

**Applied Research Branch  
Strategic Policy  
Human Resources Development Canada**

**Economic Performance of Off-Reserve  
Aboriginal Canadians  
A Study of Groups at Risk of Social Exclusion**

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**by  
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## Summary

Aboriginal people have already been identified as belonging to those groups of people who are most at risk of experiencing social exclusion in Canada. This document does not seek to compare Aboriginal people with the rest of the Canadian population but rather with the members of other high risk groups. Specifically, it examines, from a longitudinal perspective, the relative economic performance of a specific group of Aboriginal people, those living off reserve, and attempts to understand why they do better in economic terms than the members of the other high risk groups. Essentially, it finds that:

- Despite the fact that off-reserve Aboriginal people do not have a high level of education, their mobility out of the Aboriginal group is rare and they generally have more risk factors than people belonging to other high risk groups, their participation in the labour market is higher and more stable than the latter's.
- Their relatively favorable situation in the labour market enables off-reserve Aboriginal people to more frequently escape persistent poverty than members of the other high risk groups.
- This stronger economic performance is in large part attributable to a specific group of off-reserve Aboriginal people, these being the ones that are not registered under Canada's *Indian Act*.



## Acknowledgements

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## 1. Introduction

The Applied Research Branch, under its agenda for research into social exclusion, has identified Aboriginal people as being one of the five groups of people who are the most at risk of being poor or socially excluded. The four other high risk groups are those who belong to single parent families, people with work limitations, recent immigrants and people aged 45 to 64 who live alone. The purpose of this project is not to confirm yet again the existence of these high risk groups but rather to compare them among themselves. While seeking to determine whether some of these groups manage better than others in economic terms, it was determined that, surprisingly, off-reserve Aboriginals are the ones displaying the best overall performance among high risk groups. Thus, this study more specifically seeks to identify this fact and understand what lies behind it.

To this end, after a brief discussion of the concept of social exclusion, the database used (The Survey of Labour and Income Dynamics) will be presented and the chosen measure of poverty (persistent poverty) along with the technical details related to the manipulation of data will be set out. Then, the descriptive statistics on persistent poverty in the different groups will be presented to clearly illustrate the stronger economic performance of off-reserve Aboriginal people. The next sections will be dedicated to, first, the presentation of the four most plausible explanations to explain this fact and, second, to the presentation of the reasons that effectively explain their strong performance in terms of persistent poverty compared to the other high risk groups. Finally, the key points of the study will be summarized in the conclusion.

## **2. Background**

### **2.1 Social exclusion**

For many years, social exclusion has been a phenomenon of increasing concern to researchers, decision-makers and the population at large. But, while the concept of exclusion is currently the topic of numerous discussions, a consensus has yet to be reached in the literature as to its definition. Several definitions have been proposed, especially in Europe, where the concept of social exclusion emerged in the 80s. Tony Blair, for instance, stated (1999) that social exclusion might exist “when individuals or areas suffer from a combination of linked problems such as unemployment, poor skills, low incomes, poor housing, high-crime environment, bad health and family breakdown.” More generally, Eurostat, the statistical office of the European Commission (2000), sees social exclusion as a “multidimensional phenomenon which prevents people from fully participating in society.”

Nonetheless, from the theoretical point of view, there is agreement on certain points. First, social exclusion is a broader phenomenon than poverty. In other words, exclusion is not only caused by insufficient material resources but also by socio-demographic and cultural factors. Second, social exclusion is relative to a given period and a given society. Indeed, the notion of exclusion appeared at a time of economic growth when long-term unemployment was becoming increasingly frequent. Since this increasing unemployment was occurring at the same time as a growing social recognition of the value of work, some people who did not have access to stable employment began feeling as though they were not an integral part of society. However, while unemployment led to recognition of the potential marginalization of certain members of our communities, like poverty, it did not necessarily imply social exclusion. Finally, social exclusion is a dynamic phenomenon, which means that it is generally the result of a permanent or long-term situation rather than a temporary one.

### **2.2 Measuring social exclusion**

Despite the persistent ambiguities related to the concept of social exclusion, there is agreement on one thing: social exclusion exists and can have detrimental effects on the current and future wellbeing of parents and children who are its victims. Thus, inclusion (as opposed to exclusion) appears to be unanimously accepted as one of the most valued social objectives in Canada, as in

most industrialized countries. In order to achieve this objective, policies have to be effectively targeted to groups of individuals or communities that are most at risk of experiencing social exclusion, while identifying the characteristics that help avoid or that promote their exclusion. Nonetheless, the constraints imposed by the availability of data make it very difficult, if not impossible, to take into account all of the dimensions of social exclusion in research. Those who try to measure social exclusion must greatly simplify its definition. Most studies attempting to quantify exclusion restrict its definition to the economic dimension. In effect, they use the low income variables as indicators of the risk of social exclusion.

In fact, this is what the Applied Research Branch (ARB) at Human Resources Development Canada did in connection with its research agenda on social exclusion. The ARB first focused on the “incidence” of post-income tax<sup>1</sup> low income among Canadians under 65 years of age.<sup>2</sup> This enabled it to identify certain groups of individuals who were much more likely than others to have low incomes in any given year and, consequently, were much more at risk of experiencing social exclusion. These groups, which it called “high risk groups” comprise single-parent families, Aboriginal Canadians, people who immigrated to Canada within the ten years preceding the year of observation, people with work limitations caused by physical or mental disabilities and people aged 45 or older living alone.

In order to stay as close as possible to the study of the real phenomenon of social exclusion, the ARB then integrated into its research the dynamic nature of low income situations. Using longitudinal data, it looked at the “time” spent in a low income situation. Looking at the dynamic nature of poverty, Ross Finnie demonstrated (1999) on behalf of the ARB that there were two distinct groups of poor:<sup>3</sup> those who are so temporarily and those who remain so for long periods of time. It so happens that the members of our high risk groups are also those in the Canadian population who are most likely to experience long stretches of low income and, therefore, belong to the second group.

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<sup>1</sup> Using post-income tax income instead of pre-income tax income makes it possible to take into account the effects of redistribution under the existing tax regime. For more information about the pros and cons of using post-income tax low income see Cathy Cotton and Maryanne Webber, Sept. 2000.

<sup>2</sup> The ARB studied this target population because people over 65 years of age are less susceptible than the rest of the population to experience periods of low income, given their income from government pension plans.

<sup>3</sup> The measurement of poverty is also the subject of debates in the literature. In this document, a person is deemed to be “poor” or “low income” if his/her net family income is lower than the low income cutoff (LICO) after transfers and taxes (1992 base). The low income cutoff is defined by Statistics Canada.

### **3. Purpose of this study**

In this paper, the high risk groups are studied from a longitudinal perspective. But, the purpose is no longer to confirm their existence by comparing them to the rest of the Canadian population but rather to compare them amongst themselves. According to the short and long-term economic indicators, individuals belonging to high risk groups are definitely more likely than the rest of Canadians to meet the economic criteria of risk of social exclusion. Nonetheless, this does not necessarily imply that they all have low incomes, that they all face the same problems and that they should all be treated the same way to promote their social inclusion. Individuals belonging to these groups have their special characteristics and the reasons why some of them escape poverty while others experience long periods of poverty might differ between groups. Thus, it seems appropriate to start by determining whether the members of some of these groups do better or worse than others from an economic point of view and to explain any differences that might exist.

## 4. The methodology

In order to do this, a measure of persistent poverty proposed by Morissette and Zhang (2001) in *Experiencing Low Income for Several Years*, will be mainly used. Instead of calculating the number of consecutive years that each person spends in a low income situation, this measure determines which individuals had a total post-income tax income between 1993 and 1998 that was less than the total post-income tax low income cutoffs associated with them during those years.<sup>4</sup> Determining the number of years spent below the low income cutoff for each individual gives an idea of the time spent in poverty. However, it gives no indication of the severity of the poverty he/she faced. It is quite possible that a person belonging to a family below the low income cutoff in one year but not the following would have experienced worse overall poverty than an individual who spent both those years under the low income cutoff. Taking into account persistent poverty not only gives a picture of the “time” but also the “severity” of the low income situation. This is a measure sensitive not only to the fact that a person experienced poverty at least once during a period but also of the average gap between their income and the low income cutoff during the period of poverty.

Thus, in this study, a person is deemed to have experienced a period of persistent poverty between 1993 and 1998 if and only if:

$$\sum_{t=y} IAT_t < \sum_{t=y} LICO_t$$

where  $IAT = \text{Income after transfers and income taxes}^5$   
 $LICO = \text{Post-income tax low income cutoffs}$   
 $y = 1993, 1994, 1995, 1996, 1997, 1998$

Moreover, since researchers are interested in the groups of individuals rather than the individuals themselves, attention will focus on the rate of persistent poverty or, in other words, the proportion of individuals belonging to a given group in 1993 who experienced persistent poverty between 1993 and 1998. Naturally, a longitudinal database is needed in order to calculate this rate, which, in this case is provided by the Survey of Labour and Income Dynamics.

<sup>4</sup> The low-income cutoff associated with each individual in a given year depends on the size of the household to which he/she belonged and the size of the community where he/she lived.

<sup>5</sup> All incomes as well as low income cutoffs used in this paper are in 1993 constant dollars. It has already been observed that some individuals with family incomes that are very close to the low income cutoff enter and exit poverty with little variation in income. The use of constant dollars makes it easier to reduce this number of entries and exits since it reduces the “noise” in the data.

## 5. The data

### 5.1 Survey of Labour and Income Dynamics

The Survey of Labour and Income Dynamics (SLID) is a longitudinal database that was designed to identify the changes affecting the economic wellbeing of individuals over time as well as the factors influencing their wellbeing. The individuals selected at the outset are members of a panel and a new panel is set up every three years. Each respondent who is a member of a panel is interviewed once or twice a year for six years and asked to answer questions concerning his/her work experience, income and family situation. In order to obtain an exhaustive portrait of the families and valid cross-sectional data, information is also collected about people living at one time or another with the original respondents.

This paper uses the data from the 1<sup>st</sup> panel, which started in 1993 and ended in 1998. It comprises a representative national sample<sup>6</sup> of approximately 15,000 households or 31,000 people selected at the end of 1992 from the Labour Force Survey.

### 5.2 Subsampling criteria and technical details

While the use of a longitudinal database provides an opportunity to consider the dynamic nature of social exclusion and thereby enhances the analyses related to this theme, there are several constraints associated with the use of this data. These constraints require that those who are working with this data make, sometimes subjective, choices. First of all, they have to deal with a significant attrition problem between the first and last years of the survey. A great many people selected at the outset do not respond to the survey in subsequent years. In this case, since the researchers are interested in what happens to the initial respondents until the end of the study, only those interviewed every year between 1993 and 1998 were retained. Second, interviewing the same individuals over several consecutive years increases the risk of missing data associated with the key variables. A person may agree to disclose his/her income in a given year, but refuse the following year, in which case, unless the income is imputed for the year that he/she refused to disclose it, the longitudinal analysis of this person's income becomes very complicated since there are years in which there is no information about his/her income. However, since the

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<sup>6</sup> The sample excludes the inhabitants of the Territories, individuals residing in institutions, *those living on reserves* and the members of Canada's Armed Forces living in barracks.

SLID focuses on the dynamic study of work and income, Statistics Canada, with a few exceptions that were excluded from the subsample, has imputed income values for the missing data.<sup>7</sup> This also complicates data weighting,<sup>8</sup> processing and analysis. For instance, the analysis of the long-term economic performance of high risk groups forced the researchers to make somewhat arbitrary, although informed, choices. In order to be able to observe what happened to high risk groups in terms of persistent poverty between 1993 and 1998, these groups first had to be defined. In longitudinal analysis, the process of identifying the groups is more onerous than in cross-sectional analysis since each individual is not necessarily a member of the same group throughout the full duration of the study. Given the number of observations and the fact that the family situation might have an influence on the low income dynamics of individuals, the groups were defined according to the characteristics of the individuals at the beginning of the period in question, which was 1993.<sup>9</sup> Consequently, in order to ensure that nobody exceeded age 64 during the study period, all individuals aged over 59 in 1993 were excluded. Finally, once the selection criteria associated with attrition, the missing values and age were applied, there remained 25,519 individuals in the subsample, which, after weighting, represented a total population of 21,757,394 people.

It should also be pointed out that the study addresses the situation of individuals, not families. A longitudinal analysis of the family is practically impossible since its composition changes over time. Moreover, since the economic situation of an individual depends heavily on that of his/her family, the family's economic situation is attributed to each individual.<sup>10</sup> Similarly, in order to determine whether an individual was part of a high risk group, the characteristics of the principal income recipient<sup>11</sup> were assigned to the other members of the family. In order to justify this last choice, the authors deemed, for instance, that the members of a family in which the person with the highest income had a work limiting disability are also, from a financial point of view, likely

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<sup>7</sup> For more information about Statistics Canada's imputation techniques, see the SLID User Guide, catalogue 75M0001GPE, p. 66.

<sup>8</sup> The SLID longitudinal weighting proposed by Statistics Canada, which controls for attrition, was used.

<sup>9</sup> The researchers checked the impact of this choice ahead of time and, while it reduced the variations observed between the economic situations of high risk groups in comparison with those non-high risk, it had little impact on the overall trends observed.

<sup>10</sup> The concept of family that was used is that of the economic family, in which the members all live in the same home and are related by blood, marriage or adoption at a given time.

<sup>11</sup> The principal income recipient of the family is the one who has the highest personal income (from all sources).

to suffer the repercussions of this disability. Obviously, the same applies to individuals belonging to families in which the principal income recipient was a recent immigrant, single parent or Aboriginal person.

Consequently, an individual is in the group:

- Single parent: If he/she belonged to a single parent family in 1993.
- Unattached 45+: If he/she lived alone and was 45 years of age or over in 1993.
- Recent immigrant: If he/she was a member of a family whose principal income recipient had immigrated to Canada within the 10 years prior to 1993.
- Work-limited: If he/she belongs to a family whose principal income recipient had a work limitation in 1993.
- Off-reserve Aboriginal:<sup>12</sup> If he/she was a member of a family whose principal income recipient was an Aboriginal person living off reserve in 1993.

More generally, a person is a:

- High risk: If he/she belongs to at least one of the 5 groups at risk of social exclusion, which are Single Parent, Unattached 45+, Recent immigrant, Work-limited and Off-reserve Aboriginal.
- Non-high risk: If he/she does not belong to any of the 5 groups most at risk of social exclusion.
- Residual: If it is not clear whether he/she belongs to at least one of the 5 groups at risk of social exclusion.<sup>13</sup>

Figure 1 shows the distribution of the members of the subsample within the different groups described above.

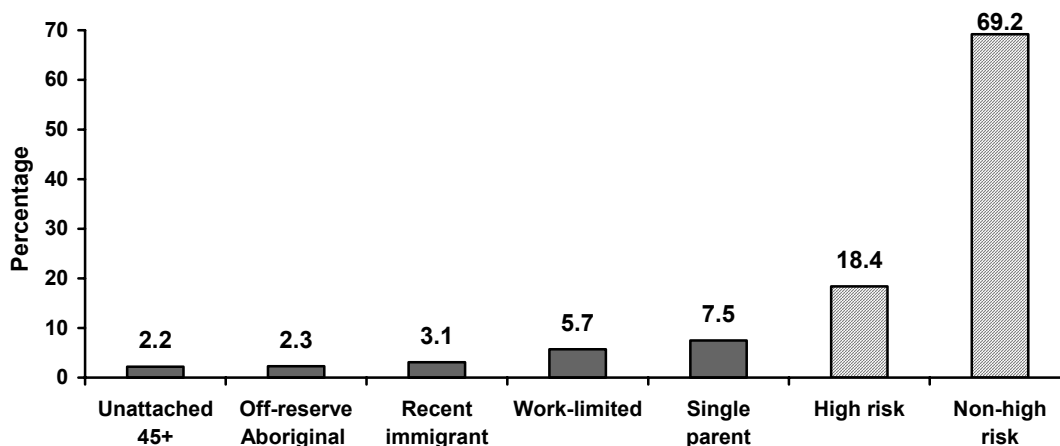
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<sup>12</sup> First, the initial SLID sample did not include individuals living on reserve. This is why only off-reserve Aboriginal people were considered. Second, in order to identify Aboriginal people living off reserve, the “employment equity” criterion was selected, which is to say that Aboriginal people living off reserve were defined as any person who has declared being an Aboriginal person by origin or is registered under Canada’s *Indian Act*.

<sup>13</sup> Some of the values on immigration, work limitations and Aboriginal status are missing. This means that some people cannot be associated with the High risk group or the Non-high risk group.



Figure 1 Distribution of People Among the Different Groups in 1993



In 1993, the largest proportion of individuals belonged to the Non-high risk group (69.2%) but 18.4% of individuals were nevertheless part of at least one of the five high risk groups.<sup>14</sup> The Unattached 45+ and Off-reserve Aboriginal groups were those at risk and within which there were the smallest percentage of people: 2.2% and 2.3% of those in the subsample.<sup>15</sup> However, this latter group is the one of interest to researchers in the next sections of the study.

<sup>14</sup> A person may belong to more than one high risk group at a time. This is why the sum of the proportions associated with each of the Single parent, Unattached 45+, Recent immigrant, Work-limited, and Off-reserve Aboriginal groups does not add up to the percentage belonging to at least one high risk group.

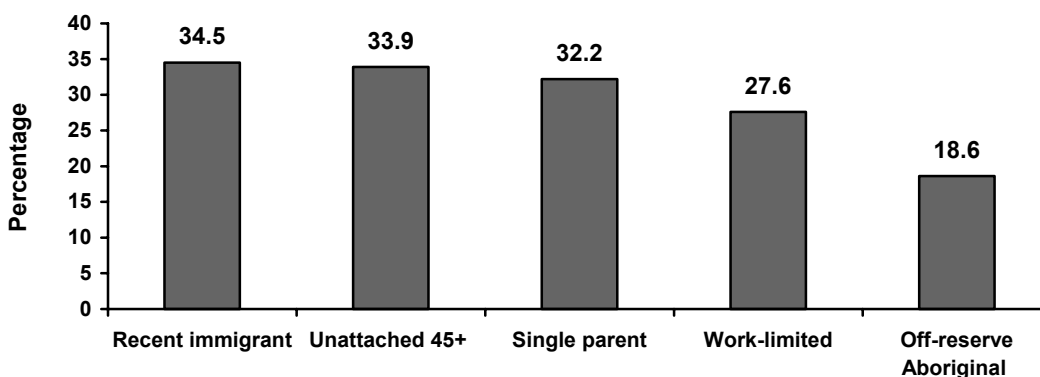
<sup>15</sup> Not weighted, the number of people belonging to each of the high risk groups varies between 395 for Recent immigrant and 1,754 for Single parent. With data from the 1<sup>st</sup> SLID panel, in order to get reliable information that meets publication standards from the weighted results, the latter had to be calculated based on at least 25 observations and, when weighted, had to be greater than or equal to 22,500 observations. The researchers adhered to these conditions throughout this study.

## 6. Off-reserve Aboriginal people and their economic situation

According to the 1996 Canadian Census, close to 800,000 individuals, which is less than 3% of the total population, declared themselves as Aboriginal people. Of these, only about 30% were living on reserve.<sup>16</sup> Only 20% of the off-reserve Aboriginal people indicated that they lived in rural areas. Moreover, more than 60% of Aboriginal people were registered under Canada's *Indian Act*. But this proportion drops considerably when one only looks at off-reserve Aboriginal people. In 1996, registered Aboriginal people only represented 46% of the Aboriginal population living off reserve compared with 98% living on reserve.

These differences in terms of where they lived and their status suggest that Aboriginal people are not all living under the same conditions and that some of them might be more at risk of social exclusion than others. We should first look at how off-reserve Aboriginal people manage from an economic point of view, compared to the other high risk groups.

Figure 2 **Rate of Persistent Poverty Between 1993 and 1998, by Group**



The above figure clearly indicates that, among high risk groups, the Off-reserve Aboriginal group is the one in which members were least likely to have experienced a period of persistent poverty in the last few years. The proportion who experienced persistent poverty between 1993 and 1998 (18.6%), while greater than those non-high risk (4.8%), is one-half to two-thirds that observed in each of the other high risk groups (varying between 27.6% and 34.5%).

As was briefly indicated in the methodology section, three factors could influence the rate of persistent poverty in each of the groups: the proportion of individuals who experienced poverty

<sup>16</sup> This figure excludes the inhabitants of the 77 reserves who did not take part in the Census, accounting for approximately 44,000 individuals.

during the period under study, the average difference between family income and the low income cutoff and the average amount of time spent in poverty among those who experienced it. Thus, it is interesting to observe which of these factors best explains the fact that the members of the Off-reserve Aboriginal group experienced less persistent poverty between 1993 and 1998 than the other high risk groups.

**Table 1 Statistics on the Three Factors Influencing the Rate of Persistent Poverty, by Group**

Groups	Single parent	Unattached 45+	Recent immigrant	Work-limited	Off-reserve Aboriginal	Non-high risk
Factors						
% poor at least once between 93-98	57.9%	51.4%	50.8%	50.4%	38.1%	18.5%
Average length of poverty for those who were poor	3.5 yrs	4.3 yrs	4.1 yrs	3.7 yrs	3.3 yrs	2.4 yrs
Average difference between family income and the low income cutoff for those who were poor	\$5,679	\$5,518	\$7,820	\$5,266	\$5,832	\$8,143

According to Table 1, the fact that individuals belonging to the Off-reserve Aboriginal group were those who most often managed to avoid persistent poverty is partly due to the fact that they had less opportunity to experience poverty at any time between 1993 and 1998. Also, when they were poor, they were generally so for a shorter period of time than the members of the other high risk groups. The third factor, which is the average difference between family income and the low income cutoff, does not contribute to reducing their risk of persistent poverty since the Off-reserve Aboriginal group is the high risk group, after Recent immigrant, with the highest average difference during this period. Nonetheless, it is interesting to note that the largest average difference between family income and the low income cutoff is among the non-high risk group. This suggests that, even if they are poor more seldom and for not as long as the members of the High risk group, when they are, the members of the Non-high risk group are in a more severe state of poverty than those High risk.

Regardless of which of the three factors is the most important, Off-reserve Aboriginal people have, to a surprising extent, escaped persistent poverty much more often during the last few years than the members of the other high risk groups. Also, this measure gives a less pessimistic portrait, at least in comparison with the other high risk groups, of the long-term economic situation of this particular group of Aboriginal people. However, it also raises questions about what would explain this stronger relative economic performance.

## **7. Specific characteristics of individuals that influence their long-term economic situation**

### **7.1 When individuals are members of the general population**

A number of characteristics could contribute to making an individual more vulnerable to persistent poverty than another. The two most probable ones apply to the general population. One is the level of education, the other is attachment to the labour market. Several studies have already shown that income is positively related to the level of education obtained. In other words, the higher a person's education, the better his/her integration into the labour market, the higher his/her potential salary and, therefore, the higher his/her income is likely to be. Inversely, the lower a person's education, the lower his/her chances of finding well-paid work and the more likely he/she is to have low income. Moreover, the salaries of individuals with high levels of education tend to increase more quickly over time than those of individuals with lower levels of education, which suggests that they have an opportunity to escape a situation of poverty more quickly if they fall into it.<sup>17</sup>

The positive effect of the level of education on income applies to high risk and non-high risk individuals. Figure 3 on the next page shows that, even if non-high risk individuals are clearly less likely to experience persistent poverty than high risk individuals, regardless of their level of education, the fact that the principal income recipient in the family has no high school diploma (< HSD) almost doubles the chances of persistent poverty of those High risk and those Non-high risk.

However, according to recent conclusions by the Applied Research Branch, even if investing in post-secondary studies, on average, represents a profitable investment from the financial point of view, the returns on this investment vary depending on other factors such as the type of diploma obtained, certain individual characteristics, etc.<sup>18</sup> In fact, if the level of education is significantly and positively tied to income, this is primarily because it provides an opportunity for better integration into the workplace. A high level of education facilitates access to

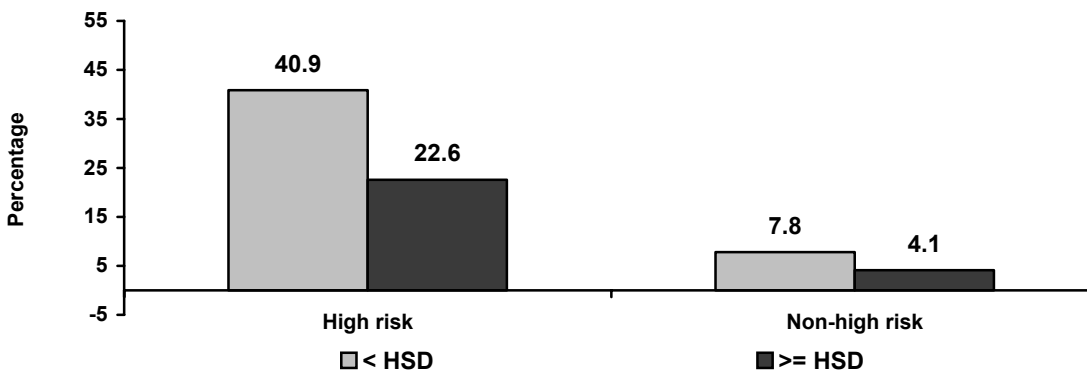
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<sup>17</sup> See René Morissette and Xuelin Zhang, p. 10

<sup>18</sup> Applied Research Bulletin, Human Resources Development Canada, Winter/Spring 2000, Vol. 6, No. 1, p. 21.

well-paid and stable employment, which are two conditions that systematically help an individual escape persistent poverty.

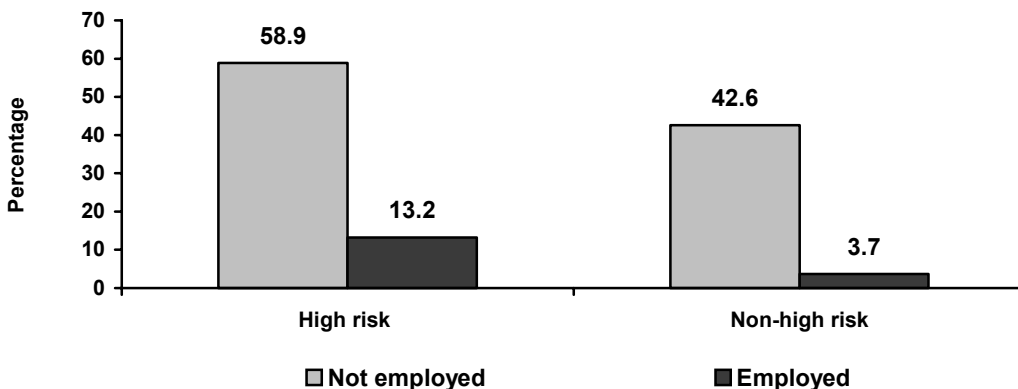
**Figure 3 Rate of Persistent Poverty Between 1993 and 1998, by Group and Level of Education of the Principal Income Recipient in 1993**



Nonetheless, education and integration into the labour market are not perfectly correlated. An individual with a university diploma may very well be unable to integrate into the labour market, whereas another integrates quite easily with less than a high school diploma. In such cases, being an earner is a more effective way of avoiding poverty than the diploma. According to Figure 3, a high risk individual belonging to a family whose principal income recipient had less than a high school diploma in 1993 was approximately twice as likely to experience persistent poverty in the subsequent years as one whose principal income recipient had more education. Figure 4 indicates that the risk of persistent poverty is around four times greater among high risk individuals belonging to a family whose principal income recipient did not work in 1993 compared with a family whose principal income recipient was employed.<sup>19</sup> Thus, a comparison of Figures 3 and 4 helps confirm that the labour market status at any given time is a better index of the risk that an individual might eventually face a period of persistent poverty than the level of education and, while this observation appears to apply to those High risk, it is especially important for those Non-high risk.

<sup>19</sup> In Figure 4, no distinction is made in terms of the labour market status of the principal income recipient (full-time, part-time or self-employed).

Figure 4 **Rate of Persistent Poverty Between 1993 and 1998 by Group and Labour Market Status of the Principal Income Recipient in 1993**



It is clear that having a job is not the only requirement for escaping persistent poverty and exclusion since 13.2% of high risk individuals and 3.7% of those non-high risk belong to families whose principal income recipient worked in 1993, nevertheless experienced persistent poverty between 1993 and 1998. A great many jobs are unstable and poorly paid, making those who depend on them vulnerable to poverty. However, according to Table 2 below, for high risk individuals belonging to families whose principal income recipient was of working age and was not in school in 1993, the fact that the latter had stable employment, regardless of salary, was an effective way for the members of his/her family to escape persistent poverty. Under these conditions, high risk individuals avoided persistent poverty almost as often as those non-high risk (5.5% vs 4.2%). This observation confirms that of Ross Finnie (2000), who indicated that the inability to keep a job is the most important factor in explaining the episodes of poverty among high risk groups.<sup>20</sup> It is important to add that a much larger proportion of non-high risk individuals lived in a family whose principal income recipient did not experience any unemployment between 1993 and 1998, compared with those high risk (50.5% vs 33.5%).

Table 2 **Rate of Persistent Poverty, by Group and Employment Situation of the Principal Income Recipient in 1993 When the Latter Was Not Studying**

Groups	High risk group	High risk without period of unemployment (1993-98)	Non-high risk
% of individuals who experienced persistent poverty (1993-98)	25.3%	5.5%	4.2%

<sup>20</sup> Applied Research Bulletin, p.3

## 7.2. When individuals belong to an high risk group

There are two other effective ways for high risk individuals to avoid persistent poverty. The first is to leave the high risk group to which they belong and the second is to have as few of the risk factors as possible.

Individuals were distributed among the various groups under study according to the characteristics of the economic family to which each of them belonged in 1993. Among these groups, two categories of individuals can be distinguished. The first is made up of individuals who remained in families with the same characteristics they had in 1993, i.e. in the same group until 1998. The second group of people moved at least once to another type of family between 1994 and 1998, i.e. from a high risk group to the Non-high risk group.<sup>21</sup> Comparing the economic performance of high risk individuals according to whether they were part of the first (representing 47.2% of high risk individuals<sup>22</sup>) or the second (representing 43.5% of high risk individuals) category, gives an idea of the impact of leaving the high risk group to which an individual belongs has on the latter's economic situation.

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<sup>21</sup> In this type of analysis, there are many reasons why a person might leave a given risk group and become non-high risk. For instance, the characteristics of the family to which he/she belongs might change or the characteristics of the principal income recipient might change. He/she might change families or the family's principal income recipient might change. But, based on the work of the authors, the key reasons explaining why the members of an high risk group leave their group are as follows:

- A large proportion of the Recent immigrant group cease being so since the principal income recipient immigrated more than 10 years ago.
- Many Single parents cease being so when the single parent forms a union or the youngest child reaches age 18.
- The large majority of Work-limited cease being so because the limitation of the principal income recipient is only temporary.
- Of those who are Unattached 45+ who leave this group most do so because they form a union.
- In theory, Aboriginal people cannot cease being Aboriginal people. When an Off-reserve Aboriginal leaves this group, it is mainly because the family's principal income recipient changes or the person in question changes families.

<sup>22</sup> There are also individuals for whom the path between the different groups from 1993 to 1998 is not known because of missing values in the variables studied.

Figure 5 **Rate of Persistent Poverty Between 1993 and 1998 for High Risk Individuals, According to Whether They Remained High Risk Throughout this Whole Period**

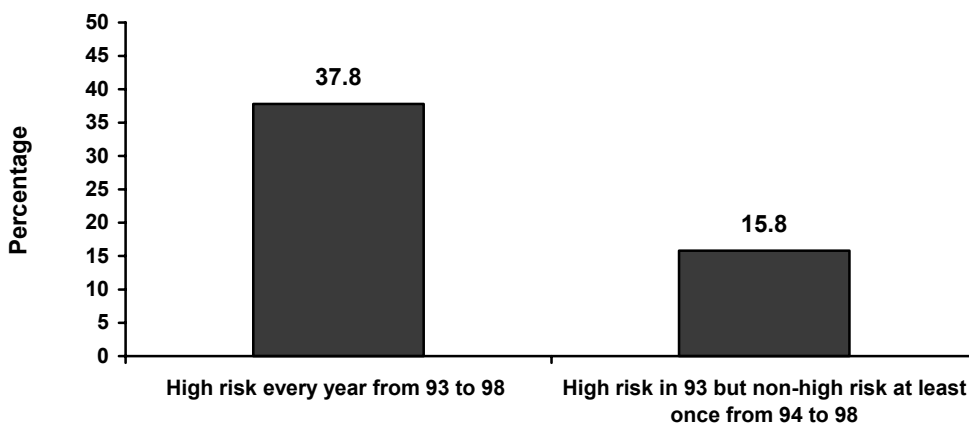
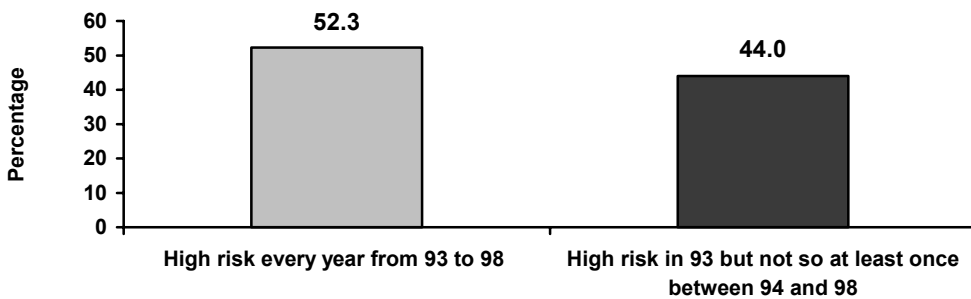


Figure 5 illustrates that, for high risk individuals in 1993, the chances of their being persistently poor depends on whether they changed groups in the following years. For high risk individuals, remaining in the same high risk group until 1998 more than doubles their chances of persistent poverty compared with those who become non-high risk at some time during this period (37.8% vs 15.8%, respectively).

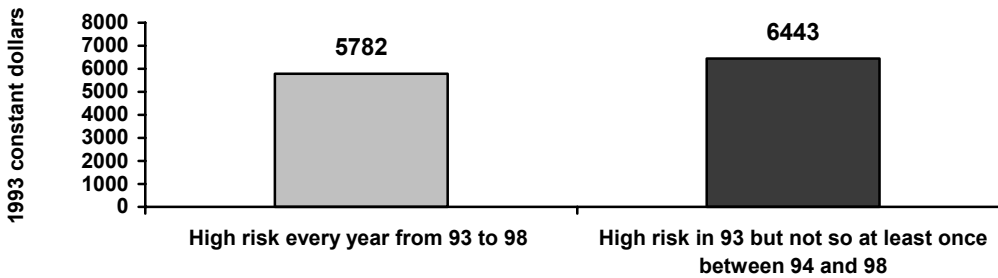
It is interesting to note that, while the people at risk who remained so for less than 6 years between 1993 and 1998 were less likely to experience persistent poverty than the others, this was largely due to the fact that fewer of them experienced poverty at least once between 1993 and 1998 (52% vs 44%, see Figure 6) and that when they were poor, they escaped this situation much more quickly. As indicated in Figure 8, of all the high risk individuals falling into poverty at some time between 1993 and 1998, half of those who stopped being high risk at one time or another escaped poverty after only one year in this state, whereas more than three years were needed to achieve this among those who remained high risk. However, once again, the average difference between family income and the low income cutoff (Figure 7) does not explain the lower likelihood of people who leave their high risk group to experience persistent poverty. The observed difference is much higher for this latter group (\$6,443) than for those who are continuously high risk (\$5,782).



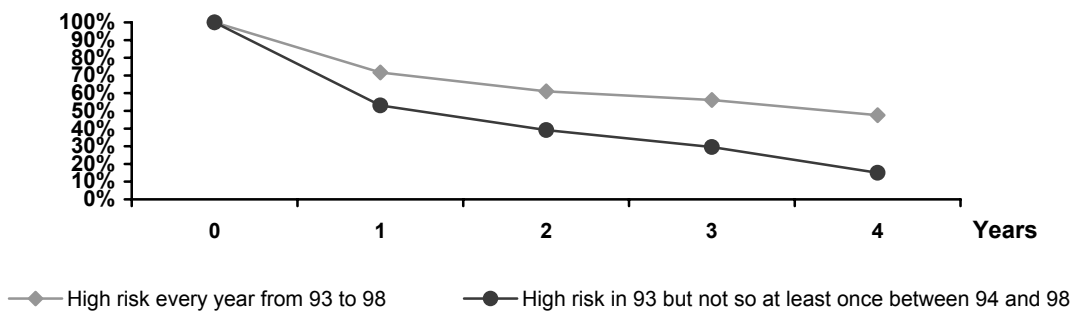
**Figure 6 Proportion of High Risk Individuals Having Experienced at Least One Year of Poverty Between 1993 and 1998, According to Whether They Remained High Risk Throughout this Period**



**Figure 7 Average Difference Between Family Income and the Low Income Cutoff for High Risk Individuals Between 1993 and 1998, According to Whether They Remained High Risk Throughout this Period**



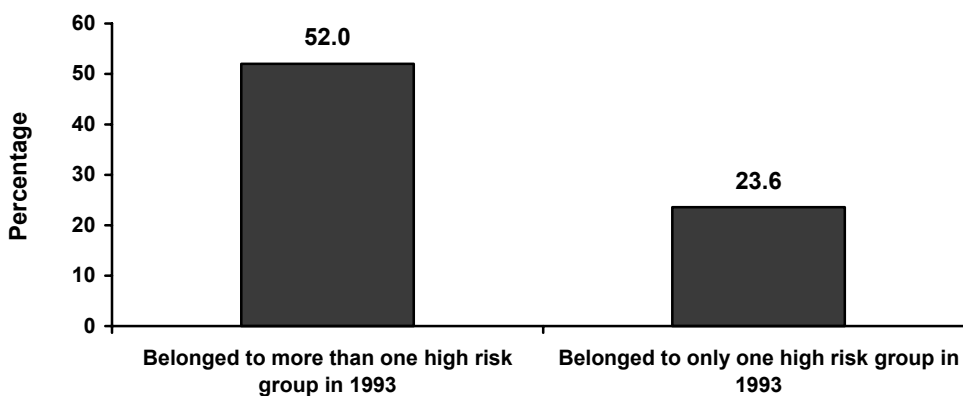
**Figure 8 Survival Functions for the First Low Income Situation Observed Between 1993 and 1998 for High Risk Individuals, According to Whether They Remained High Risk Throughout this Period**



Finally, the last effective means mentioned for high risk individuals to escape persistent poverty is for them to have the fewest possible social exclusion risk factors or, in other words, to not belong to more than one high risk group at a time. In this analysis, belonging to one high risk group does not exclude the possibility of belonging to other high risk groups. It is quite easy to

determine that, in general, a person belonging to, for instance, a single parent family whose principal income recipient is an off-reserve Aboriginal person with work limitations is more likely to experience persistent poverty than a person belonging to a single parent family whose principal income recipient does not face any other risk factor of exclusion. Figure 9 shows that slightly more than one out of two people experienced persistent poverty between 1993 and 1998 among those who belonged to more than one high risk group in 1993, whereas this proportion falls to slightly more than one out of five among those who belonged to only one high risk group that year.

Figure 9 **Rate of Persistent Poverty Between 1993 and 1998, According to Whether the Principal Income Recipient Belonged to More than One High Risk Group at a Time in 1993**



## **8. Explaining the stronger long-term economic performance of Off-reserve Aboriginal people among high risk groups**

In the previous section, it was shown that four key “characteristics” enabled people at risk to avoid persistent poverty more often.<sup>23</sup> These are the level of education, participation in the labour market, leaving a high risk group for a non-high risk group and having the fewest possible number of social exclusion risk factors. Since of all of the members of the high risk groups, the members of the Off-reserve Aboriginal group were those who most frequently avoided persistent poverty, we expect them to have these characteristics, at least in part. However, it would appear that these characteristics do not readily explain the stronger economic performance of Off-reserve Aboriginals.

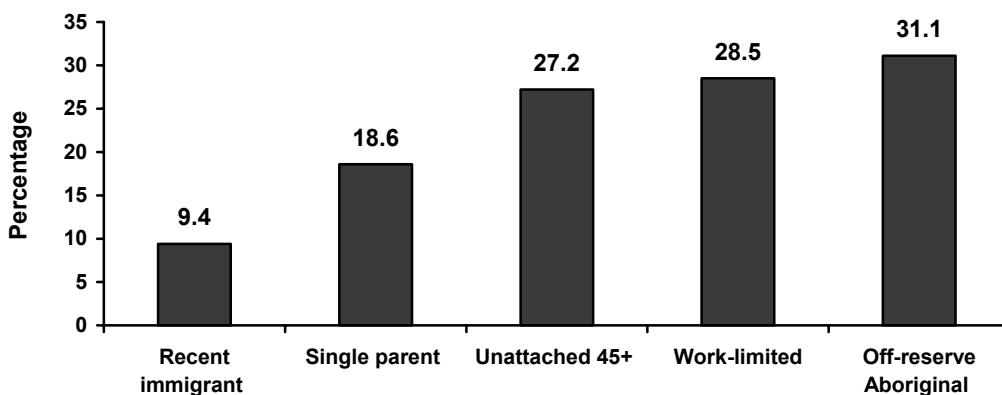
Of all high risk individuals, those belonging to the Off-reserve Aboriginal group were the ones who were most likely to belong to more than one high risk group at a time (see Figure 10). More precisely, close to one out of three members of the Off-reserve Aboriginal group had at least one other social exclusion risk factor in 1993. In the other groups, this proportion varied from less than one out of ten among Recent immigrant, to slightly more than one out of four among Work-limited.<sup>24</sup> Single parenthood is much more frequent among the Off-reserve Aboriginal group than in the rest of the population under study. One out of five people belonging to a family whose principal income recipients is an Aboriginal person also belonged to a single parent family, whereas in the larger study sample, the proportion tends to be closer to less than one out of ten (7.5%, as indicated in Figure 1). In addition, more than 10% of Off-reserve Aboriginal people are connected to a principal income recipient having work limitations, surpassed only by the Unattached 45+ group.

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<sup>23</sup> Other characteristics that were not addressed in the previous section may influence the economic performance of members of high risk groups, such as the average age of the principal income recipient, the average number of people contributing to the family income, etc. Preliminary studies led the researchers to limit the analysis by selecting the four most relevant characteristics for the purposes of the study, these being the ones that provided the most meaningful results.

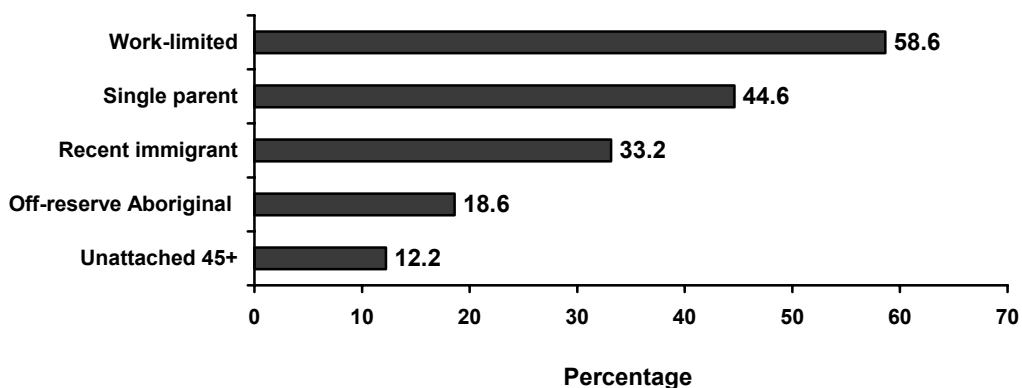
<sup>24</sup> The inclusion of Unattached 45+ people among the high risk groups is not as readily explained as that of the other high risk groups. Thus, HRDC researchers looked at this issue in an effort to understand the reason(s) for their inclusion among the high risk group. This work essentially discovered that a significant number of them had other social exclusion risk factors, mostly work limitations. Approximately 25% of Unattached 45+ people also had work limitations in 1993.

Figure 10 **Proportion of Individuals Belonging to More than One High Risk Group in 1993, by Group**



Furthermore, Figure 11 indicates that few people belonging to the Off-reserve Aboriginal group left this group in the years after 1993 (18.6%). This mobility between groups is much more frequent among Work-limited (58.6%), Single parent (44.6%) and Recent immigrant (33.2%). Thus, this factor cannot clearly explain the lower propensity of off-reserve Aboriginal people to experience persistent poverty among the different high risk groups.

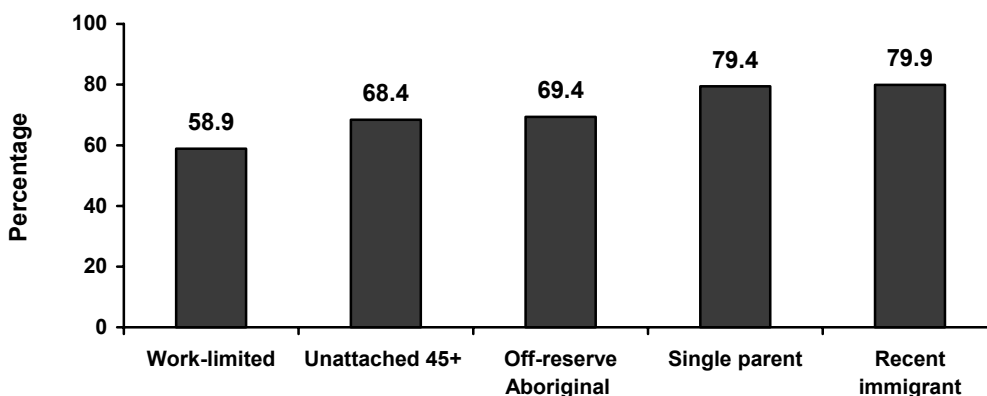
Figure 11 **Proportion of Individuals Becoming Non-High Risk at Least Once Between 1994 and 1998, by Group.**



Finally, the average educational attainment of off-reserve Aboriginal people is not significant in explaining the fact that they more often escape persistent poverty since their level of education is close to the average of all high risk groups (see Figure 12). Since the proportion of the Off-reserve Aboriginal group belonging to families whose principal income recipient had at least a high school diploma in 1993 was approximately halfway (69%) between those belonging to the group in which the principal income recipient least often had a High school diploma,

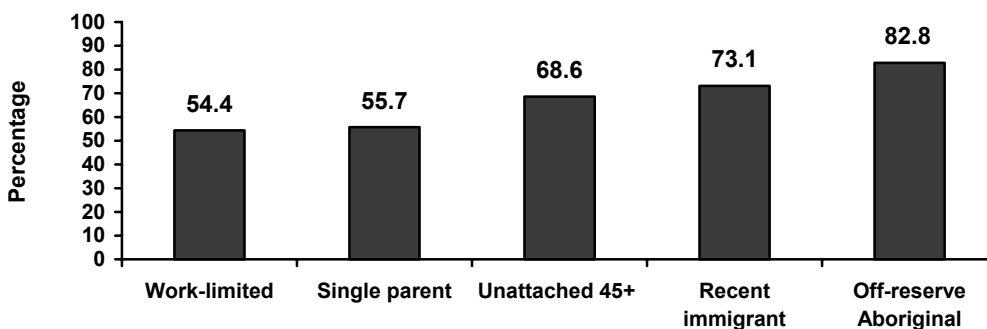
i.e. Work-limited (59 %), and the one in which they were more likely to have one, i.e. Recent immigrant (80 %).

**Figure 12 Proportion of High Risk Individuals Whose Principal Income Recipient Had at Least One High School Diploma in 1993, by Group**



Nonetheless, despite the fact that off-reserve Aboriginal principal income recipients are not that well educated, a larger proportion of them had a job than the principal income recipients of the other high risk groups.

**Figure 13 Proportion of High Risk Individuals Whose Principal Income Recipient Worked Full-Time, Part-Time or Was Self-Employed in 1993, by Group**

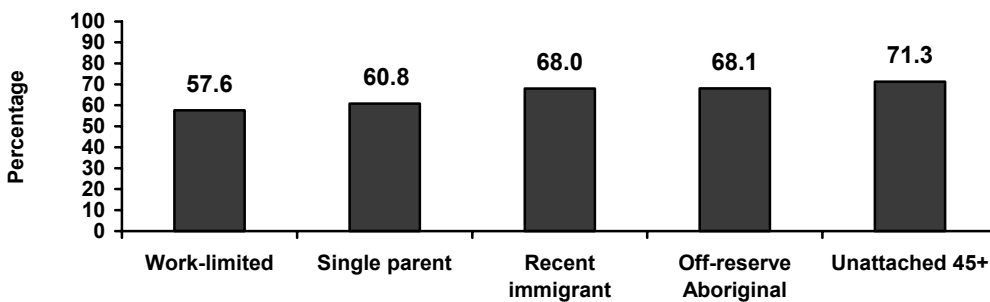


Note: Includes only those individuals whose principal income recipients' labour market status was known

Figure 13 indicates that individuals belonging to the Off-reserve Aboriginal group are those who, among all the high risk groups, had the best chance of being part of a family whose principal income recipient worked full-time, part-time or was self-employed in 1993 (83%). Moreover, according to Figure 14, among all the people belonging to a family whose principal income recipient worked in 1993, off-reserve Aboriginal people were in second place in terms of

being the most likely to have belonged to a family whose principal income recipient worked full-time all year (68%) trailing only by the Unattached 45+ (71%).

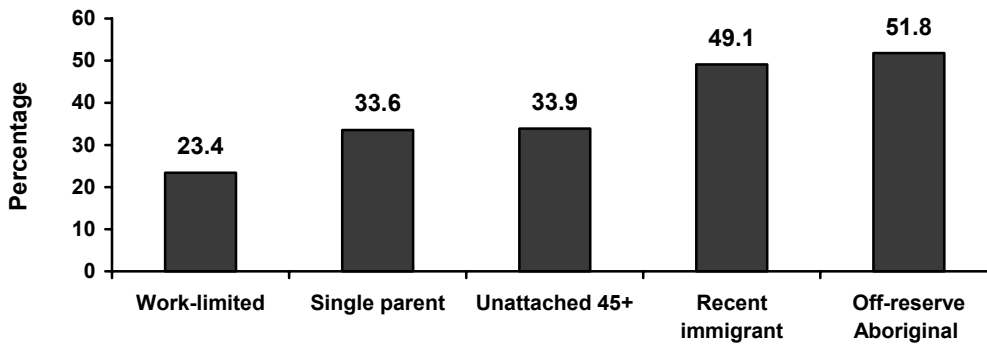
Figure 14 **Proportion of High Risk Individuals Whose Principal Income Recipient Worked Full-Time Throughout 1993 Among Those Who Worked in that Same Year, by Group**



Note: Includes only those individuals whose principal income recipient's labour market status was known

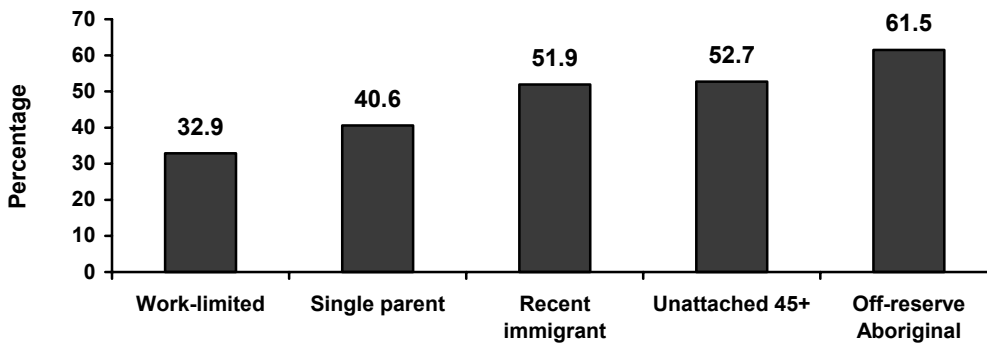
The principal income recipient is generally more likely to work in a given year if he/she is an off-reserve Aboriginal person than if he/she is a single parent, recent immigrant, person with work limitations or unattached aged 45 or more living alone. However, according to Figures 15 and 16, he/she is also more likely to experience stability in the labour market and to never depend on government transfers. An individual belonging to the Off-reserve Aboriginal group in 1993 was more likely (50%) than members of other high risk groups to have a principal income recipient who received the majority of his/her income from a salary or self-employment income until the end of the period under study, i.e. 1998. And, although individuals belonging to the Recent immigrant group are close to being in this same situation (49%), this proportion fell to less than 35% in the three other high risk groups. Finally, fewer than 40% of Off-reserve Aboriginal people were associated with a principal income recipient in 1993 whose family income depended at one time or another on government transfers between 1993 and 1998. This proportion varied between 50% and 70% in the other high risk groups.

**Figure 15 Proportion of High Risk Individuals Whose Principal Income Recipient in 1993 Had a Salary or Self-Employment Income as the Main Source of Income Every Year Between 1993 and 1998, by Group**



Note: Includes only those individuals whose principal income recipient's labour market status was known

**Figure 16 Proportion of High Risk Individuals Whose Principal Income Recipient in 1993 Never Had Transfer Payments as the Main Source of Income Between 1993 and 1998, by Group**



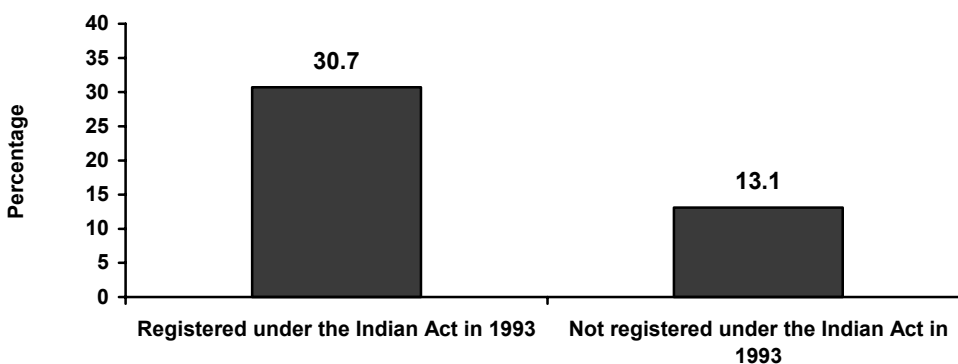
Note: Includes only those individuals whose principal income recipient's labour market status was known

## 9. Explaining the stronger economic performance of certain Aboriginal people within the Off-reserve Aboriginal group

In the previous sections, the researchers observed that off-reserve Aboriginal people generally ended up better off from an economic point of view than the members of other high risk groups. Moreover, it was demonstrated that the fact that they integrated better and with more stability into the labour market constituted the only obvious explanation of their stronger overall economic performance compared with other high risk groups. However, within the Off-reserve Aboriginal group, person with certain characteristics are more likely to escape persistent poverty.

In most high risk groups, certain members can be identified who are more likely to experience long-term poverty. For instance, in the Recent immigrant group, studies have shown that visible minorities are more likely to experience financial difficulties. In the case of off-reserve Aboriginal people, those belonging to families whose principal income recipient is registered under Canada's *Indian Act* are most likely to face this kind of situation.

Figure 17 **Rate of Persistent Poverty Among Off-Reserve Aboriginal People Between 1993 and 1998, According to Whether Their Principal Income Recipient Was Registered in 1993**



Among all off-reserve Aboriginal people, the risk of experiencing persistent poverty between 1993 and 1998 was 18.6% (see Figure 2). This rate suggested that their risk of persistent poverty, although high when compared with those non-high risk, was considerably lower than that for other high risk groups. Nonetheless, Figure 17 clearly indicated that when only the experience of persistent poverty among Off-reserve Aboriginal whose principal income recipient was



registered under the *Indian Act* in 1993 is considered, this risk rises to 30.7%. This latter proportion does not suggest that this type of off-reserve Aboriginal person is economically better off than the other high risk groups since it is similar to the proportions associated with these groups. As indicated by Figure 2, the rate of persistent poverty varies between 27.6% and 34.5% in each of the four other high risk groups. Consequently, it would appear that the strong long-term economic performance of off-reserve Aboriginal people compared with the other high risk groups is largely due those who are not registered.

## 10. Conclusion and next steps in the research on Aboriginal people

Aboriginal people are one of the five groups that were identified as being at greatest risk of experiencing social exclusion in the Canadian population. These groups have been identified as such, because they are the ones (single parents, unattached 45+, people with work limitations, recent immigrants and Aboriginal people) who are more likely to be poor at some time and to experience lengthy episodes of poverty. However, having made this observation, this paper no longer focuses on comparing the economic performance of these high risk groups with the rest of the Canadian population, but on the comparison of these groups among themselves. The researchers' aim is to determine whether the vulnerability to poverty is similar among all the high risk groups and, if not, what the special features of each group are.

To this end, the longitudinal data of the Survey of Labour and Income Dynamics (SLID) was used, as well as a measure of persistent poverty that helps take into account three different facets influencing the long-term poverty situation of individuals: the fact that they experienced poverty at a given time, the average difference between family income and the low income cutoff when they were poor and the amount of time spent in poverty. These technical tools led to interesting observations concerning a specific group of Aboriginal people, i.e. off-reserve Aboriginal people. Of all the high risk groups, this is the one that displayed the best economic performance between 1993 and 1998.

Using the global experience of the overall population and then the experience of the high risk groups, four plausible alternative explanations of this better relative performance were proposed. The first concerns the level of education achieved, the second the labour market integration, the third the mobility between high risk and non-high risk groups (since it was noted that "mobile" people are more likely to avoid persistent poverty) and, finally, the number of risk factors that individuals have (since the more risk factors an individual has, the more likely he/she is to be poor). Since these relations are generally authentic, it was expected that these four reasons would explain the strong relative performance of off-reserve Aboriginal people. Yet, it would appear that only one of them explains it clearly, that being integration into the labour market. Off-reserve Aboriginal principal income recipients are better integrated into the Canadian labour market than those in the other high risk groups. In other words, an individual has a better chance of belonging to

a family in which the person with the highest income works in a given year if this person was an off-reserve Aboriginal person than if he/she was part of another high risk group. Moreover, the off-reserve Aboriginal principal income recipient is more likely to have a stable labour market status and to never depend on government transfers. When compared to the other high risk groups, there is a higher probability among off-reserve Aboriginal that an individual will belong to a family whose principal income recipient worked throughout the period of the study and whose principal income recipient never received income from transfer payments. Surprisingly, this higher participation in the labour market by off-reserve Aboriginal people compared to the other high risk groups is true despite the fact that their level of education is not the highest, their mobility between groups is rare compared with the other high risk groups and they generally have more risk factors than the latter.

However, it should be noted that off-reserve Aboriginal people who are not registered under Canada's *Indian Act* are economically much better off than those who are. Off-reserve Aboriginal people who are not registered are often people who have only one parent who is an Aboriginal person and/or have lived on reserve only briefly, if at all, which implies they are closer to the rest of the Canadian population. This raises the question of whether, for Aboriginal people, leaving the reserve and separating from their community of origin is a good way of avoiding financial difficulties. But, while we know that registered off-reserve Aboriginal people face a higher risk of persistent poverty than those who are not registered, the current findings provide no information about the situation of on-reserve Aboriginal people. Thus, they do not allow us to draw conclusions about the economic situation of registered off-reserve Aboriginal people compared with registered on-reserve Aboriginal people, which are two more comparable populations for the purpose of drawing this type of conclusion. However, it would be appropriate to investigate in future work. But in order to do this, another source of data would be required, such as the Census, which is not amenable to a longitudinal analysis.



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