

high productivity by the individual and the family who can see a direct link between their work and the success of the business. When the enterprise is collectively owned, everyone's - and therefore no one's - equity is at risk, and other sources of motivation are required. This is where the community's perception of the project is vital. If the project is a source of pride and accomplishment, those who make it successful are seen to bring honour to the community, which can be a powerful source of motivation for them. As one manager said, "pride breeds success and success breeds pride". But if the business is a source of division or is seen as the preserve of a favoured few, this can have a direct bearing on how people approach their work.

The 20 people working at the granite quarry owned by the Torngat Ujaganiavingit Corporation in Nain are proud to be part of a project that is bringing money into the community, money that can be invested in other community projects. At first, there was pressure from the community to spread the work around so that a larger number of community members could work enough days to qualify for unemployment insurance benefits. It was later accepted that such a practice would prevent the development of an experienced work force and jeopardize the company's productivity as well as undermine workers' pride. It was also recognized that workers needed stable incomes to enable them to plan for the future.

Employees express their pride in the project in a number of ways: by wearing jackets identifying themselves as company employees, by upgrading their education in their spare time, and by making the operation of the company a major source of conversation in the communities. Employees wishing to take time off to hunt, fish or visit distant communities find a qualified person to fill in for them.

Merv Tiller, president and chief executive officer of the Tribal Council Investment Group of Manitoba Ltd., sees an example of this pride in his shareholders, the individual Manitoba tribal councils. Although they are always short of funds, the tribal councils have not stripped one of their companies - the highly profitable Pepsi-Cola bottling operation, Arctic Beverages - of cash assets. Instead, cash has been left in the company to pay down debt and fund future investments.

Much has been written in recent years about the effectiveness of team circles in business enterprises. Companies that have organized their work force in teams and given them major responsibility have generally found that people are more productive and innovative than workers reporting to supervisors. This

approach mirrors the way many Aboriginal people have traditionally approached tasks. It avoids the individualism alien to most Aboriginal people's traditions while still encouraging excellence in each person's contribution to the team effort.

Equipping the community with needed skills

Ensuring that the management team and the work force is fully trained is a further challenge. While outside professionals can be hired at the beginning, depending on individuals with little commitment to the community can be risky. Without its own people at key places in the company's operations, the community's assets may be placed in jeopardy. Before undertaking a collectively owned enterprise, then, a community needs to consider whether it is prepared to support those who may need to leave the community for an extended time to gain education and experience.

Many managers conclude that it takes community members, in general, two to five years of work within the company to take over mid-level technical and managerial positions. For positions at the upper levels, at least twice as much time is required. More than just waiting for experience to be acquired is involved; much effort is also spent actively training employees to move to the next level.

The Commission heard of the gap in training available to Aboriginal middle and senior managers. We were told that what was needed was training that did not require long absences from the community but that could be taken over several years in blocks of several weeks at a time.

Companies have suffered major set-backs as a result of high turnover among non-community management. As pointed out earlier, nothing is needed more urgently than a large pool of Aboriginal men and women with the education and work experience needed for technically demanding jobs. The time taken to acquire this experience away from the community is a vital investment in the future.

Role for political leadership

Perhaps the biggest potential obstacle for collectively owned enterprises is the relationship between the political authorities and the managers of the companies.

Communities also have difficulties in separating political and commercial issues. In our experience, Aboriginal industry thrives where community governments choose to put development corporations and community-owned enterprises at arm's-length from the political process for operational purposes.¹³³

Management has a duty to reach agreement with the political leadership of the community on the overall goals for the enterprise and to be accountable in meeting those goals. But the detailed operational decisions - what skills are needed, who should be hired, when workers need to be laid off, what supplies to buy, who receives contracts - are the business of management. Interference in these matters from political authorities destroys managers' confidence and their accountability.

Several collectively owned companies have found ways to preserve their operational independence while acknowledging their accountability to shareholders. Some stress these dual responsibilities during staff training sessions and in their literature. Some provide training on the responsibilities of board members with emphasis for elected politicians on the difference in their dual responsibilities. Council members from the Westbank First Nation who serve as the directors of the band corporations are not paid for the latter responsibility and are expected to focus on the profitable operations of the company. Any outside moneys they earn as directors or members of commercial boards during normal council working hours go directly to the band.

It is important that Aboriginal governments vest sufficient operating authority in the economic development organization. The role of these organizations varies with the community. For example, the Batchewana economic development institution, joint owner of Advanced Thermodynamics of Sault Ste. Marie, seeks out business opportunities, analyzes them, structures deals and oversees its investments by taking positions on its boards of directors. In the Westbank community, the economic development institution acts as a developer and landlord, spinning off business opportunities to individual community members.

But the economic development organization has to win the confidence of the political leadership. The chief executive officer of the Peskwayak Development Corporation, Glen Ross, says that this confidence has to be earned and can be built up only over time. But with it comes greater authority to act independently

and in the best interests of the enterprise. The Tribal Councils Investment Group of Winnipeg experienced the same need to build and sustain the confidence of its shareholders, the seven tribal councils in Manitoba.

In many communities, chiefs and councils participate in initial planning sessions for the economic development organization and undertake annual reviews. This joint planning process keeps people motivated and enables the political leadership to assess the performance of the organization against its original goals. Planning sessions provide a means for formal accounting without interfering in the running of the business.

The performance of political institutions is important in another respect. Frank Lai, director of economic development for the Meadow Lake Tribal Council, attributes much of the success of his organization to the fact that the tribal council speaks with one voice. Management therefore reports to one boss, the council, and not its nine individual members. This creates a stable environment within which to build the business.

Other factors

A further factor that these managers said was of vital importance was ensuring that the nation had as much control over the development process as possible. The head of the Labrador Inuit Development Corporation, Fred Hall, put it succinctly: "Don't let others take control of your development projects". This is true whether it is advisers who want the community to do something it does not want to do, government officials who want the project structured to achieve objectives unrelated to the success of the enterprise, or banks and other funding agencies that want to be protected from project risk.

Merv Tiller of the Tribal Councils Investment Group stressed the importance of taking the time to examine all aspects of a project before investing. He has found that other parties, including government, wanted to close a deal too quickly, before due diligence had been exercised. Others warned of the temptation to accept without question outside advice because one's organization is small and without the skills to develop business arrangements. Most managers stressed the need to achieve a profitable operation:

Losing money in a business is a waste of your resource. What you are in effect doing is subsidizing your stronger people and therefore you will have nothing left to help others. People had to be shown the need for a profitable project to

generate money to invest in profitable projects in other communities. If your project becomes a make-work project you are on a treadmill to nowhere.¹³⁴

“It is very important to have profit as a prime motivator in business,” says Chief Robert Louie of the Westbank First Nation. “People take pride in working for a profitable business and view it as their own company.”¹³⁵ Employment is a second motivator in many instances. The general manager of the Burns Lake Native Development Corporation pointed out that most administrators on reserves have experience managing allocated funds to maximize job creation but that managing a company to make a product and sell it at a price that exceeds cost requires a wholly different mind-set.¹³⁶

While most of the communities that are shareholders in Tribal Councils Investment Group understood the importance of profit, those that had their own experience setting up and running businesses were the most informed.

Communities that have successfully launched these kinds of enterprises share a common feature. Once the initial project is under way, work on other projects is stimulated, and business-minded people in the community take initiatives to start their own businesses. Developing self-reliant attitudes can be accelerated by a small, astute group who use their talent to create a project that moves the whole community forward. It appears essential for the success of these enterprises that a ‘champion’ (or more than one champion) step forward to commit to the project with a vision of what it can do to benefit the community at large.

Champions often spend thousands of hours getting an enterprise off the ground. All the businesses surveyed reported the need to overcome a series of obstacles: unhelpful banks, cumbersome government bureaucracies, business partners that don’t follow through on commitments, poor initial purchase decisions, inadequate management experience and lack of confidence in the process. These businesses, and many more collectively owned enterprises, persevered to overcome these obstacles. Others did not, and their collapse often damaged gravely the confidence of their communities.

Many of these firms have entered into joint venture arrangements with non-Aboriginal companies. These are launched for a variety of reasons. The other firms may have access to technology, management, markets or financial resources that make partnership advantageous for the community firm. Managers felt it was critically important to understand what the Aboriginal party

was bringing to the table and the value of that to the prospective non-Aboriginal partner. When communities understood and developed their sources of competitive advantage, it worked in their favour.

The Burns Lake Native Development Corporation worked hard to get sizeable timber rights from the British Columbia government, which it could then bring to the table in negotiations with Weldwood to form Burns Lake Specialty Woods. The Labrador Inuit understood the value of their granite. Batchewana Band Industries Ltd. knew that its potential partner was seeking a northern location to put it in a better position to bid on defence contracts. Each of these Aboriginal firms invested long hours and considerable resources to understand their advantages and to ensure their credibility.

Much has been learned from experience with partnerships. It is vital that factors such as meaningful representation on the joint venture's board of directors and within the company's management be obtained by the Aboriginal party.

With the passage of time and the increase in personal wealth, a number of these companies may decide to sell shares to the Aboriginal or general public so that there is a greater measure of private ownership. Some communities, such as Westbank, are selling their corporations to individual community members in order to free up capital for investment in new ventures. This approach is not yet widely practised, largely because the necessary private wealth is not yet available. There is little question that the community-owned corporation - whether at the level of the individual community, the region or the Aboriginal nation - will continue to be a major instrument by which the Aboriginal economy is developed in most parts of the country.

A Nation can come up with the best systems and processes yet, if there is no community involvement, it will not facilitate the business of the Nation, because the members had no part in the determination of it.¹³⁷

Access to markets

Any business that is not subsistence oriented has to find a market for its goods and services, and this can be difficult for new enterprises starting out or for existing firms in a competitive environment. The problem is particularly difficult when social or geographic isolation separates a business from its potential market.

There is no magic formula for resolving market-related problems. In the contemporary economy, there are few sheltered markets left, and in the end there is no substitute for a high-quality product (whether a good or a service) offered at a competitive price and promoted in the marketplace by a sales team with highly developed marketing skills. However, the Commission's case studies and other information sources reveal a number of strategies that could be helpful to Aboriginal businesses. Some of these have implications for public policy.

Import substitution

Many Aboriginal communities have made progress with a strategy of import substitution, seeking to provide goods, services or programs to their communities that were previously provided by firms, organizations or governments external to the community. The Shuswap Tribal Council, for example, identified the high level of economic leakage from its communities (discussed earlier in this chapter) and adopted a strategy of developing local businesses to serve one or more of its communities. By acting at a tribal level and demonstrating the collective purchasing power of the Shuswap people, it has been possible to negotiate with off-reserve businesses for employment and business opportunities (for example, to establish a franchise travel agency). Other communities have established grocery stores or gas stations to capture at least some of the business of their residents. A few have joined together to purchase small airlines, trucking companies and food wholesalers and retailers.

Contracts, not subsidies

In terms of export-oriented strategies, some Aboriginal business people argue that they should be given contracts, not subsidies. What they mean is that government departments and other funding agencies often appear more willing to subsidize Aboriginal businesses than to purchase goods or services from them. While there may be a need for continued subsidies to emerging Aboriginal businesses that have difficulty getting capital, if self-sufficiency is a major goal it is necessary to balance these subsidies with procurement policies and practices that ensure Aboriginal businesses receive a fair share of contracts to provide governments with goods and services.

The development of set-aside programs, which would ensure that Aboriginal businesses obtain a specified proportion of contracts given out by

governments, is therefore an important policy direction that would support the development of Aboriginal businesses. An initiative along these lines is being pursued by the federal government, which has announced a strategic procurement policy favouring small businesses and Aboriginal businesses. The policy would “give them exclusive access to purchases below \$125,000 when qualified, cost-effective suppliers are available”. Another program would set aside “selected procurement over \$125,000 for preferential bidding by Canadian small and Aboriginal businesses, where potential exists to support or develop innovative firms and where cost-effectiveness can be ensured. Increased emphasis will be placed on requiring prime contractors to provide subcontracting plans to Canadian small and Aboriginal businesses”. There are also plans for a set-aside program for Aboriginal businesses “for procurements destined primarily for Aboriginal populations, where cost-effectiveness can be assured”.¹³⁸

This initiative has the potential to open up markets for Aboriginal businesses, although much will depend on the manner of its implementation. There is concern, for example, that if Aboriginal businesses are placed in the same category as all small Canadian businesses, they will be overwhelmed in the bidding process. There is also no special provision for assisting businesses owned by Aboriginal women.

The larger difficulty is that set-aside provisions are not being used in many jurisdictions. Until this initiative, the federal government had resisted the idea, and there is little such activity in provincial and territorial governments. Only a small number of urban governments, notably those in Halifax, Dartmouth and Toronto, are gaining experience in assisting such businesses.

Trade expansion initiatives

Another option that deserves further examination is expanding trade, both among Aboriginal communities and with non-Aboriginal customers. In trade among Aboriginal communities, there is a strong demand for specialty products, such as country foods and materials for arts and crafts production. There are also examples of links between Aboriginal producers and harvesters in rural areas and Aboriginal owners of retail outlets selling goods such as fish, blueberries and wild rice. Urban businesses can perform service functions for rural communities - for example, serving as a broker for the purchase of materials in bulk for distribution in rural communities, or building and managing housing for students and others who migrate to urban areas. These intercommunity links can also be extended to the international level, and

indeed some examples are emerging in different parts of the country.

The brief to the Commission by the Canadian Association for Aboriginal Business recommends the establishment of an Aboriginal trade commission to promote Aboriginal products.

An Aboriginal Trade Commission (ATC) should be established. The Commission would serve the dual purpose of: (1) promoting trade among Aboriginal businesses, Aboriginal and non-Aboriginal governments, and the private sector, and (2) assist and promote the trade of Aboriginal goods and services abroadAn Aboriginal Trade Commission would act as an important conduit for Aboriginal goods, services and market information in national and overseas markets. The ATC should coordinate a “Buy Aboriginal” marketing strategy, identifying products made by Aboriginal companies and entrepreneurs, and advertising them in a manner similar to the “Buy Canadian” strategy. Small and geographically isolated communities could work through the ATC to help identify viable economic opportunities for local goods and services. A permanent secretariat should be created, and offices should be established in every province and territory. Offices should immediately operate in countries where market opportunity presently exists (e.g., Japan, Germany, Great Britain, Hong Kong, Sweden).¹³⁹

Pursuing niche markets

Promoting Aboriginal trade could lead to growing economic opportunities for Aboriginal people in specific sectors of the economy, especially those in which Aboriginal people have a competitive advantage arising from factors such as land claims settlements, the location and natural resources of communities, jurisdictional advantages, and cultural understanding and values. Examples include the following:

- Aboriginal arts and entertainment, showcasing the wealth of Aboriginal talent in cities such as Toronto, Montreal, Edmonton, Vancouver and Ottawa;
- eco-tourism, allowing distinctive Aboriginal environments to attract a public that is becoming increasingly interested in ecologically sound forms of recreation; and
- clothing designed and made by Aboriginal people, including winter clothing produced in northern communities.

Research is needed to identify specific opportunities and to counter the barriers to access experienced at the community level.

Other strategies

Other initiatives include converting services currently provided by the public sector to private Aboriginal enterprises, as in the recruitment of Aboriginal people for the federal public service to fulfil the government's commitment to employment equity. New markets can also be reached by Aboriginal businesses entering into joint ventures with established non-Aboriginal businesses.

The most beneficial form of intervention to expand markets would be the initiation of effective set-aside programs by all levels of government as part of their procurement strategy and the development of a capacity to promote trade in Aboriginal-produced products.

The Commission is not convinced that a single national body, such as the proposed Aboriginal trade commission, could effectively advance trade in a wide variety of goods and services. There is also the danger that such a body would be too remote from the ideas and concerns of those it is designed to serve. Instead, the Commission believes that the objective of trade promotion will be better served by the sectoral and nation-level economic development institutions discussed earlier. In addition, the international trade promotion services of the federal government, as well as provincial consulates abroad, should become skilled in the promotion of Aboriginal-produced goods and services.

Recommendations

The Commission recommends that

2.5.19

The capacity for trade promotion be built into the sectoral and other economic development organizations of Aboriginal nations, as appropriate.

2.5.20

The international trade promotion agencies of the federal and provincial governments, in co-operation with Aboriginal producers and economic development institutions, actively seek out markets for Aboriginal goods and services abroad.

2.5.21

Provincial and territorial governments join the federal government in establishing effective set-aside programs to benefit Aboriginal businesses and that municipal governments with large proportions of Aboriginal residents also undertake these programs.

Access to capital

Generally, access to capital is a problem for small businesses in Canada, especially those located in less developed regions of the country.¹⁴⁰ In Aboriginal communities, the lack of capital is often cited as the principal constraint facing those who wish to establish or expand business ventures. For example, the Commission's community case studies reveal the frustration of on-reserve business people with restrictions imposed by the Indian Act; the limitations placed on business activity by the lack of financial institutions, in northern communities especially; the lack of capital to launch businesses in the Metis settlements of northern Alberta; and the shortage of capital for Métis and First Nations enterprises in urban areas. Similarly, the Commission's research on Métis agriculture shows that 90 per cent of Métis owners of small farms in the prairies would like to expand their farming operations, but that 80 per cent lack capital.¹⁴¹

The issues involved in improving access to capital are complex, and there is no single solution. It is encouraging, however, that there are numerous initiatives - some of them quite innovative - to resolve the problems, including the growing involvement of Canada's chartered banks and the credit union movement (the caisses populaires in Quebec).

In this section, the factors that restrict the availability of capital to Aboriginal businesses are examined. We then move to a discussion of the role of financial institutions in helping to resolve the problem, as well as the contribution of other programs or initiatives. The section concludes with a discussion of the Indian Act and how the limitations it places on access to capital are being surmounted.

Barriers to access to capital

The following are the most important limitations that stand in the way of access to capital for Aboriginal businesses:

- The Indian Act. The Indian Act contains certain provisions that make it very difficult for lenders to secure loans using land and other assets located on-reserve as collateral. These provisions serve as a significant deterrent to financing business activity on-reserve.
- Socio-economic conditions. Communities with high levels of unemployment and low incomes provide few opportunities for individuals to accumulate savings that might be used for business investment. These limitations are particularly acute for Aboriginal women if they are sole-support parents, as many are.
- The size and location of communities. The small size of Aboriginal communities and their location far from urban areas can be deterrents to the development of financial institutions, such as bank branches, in the community.
- The characteristics of the businesses. The vast majority of Aboriginal businesses are small in size, and most provide services to the local community. Mainstream lending institutions view these businesses as high risks. As well, small loans entail high relative administrative costs. Under these conditions, more stringent conditions may be demanded, such as a higher level of interest and more security.
- The characteristics of the entrepreneurs. While a skilled entrepreneurial class is re-emerging in Aboriginal communities, many of those applying for loans, grants or equity investments have little education and training and a short or uneven track record in business. They may have limited knowledge of alternatives in acquiring capital and need help with the process.
- The characteristics of the lending institutions. Major lending institutions have, until recently, largely ignored the financial needs of Aboriginal communities, except in so far as local bank branches

may have served a neighbouring band council. If loans have been made, the banks have usually insisted on having the loan guaranteed by the government.

Banks, trust companies and government departments are all institutions informed by a corporate culture and accustomed to dealing with clients who fit into pre-established frameworks. Their bureaucratic organization and application requirements bear little relationship to Aboriginal conditions. Their major offices are located in urban areas. Until recently, few Aboriginal people have worked for them, particularly at senior levels. Interveners making submissions to the Commission pointed to problems of cultural difference, the lack of understanding of the needs and visions of Aboriginal applicants, and stereotyping and discrimination.

- Gaps in coverage. In the Commission's hearings and through its research program, Commissioners became aware of important gaps in the provision of capital and other financial services. First, many Aboriginal communities, and especially those in northern areas, do not have access to financial services. (See Volume 4, Chapter 6 for a detailed discussion of this issue.) Second, important constituencies, such as Aboriginal women and Aboriginal residents of urban areas, do not have as much access to Aboriginal and mainstream financial institutions as they would like. Third, Aboriginal business projects of a substantial size that create activity beyond particular communities or regions are not well served by institutions with a more limited reach.

- The amount of capital available. This factor is more controversial and more difficult to establish empirically. It is worth considering whether there is sufficient capital available on reasonable terms to meet the needs of Aboriginal businesses, quite apart from the specific barriers to access just listed. Some argue that the shortage is in the availability of sound business proposals or in the match between potential borrowers and lenders. They claim that existing sources of capital are not fully utilized. Many of the Commission's case studies of Aboriginal economies identified projects that cannot proceed because of lack of capital. The brief of the Aboriginal Peoples Business Association of British Columbia estimated the gap between client needs and the availability of capital from seven B.C. Aboriginal capital corporations at some \$43 million.¹⁴²

Promising directions

The Commission found evidence of some promising activities in financial institutions, and heard ideas about what might be done in the future at several levels: community, regional and Canada-wide.

Community level: making banking services available

Most Canadians take for granted the presence of a bank, trust company or credit union close to where they live or work. They would find it hard to imagine organizing their financial affairs without such a service nearby. This is especially true for businesses, which need to deposit receipts, pay employees or apply for loans. Yet most Aboriginal communities have no financial institutions. The closest one may be hundreds of miles away, and its staff may have little understanding of, or empathy with, the conditions under which Aboriginal businesses operate. As a result, community residents tend to cash cheques at a discount at local stores, cheque transactions take a long time in transit, and cash dealings are minimal and inconvenient. Car loans are obtained not from banks but from car dealers at high rates of interest.

In recent years, some credit unions and bank branches have been established within Aboriginal communities. However, much remains to be done. Local financial institutions are important for economic development not only because they provide financial services to businesses but because they encourage savings, guarantee deposits, and allow loans to be made under controlled conditions. Stereotypes of poverty-stricken Aboriginal communities notwithstanding, the fact is there are individuals with savings that could be put to work for the economic development of the community if the proper environment for investment was created.

Commissioners heard about the success of credit unions in some Aboriginal communities, such as the Caisse Populaire at Kahnawake and the Northwest Credit Union in Saskatchewan.¹⁴³ Indeed, some credit unions, such as those located at Wendake (Village-des-Hurons, near Quebec City) and Matheusiash (Pointe Bleue, in the Saguenay region) have been in existence almost 30 years. There are also plans for expansion. The Mouvement Desjardins (a network of caisses populaires, or credit unions) is planning to establish new branches in the Cree and Inuit areas of Quebec and is working with Aboriginal financial institutions, the Quebec labour movement and the provincial and federal governments to set up a \$10 million venture capital corporation.¹⁴⁴ It is also examining the possibility of creating an Aboriginal registered retirement savings plan.

For some communities, the co-operative principles underlying credit unions are more in keeping with Aboriginal culture than are the principles governing privately owned financial institutions. There are credit unions serving a population base as small as 900 persons. Once established, they provide a full

range of banking services and can be used as a repository for savings and a source of loans. They are controlled by and made responsible to their membership within each community. They provide essential training for staff, board members, and directors. Many credit unions are active in the development of their communities and are part of a Canada-wide network that provides training, support, and financial stability to new member institutions.

In Canada, credit unions are provincially licensed, and provincial governments guarantee their deposits, which facilitates adding new members to the network. In the far north, where the scarcity of financial services is particularly acute, there is no existing system to be joined, and there are major start-up costs to establish a network of credit unions. Briefs to the Commission suggested that the federal government join with co-operatives and credit unions to “provide direct and adequate financial investment to allow for the establishment of financial services in our communities through the development of community credit unions”.

The provision of financial services in our communities is essential to the development of our people individually and to our economy generally. There is a demonstrated lack of access by our people to financial services through their absence in our communities, and frustration in attempting to deal with officials of the banks that do exist in the regional centres of the Northwest Territories. Access to financial services through our credit unions will provide individuals with valuable experience and training in managing finances ... twelve per cent of local households in the communities would participate as staff, directors or on committees of the local credit unions. This represents an opportunity for our people to learn financial skills through participation at a time when those skills are in urgent demand with the implementation of land claim agreements.¹⁴⁵

Apart from the establishment of credit unions, issues relating to their effective operation need to be resolved, such as the tax status of investment earnings.

In the past, banking institutions have not been enthusiastic about providing services in Aboriginal communities. Indeed, they have been almost completely absent. They also do not have a good record of hiring Aboriginal staff. According to a 1994 report, the ‘big five’ banks had only 26 offices or banking machines on reserves across the country. Less than 1 per cent of their full-time staff were Aboriginal, and almost all of them worked at the junior clerical level.¹⁴⁶ These conditions are now changing for a variety of reasons. Among them appear to be the prospect of an expanding Aboriginal clientele and the

developments in comprehensive land claims and treaty entitlements.

Banks and Aboriginal communities seem committed to improving Aboriginal people's access to banking services. Evidence is in the formation of a joint working group by the Canadian Bankers Association and the Assembly of Manitoba Chiefs to suggest ways of reducing barriers that First Nations people encounter at mainstream banking institutions. The areas covered by the working group suggest the concerns of both the banks and the First Nations:

- building management, administrative and business expertise;
- financing in remote areas;
- the issue of collateral among First Nations;
- bridging the cultural gap; and
- phasing the transition to First Nations financial independence.

Other initiatives include increased efforts by some banks to provide services in Aboriginal communities and to make loans to economic development projects or agencies. Several banks are trying to find ways around Indian Act restrictions on lending on reserves. There has also been an increase in the hiring of Aboriginal people. Recently, the federal government agreed to make the provisions of the Small Business Loans Act - loans provided through the banks but guaranteed by the government - available to businesses located on reserves.

While some progress is being made, the Commission believes that much more remains to be done. The means are now available to provide all Aboriginal communities with banking machines or sub-branches open a few days a week. A population of 3,000 to 4,000 people should be enough to merit the opening of a full-service bank branch or credit union. Individual branches may serve a small clientele, but economies of scale could be achieved if a bank or credit union negotiated with Aboriginal leaders in larger regions for branches to serve a number of communities. The arrangement would need to be structured to avoid abuses of monopoly power, but this approach would be more efficient than haphazard competition among financial institutions.

This approach is being pursued in Saskatchewan by a joint venture between

the Toronto Dominion Bank and the Federation of Saskatchewan Indian Nations. Negotiations to develop the First Nations Bank of Canada are being concluded. This will see a deposit-taking bank created with initial capital of \$11 million, of which \$10 million will be invested by the Toronto Dominion Bank and \$1 million by the Saskatchewan Indian Equity Foundation. It is proposed that the bank start in Saskatchewan but become national in scope. A formal branch network is not planned but the new bank will use electronic banking services to connect with customers. Initially, transactions will consist chiefly of deposits and commercial, rather than personal, loans.¹⁴⁷

Measures critical to the success of these approaches include a predominance of trained Aboriginal employees, use of Aboriginal languages in the branches, elimination of legalistic and bureaucratic language, wide availability of information, and the provision of business training programs for clients.

Recommendation

The Commission recommends that

2.5.22

Banks, trust companies and credit union federations (the caisses populaires in Quebec), with the regulatory and financial assistance of federal, provincial and territorial governments, take immediate and effective steps to make banking services available in or readily accessible to all Aboriginal communities in Canada.

Community level: micro-business lending and support programs

In recent years, more attention has been focused on the contribution that very small businesses can make to the economic development of a community in general and to providing business-related income for women in particular. Micro-businesses, as they are called, can be initiated with very small amounts of capital - loans of perhaps \$1,000 to \$2,000. The brief to the Commission from Economic Development for Canadian Aboriginal Women gives examples from developing countries to show how such loan funds operate.¹⁴⁸ Examples include the Grameen Bank in Bangladesh, the Self-Employed Women's Association Co-operative Bank in India, Women's World Banking (based in New York), the Kenya Women's Finance Trust, and the Asociación dominicana para el desarrollo de la mujer in the Dominican Republic.

In Canada, at least two groups operate in this tradition. The best known is the First Peoples Fund, established by the Calmeadow Foundation. Begun as a trial experiment on three Ontario reserves, the fund is now being established Canada-wide and is aimed particularly at reaching Aboriginal women on reserves. A representative of the fund described the program at our Toronto hearings:

This is how it works. The community raises 25 per cent of the cash required to secure an operating line of credit [from a bank or credit union]. The First Peoples Fund guarantees 50 per cent of the line and makes arrangements with the participating financial institution to provide a line of credit for four times the amount of the community security. This line of credit serves as the community's loan fund.

Potential borrowers form circles of from four to seven individuals - business owners or potential business owner/operators - who in effect co-sign or guarantee each others' loans. That is, if one person gets a loan, each of the other circle members have approved that loan and have agreed that they will pay off the loan if the borrower does not. Each of the circle members understands that if a loan is defaulted by someone in their group, there will be no more money advanced to any member of the group until the loan has been paid in full by the borrower and/or by the circle.

There is no collateral or equity needed by the individual borrower. Rather, their reputation or good name in the community is used by other community members to assess their credit worthiness and to make the decision on whether that person will receive that loan or not.¹⁴⁹

There are also provisions for having the community gradually take over Calmeadow's portion of the security.¹⁵⁰

An example of a somewhat different approach is provided by the SEED Project in Winnipeg. Here, the intended beneficiary is the community in the inner city, especially people with a family income of less than \$30,000. Interested people are invited to apply for loans and then are interviewed, screened and asked to attend a one-day meeting with staff and other potential borrowers. At this event, there is discussion of the business plan and of borrowing obligations. If the loan is approved by a participating credit union, a mentor is assigned to provide advice and support until the loan is repaid. The average loan is \$5,000, with a maximum of \$10,000; very little security is required.¹⁵¹

SEED is funded by grants from a foundation and a credit union. SEED reports that obtaining core funding is the most difficult part of its operations. If governments wish to contribute to making micro-lending projects more widely available, they could do so by contributing to the organizations that co-ordinate this service. Both the projects described here have very low levels of default on loans, and they generate employment at a fraction of the cost of more conventional lending programs.¹⁵²

Recommendation

The Commission recommends that

2.5.23

Federal, provincial and territorial governments, as well as financial institutions, support

the development of micro-lending programs as an important tool to develop very small businesses. Governments and institutions should make capital available to these programs and support the operating costs of the organizations that manage them.

Community level: revolving community loan funds

These funds are usually small and are established by non-profit organizations that make short-term loans to community enterprises and local projects. Religious organizations, foundations or businesses may be among those that establish the revolving fund, but governments could help by providing loans to the fund. Once the community fund has reached a sufficient size to be self-sustaining, the government loans could be repaid.

Some Aboriginal communities have established revolving loan funds, using as their capital base funds from programs such as those that support housing in the community. This is the case at Six Nations and Kahnawake, where housing is managed through a non-profit corporation. Rather than granting individual housing subsidies to home owners, a portion of the money is made available as a loan to those who can afford to repay. Once the loan is retired, the funds become available for other loans.

This approach need not be restricted to housing funds. The Indian affairs department's community economic development officer program has a mandate to support community economic development. These funds usually cover the cost of hiring economic development staff, but communities have also used the funds for other related purposes. The Gwich'in, for example, have set aside a portion of their allocation to be used as a revolving loan fund.

The funds currently administered by the Aboriginal business development program, now known as Aboriginal Business Canada, could be given to Aboriginal development corporations, as we proposed earlier. They would form the basis of a revolving fund for loans and equity investment. Once the business becomes established, the entrepreneur would buy back the shares owned by the development corporation and the released funds could be invested elsewhere.

One of the hurdles to be overcome in implementing these approaches is the belief that individuals have a right to receive these funds directly from government and in the form of grants rather than loans. Some payments are regarded as a treaty right. What is common to the initiatives described above is that the funds are provided, in the first instance, to a development organization and then to the individual - and typically more in loan than in grant form.

Particularly in light of reduced government funding, Aboriginal communities need to learn from each other about innovative ways to obtain the most mileage from the funds they currently receive.

Recommendation

The Commission recommends that

2.5.24

Revolving community loan funds be developed and that federal, provincial and territorial governments review their policies about the establishment and operation of such funds and remove administrative and other barriers.

Community level: access to equity capital

Gaining access to seed capital or equity is challenging for all entrepreneurs, and frequently more so for Aboriginal entrepreneurs. Access to financing in

general, and equity financing in particular, was a recurrent theme in our hearings. It must be recognized, however, that acquiring the necessary equity is part of what determines an individual's suitability for the venture. The great majority of entrepreneurs set aside money for the day they start their own businesses. Many approach friends or family. Others seek outside investors. The entrepreneur has to investigate the business opportunity and develop a business plan that convinces outside participants that their money is well invested. All of this tests the resolve of the entrepreneur and, as such, is essential to the process.

Most government programs designed to help entrepreneurs acquire seed capital insist that they come to the table with a minimum amount of equity of their own, as well as a sound business plan. The programs then supply sufficient equity to ensure the business a base to apply for debt financing from a commercial or Aboriginal financial institution. An increasing number of Aboriginal governments administer similar programs. For both Aboriginal and other government programs, the provision of equity by the individual has become an important means of assessing commitment.

Acquiring equity capital is an essential component of economic development. Canadian governments at one time provided similar financing programs for small businesses. In the face of fiscal restraint and increasing sophistication of small business financing, these programs have been suspended almost universally. However, supplementing equity capital is a continuing and vital requirement for Aboriginal entrepreneurs who face unique barriers. That this investment generates positive returns is demonstrated by a study of the federal Aboriginal business development program, which found that firms returned \$1.20 in taxes for every \$1.00 invested in them by the program.¹⁵³ The delivery of this support and the source of its funding are matters that bear further consideration, but it is apparent that its availability is in direct proportion to the rate of small business creation.

Recommendations

The Commission recommends that

2.5.25

Federal and Aboriginal governments ensure that programs to provide equity to Aboriginal entrepreneurs

- continue for a least 10 more years;
- have sufficient resources to operate at a level of business formation equivalent to the highest rate experienced in the last decade; and
- allow for a growth rate of a minimum 5 per cent a year from that level.

2.5.26

The contribution of equity capital from government programs always be conditional on the individual entrepreneur providing some of the equity required by the business from the entrepreneur's own funds.

2.5.27

Resources for economic development be an important element in treaty settlements.

2.5.28

Aboriginal nations that have entered into modern treaties, including comprehensive claims, fund their programs to provide equity contributions to entrepreneurs from their own revenue sources, with businesses retaining access to all government programs available to mainstream Canadian businesses.

2.5.29

Equity contribution programs funded by the federal government be administered as follows:

- (a) Programs be administered wherever possible by Aboriginal institutions according to development arrangements set out above.
- (b) Funds for this purpose be allocated to the nation concerned as part of a general economic development agreement.
- (c) Programs be administered by federal officials only where Aboriginal institutions have not developed to serve the client base.

Regional level: Aboriginal capital corporations

Aboriginal businesses need to obtain financing at the lowest possible rate of interest and in a fashion suited to their particular needs. Some have established satisfactory relationships with bank branches or credit unions. However, there is also a strong need for institutions tailored specifically to the needs of Aboriginal business clients.

Under the Native economic development program and its successor, the Canadian Aboriginal economic development strategy, the federal government established 33 Aboriginal capital corporations across the country. These lending institutions, which are governed by Aboriginal boards and have a capital base of \$4 to \$5 million on average, provide commercial loans and loan guarantees to small Aboriginal businesses. They do not provide deposit or other services usually provided by banks and trust companies.

In establishing Aboriginal capital corporations (accs), the intention of the federal government was to make available a lending source for Aboriginal businesses unable to secure conventional financing. The dilemma facing accs, however, is that their mandate is to serve a high-cost, high-risk market - small, emerging businesses that require considerable support and assistance. Yet, unlike banks and other financial institutions, which have various ways to earn income, accs are expected to become self-sufficient on the earnings of interest charges alone. More precisely, they are expected to cover both their loan losses (which can be substantial in view of their mandate) and their operating expenses from the money they earn in interest revenues, without dipping into their capital base. While accs were given some start-up funding for operating costs, they no longer receive operating assistance. A 1993 review of their operations concluded that two-thirds of accs were not able to manage within the terms of such a restrictive mandate.¹⁵⁴

Aboriginal capital corporations are thus in a difficult position, and they are trying various means to cope with the situation. First, they charge fairly high rates of interest and offer little flexibility in that rate. They may also be tempted to shift to lower-risk loans so that their revenues are not eaten up by loan losses. However, this requires them to be much more selective (which is time consuming) and moves them away from the constituency they were originally designed to serve.

While accs across the country face this dilemma, a particular solution may not

apply in all cases. From the standpoint of promoting economic development, however, accs are necessary, and the Commission believes that their structural problems must be resolved, even if the prescription differs from one case to another. Several measures could address these problems. For example, the federal government could recognize the important role of accs and mitigate the unrealistic demands placed on them by providing a continuing operating subsidy in compensation for the important role they perform.

The mandate of the corporations could be expanded to include roles that would yield additional sources of revenue. For example, some of the housing funds currently administered by the Canada Mortgage and Housing Corporation (cmhc), which take the form of capital for mortgages and construction, could be channelled through accs, which in turn would administer loans to Aboriginal communities or to urban corporations for their housing programs. Similarly, housing loan guarantee funds from the Indian affairs department could be channelled through accs. Indeed, cmhc has recently entered into an agreement with several accs, allowing them to administer mortgages, a development that should be expanded as rapidly as possible.

Another option consistent with an expanded mandate is the investment credit union model in place in Quebec. This model stops short of providing consumer services such as savings and chequing accounts but provides consumer and business loans and has the capacity to engage in joint ventures and to invest surplus funds in other financial vehicles. Other proposals are more ambitious for example, converting accs into full-fledged bank-type institutions that would take deposits, make consumer loans and mortgages, and sell guaranteed investment certificates. It is difficult, however, for one kind of financial institution to make the transition to another. For this transition to work, accs would need to develop a reputation as safe havens for deposits and investments. It also carries the risk that the capital corporations would be diverted from their main purpose, which is to serve as a development rather than a commercial institution and to serve the small and emerging business sector.

The capital base of the accs could also be expanded by attracting investment from the private sector, including chartered banks, and from funds with money to invest, including revenues derived from comprehensive claims settlements. There are already some initiatives along these lines. For example, the Saskatchewan Indian Equity Foundation is working with the Toronto Dominion Bank to establish an improved financial institution able to raise capital from a variety of sources. The Bank of Montreal has begun to make loans to some

accs, and in conjunction with other banks has proposed the creation of a First Peoples trust that would make capital available to accs for loan purposes, as well as to individual Aboriginal communities for housing and infrastructure projects.

The federal government can encourage these kinds of initiatives in at least three ways. The first is by providing guarantees to those who invest their capital in accs or Aboriginal community projects. This is one of the principal features of the First Peoples trust proposal.

Second, the Department of Indian Affairs and Northern Development (diand) currently provides direct loans and loan guarantees to Aboriginal businesses under the Indian Economic Development Fund (iedf). As accs have spread, the need for diand to make iedf loans is restricted largely to geographic areas where capital corporations are not active. The department is considering a proposal that would make these funds available to accs (and to other Aboriginal financial institutions such as credit unions) in order to guarantee the investments of those who contribute capital to the loan programs. This would not only permit the corporations to expand their capital base but do so in a manner that reduces the risk to those who contribute their resources and, hence, the interest rate they seek.

The federal government could also encourage Aboriginal capital corporations to seek capital from non-governmental sources by providing an interest subsidy on the capital raised and offering this subsidy to accs that perform well. Such a subsidy would reduce the cost to the corporation of borrowing funds from private sector sources (for example, from 8 per cent to 4 per cent) and would increase the spread between its capital cost and the revenue gained from lending. Depending on the size of the subsidy, this arrangement might also permit accs to offer loans at more attractive rates than currently possible.

A further option is to improve the administration of weaker accs in areas such as the qualifications of staff, separation from politics, operational costs and attention to revenues. It may also be necessary to consolidate the number of institutions through mergers or by linking those that are struggling with those on a stronger footing. This is one of the directions that emerged from Industry Canada's review of the Aboriginal capital corporation program, and some accs are taking steps to co-ordinate and consolidate their operations.¹⁵⁵

In conclusion, apart from the basic structural problem facing accs, issues

relating to accessibility also came to the attention of the Commission. As with other programs for Aboriginal people, capital corporations suffer from being unable to provide complete coverage to all Aboriginal constituencies. Each corporation has a particular mandate or target group, and in the end some groups are left out. The brief from Economic Development for Canadian Aboriginal Women, for example, raises this issue. It recommends that the accs mandate be expanded so that all Aboriginal women have access, that more Aboriginal women be included in the decision-making process (on boards and in senior management), and that the corporations design specific programs and services for Aboriginal women.¹⁵⁶

Members of First Nations living off-reserve and Aboriginal people in general who live in urban areas are two constituencies not served as well as they should be by existing capital corporations. In examining the list of accs, this is not immediately apparent, since several have headquarters in urban areas. This does not mean, however, that they serve a predominantly urban clientele. Winnipeg, for example, is host to an acc that serves the Métis population and to two others that are attached to regional tribal councils. In all three cases, however, almost all loans are directed to rural and on-reserve businesses.¹⁵⁷ The solution is either to create new accs in urban areas that are not well served or to increase the capital base and geographic mandate of those already in existence.

Recommendations

The Commission recommends that

2.5.30

The federal government strengthen the network of Aboriginal capital corporations (ACCS) through measures such as

- providing operating subsidies to well-managed ACCS to acknowledge their developmental role;
- enabling ACCS to administer Canada Mortgage and Housing Corporation and DIAND housing funds; and
- providing interest rate subsidies and loan guarantees on capital ACCS raise from the private sector.

2.5.31

Aboriginal capital corporations take appropriate measures, with the assistance of the federal government, to improve

- their administrative efficiency;
- their degree of collaboration with other ACCS; and
- their responsiveness to segments of the Aboriginal population that have not been well served in the past.

Regional level: venture capital corporations

As discussed earlier, the Mouvement des caisses populaires Desjardins is working with Aboriginal financial institutions, the provincial and federal governments, and the Quebec labour movement to set up a \$10 million venture capital corporation. This initiative is timely because different kinds of businesses require or attract different types of capital. Venture capital corporations (vccs) typically make large investments in enterprises, usually when a business has become established.

Venture capital refers to high-risk investment in a business that can take the form of equity (that is, part ownership) or unsecured debt. Investments are generally in the order of \$100,000. A high rate of return is expected because of the higher risk involved. It would not be unusual for a venture capital fund to look for a return of 30 per cent per annum. (While this may seem high, venture capital funds expect to have success in only one out of five investments). Also, although a venture capital investment can be made for a longer term than a loan and does not require a fixed schedule for repayment, a venture capital corporation will still want a clear strategy for exiting from the venture within a certain period of time.

Sources for investment in such a fund, which conceivably could be as large as \$50 million, include wealthy Aboriginal bands and organizations and Canadian corporate investors.

The need to facilitate the expansion of major Aboriginal projects, especially in light of government cutbacks, calls for this type of financial instrument. Such a

fund would expedite investment decision making compared to government programs, and the fund could play a management role in the companies in which it invested.

In addition to private sector VCCs, which have expanded considerably in the last two decades, there are also those sponsored by labour unions that invest in small or medium-sized companies to create or protect employment (for example, the Solidarity Fund of the Quebec Federation of Labour). Such funds qualify for tax credits and may also attract pension funds or loan moneys from governments.

We believe a strong case can be made for investing venture capital in corporations owned wholly or partially by Aboriginal people or that would operate on Aboriginal territory and bring direct employment. Qualification for tax credits for investors would be justified because of the developmental role the fund would play and the enhanced risk related to most of its investments.

Jackson and Peirce report that the United States has considerable experience with community-owned vccs that make equity investments in community businesses. These are less well developed in Canada, where community development corporations are more likely to operate loan rather than venture capital funds.¹⁵⁸

Recommendation

The Commission recommends that

2.5.32

Federal and provincial governments assist in the formation of Aboriginal venture capital corporations by extending tax credits to investors in such corporations. These corporations should have a status similar to labour-sponsored venture capital corporations and should be subject to the same stringent performance requirements. Tax credits should be available to the extent that Aboriginal venture capital corporations invest in projects that benefit Aboriginal people.

Canada-wide level: a national Aboriginal development bank

Several submissions to the Commission have recommended the establishment

of a national Aboriginal bank, including those of the Aboriginal Peoples Business Association and the Canadian Council for Aboriginal Business. The council describes the role such a bank should have:

An Aboriginal Development Bank should be established with capital adequacy of a Schedule B banking institution in the Bank Act. The bank would have a role similar to the World Bank, which not only provides people with access to capital, but also provides technical and legal advice. This would be an institution independent of government and would eventually be run by Aboriginal people. The institution should complement the Aboriginal Capital Corporations and Aboriginal trust vehicles. Initial capitalization should come from Aboriginal communities. Mainline financial institutions and private sector corporations should match a required level of capital to that invested jointly by all Aboriginal communities in the country.

Among the possible responsibilities sanctioned to the Bank would be the issuing of Aboriginal Development Bonds, investment certificates and other securities at fixed or floating rates. These investments should be treated in tax legislation as “tax shelters” to encourage the use of these instruments.¹⁵⁹

The submission suggests that the bank might eventually expand into the international retail and banking services market and other fields such as insurance.

The idea of a Canada-wide Aboriginal financial institution has been discussed for some time. A decade ago, the National Economic Development Advisory Board (of the Native economic development program) commissioned background research on a national Aboriginal bank. In the end it recommended the establishment of a national Aboriginal investment corporation, rather than a chartered bank, and this was to be capitalized by the development program and Aboriginal investors to the extent of \$100 million. Such a corporation was not established, however, apparently because the case was not successfully made that a national institution would be preferable to more regionally based institutions. The Aboriginal capital corporations find their origins in this period.

Now that ACCs have been established, the debate about whether a Canada-wide institution is appropriate and necessary continues. Some argue that national initiatives are inappropriate because they almost invariably engage in a top-down process, distributing funds and direction from a vantage point far removed from the experience of communities. In this view, Aboriginal financial

institutions should be developed from the bottom up - that is, beginning with ACCs.

Others, however, seek a financial institution along the lines proposed by the Canadian Council for Aboriginal Business. Having considered various alternatives, the Commission is persuaded that such an institution would make an important contribution to the rebuilding of Aboriginal economies, for several reasons.

While most Aboriginal projects are small, several large-scale projects are developing as a result of specific and comprehensive claims settlements, treaty land entitlement agreements, improved access of Aboriginal people to lands and resources, and urban service-based opportunities such as gaming. Some of these projects are regional in nature while others cut across regions and are of a scale that exceeds the capacity of individual ACCs. Furthermore, the implementation of the Commission's recommendations in the areas of governance, treaties, lands and resources, and economics will serve only to increase the opportunities for larger Aboriginal-owned commercial projects. There is an emerging need for medium- and long-term investments and loans. A development bank, once established, could issue Aboriginal development bonds or investment certificates. To encourage individuals to participate, investments in these securities should be made eligible for tax credits in the same fashion as investments in venture capital corporations.

Second, the Commission believes that what is needed is not so much an institution that provides the lion's share of project financing (although it must have a capital base that allows it to participate in a meaningful way) but rather one that serves a brokerage function, bringing together those who need capital and those who provide it.¹⁶⁰ The challenge, in other words, is not to monopolize funding for such projects but to improve access to loan and equity financing sources, facilitated by an Aboriginal institution that has a solid understanding of the Aboriginal community and of the world of finance and business development.

Where the private sector is not well established, the proposed Aboriginal bank would take a more activist approach. It therefore needs the technical capacity to identify opportunities, assess risks, work with project owners to put an appropriate financing package in place, and provide continuing management advice and counsel. An Aboriginal institution controlled by Aboriginal people and staffed with trained and experienced Aboriginal analysts and managers as

they become available is expected to have excellent ties to the Aboriginal community and to have a superior capacity to identify promising projects. For institutional lenders that do not themselves have extensive experience in lending to Aboriginal people, the development bank could provide an attractive vehicle for facilitating investments in the Aboriginal community.

The establishment of such a bank should be preceded by studies that determine the demand for its services and the type of structure that would best serve its market. Leadership would need to come from the Aboriginal community, as would initial contributions for its capital base. Significant investments from Aboriginal nations and organizations could induce participation from corporations that have a stake in activity on traditional Aboriginal territories or with Aboriginal nations. The federal government should be asked to match funds from Aboriginal and other sources. Other incentives to investors, at least until the track record of the new institution becomes established, could include federal loan guarantees, tax credits and arrangements to permit the bank's profits (including those earned on the government's contribution) to flow to the private sector investors, thereby providing a higher return on investment.

While the structure and capital base of the bank are being established, Aboriginal staff for the new institution would need to be identified and given experience with other investment institutions. Staff with many years' experience in similar corporations will need to be a part of the bank's operations at first. A strong board, chosen for its expertise and with a majority of Aboriginal people, would also need to be put in place.

Recommendations

The Commission recommends that

2.5.33

A national Aboriginal development bank be established, staffed and controlled by Aboriginal people, with capacity to

- provide equity and loan financing, and technical assistance to large-scale Aboriginal business projects; and
- offer development bonds and similar vehicles to raise capital from private

individuals and corporations for Aboriginal economic development, with such investments being eligible for tax credits.

2.5.34

The process for establishing the bank be as follows:

- The federal government, with the appropriate Aboriginal organizations, undertakes the background studies required to establish a bank.
- Aboriginal governments develop the proposal to establish the bank and, along with private sources, provide the initial capital. The federal government should match that capital in the initial years, retiring its funding as the bank reaches an agreed level of growth. Earnings on the portion of the capital lent by the federal government would be available to increase the rate of return to private investors in the early years of the bank's operations.
- The federal government introduces the necessary legislation in Parliament.
- Highly experienced management is hired by the bank with a clear mandate to recruit and train outstanding Aboriginal individuals for leadership of the bank's future operations.

2.5.35

The board of directors of the bank have an Aboriginal majority and be chosen for their expertise.

Canada-wide level: loans for economic development on reserve lands

Under the Indian Act, title to reserve land is ultimately held by the Crown, but the right to use the land is given to individual bands of Indians.¹⁶¹ No individual member of a band can possess on-reserve land unless it has been allotted by the band council and approved by the minister of Indian affairs, who issues a certificate of possession. The minister may attach conditions to the allotment and issue a certificate of occupation, which can remain in force for up to four years. At the end of the time, a certificate of possession can be issued or a declaration made that the land is available for re-allotment. An individual given a certificate of possession obtains rights to reserve land that are similar to property ownership - for example, the right of exclusive occupation or to have

property inherited by heirs entitled to reside on a reserve - but the Crown is always the legal owner of the land. As such, the Crown can expropriate reserve land or have lands set aside for such purposes as Aboriginal schools, burial grounds or health projects. The band can also surrender reserve lands, but only to the Crown and only with the consent of a majority of the electors of a band voting at a general or a special meeting or by referendum. With similar safeguards, lands can also be declared 'designated', which makes them available for leasing by outsiders. However, the surrender of a band's interest in the land is not absolute - the land remains reserve land and reverts to the band when the lease period expires. Individuals holding a certificate of possession may also lease 'their' land to a third party with the approval of the minister.

Other provisions of the Indian Act protect reserve lands from falling into the hands of third parties, that is, parties other than the band and its members or the Crown. Section 29, for example, states that reserve lands are not subject to seizure under the legal process, and section 89(1) provides that "subject to this Act, the real and personal property of an Indian or a band situated on a reserve is not subject to charge, pledge, mortgage, attachment, levy, seizure, distress or execution in favour or at the instance of any person other than an Indian or a band". While these provisions protect reserve lands and therefore have widespread support within reserve communities, they also stand in the way of projects that seek loans from banks or other outside sources, because the land and related assets cannot be pledged as collateral to secure the loan. This is a significant limiting factor for economic development on reserves, and much effort has been spent trying to overcome the problem.

The Indian Act provisions do not pose a barrier to all types of capital, only loans. It is not an obstacle to venture capital when funds are made available by non-Aboriginal companies in exchange for a share of ownership of the business enterprise. Some bands are able to generate capital from their own sources, such as annual lease payments, agreements resulting from treaty land entitlement settlements or comprehensive claim negotiations, and revenue sharing agreements.

It should also be noted that the Indian Act is not an absolute deterrent. If a band is determined to risk a portion of its lands and the assets attached to it in exchange for capital to support an economic development project, it can pursue the land surrender provisions of the act. Once the lands are no longer reserve lands, that is, once they have been surrendered to the Crown, they can be pledged as security. The issue, then, is how easily security for loans

can be provided and whether there are ways of providing security without surrendering or otherwise risking the loss of land and related assets.

Our objective in what follows is to outline a number of ways that have been attempted or suggested to eliminate or avoid the barriers to capital posed by the Indian Act.

Canada-wide level: Indian Act options

The most obvious approach to dealing with Indian Act barriers is to abolish the act entirely or to enact legislation that replaces certain portions of it.¹⁶² The question is how to replace the current land seizure provisions.

Aboriginal groups not subject to the act, such as the Metis Settlements of Alberta, and groups that have negotiated alternatives to the Indian Act, such as the Sechelt First Nation and those under the Cree-Naskapi Act, have all insisted on legislation that offers protection against the loss of land, even at the cost of increased difficulty in obtaining capital. In the case of the Cree-Naskapi, “Indians resident on category 1a or 1a-n lands or the band itself [can] ... waive the exemption on seizure by agreement in writing. However, where the waiver deals with land, the consent of the band at a special referendum meeting must be obtained first”.¹⁶³

It is clear that the establishment, protection and enhancement of the Aboriginal land base is vital to the health of Aboriginal communities in Canada. What is not clear is how to protect that land base and how legislative provisions can be designed to minimize adverse implications for economic development.

Amendment or suspension

The governor in council has the power, under subsection 4(2) of the Indian Act, to declare by proclamation that almost all the provisions of the act do not apply to “(a) any Indians or any group or band of Indians, (b) any reserve or any surrendered lands or any part thereof”. However, the department of Indian affairs refuses requests of bands to be exempt from sections 29 or 89, the provisions that prevent reserve lands and the personal property of an Aboriginal person or a band from being seized by a non-Aboriginal person.¹⁶⁴

Another problem with the use of subsection 4(2) is that, while sections 29 and 89 can be declared not to apply, the sections concerning band membership

and land surrenders cannot be suspended in this way, including section 37(1): “Lands in a reserve shall not be sold nor title to them conveyed until they have been absolutely surrendered to Her Majesty ... by the band for whose use and benefit in common the reserve was set apart”. Thus, it appears that the governor in council can declare that the seizure provisions do not apply but cannot suspend the provision that requires land to be surrendered before it can be sold or its title conveyed. The act spells out a detailed process of community approval for land to be surrendered.

Several amendments to the act in the last decade have eased the problem of access to capital in particular circumstances. As a result of a series of amendments in 1988, reserve lands can be declared to be designated lands that retain their reserve status but may be leased to non-Indians without having to go through the surrender process. While designated lands cannot be seized, the leasehold interest in them “is subject to charge, pledge, mortgage, attachment, levy, seizure, distress and execution” under an amendment to section 89. For example, a section of a reserve might be set aside for a commercial development on lands designated for the purpose. A bank might approve a loan to the business and take as security the right of the business to lease the designated lands, awarding this right to another business if the first one defaulted. The land is leased for only a certain period of time, however, so the right to use it will expire eventually.

Since designated lands remain reserve lands and therefore under federal and band jurisdiction, bands can levy taxes not only on reserves but also on interests in reserve lands. Thus, a band can tax non-Aboriginal businesses leasing its lands for commercial purposes. Apart from deriving the tax revenue, which can be considerable, as some British Columbia bands with valuable commercial lands have discovered, bands can also use the revenue as a form of security for loans.

However, as with the land surrender process, the designation process is difficult and time consuming, and the lessee must obtain the consent of the minister before a leasehold interest can be mortgaged. Furthermore, any mortgaged leasehold interest is subject to the Crown’s right of reversion on expiration of the lease. All reserve and designated lands are still subject to the authority of the minister to manage, lease or carry out any other transaction affecting such lands. In practice, the land designation alternative is not used extensively.

Another recent amendment to section 89 refers to conditional sales contracts.

It states that a person who sells something (a chattel such as a vehicle or equipment) to a band or band member can retain ownership in the chattel and exercise rights under the sales agreement, notwithstanding the fact that the chattel is located on-reserve (that is, the person can seize the goods if full payment has not been made).

Other possible amendments to the Indian Act to ease the collateral problem include making personal property, excluding lands, subject to seizure and expanding the definition of who is an 'Indian' under the terms of the act. This is significant because section 89 does permit the real and personal property of an Indian person or a band situated on a reserve to be seized by another Indian person or a band. If an Aboriginal lending institution, such as a capital corporation or a community-based credit union, could be defined to be an 'Indian', land and related assets pledged as collateral could be seized, if necessary, without being lost to the community. For First Nations that escape from the Indian Act or for other Aboriginal groups that also want to protect their land base but at reduced cost in terms of economic development, the idea of making it possible for their financial institutions to seize Aboriginal lands or property (but not to sell them outside the community) should be kept in mind.

Using forms of collateral other than land or property

Lenders can take forms of collateral other than land to secure loans made in support of on-reserve projects. For example, a band council could agree to pledge security on the basis of future cash flow that the band can reasonably anticipate will be forthcoming to fund band operations and programs. However, this requires the approval of the minister, which may be withheld, because the department will be concerned that, in the event of a default, it would have to satisfy the terms of the loan and perhaps also provide the program moneys that were anticipated. The department is also afraid of being held accountable for failing in its fiduciary responsibility, especially in the light of such court decisions as *Guerin and Sparrow*.¹⁶⁵

Sometimes it is sufficient for lenders to receive what is called an 'irrevocable band council resolution' through which the band gives a supposedly irreversible undertaking to comply with the terms of a loan. While technically such a resolution would not be enforceable, in that it could not override the seizure provisions of the Indian Act, it seems to be sufficient for some lenders who have established a good working relationship with a particular band. This illustrates that security in the form of land or other forms of property is not always the key consideration. Factors such as a track record, reputation, and

an established relationship of trust can also be important in making loans possible.

Community-based solutions

We have already described steps to improve the capacity of communities to mobilize their own resources (with or without outside help) to build a pool of capital. The establishment of bank branches or credit unions would be a step in this direction, as would the establishment of community lending circles for micro business loans.

At Kahnawake, the community-based credit union has developed an innovative approach to lending that relies on respected community members entering into a trust agreement with the borrower. The arrangement is described by those who developed it as follows:

The Caisse populaire Kahnawake has developed and implemented a loan security system for real property on Indian territory which bypasses the restrictions of section 89 of the Indian Act. Called the trust deed system, this system has the approval of the Minister of Indian and Northern Affairs and the Fédération des caisses populaires Desjardins de Montréal et de l'Ouest du Québec and has been operating since 1988. Under this arrangement, an individual Indian, holding a certificate of possession on a parcel of land, may transfer their title (and the land and building included on the land parcel) to a three-person group of Indian Trustees as security on a commercial or housing loan. The transfer takes the form of an Indian Act section 24 transfer and the registration of this transfer is approved by the Minister for each transaction.

Upon complete repayment of the loan outstanding to the caisse populaire, the title of the certificate is transferred from the trustees back to the individual Indian borrower. Upon loan default (which must be confirmed by the trustees), the property described (including land and building) on the certificate of possession is sold by a bid process only to Indians who reside in the same territory (and in our case Kahnawake). The proceeds of the sale are first applied to the loan debt and the remainder is remitted to the borrower by the trustees. The basic feature of this system is that the third party involved is not a government body of any kind (federal, provincial or band council). The basic principle is to commit the individual to feel he or she has really something to lose in such a transaction unlike a government guarantee ... The caisse populaire at Kahnawake has made over 200 housing and commercial loans totalling in excess of \$8 million to September 30, 1994 since implementation of

the system in 1988.¹⁶⁶

The borrower is encouraged to be responsible not only by the threat of loss of assets but by the peer pressure exercised by the trustees. The credit union has realized profits on its loans in every year subsequent to the first six months of operation and has had a very low rate of loan defaults (only about 50 per cent of loan applications are approved in the first place). Decision making is also expeditious, with the government involved only to the extent of registering the trust agreement. There are, however, some untested questions about the legality of the trust deed arrangement. Also, the transferability of this approach to other communities depends on the size of the community and the availability of a financial institution, such as a credit union, bank or Aboriginal capital corporation. Transferability is also limited by the fact that not all reserves use the certificate of possession system - it is used on perhaps 40 per cent of the reserves covering 60 per cent of the status Indian population¹⁶⁷ - and this is a requirement for the effective operation of the trust deed system.

Government guarantees

Banks and other financial institutions will make loans on reserves in the absence of reserve-based collateral if governments provide guarantees against risk. This approach has been used extensively in the past, but it requires a very high level of loan guarantees before banks can be enticed to lend.

At present, at least three loan guarantee programs are in place. Aboriginal capital corporations can provide loan guarantees and they do so to a limited extent. The department of Indian affairs also provides some loan guarantees for economic development on-reserve but wants to reduce its involvement in this area.

More recently, steps have been taken to make guaranteed bank loans under the Small Business Loans Act more readily available to businesses on-reserve. The issue historically has been whether Aboriginal people living on reserves qualify for guarantees under the act, since the lender is required to obtain an enforceable security. The banks and the federal government have determined that a band council resolution authorizing individual Aboriginal people to give security (such as a certificate of

possession or a mortgage) is sufficient evidence to qualify the loan under the

act. Some bands review each loan application before giving their authorization, others pass a resolution giving blanket approval, and some do not want to get involved at all, because a seizure is unlikely in the event of a default. In fact, if there were many defaults, it is likely that either the banks or the guarantor (the federal government) would want to reassess the entire process.

Chartered banks are also proposing a variation on the loan guarantee theme. In a proposal calling for the establishment of a First Peoples trust, the Bank of Montreal suggests that the trust would gain access to the capital market using government guarantees to obtain a low interest rate. Funds would be raised from sources such as insurance companies and pension funds that could then be lent to First Nations for housing, capital infrastructure and related projects. Capital raised by the trust could also be available to Aboriginal capital corporations which in turn could make loans to small businesses as they normally do, albeit with a spread between the cost of the money and the rate at which it is lent. With government guarantees and a positive credit rating from bond rating services, it would be possible to borrow at a low cost. Individual bands that participate in the trust would have access to funds on a line-of-credit basis.

The Bank of Montreal would benefit by receiving fees for services rendered and revenues based on the differential between the interest rate of the cost of capital and the interest rate on loans. The Bank of Montreal would also help train Aboriginal staff for the First Peoples trust, so that the trust could, over time, become completely controlled by Aboriginal people or a partnership involving the bank and the federal government. The proposal is geared not only to reserves but to all Aboriginal communities.

The proposal has attractive features, particularly the prospect of obtaining funds from non-governmental sources. However, the federal government would have to be prepared to assume the liability the guarantee would entail, although this could be reduced by purchasing insurance against loan losses. The Canada Mortgage and Housing Corporation already offers a similar capacity for raising funds on the capital market and reportedly can achieve rates of interest that are lower than would be the case with the bank's proposal. This capital, however, would be restricted to housing.

A more general problem with guarantee programs is that they reduce incentives for efficient and responsible performance, especially if the guarantee level is so high that it removes any significant element of risk. This has long been recognized as a problem with the department of Indian affairs

loan guarantee program and with similar arrangements, such as those administered by the Farm Credit Corporation before they were cancelled in 1989. Since the loan recipient knows that the government will step in if there is a default, there is less incentive for the recipient to live up to the terms of the loan. Similarly, with the First Peoples trust proposal, there would be concern not only about loan recipients but also about how diligently and carefully banks would administer the trust if there were a high guarantee level to protect contributors against loan losses.

In conclusion, it appears that the options for resolving the problem of lending on reserves include the long-range alternative of abolishing or replacing the Indian Act. In the interim, the following strategies are worth considering:

- amending the Indian Act, which could be time-consuming, but certain amendments such as giving Indian status to Aboriginally owned financial institutions, would be helpful;
- using forms of collateral other than lands or property;
- supporting the wider adoption of the trust deed model; and
- making use of government guarantees.

2.7 Employment Development

The problem

Even with the improved prospects for Aboriginal economic development that are expected to accompany self-government, control over lands and resources, and the growth in Aboriginal businesses, employment prospects for Aboriginal people need urgent attention in light of employment and demographic realities. The Aboriginal population is young and growing rapidly - 56 per cent of Aboriginal people are under 24 years of age, compared with 35 per cent in the general population.¹⁶⁸ With thousands of new entrants to the labour force each year, the Commission estimates that just under 225,000 jobs will have to be created to accommodate the rapidly growing labour force in the next 20 years (Table 5.14).

TABLE 5.14

Projected Aboriginal Identity Population Age 15+ and Estimated Number

of New Jobs Required, 1991-2016

Year	Projections for Aboriginal Identity Population Age 15+		Estimated Number of New Jobs Required ¹ (based on an employment to population ratio of 61% ²)
	Size	Cumulative Growth	
1991	457,800		
2001	615,200	157,400	96,000
2016	826,500	368,800	225,000
	Number of Jobs required to achieve equality for the existing labour force	82,400	
	Total Number of New Jobs Required 225,000 + 82,400 = 307,400		

Notes:

1. For methodology, see note 33 at the end of the chapter.
2. The 1991 Canadian employment rate was 61 per cent (see Table 5.3).
3. Numbers rounded to the nearest hundred.

Source: Population projections: M.J. Norris, D. Kerr and F. Nault, "Projections of the Aboriginal Identity Population in Canada, 1991-2016", research study prepared by Statistics Canada for RCAP (February 1995).

There is an enormous gap in unemployment rates between Aboriginal and non-Aboriginal people. To bridge this gap, another 82,400 jobs would be needed. Adding these to the number of jobs required to accommodate the growing Aboriginal population yields an overall requirement of 307,300 jobs for Aboriginal people in the period 1991-2016 (see Table 5.14). The difficulties this poses are compounded by the barriers that inhibit job creation for the Aboriginal population.

The Aboriginal unemployment rate tends to vary with the unemployment rate of the general population in the Atlantic provinces, Quebec and Ontario. Typically, Aboriginal unemployment rates are double those for the general

population in the eastern part of the country. In the western provinces, the employment gap widens to three times as large and does not follow provincial patterns. This may reflect greater barriers to employment where there are larger concentrations of Aboriginal people.

Existing approaches are insufficient

Meeting the challenge of employment creation is daunting given the inadequacy of current measures to reduce disparities in unemployment rates. A 'business as usual' approach will fail to meet this challenge. If more effective approaches are not developed, all governments - Aboriginal, federal, provincial, territorial and municipal - will face enormous costs brought on by unemployment and related social and economic dysfunction. The recent experience of the Aboriginal labour force in Winnipeg is instructive; growth of the Aboriginal labour force has been so rapid, as a result of population growth and migration from rural areas, that it doubled between 1986 and 1991, from approximately 10,000 to 20,000. There are some indications of progress in employment creation, but with growing numbers of people looking for work, the Aboriginal unemployment rate in Winnipeg increased by two-thirds between 1986 and 1991.¹⁶⁹

In 1991, the Aboriginal peoples survey asked respondents to identify the barriers they faced in finding employment. The results are given in Table 5.15 for four Aboriginal groups and in Table 5.16 by geographic region. By far the most important barrier is the lack of jobs: of those reporting they faced barriers, 61 to 75 per cent cited few or no jobs, followed by mismatched skills and job requirements. This second barrier can be overcome with education, training and enhanced mobility. Another barrier cited was lack of information about jobs. Appropriate employment services would help remedy this. Being Aboriginal, which likely relates to racial discrimination, was a further barrier, as was lack of child care. Both these factors would, no doubt, be more prominent if responses from Aboriginal women had been given separately.¹⁷⁰

TABLE 5.15

Barriers to Employment Reported by Aboriginal Identity Population Age 15+ Who Looked for Work in 1990-91

	Indian persons on-reserve	Indian persons off-reserve	Metis persons	Inuit
	% of each group reporting each barrier			
Few or no jobs	75.2	61.4	62.4	71.1
Mismatched education/work experience	40.1	40.1	42.6	38.0
Lack of job information	32.3	25.0	22.4	23.4
Being Aboriginal	22.2	25.5	11.7	11.9
Lack of child care	8.1	8.5	8.4	9.3
Other barriers	7.3	12.6	8.7	8.5

Source: Statistics Canada, Aboriginal Peoples Survey (1991), catalogue no. 89-534.

TABLE 5.16

Barriers to Employment Reported by Aboriginal Identity Population Age 15+ Who Looked for Work in 1990-91, by Region

Perceived Barrier to Employment	Total Aboriginal	Far North	Mid-North		South		
			On-reserve	Non-reserve	Réserves	On-reserve	
						Urban	Rural
Few or no jobs	66.4	71.3	77.1	64.3	76.1	57.2	73.2
Mismatched education/work experience	42.1	38.3	39.7	43.2	42.1	44.0	40.4
Lack of job information	26.2	22.5	31.4	22.6	34.0	24.3	24.2
Being Aboriginal	17.7	11.8	20.5	17.5	25.0	17.3	11.4
Lack of child care	9.9	9.9	8.7	11.1	8.6	9.2	8.9
Other barriers	9.8	7.1	5.5	7.2	8.1	13.0	10.9

Note: Percentage of respondents reporting each barrier.

Source: Statistics Canada, Aboriginal Peoples Survey (1991), custom tabulations.

To gain some perspective on current approaches to overcoming employment barriers, we review two federal initiatives: employment equity and the Pathways to Success of the human resources development department.

Employment equity

Employment equity initiatives aimed at eliminating barriers to the employment of under-represented groups in the work force can be an important instrument for improving Aboriginal employment opportunities. Unfortunately, evidence suggests that these kinds of initiatives are not working well for Aboriginal people, at least not well enough to meet the demographic and equity challenges just discussed. Among the four groups designated under the Employment Equity Act (proclaimed in 1986), Aboriginal people and persons with disabilities are, in the more than 300 federally regulated companies and Crown corporations covered by the act, furthest from reaching representation commensurate with their availability in the experienced labour force (Table 5.17). (Statistics Canada defines the experienced labour force as being individuals who, in the week before the census, were either employed or unemployed but who had worked at some point in the previous 18 months.)

The representation of Aboriginal people in the experienced labour force as a whole stood at 2.1 per cent in 1986, compared with representation of 0.66 per cent in the companies covered by the act in 1987. By 1993, this proportion had increased to 1.04 per cent. This is an improvement, to be sure, but by that time the proportion of Aboriginal people in the experienced labour force had also risen - from 2.1 per cent in 1986 to 3 per cent in 1991 (and presumably higher still since then). Thus, the gap between the target and the reality has, in fact, widened rather than narrowed.

The annual report on the Employment Equity Act for 1994 summarizes the situation in the following terms:

The representation of Aboriginal peoples in the work force did not show significant progress in 1993. Employers under the Act hired a relatively high proportion of Aboriginal peoples, but many members of this group left the work force during the same period. Their rate of turnover was the highest among the four designated groups

TABLE 5.17

Federal Employment Equity Program, 1987-1993

Designated Group	Year	Proportion of Employees	Hirings	Terminations
		%	%	%
Women	1987	40.94	42.27	40.05
	1988	41.95	44.33	40.92
	1989	42.53	44.04	41.13
	1990	43.74	46.18	41.42
	1991	44.11	41.88	41.81
	1992	44.74	39.06	39.88
	1993	45.64	41.79	39.93
Aboriginal People	1987	0.66	0.54	0.52
	1988	0.71	0.74	0.66
	1989	0.79	1.09	0.96
	1990	0.85	1.39	1.12
	1991	0.96	1.53	1.24
	1992	1.01	1.80	1.40
	1993	1.04	1.87	1.40
Persons With Disabilities	1987	1.59	0.62	1.02
	1988	1.69	0.78	1.28
	1989	2.34	1.25	1.29
	1990	2.39	1.41	1.98
	1991	2.50	1.22	2.27
	1992	2.54	1.27	2.16
	1993	2.56	1.68	2.27
Visible Minorities	1987	5.00	5.21	3.23
	1988	5.67	7.48	5.17
	1989	6.67	10.12	6.60
	1990	7.09	10.40	6.84

1991	7.55	8.22	6.68
1992	7.90	8.45	6.65
1993	8.09	8.41	7.16

Note: The proportion of the experienced labour force accounted for by designated groups in 1986 was women, 44%; Aboriginal people, 2.1%; persons with disabilities, 5.4%; and members of visible minorities, 6.3%.

Source: Employment Equity Branch, Employment and Immigration Canada, Statistical Summary, The Employment Equity Act, 1987-1991 (December 1992); and Human Resources Development Canada, Annual Report, The Employment Equity Act, 1994.

Aboriginal peoples had a low rate of representation (1.04%) in the work force under the Act and occupied lower paying jobs with fewer responsibilities and less chance for advancement. Aboriginal women were concentrated in clerical occupations, while a relatively large proportion of Aboriginal men worked in semi-skilled and other manual work. The gap between the salaries of Aboriginal men and women who worked full time and those of other men and women was the widest of the minority groups.¹⁷¹

The results have been equally limited within the federal public service, which has not been covered by the act but has promoted employment equity since 1983. Aboriginal representation increased from 1.7 per cent in December 1988 to 2 per cent in March 1993, but the public service is struggling with the problem of retaining such employees once hired, and further progress could be stalled by current initiatives to reduce the size of the public service.¹⁷² The level of Aboriginal representation in provincial government work forces is usually far below what it should be, and, at the municipal level, one is hard pressed to find any Aboriginal employees in such departments as police, fire fighting and public works.

A review of programs in various jurisdictions reveals a number of recurring problems, including

- a lack of commitment, not on the part of those directly responsible for implementing the program, but by the employing departments. In the public sector, for example, two or three departments that have substantial involvement with Aboriginal people tend to account for the bulk of hirings, while others lag far behind;

- a lack of effective auditing, monitoring and enforcement, a situation that may improve at the federal level when the revised Employment Equity Act is implemented;¹⁷³ and
- employment equity legislation at both the provincial and the federal level that is restricted to certain kinds of employers. There is considerable room for expanding the coverage.

If these were the only weaknesses, however, they would affect all designated groups, and that is not supported by the evidence. We believe the lack of effectiveness of these programs for Aboriginal people stems from barriers that are of a different character from those faced by other groups: a combination of racism rooted in long-standing and deeply ingrained stereotypes, and work environments with cultures that alienate Aboriginal employees.

How was I supposed to deal with a manager and a system that continually sought to treat me as a child? I have both a Bachelor and a Masters degree, and their tactics included requests that I submit all of my calculations for verification by a supervisor, ostensibly because they couldn't be sure that my totals were correct. No other person among my forty-three co-workers was required to do this. They told me that my work was being checked because I grew up on a reserve where nobody learned to add properly.¹⁷⁴

Measuring this type of discrimination is always difficult. Two indices are available, neither without shortcomings. The first is data from surveys in which respondents indicate whether they have experienced discrimination on the grounds of race in employment, housing or access to services. As noted in Table 5.15, 11.7 to 25.5 per cent of Aboriginal respondents (depending on the group) who looked for work in 1990-1991 indicated that being Aboriginal had been a barrier for them. The highest percentage was among Aboriginal people living off-reserve, a group that is visibly distinct from the majority population but in regular contact with it. Survey results are reinforced by personal accounts that detail the experiences Aboriginal people have had, and continue to have, with racist attitudes and behaviour.

Economists take another approach to the role of discrimination in explaining inequalities in outcomes (such as incomes or unemployment rates) between Aboriginal and non-Aboriginal populations. Taking measurable characteristics that can be expected to contribute to the outcome (such as levels of education, training, age and location), they examine how much of a gap remains in levels

of earnings or rates of unemployment between the two groups if the Aboriginal group is assumed to have the same characteristics as the non-Aboriginal group. This approach explains about half the difference in outcomes, but a gap of about 50 per cent remains unexplained. This unexplained residual is often taken to be a measure of the effects of discrimination, although other differences not measured and not included in the analysis could also be at work.¹⁷⁵

While the degree of racism cannot be ascertained precisely, the available measures and many personal accounts brought to the attention of Commissioners testify to the fact that it is a significant and painful problem. At the Commission's hearings in Roseau River, Manitoba, an advisory council of Aboriginal people employed by the Manitoba government drew these conclusions from its study of Aboriginal employees in the provincial civil service:

The central finding of our report is that Aboriginal people face barriers and obstacles in the workplace ... Our findings show that racism and discrimination exist in the Manitoba civil service, and that racism is the basis of the barriers and problems faced by Aboriginal people. Racism is experienced through discrimination, bias, exclusion, stereotyping, lack of support and recognition, negative attitudes, alienation in the workplace, and lack of role models in management positions. Racism is exclusion.¹⁷⁶

The barrier of discrimination based on stereotypes of Aboriginal people is compounded by the barrier of cultural clash, a barrier of which employers are often completely unaware. We explored some basic cultural differences in Volume 1. In the workplace, differences between Aboriginal cultures and corporate cultures are manifested in interpersonal relations, decision-making processes, concepts of leadership and the organization of work. A report prepared for the federal Public Service Commission in 1991, *A Study on the Retention of Aboriginal Peoples in the Federal Public Service*, made the following observations:

Current and former Aboriginal employees frequently comment on the difficulties faced in adapting to the Public Service. For many, entry involves a culture shock which comes in a variety of guises. The language of the bureaucracy and formalities of government create uneasiness for many Aboriginal peoples. They feel conflicts between their traditional ways and accepted government practices ... The bureaucratic levels and systems within government are also foreign.

The Public Service is perceived to allow minimal room for autonomy or creativity. The environment is perceived to be fiercely competitive, filled with roadblocks to advancement, and with people looking out only for themselves. The individualistic way in which work is done is perceived to be alien and pressure packed.¹⁷⁷

Racism and culturally alien environments have a chilling effect when reports of bad experiences circulate within the Aboriginal community, discouraging others from seeking employment in these workplaces. Added to these barriers are systemic barriers, such as artificial job requirements, lack of knowledge of how the recruitment and hiring systems work, and lack of personal networks to assist in finding job opportunities. Logistical barriers include distance from the job site, lack of work clothing, penalizing welfare regulations and, for reserve residents, the prospect of paying income tax.

Because these kinds of barriers persist, it is vital to develop an effective employment equity program for Aboriginal people. Our recommendations in this regard are presented later in this chapter.

Pathways to Success

At the end of the 1980s, the federal government initiated a significant shift in its approach to training. The Labour Force Development Strategy moved the government toward the development of partnerships with the private sector and others in the planning and delivery of labour force training. Although Aboriginal people were initially left out of the process, subsequent consultations made it clear that a complementary but distinct approach was required. The Pathways to Success program, as it came to be called, was funded at \$200 million a year and involved a significant degree of decentralized decision making about labour force training by Aboriginal management boards established at the local, regional and national levels. More than 80 per cent of the Aboriginal population was represented by Pathways boards. There were some 100 local boards across Canada, 12 regional or territorial level boards, and a national Aboriginal management board.¹⁷⁸

On the whole, Pathways to Success was a significant and welcome step in the direction of Aboriginal control. The local management boards decided such matters as the training priorities for the area, who should benefit from training,

who should deliver the training, and whether some of the money allocated to the area should be devoted to services such as counselling, job referrals, interview preparation and skills assessment.

Although in general the approach was well received, Pathways experienced some difficulties. Disputes arose about the allocation of funds by region, within regions and to particular constituencies within regions. The main thrust of Pathways was to have all Aboriginal people represented on the boards rather than to have separate structures, and while this was acceptable in some areas, in others it ignored a long history of separate institutional development.

Eventually, the human resources development department adjusted its approach to accommodate separate local boards for Métis people and First Nations in Saskatchewan, functioning under a joint board for the province as a whole. In Manitoba, separate structures for Métis and First Nations were established at both the provincial and the local level. Even so, the legitimacy of some boards was challenged. In Saskatchewan, for example, the Metis Society of Saskatchewan and the Federation of Saskatchewan Indians were presumed to represent Aboriginal interests in the area of training but were challenged by groups and institutions who felt that these umbrella organizations would not represent their interests fairly (for example, women who regained their status under Bill C-31 and organizations serving Aboriginal people in urban areas).¹⁷⁹

Other issues revealed in the Commission's community case studies included concerns about the difficulty of obtaining funding for Aboriginal training institutions and the inability of Pathways to make headway against the duplication and confusion that currently exists among the many providers of labour force training.¹⁸⁰

During 1994 and 1995, the federal government initiated a structural review of the Pathways strategy by advisory and working committees that were asked to examine options for the future delivery of Aboriginal human resource programs. The review, whose final report was delivered to ministers on 30 March 1995, focused largely on organizational and administrative arrangements. These were important issues, particularly as they related to shortcomings in the initial arrangements. Although Pathways was innovative, there were significant limitations on Aboriginal control in a model that was essentially one of decentralized decision making in the context of a federal program. While Pathways pushed Aboriginal control several steps beyond the norm, it remained a program in which purpose, funding and duration were

determined in Ottawa, albeit with Aboriginal input.

As a result of the review, new arrangements are being put in place that represent a further step toward Aboriginal control. In January 1996, framework agreements were signed with three national Aboriginal organizations, setting out in general language terms of reference, standards and guidelines to govern the provision of training. Bilateral agreements are then to be signed between First Nations, Métis and Inuit organizations at the regional or provincial/territorial level and federal human resources development offices, on the basis of which the organizations will receive funding to organize and deliver training programs.

As they assume a new measure of control, Aboriginal organizations will need to move beyond administrative and organizational issues to come to grips with important substantive and strategic concerns. Some successful and innovative approaches were developed under Pathways in a number of places. At the same time, one of the criticisms of Pathways was its fragmentation through its reliance on many local boards and the lack of an integrated perspective on training priorities.¹⁸¹ There was too much emphasis on meeting local, short-term needs in an ad hoc fashion. An independent assessment of Pathways, prepared for the national management board, reported in 1994:

Only 13% of AMB [Aboriginal Management Board] respondents reported that any strategic planning has been undertaken by their AMB. Of these, a quarter of the AMB respondents reported that strategic planning has been done in consultation with HRD [Human Resources Development], and only 14% reported that it was done in consultation with the Aboriginal community.¹⁸²

Aboriginal management boards have also inherited from the department of human resources development and its predecessors a legacy of approaching human resources from a supply perspective, which focuses on training for a labour market where jobs may not exist. It goes without saying that a well-functioning labour market with low levels of unemployment requires a supply of capable, willing individuals and employers with jobs to offer them. While it seems obvious that both the supply and the demand for labour need to come together if employment is to result, the emphasis of policy makers, since the early 1960s, has been very much on the characteristics of the labour force (the supply side), to the neglect of the number and types of jobs available (the demand side).

In the context of the 1960s, this was understandable since the principal problem in the Canadian economy at that time was the supply of a skilled labour force to fill jobs in a rapidly expanding economy. Thus, emphasis was placed on increasing the availability of skilled labour through immigration, expanding educational opportunities, investing in training programs and so on.¹⁸³ Significant structural changes in the economy have not been accompanied by equally significant changes in the approach to training, which continues to be carried out in isolation from employment development strategies. This approach is inadequate to the challenges of the 1990s generally and to the employment of Aboriginal people in particular.

One of the issues that delayed completion of a Pathways agreement in Manitoba (the process took about five years) was the desire of First Nations leadership to bring the program into their emerging structures of self-government so that training could be pursued as part of a comprehensive approach that included education and economic development.¹⁸⁴ With new structures now being put in place, it may be easier to achieve a more holistic approach.

It is hard to say just how well Pathways has done with respect to the employment of trainees. Certainly, a number of projects provided training to persons already employed, thus avoiding the problem of lack of fit between training and available jobs. As far as we know, data are not available that would allow an empirical assessment of this dimension. However, an independent review prepared for the national Aboriginal management board in 1994 made the following observations.

The objectives of the Pathways partnership ... are to:

- invest in and develop a trained Aboriginal labour force, and
- facilitate broader Aboriginal participation in the unique Aboriginal labour market and the broader Canadian labour markets.

Our summary conclusion, based on these objectives is that:

- Although Pathways is currently working in and developing a trained Aboriginal labour force ... there appears to have been little strategic policy thinking to date ... about:

1. what a 'trained Aboriginal labour force' means, and what strategies are required to achieve this,
2. what 'broader participation' in the Aboriginal and Canadian labour market means and how to accomplish this, and
3. what the elements of the 'unique Aboriginal labour market' are and how they relate to Canadian labour market characteristics.¹⁸⁵

These observations go to the heart of the Commission's concerns about employment development. The Aboriginal labour force is young and growing rapidly. Much of this labour force resides in rural and remote areas where jobs are scarce. Other job seekers live in urban areas or are migrating in significant numbers to cities where the local job markets often cannot absorb them rapidly enough and where they face discrimination. New strategies are required to address these issues.

What needs to be done differently?

The Commission sees the need for an integrated, labour-market-driven effort to get Aboriginal participants into real, sustainable jobs. Our prescriptions call for

- a special employment and training initiative, undertaken by Aboriginal leadership, to forge partnerships with public and private sector employers and education and training institutions that will lead to real employment opportunities for which the Aboriginal labour force can be trained, developed and qualified;
- a new approach to employment equity;
- strengthening the capacity of institutions, such as employment services agencies, to forge links between jobs and the Aboriginal labour force through human resource planning to identify existing and emerging opportunities, skills development and related employability initiatives;
- improving Aboriginal employment within Aboriginal communities, both in public service jobs and business creation, which will retain jobs and spending within the communities through 'import replacement' strategies;

- providing culturally appropriate and affordable child care services so that Aboriginal parents can be productively engaged in the labour force; and
- emphasizing job creation in the Canadian economy.

Special employment and training initiative

The Commission sees the need for an intensive marshalling of resources and energy to find jobs and qualify Aboriginal people to fill them.

A special effort is also required to ensure that Aboriginal people acquire the skills and experience for positions that are now or shortly to become available in their communities. Jobs associated with self-government, broadly defined, include public administration, health care, education, economic development, and the management of lands and resources.

The Commission urges that bridges be built between Aboriginal nations, governments, private sector employers, and education and training institutions in the context of a 10-year initiative to identify real job opportunities and develop the training that will qualify Aboriginal people for those jobs. The Commission believes that the federal and provincial governments should fund this initiative.

This initiative would target barriers that currently block Aboriginal access to employment opportunities on a scale commensurate with need. These barriers appear to be threefold:

- knowing where future employment possibilities lie in order to obtain relevant training, a requirement for most job-market entrants;
- obtaining adequate on-the-job experience so that the skills offered an employer have been tested and enhanced; and
- getting a foot in the door, or obtaining access to available jobs to overcome stereotypes and demonstrate capability.

The Commission believes an effective employment initiative would take the following form:

- Federal and provincial governments would be involved in funding the initiative

and establishing its framework and operating structure. Together with municipal governments, they would agree, as potential employers, to participate and be responsive to initiatives undertaken by Aboriginal governments and related institutions.

- Leadership and co-ordination would be by national Aboriginal governments, provincial Aboriginal organizations or service entities such as friendship centres in cities. Use of established Aboriginal employment services, where they exist, should be encouraged.
- Public and private sector employers would be approached by the lead agency to participate in all phases of the initiative. They could have access to program funds and expertise to help them forecast their employment requirements for three to five years.
- Where significant employment opportunities were identified through this process, the agency would work with local educational institutions and participating employers to design appropriate training packages.
- Aboriginal governments would identify individuals with suitable backgrounds to participate in this training, and employers would participate with educational institutions to select candidates.
- Training would combine classroom instruction with on-the-job experience, depending on the nature of the skills to be acquired. An allowance would be paid to trainees.
- At the conclusion of the combined classroom and work experience, trainees would move to full-time employment with one of the employers for a term of up to 12 months, during which the training allowance would continue, supplemented with payments by the employer.
- At the end of the term of employment, the trainee would compete for permanent employment in the sector as jobs became available. The participating employer would not be required to hire from within the trainee group but would be encouraged to do so.

This approach could overcome the barriers outlined above. Chartered banks have already undertaken this type of initiative, collectively identifying their requirements for employees and co-operating with community colleges to

design appropriate training programs. Market gardeners in the Winnipeg area participated in a similar program to train horticultural workers. Public agencies operating airports, highway maintenance crews, recreational programs, provincial and national parks, fish and wildlife monitoring and conservation programs, and environmental inspection operations are only a few of the public sector activities that would be suitable for such an initiative.

Aboriginal organizations would drive this initiative by identifying employment needs and opportunities, by developing collaborative relationships with major employers in their regions, by working with them to develop employment and training plans, and by sponsoring proposals for funding. In developing proposals, they would focus on real, sustainable employment prospects, not make-work projects. They would also strive to obtain commitment from all parties for these endeavours.

Employers, both public and private sector, would be key participants in the initiative. They know their work force requirements, where opportunities are likely to emerge, and what skills are needed to fill new openings. Employers would participate in the design and review of training programs, help select candidates, and provide on-the-job training and work experience. They would have the option of providing employment based on merit after the training phase.

There are many examples of private sector employers, whether motivated by employment equity requirements or by a sense of justice and responsibility to the community, that have demonstrated best practices in supporting training and hiring of local people. Indeed, there is a growing track record of success on which to build a more concerted effort, and we return to this aspect below.

It will be important for Aboriginal organizations to enlist the support of unions for this endeavour. Historically, Canadian unions have been associated with issues of social and economic justice, and many collective agreements contain employment equity provisions. In addition, some unions, such as the United Steelworkers, have extensive experience with employment equity at the bargaining table and in the workplace.¹⁸⁶

The Commission believes that major employers in the private sector will respond positively to a well-structured program because it makes good business sense and because it will help them meet their employment equity objectives. The Commission also believes there is a special onus on the public sector - federal, provincial and municipal governments and institutions - to

contribute to this initiative. Indeed, there should be a mandate for participation. As Aboriginal governments assume many of the responsibilities now carried out by federal, provincial and municipal governments, public sector organizations have an obligation to help develop an Aboriginal work force to take over these activities.

Aboriginal and non-Aboriginal education and training institutions would need to be involved closely in this initiative to provide access to existing programs where these are relevant. They may also need to collaborate in the development of new programs, including the design of curricula for classroom and workplace-based training. Outreach services to rural and remote communities and in literacy and pre-employment training will also be required.

The Commission believes that federal and provincial governments should establish the framework for this special initiative by setting out the general principles, by providing funding, and by establishing the criteria for allocating funding in the following areas:

- support for Aboriginal organizations in the development of project proposals;
- support for private sector employers to help meet their cost of job forecasting and planning workplace-based training and work experience;
- institutional training costs for participating trainees; and
- subsidies or tax benefits for on-the-job trainee positions in companies.

Recommendations

The Commission recommends that

2.5.36

Federal and provincial governments fund a major 10-year initiative for employment development and training that is

- aimed at preparing Aboriginal people for much greater participation in emerging employment opportunities;
- sponsored by Aboriginal nations or regionally based Aboriginal institutions;

- developed in collaboration with public and private sector employers and educational and training institutions; and
- mandatory for public sector employers.

2.5.37

This initiative include

- identification of future employment growth by sector;
- classroom and on-the-job training for emerging employment opportunities;
- term employment with participating employers; and
- permanent employment based on merit.

Employment equity

The special initiative we recommend is directed to selected major employers who can provide the kinds of jobs and work experience that would greatly increase Aboriginal employment. At the same time, the Commission believes that employment equity initiatives should apply to a much broader range of employers, especially given the rapid growth of the working-age Aboriginal population. Employment equity remains one of the few available levers with legislative backing to open up jobs in the wider

Canadian economy.

The Commission believes that employment equity programs can work but that for this to happen, a new approach is needed to address the unique situation of the Aboriginal labour force. During our hearings, the Commission received briefs outlining the ingredients of successful initiatives. Various studies have documented employers' best practices in addressing these issues, including the establishment of cross-cultural and anti-racist education programs, mentoring relationships, support groups, the use of secondments and acting appointments as part of a bridging strategy, inclusion of Aboriginal people in the shaping of employment equity programs, giving Aboriginal people credit for experience that helps them overcome seniority problems for promotion

purposes, and involving unions in the design and implementation of programs.¹⁸⁷ At the core of these initiatives is a collaborative approach and a clear understanding of the importance of Aboriginal involvement in the process. The brief submitted by the Canadian Bankers Association sets out these issues succinctly:

Increasing employment of Aboriginal people has presented special challenges to the banks. A major component of any success that has been achieved so far has been the co-operation and input of Aboriginal organizations and individuals (some of whom have become bank employees) and their willingness to enter into constructive partnerships. With their help, the banks' efforts in employing Aboriginal people have become more focused and more informed in the past several years; the population of Aboriginal people in the industry almost doubled between 1987 and 1991. The industry still has a great distance to go in reaching an appropriate level of Aboriginal representation. The barriers to entry described earlier still exist, but we have now more clearly identified them and can only fully dismantle them with the assistance and understanding of the Aboriginal community.¹⁸⁸

Another organization with extensive experience in this field is Syncrude Canada Limited, located near Fort McMurray, Alberta, which has an active program aimed at employment, local community development and business development. The company identifies and communicates its employment and work performance standards, offers cross-cultural training to management staff, and provides scholarships and summer employment for Aboriginal students. In 1992, 275 of its 4,300 employees were Aboriginal people, with an average of just over eight years with the company.¹⁸⁹

To make employment equity work, the Commission believes that a new approach should have these central features:

- a long-term, planned and collaborative approach to change;
- a renewed commitment from major public and private sector employers to eliminating discriminatory practices and barriers that impede the recruitment and retention of Aboriginal employees;
- shifting the emphasis from employers seeking to relate to individual applicants to the establishment of mutually beneficial and respectful relations between companies and Aboriginal communities, as represented in part by its

employment- and training-related institutions;

- shifting the emphasis from the supply side of the problem (that is, counting Aboriginal employees and their representation in the labour force) to the demand side by asking employers to project the occupations in which they expect to see employment turnover and new hirings;
- asking employers to work with appropriate Aboriginal organizations, especially those providing employment services, education and training, to develop a strategy that could, if necessary, be formalized into an agreement whereby, in the short term, suitably qualified candidates could be referred to available positions and, in the medium to long term, Aboriginal people could undertake the education and training needed to qualify them for future openings;
- asking employers to commit to a strategy that would create a hospitable environment for the attraction and retention of Aboriginal employees, taking advantage of best practices elsewhere; here, also, Aboriginal organizations such as those engaged in providing employment services can make a substantial contribution; and
- strengthening the independent auditing, monitoring and enforcement of employment equity programs to increase the accountability of those charged with meeting employment equity objectives and, in the absence of significant progress, considering tougher measures such as mandatory targets and sanctions for non-compliance.

Recommendations

The Commission recommends that

2.5.38

Employment equity programs for Aboriginal people adopt a new long-term approach involving

- the forecasting by employers of labour force needs; and
- the development of strategies, in collaboration with Aboriginal employment services and other organizations, for training and qualifying Aboriginal people

to fill positions in fields identified through forecasting.

2.5.39

These employment equity programs be strengthened by

- expanding the range of employers covered by federal, provincial and territorial legislation; and
- making the auditing, monitoring and enforcement mechanisms more effective.

Employment services

Lack of information about jobs was cited by between one-quarter and one-third of respondents in the Aboriginal peoples survey, depending on the Aboriginal group (Table 5.15). There is a significant gap between employers in urban areas, the vast majority of whom have no Aboriginal employees and are unfamiliar with the Aboriginal community, and Aboriginal people looking for work, who have only a limited knowledge of, and even less connection to, potential employers. Sociological studies of the job-finding process have repeatedly underlined the importance of personal connections and networks in finding and obtaining jobs. Notwithstanding models of recruitment that emphasize the importance of formal advertising so that a broad range of applicants can apply and from whom the most qualified are theoretically selected, the reality is that typically only a small percentage of vacancies are advertised.

In many cases, people learn of vacancies through a relative or friend with inside knowledge. Employers, particularly smaller ones, are inclined to accept referrals from existing employees. Interpersonal networks are important in notifying job searchers of new openings and offering advice on how to present applications to meet particular job requirements. Applicants outside these networks may be further restricted by collective agreements that specify that all vacancies above the entry level be offered first to existing employees. Members of the Aboriginal labour force often do not have interpersonal networks or connections with non-Aboriginal employers and vice versa. The connections need to be forged in a deliberate manner by employment service agencies.

Several urban centres have at least one Aboriginal agency providing employment services, usually with financial support from the department of human resources development. These agencies help to connect the Aboriginal labour force in urban areas with potential employers, including employers not covered by employment equity legislation. However, the Commission believes they have an important role to play in making employment equity work more effectively for the Aboriginal community, particularly as catalysts and focal points for the development of collaborative arrangements and integrated approaches.

Aboriginal Training and Employment Services (ATES) in Winnipeg demonstrates the role employment service agencies can play.¹⁹⁰ Established by the Manitoba Metis Federation in 1973, the agency now serves all Aboriginal groups and is governed by an Aboriginal board. It offers a range of services to job seekers, including assessments to identify skills and employment barriers, counselling, résumé writing, interview practice and job search assistance. The agency has also developed innovative training programs, involving employers as much as possible in a range of activities, from the design of training to on-the-job placements and employment. A 1993 bank teller training program, for example, was negotiated by ATES and offered in co-operation with the Bank of Montreal and the Canadian Jobs Strategy. After 22 weeks of training, both in the classroom and on the job, all 12 trainees were offered a minimum of 20 hours per week of employment with the bank as well as the opportunity to compete for more hours and for full-time positions in the future. ATES screened applicants for the project and provided support and follow-up for them.

ATES has also been approached for help by employment equity employers, and has responded out of a conviction that this mediating role is necessary if employment equity is to work. However, it has no formal mandate in this area, nor does it receive financial support to perform this role. Indeed, the agency's staff complement has not increased appreciably since its inception, even though the number of clients has increased enormously.

Agencies such as ATES face an unpredictable future because of the lack of commitment by governments to long-term funding.

ATES's funding is only year to year which places staff in a very insecure position, and increases have not kept pace with the cost of living. Real salaries have, therefore, been falling, and ATES has not had the resources to put in place its own staff development program for the medium/long term. The net

result has been a tendency for staff to move on as soon as they have experience and can command a higher salary elsewhere. This is unfortunate because staff are committed to the work and would develop career plans within ATEs if funding were secure, salaries competitive, advancement possible and the future reasonably predictable. The move to training programs in itself does not help this problem because funding is obtained only on a project by project basis. Apart from perpetuating staff insecurity, this also means that premises and equipment rented for specific training projects must be returned as each project expires and released as new projects are approved. This plays havoc with continuity.¹⁹¹

Because of the role of Aboriginal employment agencies in connecting the urban Aboriginal labour force with potential employers, including employment equity employers, the Commission has reached the following conclusions:

- Aboriginal employment services agencies should be in place in all major urban areas of the country.
- These agencies should have a mandate that includes a role in the Commission's proposed 10-year employment initiative. They could also assist in implementing the Commission's approach to employment equity, which goes beyond short-term application preparation and referral to involve long-term collaboration with employers.
- The agencies also require a firm financial footing so that they have the stability to plan, to develop long-term working relationships with employers and other agencies, and to keep and develop their staff. While governments must shoulder this funding responsibility in large measure, major companies that use the services of Aboriginal employment agencies should provide a fee for service as part of the long-term partnership we have suggested. Such services can be provided by both private and public sector (not-for-profit) organizations.
- Aboriginal people in urban areas need culturally appropriate employment services that can meet their diverse needs arising from sex, age, parental status, migration, temporary job dislocation, recent imprisonment, or severe handicaps related to employability (for example, physical or mental disabilities, drug addiction and low levels of education).
- As with economic development policy and programs, Aboriginal employment services should also make the transition from being funded programs of

federal or provincial-territorial governments to becoming part of the range of services provided by Aboriginal institutions in the context of self-government. Again, appropriate financial transfers will need to be negotiated.

Recommendation

The Commission recommends that

2.5.40

Canadian governments provide the resources to enable Aboriginal employment service agencies to

(a) locate in all major urban areas;

(b) have stable, long-term financial support;

(c) play a lead role in the 10-year employment initiative, contribute to the effectiveness of employment equity, and offer the wide range of services required by a diverse clientele; and

(d) evolve from being a program of federal, provincial and territorial governments to being one of the services provided by Aboriginal institutions on behalf of Aboriginal governments where appropriate, with appropriate financial transfers to be negotiated.

Employment opportunities in Aboriginal communities

Aboriginal people have made employment gains in recent years by taking over the delivery of services previously offered by non-Aboriginal personnel, such as housing, income support and economic development programs. Communities have also employed their own members in reserve-based schools and Aboriginal family and children's service agencies.

This source of employment growth has not yet run its course but will continue to generate jobs as Aboriginal communities pursue self-government. Indeed, negotiations are under way in many parts of the country to assume responsibility for areas of jurisdiction such as education, policing and fisheries management. The Mi'kmaq Nation in Nova Scotia, for example, has formed a province-wide education authority and is in the process of taking over all

education responsibilities from the federal department of Indian affairs. A political accord signed by the Mi'kmaq chiefs of Nova Scotia and the minister of Indian affairs on 4 November 1994 commits both parties to actions that will result in Mi'kmaq jurisdiction over education. A formal agreement will lead to enabling legislation being introduced in the House of Commons.

In Cape Breton, a Mi'kmaq police force has been formed to provide policing services to the region's communities once provided mainly by the RCMP. In Saskatchewan, Métis people, in their negotiations for self-government, expect to identify a range of services that can be put under Métis jurisdiction and to staff them with a highly qualified Métis civil service.

The Commission's research also provides some evidence of room for employment growth within Aboriginal communities. In Pangnirtung, for example, only about half the federal and territorial government jobs are held by Inuit, although the ratio is better for local government positions.¹⁹² At Alert Bay, the Nimpkish Band Council has 70 employees, of whom 59 are Aboriginal. There are numerous positions in the local schools, the health centre and other sectors where Aboriginal employment could be expanded.¹⁹³

Figure 5.5, based on special tabulations of the 1991 census, shows that only 59.7 per cent of all on-reserve jobs were held by First Nations people in 1991. While Aboriginal people predominate in the senior management positions (almost 90 per cent), their share of middle management and professional jobs was less than half. In other occupational groups, Aboriginal people accounted for between one-half and two-thirds of employees.¹⁹⁴ The need for Aboriginal management and professional staff will grow significantly as Aboriginal people assume responsibilities associated with self-government and control of lands and resources, and strategies will be needed to ensure that the education of Aboriginal people will meet this demand, an issue addressed in the following section on education and training.

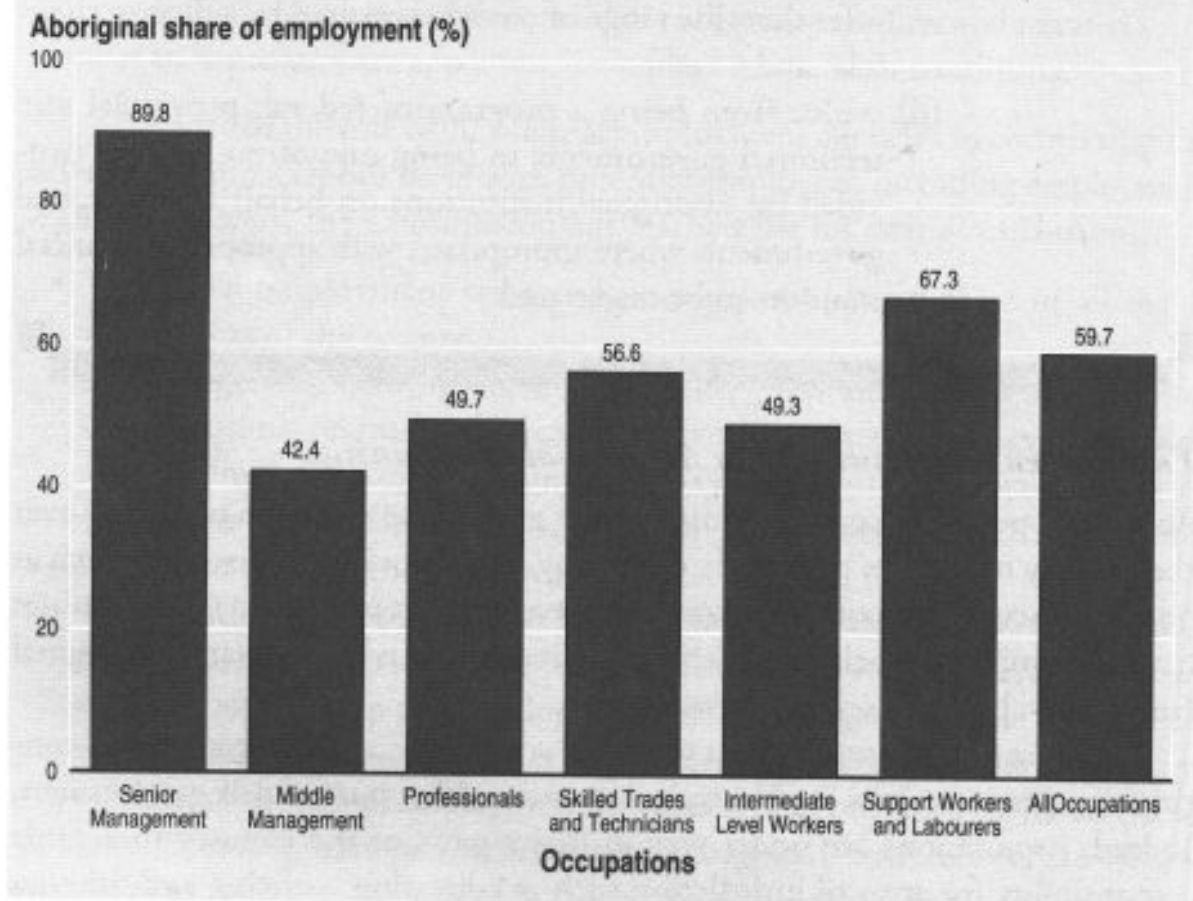
Sustainable employment creation cannot be achieved solely by Aboriginal people taking over public service jobs in their communities. To ensure long-term employment, it will be necessary to build on the opportunities created by self-government and control over lands and resources. The Crees of Quebec provide an instructive example of how this can be done. The Cree Construction Company (Quebec) Ltd. was established in 1976 with a mandate to construct houses in Cree communities. It later expanded into road construction and maintenance, infrastructure and renovation works, and environmental projects.

The company reached just under \$66 million in business volume in 1993-94, with a profit of \$4,253,000 before taxes and a net profit of \$2,678,082. During the peak season that year, 250 Cree were employed throughout the territory. The company is now looking to expand into international markets.¹⁹⁵

Employment opportunities can also be created through the strategic leverage of existing capital in Aboriginal communities. The 1992 study conducted for the Shuswap Nation Tribal Council found that close to 80 per cent of all consumer expenditures (groceries, restaurants, auto care, clothing, and cultural and leisure activities) were made off-reserve. At an average of \$16,700 per household, the 457 households in these communities inject \$7.3 million annually into the non-Aboriginal economy.¹⁹⁶ An 'import replacement' strategy based on the development of businesses within Aboriginal communities provides considerable scope for employment creation.

FIGURE 5.5

Aboriginal Share of Employed Labour Force On-Reserve, 1991



Source: Stewart Clatworthy, Jeremy Hull and Neil Loughran, "Patterns of Employment, Unemployment and Poverty, Part One", research study prepared for RCAP (1995).

Recommendation

The Commission recommends that

2.5.41

Aboriginal nations adopt policies whereby

- their members continue to assume positions in the public service within their communities;

- as much as possible, they buy goods and services from Aboriginal companies; and
- they provide opportunities for skills development, business growth and the recycling of spending within their communities.

Child care

As shown in Tables 5.15 and 5.16, close to 10 per cent of respondents in the 1991 Aboriginal peoples survey identified the lack of child care as a barrier to employment. That there is a shortage of long-term, affordable, culturally appropriate child care services is demonstrated by widespread community-based efforts to increase the supply. The initiatives that have succeeded or that promise success have been realized in the face of many barriers and only with the dedication and creative effort of committed individuals.

Funding arrangements have presented a major barrier in the past, although the situation has improved with the launching of programs such as the federal government's Aboriginal Headstart initiative and the First Nations and Inuit child care program. The Child Care Initiatives Fund (begun in 1988 and terminated in 1995), which funded community-based initiatives in early childhood development, was also useful in demonstrating the variety of creative approaches to child care that communities find appropriate.

Most provinces offer child care subsidies as part of programs to get people back to work or pursue training, but support for the establishment and operation of facilities varies widely. Newfoundland, for example, provides no support. Most successful ventures have been co-ordinated with, and have drawn funding from, a combination of education, child care, employment and social programs.

Inflexible regulations present another barrier. Some licensing requirements, particularly in non-urban communities, are almost impossible to meet (for example, staff qualifications, facilities). Others are simply inappropriate for Aboriginal communities — the use of fences to delimit play areas, for example, and the requirement for cribs when hammocks are used traditionally. In Pangnirtung, housing regulations as well as child care regulations frustrated an initiative on the part of local women:

Many women suggested that running several small daycare centres in homes throughout the community would decrease the financial risk and increase the quality of formal child care. As well, this type of daycare would be a culturally familiar extension of the current system of baby-sitting within and between Inuit families. However, 'business' activity is not allowed in housing units owned by the GNwT Housing CorporationThe complicating factor ... is that 90 per cent of Inuit families have no choice but to live in a house owned by the CorporationConsequently, women who clearly see a potential opportunity to generate their own income by providing a necessary service ... are stopped at the outset by legislation they feel powerless to avoid or change.¹⁹⁷

Lack of community support often presents problems. A continuing concern of Aboriginal women, especially in northern and remote communities, is a lack of support for child care from male-dominated Aboriginal governments. This was also reported as a problem in some southern communities, where child care staff are not respected by chiefs and councils. Among the possible explanations is that men in management or leadership positions often have the financial means to enable their wives to stay at home.¹⁹⁸

Obtaining the management training and expertise to run a child care centre is a challenge, particularly in northern and remote communities. Similarly, meeting provincial licensing standards, which often require formal qualifications rather than on-the-job experience, can be almost impossible. Finally, where training is available, the curriculum and approach require substantial adaptation to meet the needs of Aboriginal children from varying cultures. There is a strong demand for an Aboriginal cultural component in child care training programs and for training in methods of child rearing appropriate to the cultures of the children. In this context, there is also a desire to draw on the resources of elders and to have their qualifications and services recognized.

Most provinces have child care subsidy programs, but access to them varies. First, subsidies are generally limited to parents using provincially licensed services and to those pursuing employment or educational opportunities. Generally, there is a cap on the number of subsidies available, putting new entrants to training programs and the labour force at a disadvantage. In addition, although the subsidized cost to parents appears very low (\$1 to \$4 a day per child), affordability and hence access appear to be very sensitive to slight changes in the cost. In Winnipeg, for example, raising the subsidized parents' share from \$1 to \$2.40 per day "is reported to have led a number of Aboriginal families to withdraw their children from day care centres ... [and to

have] put child care out of the reach of many poor families, and especially those with more than one child in day care".¹⁹⁹ Chipping away at child care subsidy programs in response to fiscal pressures can have a profound effect on Aboriginal families' access to child care.

As with other social services, child care also suffers from a lack of jurisdictional clarity and a consequent avoidance of funding responsibility:

Under the *Constitution Act, 1867*, section 91(24), the federal government has jurisdiction for reserve lands and all IndiansMeanwhile, the provincial and territorial governments have jurisdiction over child welfare and child care services. This situation has created a continuing jurisdictional ambiguity over Aboriginal child care in some parts of the country. The federal government has argued that provincial governments should be responsible for funding child care, while some provincial governments argue that the federal government should fund child care services that are directed to reserves or status Indians.

The Aboriginal child care situation in the Ontario and Quebec region illustrates the variations that have evolved across the country in terms of federal and provincial roles in Aboriginal child care. While Ontario has had a long-standing agreement with the federal government that clearly sets out funding arrangements, in Quebec, there is no similar agreement, although the 1975 James Bay Agreement established that the province should extend child care services to reserves in the James Bay region. The Department of Indian Affairs has a clear and substantial role in Ontario, while it does not have a significant role in Quebec.²⁰⁰

The result of these jurisdictional and funding disputes is that many Aboriginal people are left without the child care services they need. On reserves, there is insufficient provision of child care. Métis people do not qualify for Indian affairs funding. And in urban areas, except where Aboriginal children make up a substantial proportion of the local population, there is little commitment by provincial agencies to fund the development of Aboriginal-specific child care that departs from mainstream models.

Child care services are necessary to allow more parents to take advantage of education and employment opportunities, but it is not enough to view them only from this perspective. In Volume 3, Chapter 5 we examine early childhood education and the importance of instilling Aboriginal identity, building Aboriginal language skills, and introducing the values and customs integral to

Aboriginal life during early childhood. From this perspective, Aboriginal people need access to child care services that are culturally appropriate and integrated with other social and economic objectives.

Recommendations

The Commission recommends that

2.5.42

Aboriginal, federal, provincial and territorial governments enter into agreements to establish roles, policies and funding mechanisms to ensure that child care needs are met in all Aboriginal communities.

2.5.43

The federal government resume funding research and pilot projects, such as those funded under the Child Care Initiatives Fund, until alternative, stable funding arrangements for child care services can be established.

2.5.44

Aboriginal organizations and governments assign a high priority to the provision of child care services in conjunction with major employment and business development initiatives, encouraging an active role for community volunteers as well as using social assistance funding to meet these needs.

2.5.45

Provincial and territorial governments amend their legislation respecting the licensing and monitoring of child care services to provide more flexibility in the standards for certification and for facilities that take into account the special circumstances of Aboriginal peoples.

Job creation and economic policy

Later in this chapter, we underline the importance of education and training strategies and of more innovative approaches to reducing dependence on income support programs. These measures, and many of those outlined in this section as well, are of little avail when the jobs are not there. Under these

circumstances, training programs simply become warehouses for the unemployed, employment service agencies lose their effectiveness, and programs designed to put welfare recipients back to work are likely to end in disillusionment and despair.

The economy appears less and less capable of producing the high levels of employment characteristic of earlier decades. There are many reasons for this — stronger international competition, the effects of labour-saving technologies, reduced demand for goods and services as a result of slower overall population growth and a decline in family income — but the result is that many more Canadians are looking for work than there are jobs to accommodate them.

Indeed, the average rate of unemployment has increased steadily in each decade since 1950. Even in the mid-1990s, a period of economic growth, the unemployment rate hovers around 10 per cent, and projections for the remainder of this decade do not suggest much change. With this level of unemployment, some 1.5 million Canadians, most of whom were experienced, reasonably well educated, and living within commuting distance of potential jobs, were looking for work.

Despite this, Canadian social policy continues to focus on the supply side of the labour market, addressing poverty and unemployment among particular groups and in specific regions. The typical policy response is to suggest that those on welfare and unemployment insurance should be lured into the labour market by financial or other incentives, yet the intended beneficiaries are well aware of the futility of job searches or training when there are no jobs. As demonstrated in Table 5.15, Aboriginal people are aware of the problem as well. Training strategies in the absence of employment development strategies are inadequate to the challenges of the 1990s.

To date, policy interventions on behalf of the Aboriginal labour force have generally taken the number and types of jobs in the Canadian economy as a given. While some attention has been given to business development in recent years, the main thrust of public policy has been to provide income support (which provides for a bare, and demoralizing, existence) or to carve out a place for the Aboriginal labour force through strategies such as employment equity and education and training. These strategies are important, but a fundamental problem continues to be the lack of jobs.

The Commission therefore believes that the economic policy of all levels of

government should emphasize job creation. While recognizing the constraints imposed by international financial markets, the Commission is of the view that government policy should favour macro-economic policy stances that lean toward the creation of jobs through low interest rates and moderate exchange rates. To be effective, such a policy will require co-operation from major players in the economy to hold costs, wages and profits at levels that do not fuel inflation and defeat the aim of maximizing job creation potential in a high-productivity economy. The contribution of lower government debt and, hence, lower taxes to job creation will also be significant.

2.8 Education and Training

Few topics received more mention during our public hearings than education and training as part of a strategy for change. Knowledge, expertise and experience are essential for Aboriginal people to regain control over economic development institutions, to manage their lands and resources, to expand their business base and to participate, if they choose, in the mainstream economy. In this section, we seek to identify the key education and training issues to be addressed if Aboriginal economies are to be strengthened. We leave most recommendations, however, to the more extensive discussion in Volume 3, Chapter 5.

While we wish to underline the importance of investing in education and training, we also emphasize that it is not a panacea. Some types of education and training are more useful than others. Some Aboriginal groups benefit more than others. Other factors also contribute to the sharp differences in unemployment rates between Aboriginal and non-Aboriginal people. We also address specific skills shortages in fields crucial for rebuilding Aboriginal economies.

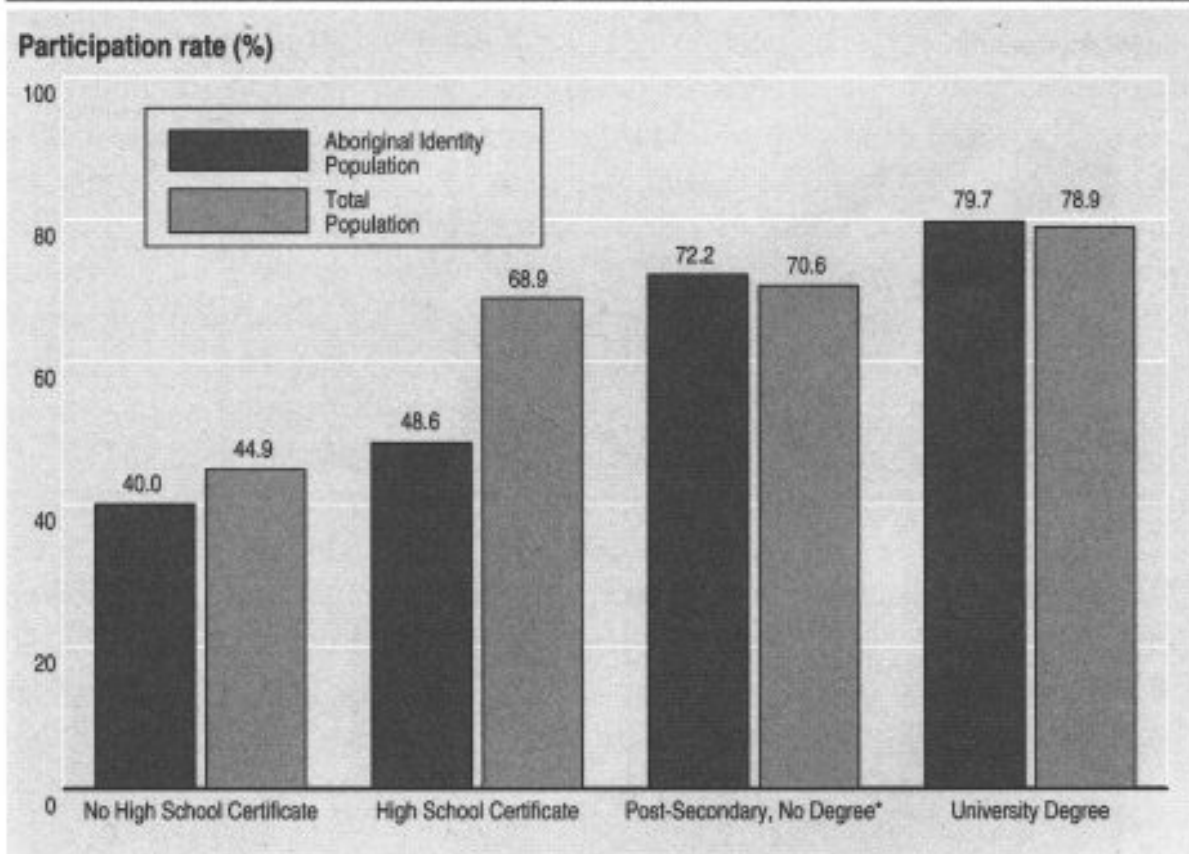
Education, training and labour market outcomes

In the Canadian labour force as a whole, people with higher levels of education can generally expect to benefit from higher levels of labour force participation, a higher probability of employment, and higher levels of earned income. These patterns hold for the Aboriginal labour force as well, but not always and not equally for all subgroups. Figures 5.6 and 5.7 show that

- with each higher level of education achieved, levels of labour force participation improve and the rate of unemployment usually decreases;

- levels of employment improve substantially with the completion of a university degree but not with a high school certificate and only some post-secondary courses; and
- the gap between Aboriginal and non-Aboriginal people tends to diminish as the level of education improves, showing that investments in education improve labour market outcomes and reduce inequalities.

FIGURE 5.6
Participation Rates of Aboriginal Identity and Total Populations
Age 15+ no longer attending school full-time, 1991



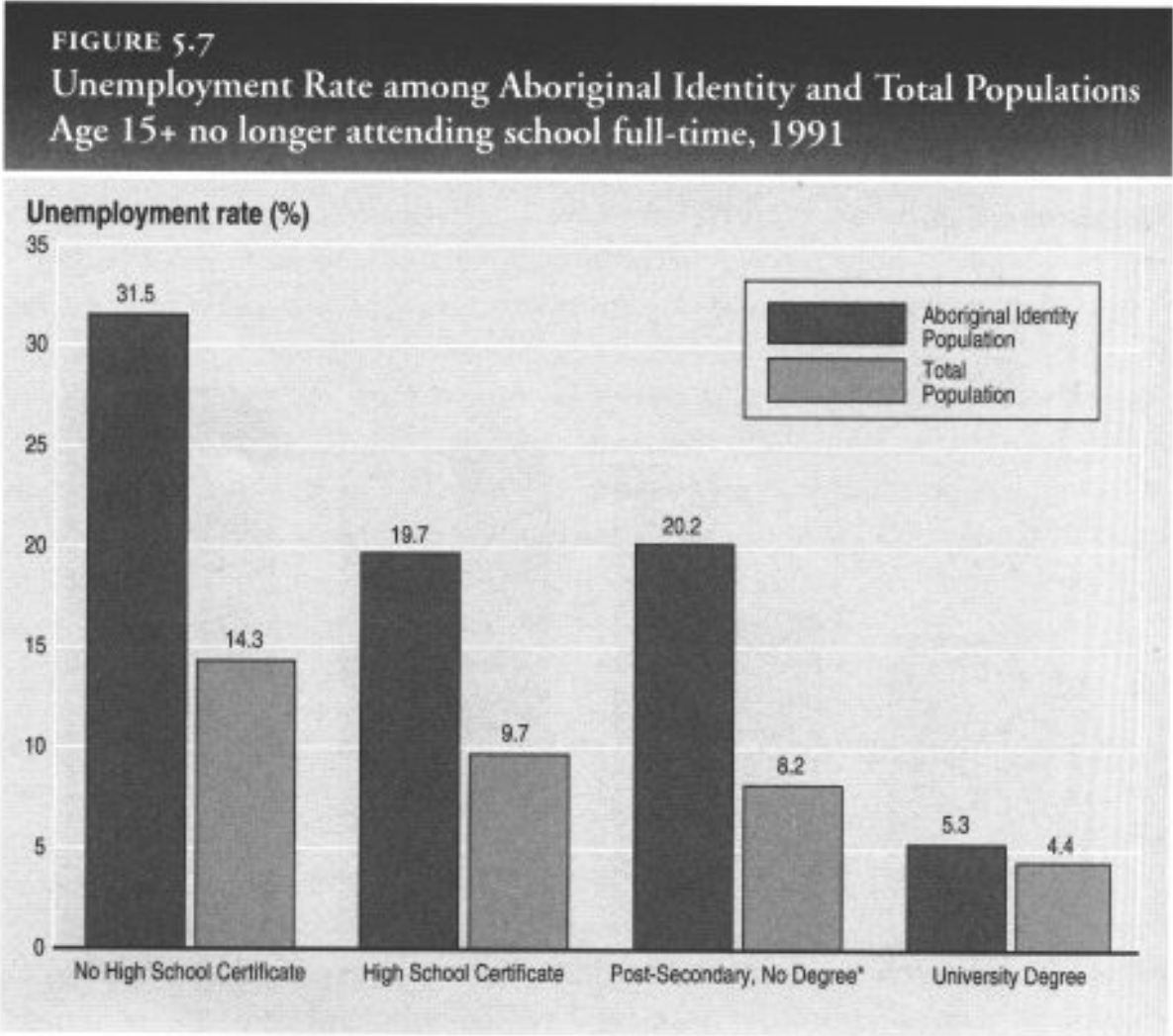
Notes:

* Includes non-university with and without certificate and university without degree.

The participation rate is calculated as follows: the sum of part-time school attenders and out-of-school population age 15+ in the labour force, divided by the total population age 15+ (including full-time school attenders), for each level of education.

Source: Statistics Canada, 1991 Census and Aboriginal Peoples Survey (1991), custom tabulations (1995).

The Commission was interested to learn what other factors might contribute to successful outcomes. To that end, we made comparisons among Aboriginal people — for example, between those active and not active in the labour market, between those employed and not employed, and between those who have and have not taken post-secondary programs.



Note:
 * Includes non-university with and without certificate and university without degree.
 Source: Statistics Canada, 1991 Census and Aboriginal Peoples Survey (1991), custom tabulations (1995).

The principal factors contributing to higher rates of labour force participation are high school completion, sex and geographic location. Those who complete high school are much more likely to participate in the labour force than those

who do not. This is true for both males and females, although the participation rate is lower for females, undoubtedly because of their role in child rearing. Geographic location is, of course, important because the availability of jobs varies significantly between rural and urban areas and from one region to another.

Those who have taken post-secondary studies do not have rates of labour force participation that are very much or uniformly higher than those who have completed high school. Obtaining a university degree does lead to better results, but the university degree group represents only a small proportion of those who have studied at the post-secondary level, and for the group as a whole the results are not strong.

There is also a small difference between those who speak an Aboriginal language and those who do not, with the latter having a slightly higher probability of participating in the labour market. This difference becomes more pronounced as one moves from the north and on-reserve locations (where Aboriginal language speakers are more likely to be in the majority) to off-reserve and southern locations (where Aboriginal language speakers are more likely to be in the minority). Both Aboriginal and non-Aboriginal speakers are less likely to participate in the labour force if they live on reserves.

The rate of employment among those participating in the labour force tends to be highest in the older groups, that is, beyond 15 to 24 years. Females are more likely to be employed than are males, and on-reserve males fare significantly worse than on-reserve females, although their rate is somewhat better if they have a post-secondary education. The probability of employment is higher for non-status Indian people than for Métis people, Inuit and status Indians. It is also higher for those living off-reserve in southern rural and urban areas.

Data from the Aboriginal peoples survey show that the completion of training programs also has a modest positive impact on employment prospects. For the working age population (15 to 54 years) not attending school full-time, the probability of employment improves from about 50 to 62 per cent among those who have completed an occupational training program, a benefit that holds across all regions and for both males and females. As with education, data on training indicate the importance of completing a program. This pattern is consistent across all regions, although less so for those living on-reserve.

Interestingly, those who have completed a longer program have a lower probability of finding employment than those completing a shorter program, but both groups have better results than those who have not completed a program at all. The explanation could be that those who take shorter training programs are more likely to be employed at the time of the program or need only a refresher course to become employable. Those taking longer programs may be less well connected to the labour market.

Thus far, we have seen that education and training have positive effects on labour market outcomes, but they are not the only factors at work. We also know that the Aboriginal population differs in many respects from the general population in that it has less education, is younger, and is more likely to live in remote areas, which may account for some of the inequalities discussed earlier. An important consideration for the Commission was whether differences in labour market outcomes between Aboriginal and non-Aboriginal populations could be accounted for by the characteristics of the Aboriginal population. If policy aimed at reducing inequalities focuses only on education and training and obvious differences such as geographic location, other more subtle differences may go unobserved.

Researchers for the Commission analyzed the reduction in inequalities that could be expected to occur if the Aboriginal population had the same characteristics as the non-Aboriginal population.²⁰¹ The groups differ on a range of characteristics, including province of origin, marital status, level of education and training, age, and bilingualism in English and French. These differences can be expected to have an impact on labour market outcomes. Some of the main conclusions of the analysis are as follows:

- In comparing Aboriginal persons living off-reserve and outside the Yukon and the Northwest Territories with non-Aboriginal Canadians, most of the gap in labour market outcomes is found with single-origin Aboriginal persons (that is, persons who stated on the census form that they were Métis, Inuit or North American Indian) — those reporting multiple origins are much closer to the Canadian average.
- If single-origin Aboriginal people are assumed to have the same level of education and training as non-Aboriginal Canadians, the gap on outcome measures such as the unemployment rate, employment in full-time, full-year jobs would be reduced by 10 to 25 per cent, and the gap in earnings for full-time full-year workers would be reduced by 19 per cent for men and 43 per cent for women.

- If all observed characteristics were assumed to be equal (not only education and training but also age, marital status, province of residence and so on), then the gap would be reduced by an average of 50 per cent (although the range is from one-third to two-thirds depending on the outcome measure).
- Single-origin Aboriginal people living off-reserve generally have more positive labour market outcomes than those living on-reserve. If we compare the two groups and assume that the on-reserve group has the same education and training as the off-reserve, the reduction in the gap between them is approximately the same as that reported above — an improvement of seven to 33 per cent on employment outcomes but less than 10 per cent on earnings. If all observable characteristics were the same, the reduction in the gap on employment and earnings outcomes would range from 31 to 89 per cent.

The remaining gap in labour market outcomes between Aboriginal and non-Aboriginal Canadians could perhaps be accounted for if other characteristics could be factored into the equation, but data are not available. In the off-reserve context especially, the unexplained residual is usually attributed to the effects of discrimination, but since this is not measured, it could be mixed up with other factors such as lack of information about and personal connection to the job market and a reluctance to work in non-Aboriginal settings perceived as hostile. In the on-reserve context, the remaining gap could be accounted for by such factors as the lack of jobs in the local labour market, discrimination against reserve residents seeking employment off-reserve, or the effect of tax benefits on wages.

Shortages in specialized knowledge and skills

Investments in education and training are needed to improve employment prospects for Aboriginal people and to develop Aboriginal economies. A new order of skills is required for effective self-government, resource management and enterprise development.

In this regard, the Council for the Advancement of Native Development Officers (CANDO), which represents community economic development officers, has concluded that there are key knowledge and skills gaps among Aboriginal economic development officers that cannot be filled by any one of the many economic development-related programs.²⁰² Officers expressed a need for greater knowledge of environmental legislation, business corporation

acts, sources of capital, economic development in other Aboriginal communities, economic principles, business taxation, and lands and natural resources management.

Current trends suggest major shortages of Aboriginal people educated in fields such as economics, community planning and development, business management, forestry, biology, resource conservation, wildlife management, geology and agriculture. With only five registered professional foresters and less than a dozen registered professional geologists of Aboriginal ancestry in all of Canada, the challenge of overcoming these shortages is clear. There are also serious gaps in other fields where a math or science base is required, such as engineering and the health sciences.

The dimensions of the problem are revealed in Table 5.18, which compares Aboriginal and Canadian populations aged 15 to 49 years, showing the percentage in each group that has completed a post-secondary degree or certificate in various fields of study. Typically, the percentage of Aboriginal people with a certificate or degree in these fields is about half that of the Canadian population, and sometimes the percentage is much smaller.

The challenge for Aboriginal nations is not just to close the gap in a static environment, but to close it in an economic environment that increasingly demands higher levels of skills, knowledge and expertise. In 1990, the Economic Council of Canada observed:

Overall, the occupational shifts that have occurred over the past 15 years have led to an acceleration in the growth of highly skilled jobs — i.e., managerial, administrative, and professional and technical occupations. These categories accounted for one third of all employment growth from 1971 to 1981, and 77 per cent of the growth from 1981 to 1986.²⁰³

In its recent discussion paper on social security reform, the federal department of human resources development estimated that nearly half (45 per cent) of new jobs created between 1990 and 2000 will require more than 16 years of education and training.²⁰⁴

TABLE 5.18

**Selected Fields of Study, Aboriginal Identity and Canadian Populations
Age 15-49, 1991**

Field of Study	Aboriginal Identity population		Canadian Population	
	No.	%	No.	%
Economics	185	0.06	63,160	0.44
Business and Commerce	3,115	0.96	266,120	1.82
Finance Management	2,470	0.76	316,580	2.16
Industrial Management and Administration	995	0.31	121,380	0.83
Institutional Management and Administration	345	0.11	39,920	0.28
Marketing, Merchandising and Retail Sales	1060	0.33	112,145	0.77
Agricultural Science and Technology	515	0.16	73,035	0.50
Biological Science and Technology	230	0.08	59,925	0.41
Household Science and Related	2370	0.73	110,845	0.76
Veterinary, Zoology and Other	470	0.15	34,740	0.24
Engineering and Applied Sciences	555	0.18	219,900	1.50
Environment and Conservation Technology	390	0.12	13,910	0.10
Geography	135	0.05	31,855	0.22
Man and Environment	—	—	14,705	0.11
Loisirs,et,voyages	525	0.17	49,075	0.34
Primary Industry	975	0.30	30,635	0.21
Geology and Related	—	—	23,010	0.16
Total Population Age 15-49	325,460		14,664,240	

Note: Includes persons who have a completed university degree or post-secondary non-university certificate.

Source: Statistics Canada, 1991 Census and Aboriginal Peoples Survey (1991), custom tabulations.

Prospects for the future

To appreciate the magnitude of the challenge presented by the need for an

educated Aboriginal work force, it is necessary to look beyond current shortages to the pool from which future expertise will be developed. Table 5.19 compares the Aboriginal and non-Aboriginal adult populations, showing their highest level of education received.

TABLE 5.19
Education Levels among Aboriginal Identity and Canadian Populations
Age 15-64 No Longer Attending School, 1991

Highest Level of Education	Registered North American Indians		Non-Registered North American Indians	Metis	Inuit	Total Aboriginal	Total Canada
	On-reserves	non-reserve					
Less than 9 Years	39.7	18.3	11.6	19.1	46.6	25.4	11.8
Secondary, No Certificate	29.8	35.3	31.1	34.2	20.1	32.1	22.8
Secondary Certificate	8.3	13.4	19.4	14.8	8.7	12.8	21.2
Non-University, No Certificate	6.9	8.8	7.2	8.5	8.6	8.0	6.2
Non-University Certificate	10.6	14.9	19.0	15.3	13.2	14.1	17.9
University, No Degree	3.4	6.1	6.0	4.4	1.8	4.7	7.9
University Degree	0.9	2.8	5.2	3.3	—	2.6	12.2

Note:

* Figure suppressed; coefficient of variation is higher than 33.3 percent.

Source: Statistics Canada, 1991 Census and Aboriginal Peoples Survey (1991), custom tabulations.

These figures show that the sharpest differences between Aboriginal and non-Aboriginal populations exist at the two extremes of the education continuum — in the higher percentage of Aboriginal people with education levels of Grade 8

or less and the smaller percentage of Aboriginal people with post-secondary, especially university, education. Table 5.20 shows the same figures by age group.

The first row of Table 5.20 suggests that incomplete elementary school education is concentrated largely in the population aged 50 to 64 years. This concentration is not surprising, but it is troublesome because the older group is most vulnerable to displacement and long-term unemployment in the event of job loss. It is also disturbing to see, in the second row, the high proportion of youth who fail to complete high school when the jobs of the future, including those associated with self-government and resource management, demand high school completion or better. The last two rows of the table also show a retention problem with respect to Aboriginal university students. For each of the age groups, the percentage of Aboriginal students who have left university with no degree is larger than the percentage who graduated.

TABLE 5.20
Education Level among Aboriginal Identity Population Age 15-64 No Longer Attending School, by Age Group, 1991

Highest Level of Education	15-24 years	25-49 years	50-64 years	Total Aboriginal	Total Canadian
Less than 9 Years	20.7	19.9	54.9	25.4	11.8
Secondary, No Certificate	47.8	30.5	16.7	32.1	22.8
Secondary Certificate	15.1	13.2	7.9	12.8	21.2
Non-University, No Certificate	7.7	8.8	4.8	8.0	6.2
Non-University Certificate	5.7	18.1	9.5	14.1	17.9
University, No Degree	2.3	5.8	3.3	4.7	7.9
University Degree	0.3*	3.4	2.6	2.6	12.2

Note:

* Figure to be used with caution; the coefficient of variation of the estimate is between 16.7 and 33.3 per cent.

Source: Statistics Canada, 1991 Census and Aboriginal Peoples Survey (1991), custom tabulations.

The development of expertise to support Aboriginal economic development requires concerted action on four fronts:

- improving high school completion rates so that more Aboriginal students qualify for post-secondary education and training;
- strengthening the teaching of mathematics and science in elementary and secondary schools so that young people entering post-secondary programs have the qualifications to enter fields of study requiring these capabilities and knowledge;
- improving levels of enrolment in and completion of university education; and
- increasing the number of Aboriginal students enrolled in and graduating from programs of study that are particularly needed for the development of Aboriginal economies.

Figure 5.8 suggests there has already been impressive progress in keeping on-reserve children (the only group for whom data are available) in school to the grade 12 level. However, a 1991 retention rate of 53.6 per cent is still very low by Canadian standards and suggests the need for a much greater effort to keep children in school. In Volume 3, Chapter 5 we examine the factors contributing to the successful education of Aboriginal children and, in particular, the importance of factors such as curriculum design, language education, Aboriginal control and parental involvement.

Educational reforms, role models and the need for Aboriginal control and commitment to better approaches to education are critical to the success of our strategy for economic development. They will raise aspirations and help to ensure that Aboriginal children are qualified for post-secondary education. The proposals for Aboriginal-controlled post-secondary institutions and improved access to programs in other institutions will ensure that Aboriginal students can pursue courses in environments that are culturally relevant. Beyond those reforms, the Commission believes that educational institutions need to take a close look at the kinds of programs offered to Aboriginal students.

A shortage of educated Aboriginal personnel has been identified in various

fields in the past, and it is helpful to reflect on how these shortages were overcome. An important factor has been the design of programs to attract students to particular disciplines. When the program of legal studies for Aboriginal people was started in 1973 at the University of Saskatchewan, there were, as far as could be determined, only four lawyers and five law students of Aboriginal ancestry in Canada. Of the estimated 250 Aboriginal lawyers in Canada today, most were introduced to the study of law through the University of Saskatchewan's program.

The Indian Social Work Education Program at the Saskatchewan Indian Federated College had just a half-dozen students in 1976, but since then, more than 390 have graduated with degrees or certificates. In 1987, the college began offering math and science courses for students interested in entering one of the health science programs or the school of business and public administration. In 1991, more than 650 semester-course students were enrolled.²⁰⁵

Other efforts are also helpful. Over the past few years, infrastructure has been developed to promote interest in science and technology among Aboriginal youth. For example, the Canadian Aboriginal Science and Engineering Association (CASEA) seeks to enhance the number of Aboriginal scientists and engineers. CASEA works directly with Aboriginal youth through a role model program, support for summer science camps, teacher instruction programs, science and engineering career fairs and other activities. Since 1992, it has co-ordinated and supported the participation of Aboriginal youth in the Shad Valley program, an award-winning education and work experience program for high achieving youth. About 30 Aboriginal youth have gone through the program so far.

The Canadian Aboriginal Science and Technology Society (CASTS), a non-profit organization established in 1992, also seeks to increase the number of Aboriginal engineers and scientists and to develop technologically informed leaders within Aboriginal communities. CASTS supports networking opportunities for corporate members, professionals, educational institutions and students from elementary schools, secondary schools, and universities and colleges. Both CASEA and CASTS are important innovations because they reach out to the youngest part of the population to build the interest that will lead to career paths so important for Aboriginal economies.

Conclusions

Our recommendations on education and training are set out in Volume 3, Chapter 5. Here, the Commission draws conclusions about the policy implications of education and training for economic development and recommends areas for priority attention.

First, while there is strong reason to believe that further investments in education and training will improve labour force outcomes, the potential benefits should not be exaggerated. They will help, but they will reduce inequalities by only 10 to 25 per cent, even if equality in levels of education and training is achieved. Even when other observable characteristics are taken into account, there remain gaps in labour market outcomes for single-origin Aboriginal and non-Aboriginal Canadians on the order of 50 per cent.

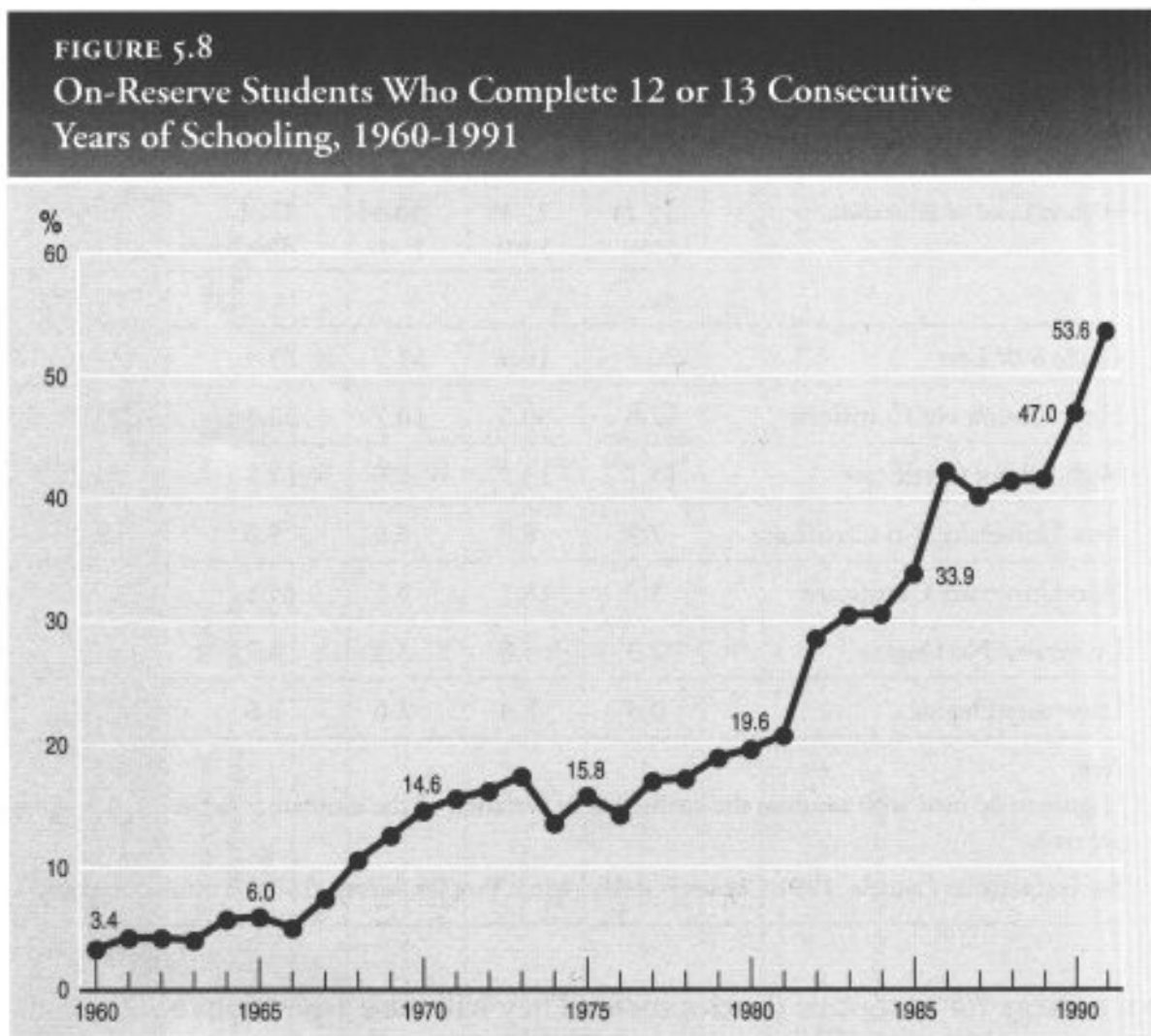
Second, high school completion rates must continue to improve. Youth who fail to complete high school face a labour market that increasingly demands completion or better. Future generations must have at least the minimum required for success in employment and for entry into higher education.

Third, we have the drawbacks of obtaining some post-secondary education or training but not acquiring a degree or certificate. This does not apply to university education or to all subgroups uniformly. For example, the results differ somewhat by sex, age and on- or off-reserve location. Nevertheless, this finding warrants further investigation. The picture might change if it were possible to separate out those who completed non-university post-secondary studies from those who enrolled but did not complete their studies. The result may also hinge on the kinds of occupations that predominate in the non-university post-secondary field and their vulnerability to fluctuations in the demand for labour.

Fourth, in addition to increased enrolment in and completion of university education, more graduates in scientific technology and economic development are particularly needed. A very low number of Aboriginal students are enrolled in, or have graduated from, scientific and technical programs.

Finally, lack of completion of elementary school among older Aboriginal people must be addressed. As we discuss in Volume 3, Chapter 5, the most pertinent policy direction for this portion of the population is adult education and literacy programming, including encouragement to return to school to complete studies. Educational solutions may not always be appropriate, however, and a number of our recommendations would go some distance to improving the

economic situation of those with low levels of education (for example, expanding the land and resource base, supporting the traditional economy, making innovative use of income support programs).



Source: Department of Indian Affairs and Northern Development, Basic Departmental Data (January 1995), Table 15.

Recommendation

The Commission recommends that

2.5.46

To rebuild Aboriginal economies, all governments pay particular attention to

- the importance of enrolment in education and training programs and of retention and graduation;
- strengthening the teaching of mathematics and the sciences at the elementary and secondary levels;
- improving access to and completion of mathematics and science-based programs at the post-secondary level; and
- making appropriate programs of study available in fields that are relevant to the economic development of Aboriginal communities (for example, business management, economic development and the management of lands and resources).

2.9 Making Innovative Use of Income Support Alternatives

As seen earlier in this volume, the loss of the lands and resources on which First Nations economies traditionally depended severely undermined the capacity to maintain economic self-sufficiency. With widespread poverty in most Aboriginal communities, the federal solution was to offer relief, which for many decades was distributed in the form of food rations.²⁰⁶ Relief took priority over the more complex task of rebuilding a sound economic base for Aboriginal peoples. In fact, it is not unfair to say that even as relief, followed by national income security measures, was extended to the Aboriginal population in this century, governments and the private sector were continuing to take actions that undermined Aboriginal economies.

With shrinking land resources for subsistence and little access to employment, Aboriginal people became increasingly dependent on the social assistance extended to them. Since the 1960s in particular, there has been a continuing expansion of welfare dependency. For example, between 1973-74 and 1991-92, total social assistance expenditures (in constant dollars) for the registered Indian population increased more than two-and-a-half times.²⁰⁷ The number of registered Indian recipients nearly doubled between 1980-81 and 1991-92.²⁰⁸ Among the Aboriginal population 15 years of age and older, an estimated 28.6 per cent receive social assistance (see Table 5.1 earlier in the chapter). On-reserve figures are more dramatic: a recent DIAND study suggests that "national on-reserve social assistance dependency grew from 37.4 per cent in

1981 to 43.3 per cent in 1992. By comparison, mainstream dependency rates grew from 5.7 per cent to 9.7 per cent over the same period".²⁰⁹

Additional data analyzed by our researchers demonstrate that this social assistance dependency is long-term and marked by a general lack of attachment to market-based economic activity. The mainstream rate is more closely related to changes in economic activity. Furthermore, there is extreme variability in Aboriginal dependency rates from one region to another. The Atlantic region has the highest dependency rate, exceeding 77 per cent in 1993. Manitoba followed with a rate of 67.5 per cent, while the Yukon and Ontario were the lowest, with 24.2 per cent and 25.2 per cent respectively.²¹⁰

These general trends are alarming. From the size of the dependent population it is evident that social assistance has become the staple of many Aboriginal communities. Under such circumstances, it appears that social assistance plays a different role in Aboriginal communities than in mainstream society, where most income continues to be derived from the labour market.

In turn, Aboriginal people argue that the application of the welfare system has contributed to the persistence of individual and community economic dependency. While welfare provides a basic income, it does not provide even a partial solution to the economic problems facing communities. A representative of Arctic Co-operatives told our researchers:

In many Aboriginal communities, like Nunavut, you have a closed economy that is very different from anywhere else in the country. It is very easy to measure the cost of delivering social services like welfare — the administrative costs, the payments, the dependency it creates and negative consequences like alcoholism, violence, etc[C]urrent programs ... discourage employment and just create a welfare mentality. This needs to be replaced by programs that motivate people to participate in the economy.²¹¹

A system designed to provide temporary assistance to individuals who need help because of a shift in the labour market, a disability, or single parenthood is simply not a solution for individuals experiencing the economic and social conditions of most Aboriginal communities.

Historically, many Aboriginal communities did not follow the mainstream pattern of transformation from an agricultural to industrial economy. Rather, they continued as subsistence communities involved in some trading long into

the twentieth century. However, both the subsistence and the trading economy have been replaced to a large extent — and not by a market economy, as elsewhere in Canada, but by welfare. The central issue is therefore whether income support funds are being used optimally, given a long-term objective of improving conditions in Aboriginal communities. Can these funds be used in a more dynamic, constructive way to meet the social and economic goals of Aboriginal people?

The Commission maintains that income security programs can be reformed to support Aboriginal people in their quest for social and economic development of their communities. In practice, such a shift must include a significant measure of Aboriginal control over social assistance to allow innovative use of welfare funds. Social assistance programs must be flexible enough to overcome the disincentives associated with a system currently restricted to individual payments and regulated limits on their distribution and use.

The Commission suggests three principles to guide efforts to address welfare dependency:

- a substantial shift in the use of social assistance funds to a more dynamic and constructive system of programming that will support social and economic development in Aboriginal communities and territories;
- a holistic approach to programs rooted in Aboriginal traditions and values and designed to integrate social and economic development, an interrelatedness that should be explicit in the design and operation of any new institutions created to implement income security reform; and
- Aboriginal control over the design and administration of income support programs as the foundation of any reform to the present social assistance system.

On the basis of these principles, we envision two distinct but coexisting alternative approaches:

- reforms to the system based on individual entitlement; and
- new systems based on community entitlement.

The Commission recognizes that the transition recommended here will be long

and difficult, but we are equally confident that steps can be taken to reform the provision of income security for Aboriginal people. As a preamble to our discussion of current welfare systems and possible alternatives, we present an historical perspective on Aboriginal welfare dependency.

Welfare dependence in historical perspective

Welfare dependency among Aboriginal people did not begin with the advent of the modern welfare state.²¹² Among First Nations, welfare dependency had been developing for decades as Indian people were confined to reserves and subjected to a ration system based on the British Poor Law. The fact that Poor Law principles and practices were applied to Indian relief long after being abandoned elsewhere in Canada served to isolate the population from the development of the mainstream income security system.

While its origins date to 1349, the British Poor Law was reformed in 1834. It was the principles of this reformed law that strongly influenced thinking about public welfare in the young Canadian colonies and well into the twentieth century. Hence, when the question of Indian relief arose after the development of the reserve system in the nineteenth century, the Indian department relied on the principles of the Poor Law with its attendant attitudes and underlying assumptions. In essence, the British Poor Law was an attempt to regulate the poor in the belief that poverty sprang from an inherent character defect. Relief systems were developed to combine punishment and assistance, according to a strict distinction between employable and unemployable poor. Poor people with disabilities were assisted on the basis that they were unemployable through no fault of their own. Those judged employable, on the other hand, were compelled to work as a punishment for laziness and a deterrent to idleness.

The reserves to which Indian people were confined were the analogue of the workhouses and poorhouses that emerged in Britain at that time. Policy — regulated through the *Indian Act* — pressured Indians to "relieve their 'savage' idleness through labour".²¹³ The reserve became the central means of organizing the removal of Indian people to a defined territory run by non-Aboriginal administrators. In confining Indians to reserves, the Crown sought to isolate Indians from the larger population, minimizing racial friction and relief expenses. Within these confines, the purpose was to change Indian character and to retrain Indian people to enter the market economy as citizens of a new Canada. Likewise, analogous to the parish relief administration under the British Poor Law, Indian policy pressured bands on reserves to develop

municipal organizations in large part to fund and administer relief. Indian relief thus played a significant role in the Indian department's plans to establish municipal government on reserves.

A common assumption underlying relief was that all Indians ultimately had a way out of the 'poorhouse' as farmers or common labourers — despite the minimal economic potential on reserves and few employment opportunities outside. Administrators believed that a correct attitude toward work had to be demonstrated, even if the means to work were absent. In the eyes of the Indian department, Indians who "refuse to work, and refuse to settle down on their reserves ... must take the consequences ... [and] remain miserably poor".²¹⁴ Entitlement to Indian relief was conditional upon "actual suffering" as defined by Indian agents and agreed to by headquarters. As in the mainstream relief system, assistance was provided at a level intentionally below the wages of the most menial work, a factor seen as important in forcing recipients into the market economy. Indian people were also subject to relief distributed as in-kind rations rather than as cash. They were not trusted with money, and it was not until 1959 that cash relief began to be introduced. Furthermore, Indian policy insisted that treaty annuities be used to pay the full cost of relief. Any additional relief was at the department's discretion. At the same time, the Indian department was given full authority over all Indian trust moneys, whether on- or off-reserve.

In sum, the principles of the Poor Law were influential in requiring relief recipients to conform to the market system. For the non-Aboriginal population, relief and, later, social assistance were used to promote the social integration of the poor by providing a minimum income in return for acceptable behaviour. The reserve and ration system served the same purpose for Indian people, who were expected to adopt or at least conform to Euro-Canadian cultural norms.

However, Indian people's participation in the non-Aboriginal economy was frustrated by inconsistent policies. Indian people were required, for example, to reside on their original reserves in order to receive relief. At the same time, if they ceased to live like 'Indians' — by entering the market economy — they were at risk of being enfranchised as Canadian citizens, losing their Indian status. A job off the reserve meant that one could expect no assistance in the event of failure, that one might be subject to involuntary relocation back to the reserve or to enfranchisement. Dependency on relief within the reserve context became the only secure means for Indian people to maintain some semblance of a traditional communal way of life.

Non-registered Indians, Métis people and Inuit remained on the periphery of the Indian relief system, although their economic circumstances were similar to or worse than those of First Nations. Métis people and Inuit were caught between the non-Aboriginal relief system and the Indian relief system and found access to both difficult. Métis people were often refused relief from the interior department, in charge of 'half-breed' affairs, on the grounds that they were 'Indians'. The Indian department, on the other hand, refused to pay on the grounds that Métis people were not registered Indians. Until the 1950s, non-Indian relief was administered through municipalities, so Métis people living in unincorporated areas had few prospects for assistance. For Inuit, federal responsibility for relief was shifted and neglected for more than half a century. Sporadic and unsystematic relief was provided to Inuit from the late 1870s onward. Although the Indian department made some attempts, in practice the Indian relief system failed to provide assistance to Inuit, and no serious attempt was made to address Inuit destitution until the 1950s.

By the 1930s, the roots of Aboriginal welfare dependency were well established, driven by a combination of need arising from the weakness of Aboriginal economies and by policies that stifled economic activity. The response to distress was to provide relief, and this took priority over economic development. It was not until the 1950s that public funds were made available for Indian business ventures.

The Indian relief system reached maturity just as the Canadian welfare state was becoming well established. The *Old Age Pension Act* was introduced in 1927, but it specifically excluded Indians persons from receiving benefits. In 1940, the first major national social insurance program for unemployment was established. The *Unemployment Insurance Act* provided benefits as a right to the limited list of workers spelled out in the legislation. Excluded were seasonal workers; workers in agriculture, forestry, logging, fishing, hunting and trapping, and transportation; provincial and federal public servants; teachers; domestic workers; employees of charitable institutions; and those earning more than \$2,000 a year — that is, workers in occupations that had either a very high risk or a very low risk of unemployment. Aboriginal people were thus excluded by virtue of being employed in many of the high-risk occupations listed.

In 1945, the federal government began to provide family allowances to all families with children under the age of 16. It was a program, based on Keynesian principles, that was as much about reviving the postwar economy as it was about attracting votes that might have gone to the emergent social

democratic party, the Co-operative Commonwealth Federation, which had supported the program's introduction. For its time it was a massive public expenditure program.²¹⁵ Benefits depended on the age of the child, from \$5 a month for a child under five years of age to \$8 a month for a child 13 to 15 years of age. For most Canadians, this was the first family-income supplementation program and one that was available to all families in cash, regardless of income, simply by virtue of citizenship.²¹⁶

Aboriginal families were permitted this benefit, but in the case of Indian people, administration of the benefit was placed in the hands of the Indian department. The extension of family allowances to Indian people exposed the gross inadequacy and inconsistency of the Indian relief system and spelled the beginning of the end for Indian rations.

In 1947, two years after the end of the war, pensions were made available to persons over the age of 21 who were blind. In 1951, the legislation was revised to provide for federal-provincial cost sharing to make possible provincial allowances to persons between the ages of 21 and 69 who were blind. In 1951, the old age pension legislation of 1927 was repealed and replaced by the *Old Age Assistance Act*, which provided for federal-provincial cost sharing of pensions for persons aged 65 to 69, and by the *Old Age Security Act*, which provided a federal pension to all persons over the age of 70. The amount of the pension was set at \$40 per month under both laws. Indian persons could now apply for a pension, whether for reasons of blindness or age. For the first time, Canada had a national statutory cash pension to which access was not precluded by Aboriginal ancestry. For persons over 70 and for blind persons over 21, including Indian people, the spirit of the Poor Law had finally been put to rest.²¹⁷

In 1954, the *Disabled Persons Act* was passed, authorizing federal-provincial cost-shared benefits for disabled persons aged 18 to 69. Again, the benefit was set at \$40 per month, and Aboriginal people were not excluded. Thus, by the mid-1950s, relief had been substantially transformed by the advent of federal and provincial programs applying to specified groups. People over the age of 70 were eligible for a pension on the basis of citizenship alone, while persons between the ages of 65 and 69 who were blind or had a disability were eligible for a \$40 per month pension by virtue of citizenship and low income. Women raising children on their own were eligible for benefits as well under provincial programs.

The administration of relief for the unemployed, however — the classic 'undeserving person' — was still largely the responsibility of municipalities (or the Indian affairs department in the case of Indians living on reserves, in communities, and in the north). As Harry Cassidy noted in a 1947 report about the mainstream system, with the exception of British Columbia and some of Ontario, "The provisions for general assistance are limited, restrictive, mean, and antiquated[T]hey are literally disgraceful and unworthy of a nation of Canada's status".²¹⁸

The return of high unemployment levels in 1953-54 led the federal government to reconsider a scheme to finance unemployment assistance administered by the provinces and municipalities. The Canadian Welfare Council's campaign for increased public funding for welfare had the effect of forcing the federal government to become directly involved in negotiations with the provinces. The result was the 1956 *Unemployment Assistance Act*.²¹⁹

The *Unemployment Assistance Act* was the first federal law to provide a commitment to funding social assistance. The purpose of the act was, for the first time, to allow the provinces to provide "assistance to persons who are in need".²²⁰ It provided for cost sharing on a sliding scale, to a maximum of 50 per cent of the cost of assistance in each participating province. The act made federal funding available for the relief of the unemployed employable person, the last category of person to be covered by national legislation and the last category of relief to shed its Poor Law form.

With the introduction of universal programs, eligible Indian people living on-reserve were receiving benefits such as the old age pension, disability benefits, and family allowances, but not provincial or municipal social assistance. Under these circumstances, the department's ration system became virtually meaningless.²²¹ In addition to amendments to the *Indian Act* in 1951 and a new emphasis on Indian self-management later in the decade, the department of Indian affairs gained approval to develop a cash social assistance program in accordance with provincial practices.

Nevertheless, the in-kind ration system continued to operate into the 1960s for registered Indians.²²² Furthermore, the Indian relief system survived just long enough to be used effectively in the northern settlement schemes of the 1950s. Rations and family allowances were used as a reward and a sanction to encourage northern Aboriginal people to settle in permanent communities and to promote approved settlement behaviour.

Since the *Unemployment Assistance Act* (1956) and the *Canada Assistance Plan* (1966), social assistance for Aboriginal people has remained embroiled in a continual jurisdictional debate between federal and provincial governments. Once it abandoned the ration system and adopted provincial standards, the federal government began to pressure the provinces to accept responsibility for social assistance for Aboriginal people. However, the provinces continued to argue that the federal government was responsible for 100 per cent of the cost. The Canada Assistance Plan (CAP) brought in 50/50 cost-sharing of programs to which all Canadians, except Aboriginal people living on-reserve had access, so the provinces were coerced into including Aboriginal people living off-reserve. The current government's decision to terminate the Canada Assistance Plan and to introduce a block funding arrangement — the *Canada Health and Social Transfer Act* — again places the issue of Aboriginal social assistance in question.

The application of relief principles to generations of Aboriginal people — including tests of means and needs based on individual entitlement — has resulted in great social and cultural damage. No thought was given to the existence of distinctive Aboriginal approaches to social welfare based on the extended family, and certainly no consideration was given to Aboriginal service delivery. Social assistance, however, quickly became established as a vital source of Aboriginal income.

Working within the current social assistance system

If we have an economic development mandate, what can we implement or initiate or develop that will affect the community? If an Aboriginal community's economy is based on social transfers, then recognize that and work with it. Don't just accept it as a program. Relate to the people and then to the value of the dollar. We should not be concerned with the dollar for the dollar's sake — we should be concerned with the value of that dollar impacting on the individual.²²³

In general, social assistance for Aboriginal people living off-reserve, including Métis people and Inuit, is administered through arrangements established by the provincial and territorial governments (Table 5.21). Although the actual administration and delivery of off-reserve social assistance varies, it is generally cost shared 50/50 with the federal government under the Canada Assistance Plan, an arrangement that may now change with the demise of CAP.²²⁴ For most on-reserve residents, the department of Indian affairs

administers an analogous system, funded entirely by the federal government but administered in accordance with provincial and territorial practice.

TABLE 5.21
Administration of Social Assistance for Aboriginal People

Aboriginal Group	Delivery and Funding	
	Federal	Provincial/Territorial (with federal cost sharing)
Indian persons on-reserve	x	
Indian persons off-reserve		x
Metis		x
Inuit		x

Whether social assistance is administered by a band, by Indian affairs, or by a province or territory, provincial guidelines are followed, and exceptions are not tolerated under CAP legislation or policy.²²⁵ No self-government or funding arrangement has come close to changing the conditions under which assistance must be administered. As a result, First Nations on-reserve are not allowed to establish by-laws that would permit them to make more innovative use of income support transfers.

Examples do exist where Aboriginal communities have stretched the rules in an attempt to overcome the disincentives inherent in the welfare system. In Fort Franklin, N.w.T., for example, several experimental voluntary projects, best characterized as social or community development, were initiated in the 1970s. They included a community-wide effort involving remodelling and painting public buildings and cleaning public spaces. As well, a winter firewood supply project was initiated by younger men who saw a need to provide fuel for elders and single mothers. Although these projects demonstrated various degrees of success in terms of participant productivity and project goals, they were terminated abruptly when outside authorities discovered that recipients were 'working for welfare'.

An Aboriginal economic development consultant in Eskasoni, Nova Scotia, told our researchers of a similar attempt to restructure welfare programming in her community. In her view, while some success has been achieved by daring to

go beyond the regulations, what is needed is Aboriginal control over programming and community-based planning:

We have a program here in my community where they have taken welfare monies, bunched them up and put them together over a five year period. They created employment. I think it can work well to give everyone an opportunity to go for training and to also have the experience in working. Most of these people have been on welfare a long time and they will never be off welfare. The welfare syndrome is a catchy thing that people feel so secure about. If they are going to undertake those initiatives, they have to carefully manage them and they have to create employment which is meaningfulI think it has to be very carefully planned, and it has to be managed properly. And it has to suit peoples needs, not the band government's needs.²²⁶

Provinces have also developed initiatives to overcome disincentives to work, but generally these are not being cost-shared by CAP. Examples of such initiatives include top-up payments for low wage earners, which allow recipients to keep some assistance once they find work, based on the idea that work should result in more, not less income, and bridging mechanisms such as enhanced earnings exemptions, temporary extensions of non-cash benefits, and reduced tax-back rates.²²⁷ An example is Quebec's Parental Wages Assistance Program, which supplements the wages of low-income working parents and assists with child care and housing costs. Because provinces have both the legislative and the fiscal leverage to do so, these programs are implemented despite CAP's restrictions.

There are also several federally supported pilot projects, such as the Self-Sufficiency Project, which is being tried out in British Columbia and New Brunswick. This project provides earnings supplements for up to three years to single-parent welfare recipients ready to work, but whose family needs are greater than what entry-level wages can provide. The hope is that participants will gain the experience and connections necessary to progress to higher-level jobs with higher levels of pay within a limited period of time. This project is being evaluated as it is being implemented.²²⁸

Aboriginal nations and their communities do not have recognized legislative authority or financial independence to allow them to initiate similar programs. Nevertheless, some flexibility is gained under DIAND's alternative funding arrangements, which give some First Nations limited discretion in developing and implementing social assistance policy and programs.

The Moricetown Indian Band in British Columbia has taken advantage of the Work Opportunity Program to fund a local sawmill project.²²⁹ This program, authorized by the federal Treasury Board in 1971, allows the use of social assistance funds to create on-reserve employment. The sawmill has been relatively successful, but is hampered by program regulations stipulating that social assistance funds can be used only for specific wage supplements. While the mill sustains steady employment, the funds cannot be used to expand the mill or to replace or repair equipment. When the mill's chipper was destroyed by fire, for example, several positions had to be eliminated. Furthermore, the requirement that project revenues be applied against the social assistance transfer does not allow for business reinvestment and growth. Difficulties also arise from a program requirement that there be some turnover of staff to give as many eligible persons as possible a chance to work. This undermines long-term skills development, as well as the continuity of staff important in quality control of the product. In the case of the sawmill, the band chose to stretch the guidelines, allowing employees to remain as long as they wished and transferring funds for as long as the band deemed necessary.

Although the work opportunity program has been used by other First Nations communities across the country, this does not demonstrate its effectiveness. In most cases, little continuing employment has been created, and social assistance expenditures have not been reduced significantly. Rather, First Nations people see the program as a marginally better alternative to the dependence created by the simple provision of social assistance. On the other hand, the community entitlement alternative, described later in this chapter, is particularly suited to this type of community effort and would correct the shortcomings of such limited programs as the work opportunity program.

A major problem has been fragmentation resulting from isolated approaches to the issues and the involvement of numerous levels of government. In an attempt to apply more holistic principles, several Aboriginal organizations have proposed client-focused service delivery models aimed at meeting the multiple needs of community residents. Known as the single-window or one-stop-shopping approach, this model is particularly suited to urban Aboriginal communities.

The single-window model is premised on community-based program delivery flexible enough to integrate training, job creation, and business development at the community and/or regional level. The thrust of this approach is that social assistance and social services must be community-specific in design,

management and delivery, an approach echoed in recent department of human resources documents.²³⁰

This approach suggests condensing efforts to develop and deliver programs that are appropriate for each community. Likewise, single-window development bodies provide an opportunity to cluster a wide range of expertise:

As such, we believe that in addition to providing provinces with the opportunity to establish one stop social security services, where employment insurance, welfare and employment programs would be housed under one roof, the federal government should extend the same opportunity and flexibility to Aboriginal Community development institutions.²³¹

In urban areas, friendship centres could be one model of Aboriginal one-stop shops.²³² Friendship centres are already experienced in program innovation and development and in delivery mechanisms appropriate to particular urban communities. Despite a poor funding base and overextended resources, friendship centres have become known for their culturally sensitive, efficient and effective service provision. Friendship centres and similar urban institutions could act as single-window agencies to serve Aboriginal residents under the current system, but they need to be freed from the restrictions and disincentives discussed earlier.

These examples demonstrate that modifications in the existing income security system are possible, but there are limits on how far one can go within the existing system. We believe that more substantial change is required, and we turn now to some more far-reaching alternatives.

Principles of change

We have identified three principles for reforming social assistance for Aboriginal people: (1) an active income security development approach; (2) an holistic approach to programming; and (3) Aboriginal control. These principles are consistent with the self-government initiatives outlined elsewhere in this report.

Principle 1: Social assistance aimed at development

There is widespread agreement that the current disincentives to development inherent in the welfare system must be replaced by a more dynamic and

productive approach. At present, welfare is viewed as an enormous unproductive expenditure on passive social spending.²³³ Increasing amounts of money are spent on welfare and, ultimately, on poverty maintenance and misery. These moneys could be spent instead on active assistance for economic and community development or to equip

Aboriginal people through training and education to work and improve life in their communities. (See also Volume 4, Chapter 6 for our discussion of innovative uses of social assistance and the role of income supplements in sustaining a mixed economy in isolated areas.)

Job creation is a central concern and a goal for which social security reform must aim. However, we must break away from the notion that the only solution to social assistance dependency is a job in the labour market. This may be a solution for some, but for others living in areas where little or no employment is available, it is not likely a solution for the foreseeable future. In some communities it has been, and continues to be, possible to generate employment in the production of goods and services for sale primarily outside the community. In others it has not been possible. But all communities, whether urban, rural or reserve, could benefit from additional social development. Improved schools, water, heating, housing, and social services would have a positive effect on the capacity of people and communities to generate self-sustaining employment. Whether such development is seen as economic or social, many Aboriginal organizations are prepared to design and implement systems to redirect welfare funds into projects that develop and help sustain a healthy and productive community.

Principle 2: Holistic, integrated programming

People are talking about 'the healthy community' — community well-being. You cannot do that without looking at everything involved in the communityI look at it from a holistic perspective.²³⁴

Social assistance reform will work best within a framework of integrated economic and social reform. In many communities, social assistance is an important source of income, a component in the search for economic and social development. Employment, health, housing, social services, education, training, recreation, and social assistance must all be a part of community development.

The holistic approach to social security reform has received widespread support from Aboriginal organizations. This principle embodies the notion that the spiritual, cultural, political and economic realms cannot be treated as separate and disconnected realities, each with a distinct set of programs. A recent Pathways structural review makes the following point:

Often insurmountable difficulties have resulted for Aboriginal peoples with regard to the building of holistic, local and regional development approaches, while struggling with the barriers of unlinked government decision-making structures and conflicting criteria.²³⁵

Another perspective on economic development is that it is a matter of health, not growth. Some submissions to the Commission emphasized that a healthy community is a prerequisite for a healthy economy and that social programs need to be restructured to promote economic activity:

So the economy requires a healthy society — generally. If you have an unhealthy society, no matter what you do in economic development, it's not going to go very far ... There is a need to re-examine the whole issue of social programs to become integrated into economic development. If you have a social welfare system that does not encourage involvement in the work force, then no matter what you do in the work force (employment, training, job opportunities) — it will be extremely difficult to get the work force motivated to participate. The message I get ... is that there has to be a significant change in how social programming is delivered ... and that this will in itself contribute to economic development.²³⁶

Governments should abandon the idea that the problems of Aboriginal societies can be separated, categorized and ordered. The overall health and well-being of Aboriginal people is intrinsically tied to the social, political and economic development of their communities.

Principle 3: Aboriginal control

A lot of employment could be created if the band could respond to the needs the community itself generates ... As long as the community remains dependent on government programs it will not be able to 'see' beyond the reserve boundaries.²³⁷

The Commission supports the view that Aboriginal control of social assistance

and related services is a prerequisite for culturally and situationally appropriate programs and for the effectiveness of the alternatives discussed here. The underlying principle of social assistance reform is the full recognition of the inherent Aboriginal right of self-government.

The same point was made by the First Nations project team in Ontario, which argued that social assistance must be

- determined, designed and developed within the Aboriginal community and by its membership;
- designed to address community needs in harmony with local culture and social structure;
- provided under the authority and sanction of Aboriginal government and fully accountable to members of the community; and
- managed and delivered within the Aboriginal community.²³⁸

Under the aegis of Aboriginal control, the role of non-Aboriginal governments would be to facilitate and promote rather than to design and administer. In other words, funding arrangements rather than program design would be the focus of interactions between non-Aboriginal governments and Aboriginal people. These arrangements would need to be flexible, consistent and dependable.

Changes to the system: alternative approaches

Canada's income security arrangements are in a state of flux. This time of change provides an opportunity for Aboriginal people to promote reform of social assistance that is appropriate to their cultures and circumstances and that makes more efficient use of decreasing public resources.

A new social assistance program for Aboriginal people will have to address several major issues.

- Administrative standards: What standards will apply in the administration of social assistance? Will society be prepared to accept culturally different standards developed by and for Aboriginal communities and nations?

- **Accountability:** In what ways and to whom will Aboriginal communities and nations be accountable for their use of social assistance funds?
- **Social and economic development:** Will society accept the use of social assistance funds for programs that go beyond passive income support? Will Aboriginal recipients accept substantially different arrangements?

The key issue in developing a social assistance program that permits Aboriginal people to develop culturally specific arrangements is what is known as entitlement. In the mainstream system, each person or head of a household in need is eligible to apply for social assistance. That is, they have an individual entitlement. Individual entitlement is based on the idea that persons or households in need should be supported by society through a system of taxes and transfers organized by government. Individual entitlement makes sense if society is seen as being composed of individuals or individual households — the classic liberal view.

But is this approach the best one for Aboriginal people? For many Aboriginal people raised and still living in Aboriginal communities, the sense of mutual dependence and support among family and friends remains strong:

Traditionally [within First Nations cultures], assistance from others was expected in times of individual need and was provided according to understood rules or norms of reciprocity — typically from specific others within the extended family and not from a central government or agency. Help was provided when required in a non-judgmental manner as a social duty or obligation, not reluctantly — for the well-being of the collective was understood to depend on the continued well-being of its individual members. This central concept remains strong in most First Nations communities despite the fact it has been undermined by imposition of the categorical system for several generations.²³⁹

Although Aboriginal people may now participate to a greater or lesser extent in the general labour market, the traditional relationship between individual work and community responsibility has not been completely replaced by the idea that the fruits of labour belong solely to self-sufficient individuals and their immediate families.

We present two alternative approaches. The first is a reform of the social assistance system that retains individual entitlement. The second

accommodates a form of community entitlement in which the applicant for assistance is not the individual but the community. Both alternatives address issues of income support provision to Aboriginal people while generating economic and/or social development. Both alternatives could serve as a basis for social assistance but are not necessarily mutually exclusive — that is, both approaches could be used in the same community.

The individual entitlement approach

We present three models for reform of the current system while continuing the concept of individual entitlement — the opportunity planning process, the business development model, and income support programs directed at traditional mixed economies. Each illustrates how the system can be changed to help recipients become more productive members in the community or to assist those who are already productive but in need of supplementary support. Each is based on a transition to self-reliance, which in turn will reduce the cost of social assistance over time.

Opportunity planning

Opportunity planning is a process to assist recipients in the transition from welfare to self-reliance in the following ways:²⁴⁰

- assistance in identifying their strengths and weaknesses;
- advice on available services and programs;
- assistance in gaining access to these opportunities;
- development of an individual action plan; and
- monitoring and support in the implementation of that plan.

The purpose of opportunity planning is to help recipients overcome barriers to education, training and employment and to assist recipients who may not be able to participate more fully in community life. Opportunity planning is not a work, training or education program in itself; rather, it aims to co-ordinate social assistance with labour market systems and other services to improve access for recipients. As such, opportunity planning is very much in keeping with the individualism of mainstream social assistance programs.

At least one Aboriginal community has begun to implement this type of process. The McLeod Lake band in Ontario has developed a program for individuals who are on social assistance for longer than three consecutive months.²⁴¹ Each recipient is required to submit a personal development plan. Six areas are covered: education, literacy and cultural development; career development; management of personal resources, including money; health and physical development; social and emotional development; and home management. The individual is responsible for securing the funds to realize the plan, drawing on the support of the extended family, available government programs, and the band's social assistance program up to the limit of the person's entitlement. This program has holistic elements and encourages a measure of individual responsibility in interaction with the person's extended family and the wider community.

Opportunity planning provides the financial and other kinds of support people require to take a training course or to hold down a job. For some Aboriginal people, this approach may lead to education, training and jobs; for others, opportunity planning will provide support that leads to greater participation in community life.

Business development approach

This approach involves agencies, institutions, or business ventures established for the express purpose of directing social assistance recipients and funds to employment-generating projects. While this approach is implemented by community organizations, it is funded through a charge-back system based on individual entitlements. That is, persons qualify for participation through their individual entitlement to social assistance. This approach depends on the availability of a market for products and services and is therefore particularly appropriate for urban Aboriginal communities. Such projects have been implemented in cities across Canada.

In Halifax, for example, the Human Resources Development Association (HRDA) has developed several long-term employment projects funded by cost-shared municipal and provincial social assistance moneys and directed to welfare recipients.²⁴² Businesses established by HRDA have included a car rental franchise, a ship cleaning operation, a small clothing manufacturing venture, and a contract to collect recyclable materials. The association employs mainly social assistance recipients and provides employment and training opportunities and wages equivalent to social assistance benefits, plus

a small supplement. HRDA charges the city of Halifax a fee for services amounting to 50 per cent of the salaries and benefits paid to social assistance clients (to a maximum of \$7,000 in 1989). A placement fee is also paid to the association for employees who move on to other employment.

The association's system has proven cost-efficient in the long term. In 1987, HRDA's fee for service per client averaged \$376 per month. This was well below the estimated cost of maintaining an individual on municipal social assistance, which ranged from an average of \$460 per month for a single client without dependants to \$666 per month per family. In terms of moving clients off social assistance, an evaluation of HRDA, then in its tenth year of operation, demonstrated that close to 45 per cent of previous HRDA employees who responded to a survey were currently working full-time or part-time. Although only 20 per cent of respondents had been employed for the entire time since leaving HRDA, this should not be taken as an insignificant achievement. Considering the serious employment problems facing social assistance clients and the fact that all were unemployed and on social assistance before working at HRDA, these results can be taken to indicate a step in the right direction.

Harvesters income support programs

Social assistance programs are poorly suited to the needs of wildlife harvesting because they are designed as a support for consumption rather than for investment in production.²⁴³

Disincentives to harvesting inherent in the current welfare system include penalties against income earned from the products of the harvest and the monthly payment system, which works against spending prolonged periods in the bush. Hence, hunters state that increasingly they must limit their expeditions to day and weekend trips.²⁴⁴ The current method of administering social assistance unnecessarily limits the ability of many northern Aboriginal families to participate fully in traditional harvesting.

The Commission proposes a strategy designed to support harvesting activities. This type of approach might be considered a preventive measure, in which support is given to help maintain self-employed hunters who are already involved in productive activities. This approach also potentially includes the use of unemployment insurance funds in this same context, in particular for seasonal workers involved in commercial resource harvesting (such as fishing), non-standard workers such as those in cottage industries, or part-time

employees and multiple-job holders. (See Volume 4, Chapter 6 for a detailed discussion of these issues.)

In the long term, it is obviously cheaper to provide occasional support for someone generating at least some income than it is to support someone who depends solely on social assistance. The lack of will evident in most provincial and territorial systems to supplement low incomes among self-employed and seasonal workers highlights the shortcomings of the existing system, which ties Aboriginal social assistance to provincial or territorial programs.

Several strategies for hunter and trapper income support can serve as models. The James Bay Cree Income Security Program, the Northern Quebec Hunter Income Support Program, and the Nunavut Hunter Support Program directly support the traditional mixed economy. Each provides a more productive and constructive use of funds than spending strictly on social assistance.

The Cree income security program — part of the James Bay and Northern Quebec Agreement — is one that funds hunters and trappers according to the time they spend on the land. It offers financial support through a structure similar to a negative income tax, guaranteeing a minimal level of income based on family needs. In addition, cash income is provided to harvesters according to the number of days spent harvesting, in the form of a per diem rate. To be eligible for the program, the harvester must work no less than 120 days at harvesting, spend more time harvesting than working for a wage income, and earn less from harvesting than from wage labour.²⁴⁵

The basic income levels, per diem rates and offset percentages can all be adjusted to a particular situation. The value of the Cree program is that it involves the Cree people directly in program design, recognizes and supports economic activity that provides meaningful work, and contributes to a diversified economy that is in harmony with the land, the seasons and the people who live and work in these communities.

The northern Quebec hunter income support program is an Inuit-designed program administered by the Kativik regional government and 15 participating Inuit communities. It is funded by the Quebec ministry of recreation, fish and game.²⁴⁶ This program provides for the purchase of harvested food and also invests in capital equipment for harvesting, such as boats for communal use. Country food is distributed, free of charge, to Inuit living in the north who cannot hunt and to those living in the south. The northern Quebec Inuit hunter

income support program encourages hunters to bring food into the communities and ensures that it is shared among all those who wish it. This contrasts with the Cree program, which compensates people for going out on the land, regardless of what they do with the produce.

The Nunavut hunter support program has not been operating long and hence is still somewhat experimental. It was not included in the comprehensive claims agreement and so has a much less secure future than the Cree program. Costs for the Nunavut program are shared by Nunavut Tunngavik Incorporated and the government of the Northwest Territories in its first five years of operation. It provides annual lump-sum payments (up to \$15,000) to a limited number of full-time hunters to help cover costs of equipment, fuel and supplies. So that the funds can be distributed as broadly as possible, a hunter is eligible for support only once during this initial five-year period. At present, the program has little leeway to develop into more than a capital and operating fund for full-time hunters and as such does not have the long-term features of the Cree program.

A final example — one related specifically to social assistance — comes from a proposal by First Nations located on the Ontario side of James Bay.²⁴⁷ In response to serious threats to their harvesting economy, the Omushkegowuk Harvesters' Association has proposed a detailed modification of the social assistance system, which it believes will reverse the current negative relationship between welfare and harvesting. They propose using social assistance funds to provide supplementary income to families and individuals engaged in full-time harvesting. These funds would be provided as grants, which would enable the capitalization of the harvesting process, and as seasonal payments in recognition of extended periods of time spent in the bush. The Omushkegowuk Harvesters' Association suggests that this program be integrated with other programs involving product marketing, resource management, transportation support and bush schooling for children of the harvesters.

The community entitlement approach

High levels of social assistance among Aboriginal people is attributable mainly to high levels of unemployment, a situation that reflects the relatively underdeveloped labour market in Aboriginal communities. The Commission believes that if Aboriginal communities are to make improvements in this context, they should be able to use social assistance funds for development purposes, whether economic or social. Some communities or nations may wish

to pursue an approach based on community entitlement.

This is the approach of the Australian community development employment program (CDEP), which provides part-time employment for some 26,000 Australian Aboriginal people.²⁴⁸ Since 1977, a program has operated to permit remote communities to initiate economic and social development projects that provide employment for members of the community initiating the project. Since 1987, when CDEP and its funding were substantially expanded, projects have been initiated in a wide range of urban and rural areas. In 1987 the Commonwealth government set out the purpose of CDEP:

The purpose of the policy is to promote Aboriginal economic independence from the Government and to reduce Aboriginal dependency on welfare in accordance with growing Aboriginal demands for employment and the capacity to control their own destiny. The overall objective is to assist Aboriginal people to achieve broad equity with other Australians in terms of employment and economic status.²⁴⁹

Under current program rules, agreement among community members is necessary to initiate a development project. Members of the community agree that they will accept employment in the project instead of receiving welfare. They are guaranteed an amount equivalent to their individual social assistance benefit entitlement. They are paid for hours worked at the equivalent of the minimum wage. This means roughly two days' work per week. Further incentive to participate is in the form of additional funds for equipment of up to 20 per cent of the community development employment project wages fund.²⁵⁰

After deciding to participate, communities must come up with a viable project, which may be economic or social or both. The project could involve fish farming, mining, forestry or other activities aimed at producing for export. Alternatively, it could involve building or renovating community housing, constructing community infrastructure, improving roads or the water supply, or other similar activities. The project must be approved by the Aboriginal and Torres Strait Islander Commission (ATSIC), an Aboriginal-run organization that took over administration of many Aboriginal-related national government programs in 1990 but is responsible to the Commonwealth minister for Aboriginal affairs.²⁵¹ ATSIC officials maintain close contact with officials of the social security department to ensure an orderly transition from welfare to funding from the community development employment program. Once the project is approved and funds are made available, the community becomes an

employer with responsibility for managing the project, and the former recipients become employees with the obligation to work on the project in order to receive wages that amount to the equivalent of income support benefits.

Several studies have reviewed the experience of CDEP, particularly since 1987. While there are significant criticisms of the program, it appears nonetheless to have been an effective program for some Aboriginal communities.²⁵² The CDEP approach permits Aboriginal communities to go further than simply administering social assistance funds allocated to them; they can use the funds for economic and social development.

One of the key issues in community development employment projects is the inherent tension between welfare and employment. CDEP uses welfare funds to generate part-time employment. It is neither an employment program nor a welfare program. It is not really an employment program, because provincial and territorial employment legislation would have to be suspended to permit this type of 'near'-wage work. Neither is it really a welfare program, because participants are employed and do not have access to the secondary or supplementary benefits available to welfare recipients.

The Australian experience also suggests that if a community entitlement alternative is developed in Canada, it will be necessary to specify standards of accountability. The key components are community planning, approval and accountability for funds expended.

- **Planning.** The onus would be on governments representing Aboriginal nations and their communities to provide a plan for the use of social assistance funds. The plan would specify the details of the proposed project, including the wages and the number of persons employed, the use of capital funds, and the administration of the project. The plan would also have to ensure that social assistance recipients who are not able to work on a project continue to receive income support.
- **Approval.** The proposed use of social assistance funds would need the approval of the members of the community through a democratic process. An appeals process should be put in place to provide recourse for individuals who feel they have not been dealt with properly.
- **Accountability.** Aboriginal governments accepting the funds would be accountable for the administration of the project at specified intervals and for

the project as a whole upon its completion.

Careful planning, approval and accountability measures will help to avoid the abuse of power by those in charge of the implementation of the project.

Alternative interim funding possibilities

The advent of the Canada Health and Social Transfer in April 1996 created both the opportunity and the need for a legislative solution that could establish a framework for Aboriginal communities to participate on an equal footing with the provinces and territories. We present here alternatives which, if implemented, would provide a basis for the restructuring of Aboriginal social assistance. We have sought approaches that would give Aboriginal communities the flexibility and "the power necessary to develop and implement solutions consistent with their material circumstances and cultures".²⁵³

In the Commission's view, the long-range goal is for Aboriginal nations to regain responsibility for community welfare. As we stated in Chapter 3 in the first part of this volume, social services and welfare should be included in Aboriginal jurisdiction. This means that on Aboriginal territory, Aboriginal law would take precedence over provincial or federal legislation in the area of social assistance.

This goal may take some time to achieve, however, and transitional measures may be required, such as:

- New federal legislation. Such legislation would provide a legal framework and general principles and standards for Aboriginal nations and their communities that are prepared to establish and operate their own social assistance programs and related services. It would also specify the funding arrangements that would apply. Such an approach would sever the link between Aboriginal social assistance programming and provincial practice, making room for innovation leading to social and economic development. The disadvantage of legislation is, of course, the long time that may be required for passage.
- The Canada Health and Social Transfer (CHST). Aboriginal nations and their communities would become direct signatories of CHST, thereby qualifying for block funding in a manner similar to the provinces. However, the funding formula would differ, since Aboriginal governments do not have other sources of revenue, as the provinces do, out of which to cover the remainder of social

assistance costs. The general standards that would apply to the provinces could also apply to Aboriginal nations, or a different set of standards might be developed. Subject to these limitations, Aboriginal nations and their communities would be able to design and implement their own social assistance programs and related services.

- Tripartite agreements. A third option is to establish federal-provincial-Aboriginal agreements specifying principles and standards for the design and administration of social assistance and setting out the roles of each government. The agreements would also specify a cost-sharing formula. A precedent for this approach, albeit one that did not involve Aboriginal governments as signatories, is the 1965 Canada-Ontario memorandum of agreement respecting welfare programs for Indian persons.

- A new federal program. A fourth option, and one that could perhaps be implemented most readily in the short term, is for the federal government to make available a new program to replace the existing arrangement for social assistance on reserves. As with the other options, the new program would specify certain principles and standards and would offer an opportunity for innovation in the design and delivery of social assistance and related services that would lead to individual and community development. Funding would be provided in response to proposals from Aboriginal nations and communities.

These examples of interim arrangements can be seen to apply most readily to nations and communities with their own land base. However, we do not intend to limit innovative uses of social assistance to these situations. In urban and off-reserve areas, however, it is more likely that innovation would be pursued under an individual entitlement approach than a community entitlement approach, because individual employment opportunities are more promising and Aboriginal governing structures less well developed. If social assistance in urban and non-reserve areas continues to be organized under the aegis of provincial and territorial governments for the foreseeable future, it will be necessary to find ways to introduce a significant degree of Aboriginal control, program flexibility and innovation in these locations. For example, provincial and territorial governments might open the door to new programs that match federal initiatives, include urban, non-reserve constituencies in tripartite negotiations, or include them as members of Aboriginal nations that become signatories of the CHST or that take advantage of new federal legislation.

Whatever interim approach is used, it should allow for steady progress toward Aboriginal control over the design and administration of social assistance and

related services. It should also permit innovation, leaving room for holistic approaches and social assistance based on individual or community entitlement. While these two paths are different, they are not mutually exclusive. For example, a community may opt for an entitlement approach to accomplish a particular infrastructure project and perhaps to employ a majority of its social assistance recipients. However, seniors and persons with disabilities, who may not be able to participate in the project, will continue to need public support under an individual entitlement model. This example also implies that, under specified conditions and agreed time frames, it would be possible for a community to shift from an individual to a community approach and vice versa.

Under either alternative, however, it is important that social assistance be transferred as a block grant so that Aboriginal nations and communities have the flexibility to make innovative use of these funds, including the possibility of combining social assistance moneys with other funds, such as those for training, housing and economic development.

Conclusion

Conventional Canadian approaches to social assistance have failed Aboriginal people. While welfare is putting more cash resources into communities, the system is doing little to change the economic and social conditions that contribute to high and rising rates of dependency. National on-reserve social assistance dependency rose to 43.3 per cent of the population by 1992 (the most recent year for which data were available), more than four times the rate for all Canadians. Without reform, on-reserve dependency will continue to grow to an estimated 50 per cent or more in the near future.²⁵⁴ Many Aboriginal communities are caught in a situation where individuals receive assistance but live in a community where much needs to be done. A bridge must be erected to connect employable individuals with opportunities that meet the economic and social needs of their communities. The Commission believes such a bridge can be built. What is required is far-reaching and substantial reform of social assistance to permit communities to work toward reversing the trend to ever greater levels of dependency. Reform must be innovative, allowing communities and nations to control their fate through the use of social assistance dollars for economic and social development. Only through reform can the looming social crisis be averted.

Recommendations

The Commission recommends that

2.5.47

Social assistance funds be directed toward a more dynamic system of programming that supports employment and social development in Aboriginal communities, whether in rural or urban settings.

2.5.48

Governments providing financial support for social assistance encourage and support proposals from Aboriginal nations and communities to make innovative use of social assistance funds for employment and social development purposes and that Aboriginal nations and communities have the opportunity

(a) to pursue personal development, training and employment under an individual entitlement approach, and

(b) to pursue the improvement of community infrastructure and social and economic development under a community entitlement approach.

2.5.49

In their active use of social assistance and other income support funds, Aboriginal nations and communities not be restricted to promoting participation in the wage economy but also be encouraged to support continued participation in the traditional mixed economy through income support for hunters, trappers and fishers and through other projects aimed at improving community life.

2.5.50

Aboriginal control over the design and administration of social assistance programs be the foundation of any reform of the social assistance system.

2.5.51

All governments support a holistic approach to social assistance programming for Aboriginal peoples that is

- rooted in Aboriginal society, its traditions and values;
- aimed at integrating social and economic development; and
- explicitly included in the design and operation of any new institutions or programs created to implement social assistance reform as it relates to Aboriginal people and communities.

2.5.52

Initiatives to reform the design and administration of social assistance encourage proposals from Aboriginal nations and tribal councils, acting on behalf of and in co-operation with their member communities.

2.10 Conclusion

As this chapter has illustrated, among the many economic issues facing Aboriginal nations and their communities, three stand out:

- the need to develop stronger, more self-reliant Aboriginal economies to accompany and sustain self-government;
- the need to eliminate the sharp inequalities in employment and incomes that separate Aboriginal people from Canadian standards; and
- the need to come to grips with the rapid increase in the Aboriginal population, which provides thousands of new entrants to the labour market each year.

We have emphasized that economic development is a process in which the principal participants are Aboriginal individuals, communities and nations. The most Aboriginal and non-Aboriginal governments can do is facilitate the process of change — to set the stage for economic development, remove barriers, create opportunities in some cases, and provide support. In some cases, Aboriginal governments may also own and manage business ventures on behalf of their communities.

In carrying out this enabling role, governments need to be clear about the goals Aboriginal individuals and collectivities want to achieve. They need to recognize that these goals are often significantly different from those of other

Canadians. They also reflect diverse Aboriginal cultures and circumstances.

The most important steps non-Aboriginal governments can take to facilitate economic development in Aboriginal communities are as follows:

- Recognize Aboriginal rights and honour and implement treaty provisions, with particular attention to the economic dimensions of those provisions. Where historical treaties have not been signed, new agreements must be concluded. In existing treaty areas, updated or additional treaties may be necessary.
- Through the treaty process and by other means outlined in this volume, make available a land and resource base that is sufficient to provide the basis for self-reliant Aboriginal economies.
- Make it possible for Aboriginal governments to regain stewardship over their own economies. Over the medium to long term, this will be accomplished as part of the process of achieving self-government. In the interim, we believe it is important for federal, provincial and territorial governments to enter into economic development agreements with Aboriginal governments, or institutions representing them, to provide multi-year funding for Aboriginal-controlled economic development programs and projects.

Aboriginal governments, for their part, need to be particularly concerned with institutional and human resource development. They need to establish institutions for economic development that are legitimate in the eyes of their people and consistent with their cultures and traditions. These institutions need to be accountable but also have authority to make day-to-day decisions that are economically sound and free of political interference. We have also emphasized the importance of establishing institutions at the sectoral and nation level that work out effective, co-operative relationships with community-based institutions. Finally, Aboriginal and non-Aboriginal governments need to confront the crucial task of raising general education levels and correcting the shortage of trained personnel in fields that are especially relevant to economic development.

At the level of Aboriginal business, we have discussed the community context for business development, noting the need to rekindle culture, identity and pride to promote a framework that supports and celebrates individual and group achievement in economic ventures. We have emphasized the need for professional business advisory services for businesses starting out and in their

early stages of development. We have made several recommendations for improving access to markets: the pursuit of import substitution strategies, an effective set-aside program for Aboriginal businesses on the part of governments and major resource companies, and the strengthening of institutional capacity to identify appropriate markets and promote sales.

Improving access to banking services and to sources of capital is particularly important. We urge banks, credit unions and trust companies to make banking services available in or near all Aboriginal communities. We support the use of micro-business lending and revolving loan funds and the expansion of programs to provide equity financing. In addition, we see a need to strengthen Aboriginal capital corporations, broaden the availability of tax credits for those who invest in venture capital funds that directly benefit Aboriginal communities, and establish a Canada-wide Aboriginal development bank.

Measures to strengthen the economic capacity of Aboriginal nations, communities and businesses have little meaning if they do not bring with them improvements in the economic situation of individuals and families. Our analysis of the steps needed to improve individual and family prospects began with the estimate that more than 300,000 jobs will have to be created by 2016 to accommodate the rapidly growing Aboriginal labour force and achieve parity with overall Canadian employment levels. Respondents to the Aboriginal peoples survey gave their own assessment of the obstacles to employment: the lack of available jobs, but also the mismatch between their education and work experience and the requirements of the jobs that were available. Other important barriers were the lack of job information, the threat or reality of discrimination ('being Aboriginal'), and the lack of child care.

To address these obstacles, major employers in the private and public sector should co-operate with the leadership of Aboriginal organizations in a special 10-year education, training and employment initiative. Its goal will be to provide education, training and jobs for Aboriginal individuals, but also to develop the personnel that Aboriginal nations and their communities need as they regain stewardship of their economies. In addition, we have outlined a new approach to employment equity programs, an expansion and strengthening of the role of Aboriginal employment services agencies, and the provision of culturally appropriate and affordable child care. We also underline the importance of job creation in the Canadian economy as a whole.

Education and training arise in virtually all aspects of economic development discussed here. While these issues are dealt with more fully in Volume 3,

Chapter 5, our analysis in this chapter has revealed the generally positive link between higher levels of education and training and labour force participation and employment rates. We have also identified particular problem areas — the low education level of the older age groups, low levels of high school completion among young persons, weaknesses in preparation for post-secondary math and science programs (and the professions that draw on these disciplines), low levels of university completion, and the scarcity of Aboriginal students graduating from programs of study vital to the development of Aboriginal economies.

Finally, we recognize that in many Aboriginal communities most of the population derives income not from employment but from social assistance and other forms of income transfers. The way social assistance programs are designed and regulated provides income support at a minimal level but also places barriers in the way of more innovative and potentially more effective ways of using these funds — for example, to support individual training and employment or community social and economic development. Individual entitlement arrangements, with control vested in Aboriginal nations and their communities, can continue, but Aboriginal people should also have the opportunity to receive social assistance funds under a community entitlement approach through which they can support economic development and community infrastructure projects. Under either the individual or the community entitlement approach, social assistance funds should be provided as a block grant, with the flexibility to combine these funds with other resources such as capital funds and training moneys. If pursued vigorously, these and the other measures we propose would help to generate a momentum that would result, over time, in strong, self-reliant Aboriginal communities that are both economically and socially healthy and vibrant.

Notes:

1 The proceedings of the National Round Table on Aboriginal Economic Development and Resources were published in Royal Commission on Aboriginal Peoples [RCAP], *Sharing the Harvest: The Road to Self-Reliance* (Ottawa: Supply and Services, 1993). See *A Note About Sources* at the beginning of this volume for information about RCAP publications.

2 Robert McGhee, *Ancient Canada* (Ottawa: Canadian Museum of Civilization,

1989).

3 Martin Weinstein, "The Ross River Dena: A Yukon Aboriginal Economy", research study prepared for RCAP (1993). For information about research studies prepared for RCAP, see *A Note About Sources* at the beginning of this volume.

4 From interviews of elders by Michael Smith, in Roxanne Warrior, "Case Study of the Economy of the Peigan Nation", research study prepared for RCAP (1993).

5 McGhee, *Ancient Canada* (cited in note 2).

6 Dan Gillis, *Impact Assessment: The Loss of Ten Seine Vessels from the Alert Bay Fishing Fleet* (Alert Bay, B.C.: Nimpkish Indian Band, 1983).

7 Simon Brascoupé, "Kitigan Zibi Anishinabeg Economic Case Study", research study prepared for RCAP (1994).

8 D.J. Gillis et al., "Case Study of the Alert Bay Aboriginal Economy", research study prepared for RCAP (1995).

9 Larry Heinemann, "Metis Economic Development in Regina: A Case Study in the Aboriginal Economies Research Series", research study prepared for RCAP (1993).

10 *An Act for the Gradual Enfranchisement of Indians, the Better Management of Indian Affairs, and to Extend the Provisions of the Act, 31st Victoria, Chapter 42, S.C. 1869, 32-33 Vict., c. 6.*

11 David Newhouse et al., "The Six Nations Economy: Its Development and Prospects", research study prepared for RCAP (1994).

12 Hugh A. Dempsey, "The Peigan Indians", *Glenbow* 5/5 (September-October 1972), p. 4.

13 Peter Douglas Elias, *The Dakota of the Canadian Northwest: Lessons for Survival* (Winnipeg: University of Manitoba Press, 1988).

14 Sarah Carter, *Lost Harvests: Prairie Indian Reserve Farmers and Government Policy* (Montreal and Kingston: McGill-Queen's University Press, 1990).

15 Several of the community case studies of Aboriginal economies conducted for the Commission note the lack of knowledge about reserve economies and the lack of collaborative action on the part of municipalities surrounding reserves.

16 See Volume 1, Chapter 11 and RCAP, *The High Arctic Relocation: A Report on the 1953-55 Relocation* (Ottawa: Supply and Services, 1994).

17 For an overview of these effects, see David DesBrisay, "The Impact of Major Resource Development Projects on Aboriginal Communities: A Review of the Literature", research study prepared for RCAP (1994).

18 For the most part, provincial and territorial programs are similar to federal programs, differing primarily in scale and scope rather than in kind. For a review of provincial approaches, see John Loxley, "The Economics of Community Development", report prepared for the Native Economic Development Program (Winnipeg: 1986).

19 Aboriginal CAEDS Assessment Project, "An Aboriginal Community Perspective of the Canadian Aboriginal Economic Development Strategy", prepared for Aboriginal communities and the government of Canada (Ottawa: 1994).

20 H.B. Hawthorn, ed., *A Survey of the Contemporary Indians of Canada: A Report on Economic, Political, Educational Needs and Policies* (Ottawa: Indian Affairs, 1966), Volume 1, p. 13.

21 Peter Douglas Elias, *Development of Aboriginal People's Communities* (North York: Centre for Aboriginal Management Education and Training (CAMET) and Captus Press, 1991), p. 9.

22 First Nations Management, "Aboriginal Economic Development in Canada", research study prepared for RCAP (1994).

23 Loxley, "The Economics of Community Development" (cited in note 18).

24 The Indian Community Human Resource Strategy was merged with the Canadian Aboriginal Economic Development Strategy (CAEDS) in 1992-1993.

25 Manitoba Indian Brotherhood Inc., *Wahbung: Our Tomorrows* (Winnipeg: Manitoba Indian Brotherhood, 1971), pp. xv-xvi.

26 Yukon Native Brotherhood, "Together Today For Our Children Tomorrow: A Statement of Grievances and an Approach to Settlement by the Yukon Indian People" (Whitehorse: Council for Yukon Indians, 1973).

27 National Indian Brotherhood, *A Strategy for the Socio-Economic Development of Indian People* (Ottawa: National Indian Brotherhood, 1976); Jack Beaver, *To Have What Is One's Own* (Ottawa: National Indian Socio-Economic Development Committee, 1979); Aboriginal CAEDS Assessment (cited in note 19).

28 Mackenzie Valley Pipeline Inquiry, *Northern Frontier, Northern Homeland: The Report of the Mackenzie Valley Pipeline Inquiry* (Ottawa: Supply and Services, 1977); House of Commons Special Committee on Indian Self-Government, *Indian Self-Government in Canada: Report of the Special Committee* (Ottawa: House of Commons, 1983).

29 Canadian fisheries policy, for example, provides programs to assist Aboriginal fishers to acquire boats or individual fishing licences so they can participate in the coastal fishery. Until the *Sparrow* decision, there was little evidence of support for collective Aboriginal and treaty rights to fish or for the development of an Aboriginal fishery. See Parzival Copes et al., "West Coast Fishing Sectoral Study: Aboriginal Peoples and the Fishery on Fraser River Salmon", research study prepared for RCAP (1994); and GTA Consultants Inc., "Aboriginal Fisheries in the Maritimes", research study prepared for RCAP (1994).

30 Information on the Aboriginal identity population comes from Statistics Canada's 1991 Aboriginal Peoples Survey, which focused on persons who are of Aboriginal ancestry and who identify themselves as such for census purposes.

31 Allan Moscovitch and Andrew Webster, "Social Assistance and Aboriginal People", research study prepared for RCAP (1995).

32 Department of Indian Affairs and Northern Development [DIAND], "Social Assistance Dependency On Reserve: An Initial Overview of Levels and Trends", report prepared for DIAND (Ottawa: 1994).

33 The number of jobs needed to close the employment gap was calculated as follows. First, for each Aboriginal group and for the total Canadian population, the number of employed persons age 15+ was determined. Second, the number who would be employed if the Aboriginal group had the same level of employment as the total Canadian population age 15+ (61 per cent) was calculated. Subtracting the first number from the second yields the size of the employment gap. The number of jobs needed to close the employment gap for each Aboriginal group adds to more than the number shown in the 'Total Aboriginal' column, because people were counted in more than one Aboriginal group if they gave multiple responses to the survey question on Aboriginal identity.

34 A reserve refers to designated lands that have been set aside for the use and benefit of an Aboriginal band. In total, there are some 2,400 reserves in Canada, approximately two-thirds of which are unoccupied. An Indian band may have more than one reserve location. Indian and Northern Affairs and Canadian Polar Commission, *1994-95 Estimates*, Part III (Ottawa: Supply and Services, 1994).

35 *Indian Act*, R.S.C. 1985, c. I-5, s. 2(1).

36 Metis Settlements General Council, "Aboriginal Economies Report", research study prepared for RCAP (1994).

37 André LeDressay, Delphine Pinkham, and Maria Stanborough, "Drawing Home: A CED Study of the Kamloops Urban Aboriginal Community", research study prepared for RCAP (1995).

38 S. Clatworthy, J. Hull and N. Loughren, "Patterns of Employment, Unemployment and Poverty, Part One", research study prepared for RCAP (1995).

39 Clatworthy et al., "Patterns of Employment".

40 Statistics Canada, "Schooling, Work and Related Activities, Income, Expenses and Mobility", 1991 Aboriginal Peoples Survey, Post-Censal

Surveys Program, Cat. No. 89-534 (Ottawa: Minister of Industry, Science and Technology, 1993), p. 100.

41 Statistics Canada, 1991 Aboriginal Peoples Survey, Post-Censal Surveys Program, custom tabulations (Ottawa: 1991).

42 The concepts of 'enclave' and 'interwoven' economies is derived from David Newhouse and Ken Paul, "Indian Reserve Economies as Enclave Economies" (Peterborough: Department of Native Studies, Trent University, 1990).

43 S. Clatworthy, "The Migration and Mobility Patterns of Canada's Aboriginal Population", research study prepared for RCAP (1995), Table 55, p. 259.

44 Statistics Canada, "Age and Sex", 1991 Census of Canada and 1991 Aboriginal Peoples Survey, Table 2, Cat. No. 94-327 (Ottawa: Industry, Science and Technology, 1993); and "Mother Tongue: Twenty Percent Sample Data", 1991 Census, Cat. No. 93-333 (Ottawa: Industry, Science and Technology, 1992).

45 RCAP, transcripts of the National Round Table on Aboriginal Urban Issues, Edmonton, Alberta, 21-23 June 1992.

46 Statistics Canada, 1991 Aboriginal Peoples Survey (cited in note 41), custom tabulations.

47 Statistics Canada, 1991 Aboriginal Peoples Survey, custom tabulations. This matter was also raised by the Ontario Native Women's Association (see Ontario Native Women's Association, *Anishnabequek & Their Families in Ontario*, brief submitted to RCAP (1993), p. 15. For information about briefs submitted to RCAP, see *A Note About Sources* at the beginning of this volume.

48 For a more thorough explanation of the strategies described in this chapter, see John Loxley et al., "Aboriginal People in the Winnipeg Economy: Case Study", research study prepared for RCAP (1994).

49 Statistics Canada, "Census Divisions and Census Subdivisions", 1991 Census, Cat. No. 93-304 (Ottawa: Industry, Science and Technology, 1992).

50 The North is the homeland of many nations, including the Northern and Southern Tutchone, Han, Kaska, Tlingit, Tagish, Gwich'in, Inuvialuit, Sahtu

Dene, Deh Cho Dene, Dogrib, Sayisi Dene, Métis, Cree, Algonquin, Inuit and Innu. Table 5.10 shows the relative number of Aboriginal people in each region of the North.

51 Most commonly, groups of about 50 related people were the primary focus of identification, though in most situations such groups would come together in larger gatherings for specific purposes.

52 Perhaps the most important feature of pre-contact northern economies was knowledge: the science, technology and moral basis of traditional land use, based in what is sometimes called traditional environmental knowledge. A deep understanding of the characteristics of the animal populations upon which people depended for food and other necessities, insight into climatic, game and other cycles, and strong geographical knowledge were all requirements for successful hunting, fishing and gathering and remain so today.

53 Sinaaq Enterprises, "Community Economic Case Study: Nain, Labrador", research study prepared for RCAP (1994).

54 Price Waterhouse, "Aboriginal Participation in the Minerals Industry", research study prepared for RCAP (1993); Jon Pierce and Robert Horal, "Aboriginal People and Mining in Nunavut, Nunavik and Northern Labrador", research study prepared for RCAP (1994).

55 Michael Prince and Gary Juniper, "Public Power and the Public Purse: Governments, Budgets and Aboriginal Peoples in the Canadian North", research study prepared for RCAP (1995).

56 Kenneth Rea, *The Political Economy of the Canadian North: An Interpretation of the Course of Development in the Northern Territories of Canada to the Early 1960s* (Toronto: University of Toronto Press, 1968); Frances Abele, "Canadian Contradictions: Forty Years of Northern Political Development", *Arctic* 40/4 (December 1987), p. 310; Shelagh D. Grant, *Sovereignty or Security? Government Policy in the Canadian North 1936-1950* (Vancouver: University of British Columbia Press, 1988); G. Robertson, *Northern Provinces: A Mistaken Goal* (Montreal: Institute for Research on Public Policy, 1985); Prince and Juniper, "Public Power and the Public Purse".

57 Ken Coates has gathered the data for Aboriginal peoples who were living in

what is now the Yukon Territory. See Ken S. Coates, *Best Left as Indians: Native-White Relations in the Yukon Territory, 1840-1973* (Montreal and Kingston: McGill-Queen's University Press, 1991). Yupik Harold Napoleon has drawn a powerful analogy between these effects and post-traumatic stress syndrome identified in the aftermath of the war in Vietnam. See Y.H. Napoleon, *Yuuyaraq: The Way of the Human Being*, ed. Eric Madsen (Fairbanks: Center for Cross Cultural Studies, University of Alaska, 1991).

58 Mackenzie Valley Pipeline Inquiry (cited in note 28).

59 The first to be negotiated was the James Bay and Northern Quebec Agreement, negotiated with the Crees and Inuit of northern Quebec (1975). This was followed by seven further agreements. See Quebec, *James Bay and Northern Quebec Agreement and Complementary Agreements* (Quebec City: Publications du Québec, 1991).

60 Special Committee on the Northern Economy, Legislative Assembly of the Northwest Territories, *Coping with the Cash: A Financial Review of Four Northern Land Claims Settlements with a View to Maximizing Economic Opportunities from the Next Generation of Claim Settlements in the Northwest Territories* (Yellowknife: N.w.T. Legislative Assembly, 1989). These factors seem likely to affect most or all of the comprehensive claims. See Letha Maclachlan, "Northern Comprehensive Land Claims Agreements", research study prepared for RCAP (1993).

61 Maclachlan, "Northern Comprehensive Land Claims"; and ATII Training Inc., "Northern Education and Training Systems for Inuit: A Strategic Analysis", research study prepared for RCAP (1993).

62 Stephen Cornell and Joseph Kalt, "Reloading the Dice: Improving the Chances for Economic Development on American Indian Reservations", in *What Can Tribes Do? Strategies and Institutions in American Indian Economic Development*, ed. Cornell and Kalt (Los Angeles: American Indian Studies Center, University of California, 1992), p. 14. The list of ingredients for economic development referred to below appears on pp. 8-10.

63 Gillis et al., "Case Study of the Alert Bay Aboriginal Economy" (cited in note 8).

64 This section benefits from the discussion in "Economic and Social

Development: Treaty Foundations", in Thalassa Research, "Nation to Nation: Indian Nation-Crown Relations in Canada", research study prepared for RCAP (1994).

65 James Morrison, "The Robinson Treaties of 1850: A Case Study", research study prepared for RCAP (1993).

66 Quotations are from the text of the treaty reproduced in Union of Nova Scotia Indians and Native Council of Nova Scotia, *The Mi'kmaq Treaty Handbook* (Sydney and Truro, Nova Scotia: Native Communications Society of Nova Scotia, 1987).

67 William S. Grodinsky, "For the Benefit of All: Report on Aboriginal Business Management Development" (Montreal: Aboriginal Industries Committee, 1991), p. 1.

68 Joseph P. Kalt, "Sovereignty and Economic Development on American Indian Reservations: Lessons from the United States", in RCAP, *Sharing the Harvest* (cited in note 1), p. 41.

69 Loxley et al., "Aboriginal People in the Winnipeg Economy" (cited in note 48).

70 Kalt, "Sovereignty and Economic Development" (cited in note 68), pp. 37, 41.

71 Lester Lafond, "Historical Use of Lands and Resources", in RCAP, *Sharing the Harvest* (cited in note 1), p. 66.

72 Aboriginal CAEDS Assessment Project (cited in note 19).

73 Cornell and Kalt, "Reloading the Dice" (cited in note 62).

74 The community case studies prepared for RCAP are as follows: Del Anaquod and Vikas Khaladkar, "Case Study æ The First Nations Economy in the City of Regina (1993); Stephen Augustine, Tammy Augustine, Beatrice Francis, Richard Lacasse, Berthe Lambert, and Darlene Sock, "Economic Profile of Big Cove — Case Study Analysis" (1994); Brascoupé, "Kitigan Zibi Anishinabeg Economic Case Study" (cited in note 7); Gillis et al., "Case Study of the Alert Bay Aboriginal Economy" (cited in note 8); Institut Culturel et

Éducatif Montagnais, "Development and Entrepreneurship in the Montagnais Communities of Quebec" (1993) [translation]; Lac Seul First Nation, "*Pizaaniziwin* (Living a Life in Balance and Moderation); *Giigaagaashgitoomin Kehonjehbimaachi-itizoyung* (We Have the Ability to Make our Livelihood); and The Economy of the Obishikokaang (Lac Seul) Anishinaabeg" (1994); LeDressay et al., "Drawing Home" (cited in note 37); Loxley et al., "Aboriginal People in the Winnipeg Economy (cited in note 48); Gwen Reimer and Andrew Dialla, "Case Study of an Inuit Economy: Pangnirtung, Northwest Territories" (1994); Sasknative Economic Development Corporation, "Métis Economic Development in Regina" (1994); Sinaaq Enterprises, "Economic Case Study — Nain, Labrador" (cited in note 53); Gary Tompkins et al., "La Loche Community Case Study" (1995); Warrior, "Economy of the Peigan Nation" (cited in note 4); and Weinstein,

"The Ross River Dena" (cited in note 3).

75 Our case study at Six Nations, however, shows that slow and delicate progress is being made by the two forms of government in working out ways of living together. See Newhouse et al., "The Six Nations Economy" (cited in note 11).

76 Gillis et al., "Case Study of the Alert Bay Aboriginal Economy" (cited in note 8).

77 See, for example, the description of the "Keep Our Circle Strong" project in Warrior, "Case Study of the Economy of the Peigan Nation" (cited in note 4).

78 Stewart A. Perry, "An Assessment of the U.S. Experience for Purposes of Canadian Development Policy, Paper 1 of The Community as a Basis for Regional Development", in *Regional Development from the Bottom Up*, ed. Mike Lewis (Vernon, B.C.: Westcoast Development Group, 1993) [note omitted].

79 Michael B. Decter and Jeffrey A. Kowall, "A Case Study of the Kitsaki Development Corporation, La Ronge Indian Band, La Ronge, Saskatchewan", local development paper No. 5 (Ottawa: Economic Council of Canada, October 1989).

80 Newhouse et al., "Case Study of the Six Nations Economy" (cited in note 11).

81 LeDressay et al., "Drawing Home" (cited in note 37).

82 Copes et al., "West Coast Fishing Sectoral Study" (cited in note 29). See also GTA Consultants Ltd., "Aboriginal Fisheries in the Maritimes" (cited in note 29).

83 William J. Hatton and Associates, "Métis Involvement in Northern Saskatchewan Mining Sectoral Study", research study prepared for RCAP (1993), p. 3.

84 Jeffrey Davidson, "Rethinking Aboriginal Participation in the Minerals Industry: An Exploration of Alternative Modes", research study prepared for RCAP (1994). See also Price Waterhouse, "Aboriginal Participation in the Minerals Industry" (cited in note 54). For commentary on the oil and gas sector, see Begley Consulting Ltd., "Oil and Gas Sectoral Study", research study prepared for RCAP (1993).

85 Garry Merkel, Frank Osendarp and Peggy Smith, "Sectoral Study: Forestry. The Forest Industry's Relationship with Aboriginal Peoples", research study prepared for RCAP (1994).

86 Cluff Lake Board of Inquiry, *The Cluff Lake Board of Inquiry Final Report* (Regina: Government of Saskatchewan, 1978), p. 206.

87 Hatton, "Northern Saskatchewan Mining Study" (cited in note 83), pp. 61-68.

88 Auditor General of Canada, "Department of Indian Affairs and Northern Development", in *Report of the Auditor General of Canada to the House of Commons 1992* (Ottawa: Supply and Services, 1992), p. 368.

89 Davidson, "Rethinking Aboriginal Participation in the Minerals Industry" (cited in note 84).

90 Davidson, "Rethinking Aboriginal Participation in the Minerals Industry".

91 GTA Consultants, "Aboriginal Fisheries in the Maritimes" (cited in note 29), p. 48.

92 Copes et al., "West Coast Fishing Sectoral Study" (cited in note 29).

93 GTA Consultants, "Aboriginal Fisheries in the Maritimes" (cited in note 29). A strong argument for sectoral organizations in agriculture is made by C.M. Williams, "Sectoral Study: Agriculture", research study prepared for RCAP (1993).

94 Auditor General of Canada, *Report to the House of Commons 1992* (cited in note 88), p. 368.

95 Sarah Carter, *Lost Harvests* (cited in note 14), p. ix.

96 See Volume 4, Chapter 5. There were, however, some attempts to establish Métis land reserves or co-operative farms, including the Alberta Metis Settlements and the Saskatchewan Farm Co-op Experiment. For a brief history of Métis agriculture, see Richard Fulham, *A Report on Metis Agriculture in Canada*, prepared for the Industrial Adjustment Committee on Aboriginal Agriculture (Winnipeg: 1992); and Richard Fulham, "An Historical Review of Métis Agriculture and Its Current Status in Canada", research study prepared for RCAP (1993).

97 Williams, "Sectoral Study: Agriculture" (cited in note 93), pp. 60-61.

98 For example, grant conditions required projects to employ at least three people and the applicant to contribute 20 per cent of the total equity; see Fulham, "A Report on Metis Agriculture" (cited in note 96), pp. 12-13. For ARDA, see R.S.C. 1985, c. A-3. Discussion of Special ARDAs can be found in *Special ARDA in Relation to the Future Direction of Native Socioeconomic Development* (Ottawa: Department of Regional Economic Expansion, 1978). A description of ERDAs can be found in *Federal-Provincial Programs and Activities: A Descriptive Inventory, 1993-1994 and 1994-1995* (Ottawa: Privy Council Office, 1995).

99 Williams, "Sectoral Study: Agriculture" (cited in note 93).

100 Williams, "Sectoral Study: Agriculture".

101 Williams, "Sectoral Study: Agriculture".

102 Warrior, "Economy of the Peigan Nation" (cited in note 4).

103 Craig Fossay and David Cassie, *A Foundation for Change — A Profile of the First Nations Agricultural Sector* (Winnipeg: Peat Marwick, Stevenson and Kellogg, 1993), pp. 11, 14, 20. This report draws on data provided by the Manitoba Aboriginal Resources Association, whose information base in 1991 included data on 122 of the province's estimated 165 to 200 active Aboriginal farmers.

104 Fulham, "A Historical Review of Metis Agriculture" (cited in note 96), p. 85. Fulham estimates there are approximately 450 Métis farmers in the three prairie provinces. His sample of 80 respondents is not necessarily representative of the entire group.

105 Williams, "Sectoral Study: Agriculture" (cited in note 93).

106 Williams, "Sectoral Study: Agriculture". See also Fossay and Cassie, *First Nations Agricultural Sector* (cited in note 103), p. 26.

107 Fulham, "A Historical Review of Metis Agriculture" (cited in note 96), pp. 81-82.

108 Claudia Notzke describes two incidents where "uneasy neighbours" stood in the way of attempts by Indian bands to expand their reserve land base; see *Aboriginal Peoples and Natural Resources in Canada* (North York: Captus Press Inc., 1994), pp. 181-182.

109 Notzke, *Aboriginal Peoples*, p. 179. See also Warrior, "Economy of the Peigan Nation" (cited in note 4).

110 Notzke, *Aboriginal Peoples*, p. 180.

111 Fulham, "A Historical Review of Metis Agriculture" (cited in note 96), pp. 82-84.

112 Williams, "Sectoral Study: Agriculture" (cited in note 93).

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128 Obonsawin-Irwin Consulting Inc., "Fostering the Growth of the Aboriginal Business Sector", policy paper prepared for RCAP (1994).

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130 Canadian Executive Service Organization, brief submitted to RCAP (1992). The brief stresses the importance of business advice, not only before businesses start up but also in the early stages of their operations.

131 Gasse et al., "Development of Entrepreneurship" (cited in note 123), p. 10.

132 This finding and subsequent examples in the chapter come from interviews conducted with managers of community-owned enterprises by Dr. Lorne Ellingson of Toronto Consultants International Ltd. on behalf of RCAP.

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134 Interview with Fred Hall, reported in Lorne Ellingson, "Community-Owned Enterprises" (Toronto: Toronto Consultants Ltd., 1995), p. 14.

135 Robert Louie, Chief of the Westbank First Nation, quoted in Ellingson, "Community-Owned Enterprises", p. 14.

136 Interview with Gary Kijowski, reported in Ellingson, "Community-Owned

Enterprises", p. 14.

137 Peter Quaw, Chief of the Lheit-Lit'en Nation, speaking at the conference "Doing Business with Aboriginal Canada" (Toronto: *The Financial Post*, 21 April 1994).

138 Industry Canada, *Agenda: Jobs and Growth: Building a More Innovative Economy* (Ottawa: Supply and Services, 1994), p. 22. Since this policy document was issued, Industry Canada has encountered strong opposition from the business community to the idea of set-asides for small business. While a cautious initiative is proceeding at DIAND, mostly for on-reserve businesses, Industry Canada is attempting to make the government's open bidding system more accessible to suppliers in general rather than giving preference to particular segments of the business sector.

139 Canadian Council for Aboriginal Business, "Presentation to the Royal Commission on Aboriginal Peoples, Spring, 1993", brief submitted to RCAP (1993), pp. 32, 33.

140 See, for example, *Canadian Business Speaks Out on Access to Capital* (Ottawa: Canadian Labour Market and Productivity Centre, 1995).

141 Fulham, "An Historical Review of Métis Agriculture" (cited in note 96).

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148 Economic Development for Canadian Aboriginal Women (EDCAw), "Access to Financial Institutions by Aboriginal Business Women", brief submitted to RCAP (1994).

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151 Loxley et al., "Aboriginal People in the Winnipeg Economy" (cited in note 48).

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163 Giokas, "The *Indian Act*".

164 Giokas, "The *Indian Act*".

165 *Guerin v. R.*, [1984] 2 S.C.R. 335; *R. v. Sparrow*, [1990] S.C.R. 1075.

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222 The legacy of the ration system is not to be underestimated: 'welfare' and 'rations' are still synonymous in many communities. One Aboriginal man told our researchers about his memories of the ration system. Because only certain items in the local store were set aside as relief rations, people on welfare in his community were recognizable by the type of jeans and checked shirts they wore.

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