GNWT) workforce.

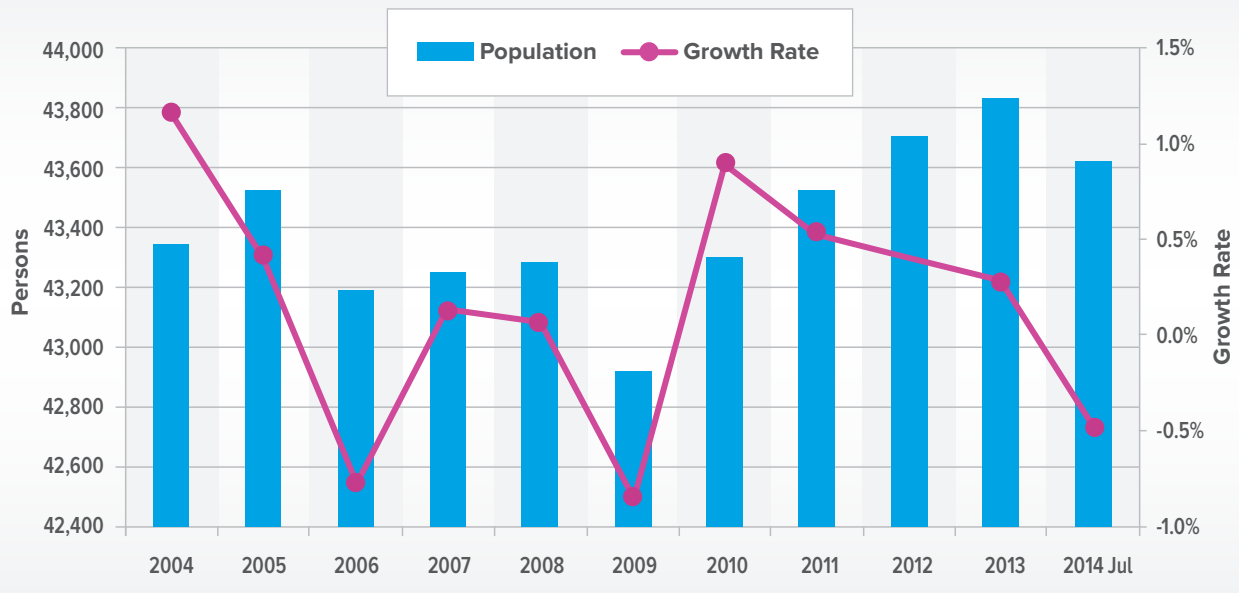
A population can stabilize and grow through four factors:

1. Natural population increase;
2. Immigration;
3. Retention; and,
4. Repatriation.

Natural population increase refers to the birth rate minus the death rate of a population. While the natural rate of increase has been stable the past decade, more people are leaving than coming into the NWT to live and work. This is

the underlying challenge. If out-migration equalled in-migration levels then the natural population rate of increase would be able to accomplish the goal of 2,000 more people in five years. Migration needs to be addressed from both sides: recruitment and retention. Retention of people already here and in the labour force may have more effect on achieving the target of 2,000 because one person leaving a job in the NWT for a job elsewhere often leaves with an entire family whereas people coming to the NWT for jobs tend to be younger and not yet starting a family. ►

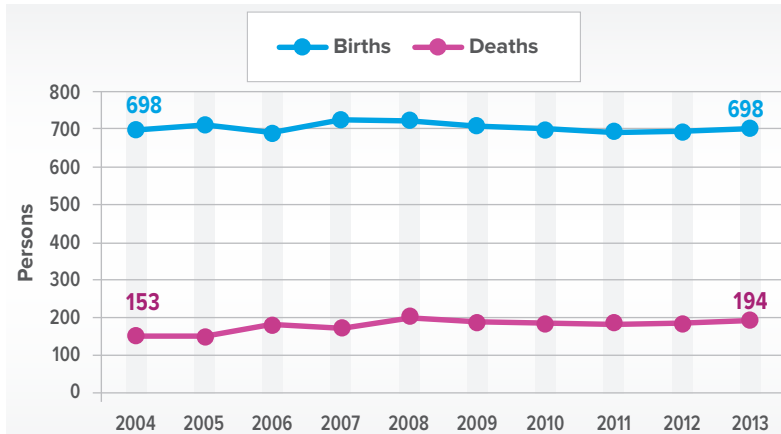
## Northwest Territories Population and Growth Rate 2004-2014



## Population Trends

The population in the NWT has grown by 273 people over the past decade. However, what is alarming is that in recent years the population growth rate has been trending downward and most recently has returned to negative growth. This is worrying as it is a trend that is only seen in the NWT and some of the Atlantic Provinces. By comparison, Canada's population increased by 1.1% over the same period with most other provinces and territories experiencing positive growth. Growth exceeded the national level in Nunavut (3.2%), Alberta (2.9%), Saskatchewan (1.7%) and Manitoba (1.3%).

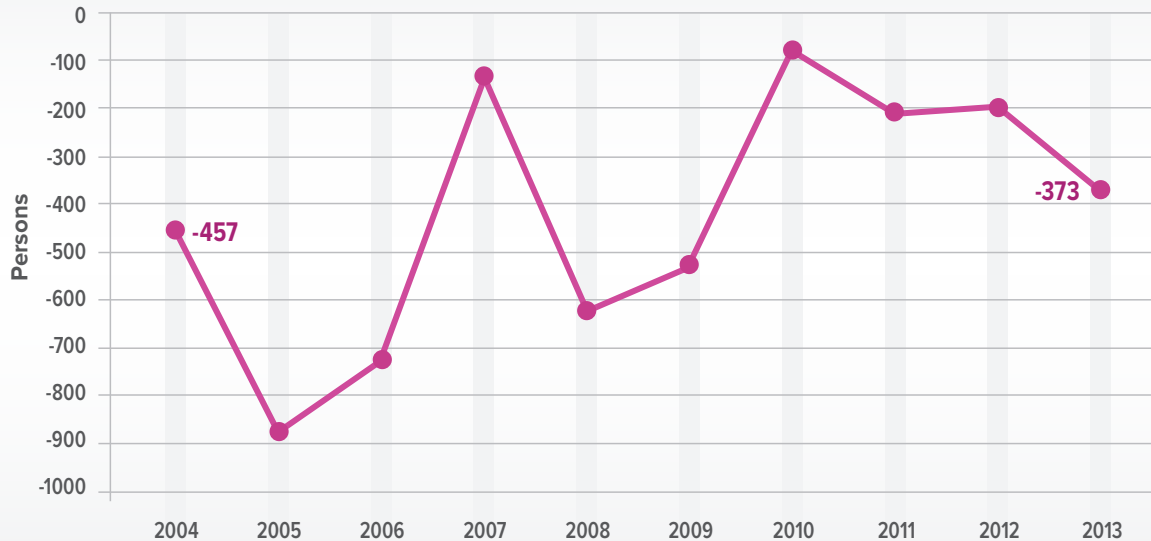
## Natural Increase in the Northwest Territories 2004 -2013



Natural increase is the change in the size of a population during a given period owing to the difference between the number of births and deaths. In the NWT, the natural increase averaged 520 people annually

over the past decade and has generally been stable over that period. If net migration were zero, the population would have grown by approximately 5,000 people over this same period.

## Net Migration



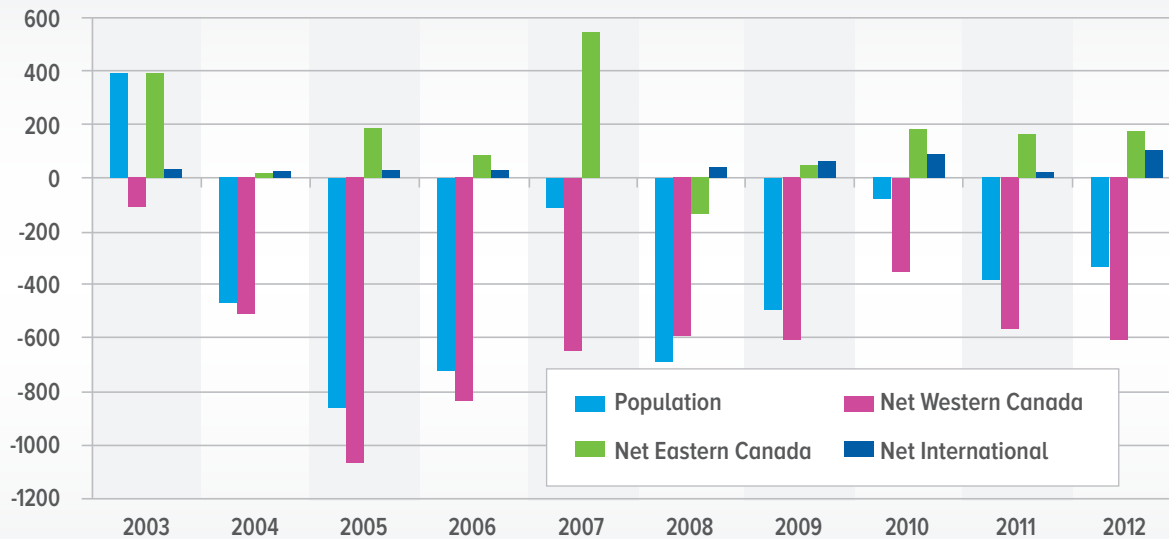
However, as discussed earlier the level of net migration has largely determined our low rate of population growth. Net migration is the total number of people moving to the NWT less the number of people leaving the NWT. Over the past decade, net migration has been negative every year with an average of 423 people leaving the NWT annually.

The 2009 NWT Survey of Mining Employees prepared by the NWT Bureau of Statistics provides some insight into the negative net migration phenomenon. The survey found the following:

“*Employment opportunities and competitive pay and benefits played an important role in why people moved to the NWT in the past. Similarly, proximity to work is most often cited by Non-NWT residents as something they might like about the NWT. However, Non-NWT residents have concerns about moving to the NWT, the cost of housing and utilities being cited most often as a major concern. The cost of living and the fact that they like their home community are the two most often cited reasons Non-NWT residents don't move to the NWT.*

*Turning to relocation from the NWT, nearly half of NWT residents would be likely or very likely to consider a move from the NWT if the opportunity arose in the next year. NWT residents not originally from the NWT, those with university degrees and those living in medium-sized communities are more likely to consider a move from the NWT. Of those who have lived in the NWT in the past but moved, the cost of living and wanting to be closer to family were often reasons for leaving. The cost of living remains the most often cited reasons for considering a move by those currently living in the NWT.*”

## Northwest Territories Net Migration 2003-2012



As indicated by the Survey, cost of living is an important factor in determining whether to reside or continue to reside in the NWT. Preliminary results for the most recent survey completed in 2014 echo the findings in 2009. Investments in reducing the cost of living may have the most impact in stabilizing the NWT population.

The ongoing negative net migration to western Canada is the greatest contributor to the overall negative net migration experienced by the NWT during the past decade. More people move to the NWT from western Canada than from

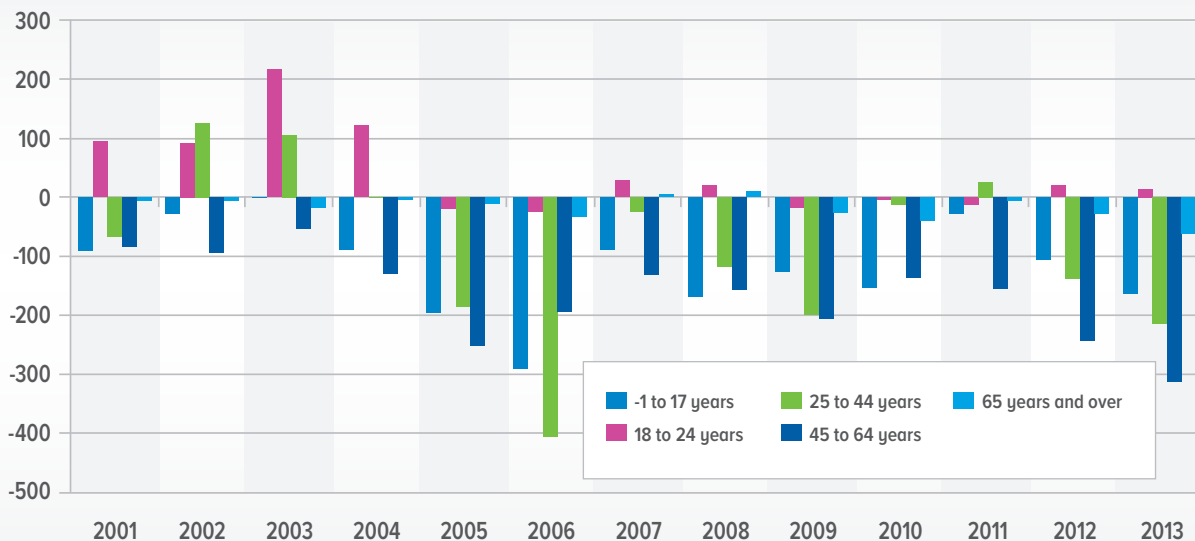
eastern Canada or outside of Canada, and more NWT residents move to western Canada than other places.

The 18 to 24 age group is the only group that is consistently near zero or positive for net migration. In combination with the negative net migration of children and adults of ages where they are likely to have children, migration trends by age group support the “two-in, four-out” hypothesis where young people come to the NWT looking for job opportunities (two-in), and once they enter the stage in their life where they have children they

seek opportunities elsewhere (four-out), presumably to be closer to extended family.

The last time the NWT had robust population growth was between 2002 and 2004, when positive net migration in combination with the natural increase, contributed to growth of nearly 2,500 people over a period of three years. The greatest contributor to this strong population growth was migration attributable largely to the comparative economic advantage created by the expansion of diamond mining and oil and gas exploration in the NWT and slow economic

## Northwest Territories Net Migration by Age Group 2001-2013



growth in the rest of the country. In other words, the rise in the NWT population was mainly a combination of more people coming into the NWT and less people leaving at a time when not only the NWT economy was strong but other jurisdictions' economies were not.

### Current Context

The current NWT situation is markedly different from that between 2002 and 2004: the NWT economy is not strong while resource-rich provincial economies are robust and are

competing for skilled labour for their tight labour markets. While NWT average wages compared to Canada are higher today than between 2002 and 2004, the NWT wage differential compared to Newfoundland, Saskatchewan, and most dramatically to Alberta has narrowed. These three jurisdictions historically contributed nearly half of the NWT's in-migrants but with the robustness of those economies and labour markets, the proportion of in-migrants originating from these jurisdictions has dropped significantly.

Past population growth highlights the dependency of migration patterns in the NWT on economic conditions in the rest of the country. Future NWT population growth through in-migration will depend on the GNWT's ability to identify recruitment opportunities in regions where the NWT has a comparative advantage, likely eastern Canada, not including Newfoundland, and immigration. Furthermore, any recruitment policy or program has to be responsive to changing economic conditions and be able to quickly shift focus to locations where



the NWT has a comparative economic advantage in order to be effective.

At the same time, targeting in-migrants for whom non-economic factors, such as lifestyle, may be a draw that could improve successes of migration-promoting programs and also increase retention. It will be much easier to retain individuals and families for whom the NWT is not just a financial equation when economic tides shift in the rest of Canada. If the two-in, four-out hypothesis is true, population growth is even more dependent on the retention of current NWT residents, and the cascade effect of the multi-generational networks they build.

Land is an important factor in the economic growth of

any economy and a lack of available land for both residential and industrial development will constrain that growth and thus our ability to attract and retain labour. Specific impacts for individuals include a lack of affordable housing and its impact on their cost of living. For the industrial sector, a lack of industrial land will hinder their ability to expand or to take advantage of new opportunities. This lack of land for employment generating activities will hinder the ability of industry to generate jobs.

Small and medium sized enterprises play an important role in the development of the NWT economy. They stimulate economic growth by providing employment opportunities. The GNWT and its partners need to ensure that this

sector is getting the resources they need to grow and by providing the right climate for entrepreneurial firms to succeed, including access to capital and business advisory services. Finally, reducing red tape and having efficient tax structures can also give small businesses a boost and better chance of survival.

## **Fiscal Implications**

Population growth has important fiscal implications for the GNWT. The GNWT's major revenue sources like federal transfers and personal income tax are strongly correlated with population growth.

The Territorial Formula Financing (TFF) Grant accounts for 65 per cent of all GNWT revenues and the growth in the NWT population relative



to Canada is one of the predominate determinants of the Grant's growth. Current projections for the TFF Grant are a fraction of its historical growth in part due to the slow growth in the NWT population. Each additional person adds \$30,000 to the TFF, not netting any commensurate increase to eligible revenues or increases in tax revenues. Similarly, the Canada Health Transfer and Canada Social Transfer, which account for 3 per cent of GNWT revenues, are also in part determined by relative population growth.

Population also impacts own-source revenues, primarily through income and consumption taxes. The impact on own-source revenues depends on the income and consumption patterns of the population. For example, personal income and payroll tax revenues

grow to a greater extent the greater the proportion of the persons employed. Alternatively, consumption tax revenues rise to the extent the population consumes a particular good such as fuel, cigarettes or liquor.

Sustainable population growth also impacts own-source revenues indirectly by promoting economic growth. People provide labour inputs for businesses, and in turn, the consumptive demand for goods and services to grow those businesses. Healthy population growth, especially through increases in labour force aged population, has been shown to generally increase GDP per capita.

Population growth also requires additional expenditures in public services such as health care or education. The increased expenditures

associated with providing public services to residents depends on their age, employment status, health status, community of residence and other characteristics.

## **OUR CHALLENGES**

Existing population growth initiatives are focussed primarily on recruitment and, to a lesser extent, retention within the GNWT and economic development strategies that will create the right environment for job creation in the private sector. The recruitment programs have centred on educating potential recruits on the benefits of living in the NWT, advertising the jobs available, implementing the immigrant nominee program, enhancing student financial assistance benefits and repayment and remission programs, and

developing strategies to fill hard to recruit GNWT jobs. The retention programs have focussed on enhancing job satisfaction levels of current GNWT employees. While most of these programs are targeted towards GNWT recruitment and retention, some such as the immigrant nominee program, promotion and job advertising campaigns, and skills training, complement private sector employment strategies.

However, recent population trends and economic projections suggest that current actions will not be enough to achieve the NWT Population Growth Strategy's five-year goal. Therefore the NWT Population Growth Strategy must address several challenges in order to move beyond current actions and achieve its five-year goal.

## Strategic Alignment

Actions beyond those currently being implemented will have to tackle issues in which the GNWT has limited experience. Resident and non-resident responses to the Mining Employee Survey clearly demonstrated that migration is a complicated decision that cannot be reduced to an economic equation alone that can easily be addressed through current policy levers (e.g. taxation was not cited as a concern). Instead the survey pointed to solutions in areas the GNWT does not have direct control over (e.g. 'proximity to shopping') and has little experience influencing (e.g. 'proximity to family'). In order to achieve its goal the Strategy will have to identify actions that tackle some of the more qualitative and intractable

conditions that surround migration decisions.

## Timeliness and Fiscal Considerations

Reversing a downward trend in our growth rate requires a nimble response to a rather difficult situation. This means ensuring timelines associated with current actions, such as policies that are under development, and those required to implement new actions are expedited. Effective policies are built on good information and without this information decisions taken may not produce the intended results. Similarly, the GNWT's current fiscal situation requires that the GNWT examines its existing resources and how they relate to the current actions.

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