

Closing Indigenous Socio-Economic Gaps Key to Raising Canada's Economic Growth

Don Drummond (Chair, Centre for the Study of Living Standards and Stauffer-Dunning Fellow, Queen's University)

Andrew Sharpe (Executive Director, Centre for the Study of Living Standards)

The Government of Canada is in discussion with First Nations people on a new Government-to-Government relationship, a new fiscal relationship and on closing socio-economic gaps between Indigenous and non-Indigenous Canadians; all of this in recognition of the need to improve the lives of all of Canada's Indigenous people. There appears to be less recognition, however, of how much is at stake for Canadians generally and, specifically, for the entire Canadian economy. Indigenous people will form a rapidly-growing portion of Canada's labour force. How the large Indigenous youth population in particular fares economically will determine to a very important extent how the Canadian economy fares. Addressing Indigenous issues is a win-win for all Canadians.

In 2011, the Indigenous population accounted for 3.5 per cent of the total Canadian working age population. A superficial reading of this statistic might suggest that Indigenous people will be at the periphery of Canadian economic growth prospects. Yet, such a conclusion would miss several important dynamics that are highlighted in new research by the Centre for the Study of Living Standards.

First, the Indigenous population is growing much faster than the non-Indigenous Canadian population. In the unlikely scenario that the trend toward more Indigenous people declaring their heritage were to stop, the Indigenous population's share in the total Canadian working-age population would rise to 4.4 per cent of Canada's working-age population by 2036. If the trend continues, the share would rise to 5.6 per cent.

Second, the labour force participation rate of Indigenous people in 2011 was almost 5 percentage points below that of the non-Indigenous population. More critically, the gap for the 15-24 age group, which will contribute much of the future labour force growth, was 12.4 percentage points. If the Indigenous labour force participation rate gaps close and the trend toward declaring Indigenous heritage continues, Indigenous people will contribute more than one-fifth of all the labour force growth in Canada through 2036.

Third, the Indigenous population is much younger than non-Indigenous Canadians, which accounts for much of the Indigenous contribution to labour force growth. Among Indigenous people, 28.8 per cent were below age 15 in 2011. The corresponding share for the non-Indigenous population was 16.6 per cent or just above half the share for the Indigenous population. At the other end of the age spectrum, only 5.6 per cent of Indigenous people were 65 and over compared to 14.5 per cent for non-Indigenous Canadians. This demographic profile illustrates how much more concentrated in the working years the Indigenous population will be over the next few decades.

The contribution of the Indigenous people to future labour force growth is even more significant in certain regions: 83 per cent in the Northern Territories; 72 per cent in Saskatchewan and 52 per cent in Manitoba. These higher contributions reflect not only the concentration of the Indigenous population, but as well much higher-than-national labour force participation rate gaps between Indigenous and non-Indigenous people. Compared to the almost 5 percentage point national labour force participation rate gap in 2011, the differences were 23.4, 14.2 and 10.3 percentage points in the Northern Territories, Saskatchewan and Manitoba respectively.

The labour force participation rate is just one gap to be addressed. Indigenous people also face deficiencies in hours worked, employment, income by level of education and health, among others. The Centre for the Study of Living Standards has demonstrated the extent to which addressing some of these others gaps would increase the size of the Canadian economy. Canada's Gross Domestic Product (GDP) would be \$36.4 billion greater in 2031 if the Indigenous education attainment gap and related gaps for employment rates and income by level of employment were closed.

Earlier this year Finance Minister Morneau's Advisory Council identified some of the obstacles to better economic and social outcomes for Indigenous people. Their list included the lack of predictability of funding, the greater focus on social service funding to the detriment of funding that addresses economic needs and lack of access to high-speed broadband in many Indigenous communities, among others. Progress must be based on Indigenous autonomy and this in turn will require strengthening administrative and managerial capacities, most likely under new institutional arrangements.

The Prime Minister has committed to a new Government-to-Government relationship with Indigenous people, a new fiscal relationship and closing socio-economic gaps. In a powerful speech before the United Nations on September 21st he emphasized this is the "right thing" to do in order to address historical wrongs. He could have added it is also smart economic policy. For Indigenous people. For all Canadians.