



Economic Development

SELF-GOVERNMENT WITHOUT a significant economic base would be an exercise in illusion and futility. How to achieve a more self-reliant economic base is thus one of the most important questions to be resolved. What measures need to be taken to rebuild Aboriginal economies that have been severely disrupted over time, marginalized, and largely stripped of their land and natural resource base?

The question is urgent, and not only because progress toward self-government would be severely constrained in the absence of effective measures to rebuild Aboriginal economies. For Aboriginal individuals and families, whether they live in urban or rural areas, employment levels and income continue to lag far behind Canadian standards. Furthermore, the rapid increase of the Aboriginal population means that thousands of additional young people will be entering the labour market over the next two decades. Indeed, our estimate is that more than 300,000 jobs will need to be created for Aboriginal people in the period 1991 to 2016 to accommodate growth in the Aboriginal working-age population and to bring employment levels among Aboriginal people up to the Canadian standard.

This is a staggering figure. The broader but related challenge of re-creating a stronger, more self-reliant economic base to accompany and sustain self-government is also an enormous task. During the Commission's hearings, we visited a large number of Aboriginal communities, many of which had only a very limited economic base. Under current conditions and approaches to economic development, we could see little prospect for a better future. From this experience, we came to the conclusion that achieving a more self-reliant economic base for Aboriginal communities and nations will require significant, even radical departures from business as usual. We also became convinced that existing conditions and approaches entail enormous human and financial costs, a fact that also adds urgency to the search for better solutions.

Our hearings, a round table on economic development, the intervenor submissions, and our research program were also instructive, however, in pointing to some promising new directions.¹ They brought to light many instances where Aboriginal individuals, communities and nations have developed businesses, launched joint ventures, and found new approaches to acquiring capital, providing income support, and delivering education

and training. We need to learn from these positive experiences - many of which are featured in this chapter - and to apply their lessons on a broader scale.

Indeed, the situation has not remained static over the past two decades. Major comprehensive claims agreements have been signed in some parts of the country, providing access, in varying degrees, to new human, financial and natural resources for economic development. There has been growth in the number of Aboriginal businesses, especially those started by women. The institutional base to support economic development has also improved, as indicated by the emergence of personnel and organizations specializing in economic development and providing capital, education and training programs. In many parts of the country, there is a realistic appreciation of the enormous challenges still ahead but also a spirit of determination to regain stewardship of Aboriginal economies and to develop them in accordance with the priorities of particular communities and nations.

In the first part of this chapter, we describe the historical underdevelopment of Aboriginal economies as well as their diversity and contemporary characteristics. In the second part, we turn to the levers of change - the critical interventions that need to be made if stronger, more self-reliant Aboriginal economies are to be achieved.

Several important themes characterize the Commission's approach to economic development.

The importance of history

We begin by looking at how the contemporary economic deprivation so familiar to Aboriginal people came to be. If they are to be successful, strategies for change must be rooted in an understanding of the forces that created economic marginalization in the first place. Certain conditions essential for economic development were ignored over time. These need to be re-established: the economic provisions in the historical treaties; the freedom for Aboriginal people to manage their own economies; and a fair share of the land and resource base that sustained Aboriginal economies in the past. To ignore these fundamentals and pretend that economic development can be achieved within the limits of the status quo simply by training entrepreneurs or improving their access to capital is to maintain the cycle of disadvantage of the past two centuries.

History reveals that the economies of Aboriginal nations were not always underdeveloped. Many carried on in largely traditional ways well past the time of first contact and trade with Europeans, while others adapted and flourished. Factors largely outside the reach of human intervention, such as periods of drought, played a role. But the principal factor that brought Aboriginal communities to the point of impoverishment over the centuries was the intervention - deliberate or unintended, well-intentioned or self-interested - of non-Aboriginal society.

If this judgement is harsh, it also suggests that the economic marginalization of Aboriginal communities can be reversed if the will to do so is present. But the factors that

define how Aboriginal economies operate must change, as must the share of economic power exercised by Aboriginal people. In the economic realm, as in governance, it is necessary to make room so that Aboriginal people can develop their own solutions. The onus is also on Aboriginal people to exercise informed leadership; to take up the challenge of entrepreneurship, education and training; and to take the risk of breaking away from patterns of dependency where these exist.

The importance of the collectivity

Policy makers and the general public have tended to assume that the economic problems of Aboriginal communities can be resolved by strategies directed to individuals thought to be in need of assistance. Thus, welfare for those out of the labour force, training for those who need to upgrade their skills, loans or grants for entrepreneurs wanting to start their own businesses, and relocation assistance for those moving to urban areas in search of jobs are often seen as necessary and sufficient policy interventions. Typically, the problem is defined as Aboriginal individuals not having access to opportunities for employment or business development in the larger Canadian society.

This approach ignores the importance of the collectivity in Aboriginal society (the extended family, the community, the nation) and of rights, institutions and relationships that are collective in nature. It also overlooks the fact that economic development is the product of the interaction of many factors - health, education, self-worth, functioning communities, stable environments, and so on. Ultimately, measures to support economic development must reach and benefit individuals, but some of the most important steps that need to be taken involve the collectivity - for example, regaining Aboriginal control over decisions that affect their economies, regaining greater ownership and control over the traditional land and resource base, building institutions to support economic development, and having non-Aboriginal society honour and respect the spirit and intent of the treaties, including their economic provisions.

Many Aboriginal individuals will want to or will have little choice but to make their way in the larger Canadian economy - this is especially so for those who migrate to urban areas - but it should not be forgotten that Aboriginal nations want to develop their own economies on their own land and resource base, guided by policies, programs and institutions that they control.

The importance of seeing economic development as a process

The economic development of any community or nation is a process - a complicated and difficult one - that can be supported or frustrated. It cannot be delivered pre-fabricated from Ottawa or from provincial or territorial capitals. The principal participants, those on whom success directly depends, are the individuals and collectivities of Aboriginal nations. The role of Aboriginal and non-Aboriginal governments should be to support the process, help create the conditions under which economic development can thrive, and remove the obstacles that stand in the way.

This involves enabling individuals to contribute to the development of their communities and nations and participate in the wider Canadian economy. Education and training are an important part of the strategy. So is the removal of barriers - the paucity of jobs, the lack of fit between skills and the needs of the labour market, the presence of racism, the shortage of child care. For economic development to succeed, the collective must be strengthened through self-government, institutions must be put in place to support employment and business development, and opportunities must be created through, for example, expansion of the land and resource base.

The importance of recognizing the diversity of Aboriginal economies

Over the last several decades, the media have helped to bring the deplorable state of Aboriginal economies to the attention of Canadians and have also, on occasion, prodded governments to action. In the process, they have unfortunately created a stereotype. Contemporary Aboriginal economies are quite diverse. They include comprehensive claims regions - such as the Inuvialuit region of the western Arctic, Nunavut and James Bay - where economies of considerable size and resource endowments are being built. They include Métis settlements in northern Alberta, where provincial legislation has created some if not all of the conditions required for economic development to be successful. They include reserves such as Six Nations, where a dynamic small business sector has been created and where indices of unemployment and income are comparable to those of the surrounding area. But they also include many communities - rural and urban, Métis, Inuit and First Nation - where a self-sustaining economic base is far from being achieved and where the media stereotype of high unemployment, low incomes and reliance on transfer payments is the reality.

One of the implications of this diversity is that it is no longer helpful, if it ever was, for economic development policy to be issued from Ottawa or a provincial/territorial capital and applied uniformly to a range of conditions. This is one of the compelling reasons for locating authority and resources to support economic development in the hands of appropriate Aboriginal institutions at the level of the Aboriginal nation and community.

Many Aboriginal economies continue to rely on traditional pursuits, such as hunting, fishing and trapping, largely for subsistence. Public policy has often ignored traditional economies or, at worst, undermined their viability - yet these activities remain a vital component in the mixed economies of northern communities, a preferred way of life for their participants, and an important well-spring of Aboriginal culture and identity.

In this chapter (and more fully in Volume 4, Chapter 6), Commissioners assert that traditional economies must be supported, not only for their intrinsic value but also because there are very few alternatives in many northern communities. The demographic realities of rapid population growth are such that continued rural to urban migration is likely inevitable, and every effort must be made to ensure that those who migrate do so with levels of education and training that will serve them well in an urban environment. But those who choose to pursue traditional activities should also be helped to do so within the constraints of what the lands and resources of the area can sustain.

The goals of economic development

We have emphasized that economic development is a process. Aboriginal people have economic goals that they want to achieve through this process. During our hearings, these were themes that emerged again and again:

- The need to respect the treaties, the comprehensive claims and other agreements made with representatives of the Crown, including their economic provisions, and to remedy past injustices concerning lands and resources. This includes the need to secure a land and resource base for all Aboriginal people, including Métis people.
- The need for jobs that provide a decent income, that do not necessarily require moving from Aboriginal communities, and that provide meaning to people's lives, contributing to the development of self-esteem and Aboriginal identity. To the extent possible, Aboriginal people are saying that their economies should provide choices for people rather than dictating directions. Economies should be capable of supporting those who wish to continue traditional pursuits (hunting, fishing, trapping) while enabling those who wish to participate in a wage and market economy to do so.
- Aboriginal people are saying that they want to develop economies that are largely self-reliant and sustaining, not in the sense of being independent from trade networks or other economic systems but in the sense of being in a position to give and receive fair value in economic exchanges. Economies should provide not just the basis for survival but also an opportunity to prosper and to help build a sense of accomplishment and self-worth for the individual and the collective.
- Choices about the nature of this economy, its structure and processes should be made to the largest extent possible by Aboriginal people and their institutions. Economic development, in turn, is expected to contribute to the development of Aboriginal peoples as distinct peoples within Canada and to permit them to exercise, in a significant and substantial manner, governance in their communities and stewardship of lands and resources. Economic development is expected to enable Aboriginal peoples to govern themselves.
- Finally, Aboriginal people would like their economies to be structured in accordance with Aboriginal values, principles and customs, contributing to the development and affirmation of Aboriginal culture and identity. This includes having the freedom to develop economies in accordance with Aboriginal visions of the goals and processes of development.

These objectives are notable for their breadth and for recognizing that economic development is about much more than individuals striving to maximize incomes and prestige, as many economists and sociologists are inclined to describe it. It is about maintaining and developing culture and identity; supporting self-governing institutions; and sustaining traditional ways of making a living. It is about giving people choice in

their lives and maintaining appropriate forms of relationship with their own and with other societies.

In Volume 1, we set out the principles that should guide a new relationship between Aboriginal and non-Aboriginal people in Canada. We called for the establishment of a just relationship based on mutual recognition, respect, sharing and responsibility. These principles apply in the economic realm as much as they do to other dimensions of the relationship. It is these themes, objectives and principles that provide the framework for the Commission's recommendations on economic development.

1. Understanding Aboriginal Economies

1.1 A Brief History of Aboriginal Economies and External Interventions

The historical record has much to say about the current impoverishment of most Aboriginal economies. It is also instructive about the factors that must be addressed if development is to proceed according to Aboriginal priorities. It is useful to discuss this economic history in four stages or periods. These are broadly consistent with the stages in the relationship between Aboriginal and non-Aboriginal people outlined in Volume 1 of this report. When viewed from an economic perspective, however, they differ in emphasis, especially in this century.

The pre-contact period

Before contact with Europeans, most Aboriginal people in the northern half of North America were hunters, fishers and gatherers. Those with access to the Pacific, Arctic and Atlantic coasts had an economy that included substantial sea harvesting, while those living in the St. Lawrence Valley and the Great Lakes region engaged in agriculture. Anthropologist Robin Ridington suggests that the technology of Aboriginal peoples at the time was based on knowledge rather than tools; more than material technology, it was intimate knowledge of the ecosystem, developed over thousands of years, and ingenuity in using it to advantage that permitted Aboriginal people to survive.

For the most part, the Aboriginal population was thinly scattered, with principal concentrations on the Pacific northwest coast and in the lower Great Lakes region. For those engaged in hunting, fishing and gathering, economic activity varied according to the seasonal pattern of their major food sources. Depending on what the natural environment made available, the summer might be a time for congregating at the mouths of rivers for fishing or hunting sea mammals, supplemented by gathering berries, nuts and roots. At the mouth of the Mackenzie River in the Arctic, for example, Inuit established a substantial summer village and hunted beluga whale stranded in the shallow delta.² In the Yukon, the Kaska Dena people fished for salmon at the mouths of major tributaries or in large river pools further inland. In the fall, small kin-based groups moved inland to higher elevations to hunt fowl, moose, or caribou, and this hunt could extend into the winter period. Ice fishing would also be practised. This might be followed by

trapping otter, fox, lynx or marten. In the spring, people moved to productive fishing lakes and to locations where spring muskrat and beaver could be trapped.³

Whatever the cycle, the changing seasonal requirements for obtaining the means of subsistence had an important bearing on the social patterns of the Aboriginal group, in terms of the duration and size of settlements, the division of labour between males and females, and the opportunities for contact with other groups.

The emphasis was on living in balance with nature rather than on accumulating economic surplus or wealth. This generally meant meeting the food needs of the group and sustaining the ability of the land and sea to continue to provide for its human inhabitants well into the future. Those with limited food sources used them well, as this account by a Peigan elder illustrates:

My grandfather, he was the one who knew all about how the buffalo moved around and they (the people) followed and hunted the buffalo. The men would do the hunting and the women would take care of the kill. They used every part of the buffalo, there was nothing they spoiled or wasted. This is what my mother told me. For example, the hide was used and the meat was sliced and dried so that it would last long. The bones were pounded and crushed and boiled. They were boiled for a long time. It was then cooled and the marrow was taken and used for grease ... The hides they would scrape and stretch and the women would also do this work. This they used for blankets and flooring and many other uses. Those even further back (the first people) would use the hides to build homes.⁴

The abundance of natural resources varied considerably from one region to another. Where a surplus of a particular product was generated, it provided a basis for trade within and among Aboriginal nations. Agricultural producers living in what is now southern Ontario and the St. Lawrence valley supplied corn and other products to those without an agricultural base, exchanging them for fish or furs. Extensive commercial networks also existed in areas such as the northwest coast of British Columbia, where foodstuffs were transported between the coast and the interior.⁵

Trade routes were also used for the exchange of technology. Archaeologists report the presence on the western plains of obsidian, a volcanic rock used for tools, that originated in British Columbia. Copper from the west end of Lake Superior has been found at Saguenay, Quebec, and abalone from California found its way into the interior in the form of beads and other ceremonial items.

Pre-contact economic activity was undertaken not only for profit or material gain as we would understand it from the perspective of a market economy. Trade was often pursued to gain prestige, build or maintain alliances, or cement agreements as well. This is not to say that material goods were not important, but in some societies, particularly among the Pacific northwest coast peoples, the accumulation of wealth was accompanied by ceremonies for giving it away - the potlatch. Status and prestige were accorded to those who were the most generous (see Volume 1, Chapter 4).

The fur trade

With the coming of Europeans, Aboriginal peoples were initially able to continue traditional patterns of economic activity. On the east coast, the Mi'kmaq first encountered Europeans as explorers and then, in the 1500s, as occasional fishermen who, as time went on, began to stay for longer periods to dry their fish on shore. Trade developed and led quickly to a pattern of exchanging furs for European knives, iron goods, foodstuffs and clothing.

The pattern of early contact varied from one part of the continent to another. In the Cumberland Sound area of the Arctic, for example, the early contact period occurred much later and coincided with whale hunting. In the early 1800s, bowhead whale oil and baleen were in great demand in European markets. As whaling ships began to winter in the area, especially in the second half of the century, Inuit were hired or contracted in teams to hunt the whales.

In most locations, whatever the nature of early relations, the fur trade soon followed. The Mi'kmaq and the Wuastukwiuk (Maliseet), as well as the Montagnais and later the Iroquois, Cree, and Ojibwa and nations on the west coast and in the north, were actively engaged in the trade, some as trappers and others as middlemen between the hunters of the north and the interior and buyers for the trading companies.

In contrast to later periods, most Aboriginal groups adapted well to the demands of the fur trade. The fur trade built on traditional lifestyles in important ways, rather than seeking to displace them. Aboriginal people had the skills required to play a major role in the economy of the time, and not only as harvesters. Many of the French and English buyers remarked on the negotiating prowess of Aboriginal people. There is considerable evidence that groups such as the Iroquois and west coast peoples were adept at playing off the English against the French, or one trading boat against another, to get better prices.

Métis people also played a prominent role in the fur trade. Initially tied closely to the activities of the major fur trading companies, Métis people lived in or around the trading posts. While some worked as independent traders or trapped and hunted as primary producers, others worked as labourers, as freighters on the boat brigades, or in clerical and supervisory jobs at trading posts. For a time, their labour was much in demand as inland trading posts expanded in number and geographic scope, requiring staff for the new posts and transporters of furs and trade goods.

Some layoffs occurred after the merger of the North West and Hudson's Bay companies in 1821, but the fur trade continued to provide employment for Métis people. In addition, new opportunities presented themselves in the form of buffalo hunting and the freighting of buffalo hides and furs to the United States in exchange for farm animals, seeds, implements or consumer goods. Expanding settlements also led to the development of a small merchant class and the emergence of skilled tradesmen engaged in the building of churches, housing and commercial establishments and the manufacture of carts.

Although the fur trade proved compatible with Aboriginal patterns of making a living, there were also some strongly negative consequences associated with the period of early contact. The use of new technologies, combined with the need to produce for a market rather than for subsistence, led to the depletion of furbearing animals and to conflict among Aboriginal groups as some pushed into new territories in search of resources. Dependence on an external market brought exposure to the seemingly inevitable boom and bust cycle associated with staple production, a pattern experienced first in the eastern fur trade but repeated across the continent with whales, forest products, fish, seals and minerals up to the present day.

Contact with Europeans also brought exposure to contagious diseases, which devastated the populations of many Aboriginal societies and disrupted social and economic patterns. While the exposure and susceptibility of Aboriginal groups to disease varied, the decline in numbers was often substantial (see Volume 1, Chapter 2).

The settler period

As Europeans began to settle the continent - creating new and permanent communities, shifting the emphasis to agriculture, and advancing their claims to Aboriginal lands and resources - Aboriginal people were pushed increasingly to the margins. Whereas the fur trade economy permitted both Aboriginal people and Europeans to benefit, the new settlers generally came to see Aboriginal people as a hindrance to development of the country's lands, waters and other natural resources.

The newcomers often simply assumed they had title to these lands and resources. For example, the first European attempt to exploit the salmon resource near Alert Bay, British Columbia, is instructive:

The origins are obscure, but Spencer and Earle were probably the founders of the first saltery on the then-uninhabited Cormorant Island ... They chose this site over the mouth of the Nimpkish River in response to the absence of good deep-draft boat landing sites in the river estuary. The Spencer business plan was simple and straightforward. He would utilize primarily the Nimpkish salmon stocks, principally sockeye, which were until this time the exclusive property of the Nimpkish Band. He would use Indian labour to construct and operate his facility. He would sell his product in the expanding, industrialized British marketplace. If he could combine these factors, he stood to generate a personal profit.⁶

This facility, which eventually became a cannery owned by B.C. Packers, and other canning companies were given licences that enabled them to control who supplied the canneries with salmon. Through these regulatory and other measures, alienation of the salmon resource from Aboriginal ownership and control began.

In some cases, the newcomers recognized that some form of negotiation and compensation, albeit limited, was necessary. These negotiations typically took the form of treaty making, a process described in Chapter 2 of this volume. In other cases, no

treaty was offered, and to this day there is no agreement on how lands and resources are to be shared, although comprehensive land claims negotiations are in the offing. Governments generally did proceed, however, to establish reserves of land, both within and outside treaty areas. For example, the Algonquins residing along the Gatineau River in Quebec petitioned the governor general of the time, Lord Elgin, to set aside some land for their exclusive use. He responded with a grant of land of 45,750 acres, thereby establishing the Kitigan Zibi (Maniwaki) reserve in 1854.⁷ Reserves in many other areas of the country were much smaller, however. The 90 reserves established for the Kwakwaka'wakw in the late 1800s in British Columbia, for example, totalled only 16,500 acres, or an average of 183 acres per reserve. Besides being small, reserve land was often of poor quality.⁸

Land and resource rights were also a major issue for Métis people on the prairies, for whom no provision was made as Confederation was negotiated and the transfer of Hudson's Bay Company lands to Canada proceeded. As settlers and surveyors encroached on Métis lands along the Red River, Métis people mobilized under Louis Riel and negotiated the terms of the Manitoba Act, which provided for the entry of Manitoba into Confederation as a self-governing province. While the Manitoba Act provided for recognition of Métis claims to their settled lands, the process of confirming title was very complicated. Faced with this process, and with the racism and aggressive behaviour of the incoming settlers, many Métis families chose to sign over their land rights and move further west to start anew. Additional land in Manitoba was to be made available to benefit Métis children and their families through the provision of scrip. However, the allocation of scrip was fraught with problems, including fraud and land speculation, with the result that, by 1886, only a small proportion of the lands remained in the hands of the original allottees.⁹ Those who moved further west postponed this fate for a time, but the inevitable westward progression of surveyors, railroads and settlers and a second failed attempt at issuing scrip produced a Métis population that was largely without a land base (see Volume 4, Chapter 5).

As the settler economy developed and the fur trade declined, Aboriginal economies were disrupted to the point where extreme economic deprivation became a fact of life. Again, the pattern of disruption varied from one part of the country to another and from one Aboriginal group to another. Métis people on the prairies, for example, saw the competitiveness of their overland hauling routes undermined by railroads and steam boats. The buffalo were devastated by the mid-1880s, damaging the livelihood of Métis and Indian communities. Incoming settlers added to the pressure on the natural resource base, depleting furbearing animals in the woodland areas and overfishing lakes and streams.

Both before and after Confederation, Indian people living on reserves faced the imposition of laws enacted under the provision in the Constitution Act, 1867 making "Indians, and Lands reserved for the Indians" subject to exclusive federal jurisdiction. The new government of Canada arrogated to itself responsibility for virtually all aspects of Indian life. Although the treaty process continued the formality of nation-to-nation dealings, other developments, such as the continued creation of reserves, military actions

in the west, and legislative enactments, had the effect of breaking Aboriginal nations apart. Under the terms of the Gradual Enfranchisement Act of 1869,¹⁰ traditional Indian governments were replaced by elected chiefs and councillors, and virtually all decisions required the approval of a federally appointed Indian agent and/or the minister responsible for Indian affairs. While many reserves, especially those in more remote locations, managed to retain much of their autonomy and decision-making procedures into the early decades of the twentieth century, the imposition of external control gradually prevailed in all reserve locations. Often the attempt to replace traditional governing structures with new ones created internal divisions that have lasted to the present day, and the ensuing disruptions interfered with the socio-economic development of communities for decades.¹¹ The various laws also contained provisions restricting mobility and the ownership of property and other measures that have impeded economic development.

Throughout the late nineteenth century and into the twentieth, Indian agents made significant attempts to persuade Indian people to become farmers. Whether it was the Mi'kmaq people on the east coast, Peigan and Métis peoples on the plains, or the nations of the west coast, the goal was to have Indian and Métis peoples 'settle down' and make the transition to the settlers' way of life.

The Peigans who did not pursue the last [buffalo] herds were encouraged to go to their new reserve in 1879, where a farm instructor was appointed to teach them agriculture. By the end of the year about 50 acres of land had been broken and seeded.

By the spring of 1880, it was apparent that the Peigans' old way of life had come to an end. The buffalo were gone, the days of wandering were over, and they now had to find new ways of making a living. Canadian Government policy at that time approved the issuing of rations as a temporary measure, but dictated that the Indians become self-supporting as soon as possible. For most reserves, the government was convinced that the Indians should be taught farming regardless of the location, fertility of soil or climate. As part of this policy, the decision was made to transform the Peigan into farmers.

The Indians were anxious to find a new source of livelihood and willingly turned to the soil ... Crops of potatoes, turnips, barley and oats were planted, and by the end of 1880 the Agent observed that several one-time warriors were "cross-ploughing with their own horses the pieces of land which were broken for them last summer." Indians also went to the nearby Porcupine Hills and brought out timber for log houses to replace their worn teepees.

As part of its treaty obligations, the government issued 198 cows, as well as calves and bulls to the Peigans, but initially these were kept together as a single band herd on the north end of the reserve. Farming was given top priority and initial results were so encouraging that in 1881 the Inspector of Agencies said, "These Indians are very well-to-do and will, in my opinion, be the first of the Southern Plain Indians to become self-supporting. They are rich in horses, and having received their stock cattle from the Government, are rich in them too".¹²

For the most part (and the Peigan case eventually proved to be no exception) these efforts were not successful, in part because government policies did not provide sufficient resources - land, equipment or seed - to permit success. Periods of drought, overproduction and low prices also did not help matters. The problem was more than neglect or climate, however; it was also a matter of conflict with non-Indian farmers, who often persuaded government to sell off productive Indian lands, place restrictions on the sale of produce, and limit Indian use of new technologies to increase productivity.

In many cases, therefore, the agricultural strategy failed. Elias reports that the Dakota people at the turn of the century pursued a variety of economic activities, ranging from continued engagement in traditional hunting and gathering activities to commercial grain production, ranching and wage labour.¹³ Carter reports that during the late nineteenth century and the early years of the twentieth, Indian people in the Treaty 6 and 7 areas of Saskatchewan were becoming farmers.¹⁴ They steadily increased the number of acres under cultivation and were able to grow enough food for their own subsistence and sale in local markets. Between 1899 and 1929, income from agriculture was the most important source of income for Indian families in these areas.

During the late settler period, as Canada industrialized, Aboriginal people in many parts of the country began to participate in the market economy. For the most part their participation was on the margins and generally in manual occupations. But despite marginality, Aboriginal people coped with the changes occurring around them and again developed a measure of self-sufficiency, although at quite low levels of income. There is evidence of participation in the new industries springing up, of people working their own farms or as hired hands on others, of seasonal participation in construction of housing and community infrastructure. Some were able to establish businesses in areas such as the crafts industry, and others sought their fortunes by moving to areas where jobs were available, including the United States.

Aboriginal men in British Columbia, for example, worked in commercial fishing, canning, road construction, logging, milling, mining, railroad construction, longshoring, and coastal shipping. Aboriginal women in this region worked as domestic servants, cannery workers and seasonal agricultural labourers. By the late nineteenth century, most of the northern canneries were staffed by Aboriginal women and children. On the Atlantic coast, Mi'kmaq men and women gained a foothold in the local economy, working in road construction, ship loading, cutting pit props for the coal mines, or producing arts and crafts. They travelled to the northeastern United States for seasonal harvesting of blueberries and potatoes and, when jobs were hard to come by in the Maritimes, took up longer-term jobs in the emerging manufacturing industries of New England. (While this pattern has slowed substantially in the intervening years, it is still standard practice in the Maritimes to avoid scheduling meetings or other activities in the late summer, when a significant portion of the population goes to 'the States' to pick blueberries, as much for social as for economic reasons.)

There is some evidence, therefore, that Aboriginal people were successfully making the transition from a traditional to a 'modern' economy. These documented examples tend to

be overlooked by those who conclude that Aboriginal people were unable to make the transition, that they were prevented from gaining positions in the wider economy because of racism, or that they were unwilling to venture beyond the safe haven provided by reserves.

The period of dependence

The period of dependency began in the middle part of this century (depending on the location, sometime between 1930 and 1960) and continues, for the most part, today. Its roots were in the dislocation and dispossession created by the settler economy, which left Aboriginal people in a decidedly marginal and vulnerable economic position. It was entrenched further by the great depression of the 1930s and by federal and provincial policies adopted in response to economic distress and economic opportunity.

Although Aboriginal people were beginning to participate in the market economy, this participation was tenuous. With the depression, many jobs and businesses disappeared, and Aboriginal participation in the labour force declined. Labour shortages resulting from the Second World War made it possible for Aboriginal people temporarily to increase their role in the economy and to join the armed forces, but the end of the war and the return of the veterans again displaced Aboriginal people.

One factor standing in the way of providing assistance was the view that Aboriginal people, and especially Indian people, were a federal responsibility. Local municipalities and provinces did not see themselves as having any responsibility to assist local Indian populations, especially those living on reserves. First Nations were seen as being outside local society, a point of view that continues to some extent today.¹⁵ Local services were often not available, banks were reluctant to do business with people on reserves without federal government guarantees on loans, and businesses saw the reserve community primarily as a market for their goods and services, without the reciprocal obligation to provide employment or other types of community support.

As the depression wore on, however, some governments became more active. In Alberta, Métis people, who had been pushing for a communal land base for decades, made some headway with the provincial government. A commission was appointed in 1934 whose recommendations led to passage of the Metis Population Betterment Act 1938. Under its provisions, a number of pieces of land in the northern half of the province were set aside as Métis colonies with a limited degree of self-government. Of the 12 originally set aside, eight remain in existence, with a total land area of more than 500,000 hectares and a population of about 5,000. The initial legislation had some major limitations with respect to the degree of local autonomy allowed, the fact that title to the land remained with the province and could be revoked by order in council, and the fact that subsurface rights to resources remained with the province. The first two problems were resolved with revised legislation passed in 1990.

Concerned about unemployment and poverty, and pushed into action by negative publicity and by the provinces' insistence that Aboriginal people were a federal

responsibility, the federal government undertook a number of initiatives at mid-century. In some areas, it began a process of relocation and consolidation of Aboriginal communities.¹⁶ Sometimes Aboriginal communities were moved to make land available for agricultural development or resource development, such as hydroelectric projects. This type of relocation had begun in the 1800s and continued with some frequency until the end of the 1950s. In other cases, and with particular frequency in the middle decades of this century, the government hoped that by combining small reserves, it could provide services more efficiently and create economies of scale, thereby building self-sustaining economic units. This approach was seldom, if ever, successful. Apart from ignoring the attachment of Aboriginal people to their places of origin, the relocations undermined livelihoods people had developed over time on the smaller reserves, such as subsistence farming or traditional activities. Further, although employment was sometimes available in the new location for a time, principally in building the housing and other facilities required by a growing community, this employment also declined once the needs created by expansion had been met.

The government also put in place an extensive welfare system and other income security programs. By the 1960s, this policy approach was supplemented by attempts to create jobs within Aboriginal communities, primarily on reserves, through make-work programs and other forms of public expenditure. This approach relieved immediate hardship to a degree, but it did little to address the more fundamental issues of rebuilding an economic base. Furthermore, welfare programs were developed and implemented with little Aboriginal involvement. They were applied to situations for which they were not designed in cultural or socio-economic terms, and they in fact retarded the economic recovery of communities. Over time, the need for jobs for the expanding population grew. So did the demand for social assistance as the rate of job creation failed to match population growth. As a result, dependence on federal assistance grew, and communities came to depend significantly on these outside sources of funds.

In analyzing the roots of the dependency that grew in this period, the policies and practices of governments and the private sector regarding lands and resources must be examined. Especially in the more northerly areas of the provinces and in the territories, major resource companies, encouraged by governments, routinely established operations in areas where Aboriginal people were trying to continue a traditional lifestyle. Mining, forestry, oil and gas and similar projects were highly disruptive of Aboriginal land use and harvesting patterns.¹⁷ Provincial and federal governments applied all manner of regulation - to preserve fish and game, to register traplines, to control access to Crown lands. In the process they either ignored Aboriginal and treaty rights or chose to interpret them as narrowly as possible, until court decisions forced them to adopt a broader interpretation.

In some cases, federal or provincial regulations intended to apply broadly had a particularly damaging effect on Aboriginal people. A case in point was the 1969 fishery regulations in British Columbia. Since fishing is a way of life and not just an economic pursuit for First Nations fishers, they maintained a variety of licences. Rather than fishing only salmon, they held licences for species such as halibut, herring and rock cod as well.

The 1969 Davis Plan (named for the federal fisheries minister of the day) sought to solve the problem of too many boats chasing too few fish by limiting access to the fishery. The plan limited salmon fishing licences to boats with the highest annual catch efficiency, thereby contributing to conservation of salmon stocks and providing a better income for the remaining boats. Many of the boats owned by Aboriginal people could not compete with single-purpose vessels, because they fished several species. The result was a substantial reduction in the number of Aboriginal commercial salmon fishers.

This brief account of the roots of contemporary dependence and economic disadvantage emphasizes the role played by disruption in traditional ways of making a living and dispossession from a rich land and resource base. It also points to laws, regulations and government policies that blocked the rebuilding of Aboriginal economies.

These are not the only explanations, but they are among the most significant. Other contributing factors include the failure of educational systems to provide an appropriate education for Aboriginal students; the continued introduction of labour-saving technology, requiring more highly educated and specialized labour for its operation; and the lack of the capital required to own and operate such technology, especially in the natural resources field. These related factors generally excluded Aboriginal people from participation in the broader economy, whether as wage labourers or as entrepreneurs.

Federal and Aboriginal economic development approaches since 1960

Since the 1960s, governments have attempted to promote economic development more actively in Aboriginal communities, with policies and programs that have expanded in scope and objectives over time. But resources allocated to economic development have not come close to the amounts spent on remedial social welfare measures. In this section, we provide a brief overview of economic development efforts, focusing on federal policies.¹⁸ We also review how Aboriginal people have responded and the alternatives they have put forward. There has been some convergence between federal and Aboriginal perspectives, but important issues remain outstanding.

Federal approaches to economic development

Governments were not very active in promoting economic development before the 1960s. In the post-Second World War period, it became clear that approaches such as promotion of agriculture and relocation of communities closer to employment opportunities were too narrow in scope. While new initiatives were undertaken, the federal approach continued to be premised on the idea that development in Aboriginal communities would proceed in a manner similar to that in the mainstream; that is, if given a kick-start, Aboriginal communities would develop businesses and an economic infrastructure resembling that of the rest of Canada. It was also assumed that a significant portion of Aboriginal people would leave rural communities to enter the economic mainstream in urban areas.

In a move to support business activity, the Indian Act was revised in 1951 to give the minister of Indian affairs authority to make loans for economic development. A revolving loan fund was established to support Indian activity in areas such as agriculture and arts and crafts. Similar assistance was provided to Inuit through the Eskimo Loan Fund, established to provide small loans to Inuit trappers.

Since 1960, the federal government has pursued at least five approaches:

1. migration to mainstream employment sites, especially urban areas,
2. business development,
3. sectoral development,
4. human resources development, and
5. community economic development.

At times, one approach might dominate, but they overlapped considerably. The federal initiative of the early 1990s, the Canadian Aboriginal Economic Development Strategy (CAEDS), is noteworthy not because it introduced a new approach to economic development, but because it emphasized the need for co-ordination of programs covering all five areas between participating federal departments.

Aboriginal participation in the design and implementation of policy and programs has increased in the last three decades. There is considerable variation from one policy area to another, as pointed out in a recent assessment of CAEDS from an Aboriginal community perspective.¹⁹ Over this period, however, policy, programs and budgets continued to be controlled by federal and provincial/territorial governments, and principally non-Aboriginal perspectives were brought to bear on development.

Migration

In the mid-1960s, migration to urban areas became one of the principal policy ideas for addressing individual poverty and disadvantage. The impetus was a major report commissioned by the federal government and released in 1966. The Hawthorn report made it clear that Indian people were the most disadvantaged group in Canada's population. The report rejected the notion of assimilation as a solution to the problem. The first recommendation stated that

Integration or assimilation are not objectives which anyone else can properly hold for the Indian. The effort of the Indian Affairs Branch should be concentrated on a series of middle range objectives, such as increasing the educational attainment of the Indian people, increasing their real income and adding to their life expectancy.²⁰

The recommendation also set the stage for the economic development policies that would follow in the next three decades:

The economic development of Indians should be based on a comprehensive program on many fronts besides the purely economic.

The main emphasis on economic development should be on education, vocational training and techniques of mobility to enable Indians to take employment in wage and salaried jobs. Development of locally available resources should be viewed as playing a secondary role for those who do not choose to seek outside employment.

The Hawthorn report did not hold out much promise for people living on reserves, on the grounds that reserves lacked a sufficient resource base to support the growing population. The report rejected assimilation as an appropriate goal of government policy, but the strategies it supported placed a heavy emphasis on migration to urban areas, advocating a series of programs and activities to help Indian people enter the mainstream labour market. Work in traditional sectors such as fishing, forestry, hunting, trapping and farming was de-emphasized in favour of wage employment in commerce and industry. In emphasizing migration, the report recognized that the provinces would necessarily play a greater role in providing services to Indian people. It recommended federal reimbursement of provincial costs.

Some of these themes were picked up three years later in the 1969 white paper, a document notable for its emphasis on achieving individual social, economic and legal equality. The white paper rejected the idea that the federal government had a special responsibility for Inuit and Métis people. With respect to Indian people, it set out to remove many of the distinctive elements that set them apart, recommending that the Indian Act be repealed, that the department of Indian affairs be gradually dismantled, and that Indian people receive services from the provinces on the same basis as other Canadians. Land claims should be settled and reserve lands should be transferred to Indian control. The white paper supported increased economic development funds for reserves but emphasized that migration would be necessary and should be supported through counselling, training, and job placement services.

In his review of approaches to development in this period, Peter Elias concludes that the federal government endorsed modernization - that is, that the model for development should be the attitudes, behaviours, and institutions of 'advanced' western industrial societies, the attributes of which are most clearly evident in urban centres.

These ideas held that elements of Indian culture and society were obstacles to development. Faith in treaties, special constitutional status, an insistence on the validity of Aboriginal rights, unique land-holding rights, reserves, an emphasis on community and region, ethnic pride and preoccupation with history and tradition, some said, all served to defeat the admission of Indians as full participants in a better world. The attempt to strip those concepts of their power was an attempt to prepare Indians to enter the modern Canadian mainstream.²¹

Business development

Support for business development, begun in the post-war years, continued in the 1960s with a renewed federal commitment to an Indian revolving loan fund. Aboriginal communities had very few businesses of any size except those engaged in the traditional economy. Poverty and underdevelopment were seen as problems of individuals, and the way to solve the problem was to raise individual incomes. This meant that people should have jobs, either in urban labour markets or through the development of local businesses.

Métis people had limited access to federal programs, at least until the 1970s. They had to look to provincial programs for support. Typically, the provincial departments, agencies and programs that were established were not specifically directed to Aboriginal peoples - more often they had a northern or rural community mandate.²²

In the early 1970s, the department of Indian affairs created an economic development fund for on-reserve projects. It provided direct loans, loan guarantees, equity contributions and advisory services; both individually owned and community-owned projects were eligible for assistance.

At the same time, the federal government introduced the Special Agricultural and Rural Development Agreements to improve income and employment opportunities in rural and remote areas. Métis communities and Indian people living off-reserve were also eligible for assistance under this program. Programs intended primarily to support business development followed, including the Native Economic Development Program (NEDP), established in 1980 and made available to all Aboriginal groups. The successor to NEDP was the Canadian Aboriginal Economic Development Strategy (CAEDS), which had a substantial business development component. Recent budget cutbacks have affected CAEDS significantly.

Sectoral development

In the 1980s, support for sectoral development, particularly in natural resources, gained currency. The federal government provided support for controlled sectoral development organizations in areas such as forestry, fishing, agriculture, arts and crafts and tourism, along with resources for loans, technical assistance and training. John Loxley reports that

The sectoral programs have, apparently, been more successful than the previous, project-by-project approach of IEDFYet government involvement continues to be large and there are complaints of excessive control over programming and financesSectoral programs have, of necessity, a limited impact on Native communities as a whole and can provide only one, narrow, element of a development strategy to any given community, being based on a single sector or commodity.²³

Eventually, however, most of the resources devoted to sectoral organizations were diverted to the community level, in part at the insistence of community-based political leaders.

Human resources development

The last three decades witnessed a marked increase in the resources devoted to education and training in Canada, particularly as a preferred remedy directed to those judged to be disadvantaged. Enrolment of Aboriginal children in elementary and secondary school, whether in provincially run school systems or in federal or community-controlled schools located in Aboriginal communities, increased substantially. Greater success at the secondary school level also meant that larger numbers of Aboriginal people were attending and graduating from post-secondary institutions, although rates of attendance, and especially of graduation, still lagged behind those of the population as a whole.

While Aboriginal people participated in vocational programs directed to the broader Canadian population, some programs targeted specifically to their needs were put in place as well, such as the community human resource strategy of 1985-1992 and the Pathways initiative of the 1990s under caeds.²⁴ Education and training institutions controlled by Aboriginal people developed over this period as well, such as the Gabriel Dumont Institute and the Saskatchewan Indian Federated College.

In the early part of this period, education and training programs often encouraged assimilation and were geared to preparing people for migration out of their communities. While programs encouraging participation in the labour market continue, greater Aboriginal participation in decision making has contributed to training better designed to meet the particular needs of Aboriginal communities. Diploma, certificate and degree courses have been developed for band managers, community health representatives, and family and children's services workers. In areas where comprehensive claims agreements have been signed, education and training directed to preparing community members for new opportunities and responsibilities arising from the agreements are being planned or carried out. Aboriginal people are being equipped for technical and professional jobs, in fields such as teaching, nursing, band management and equipment operation, held for the most part in the past by non-Aboriginal personnel.

Community development

In the 1960s, the federal government broadened its policy to include an emphasis on community development. Following successful provincial programs in Manitoba, Alberta and Ontario, the Indian affairs branch established a community development program in 1963. Participants in this program clashed with the established way of doing things, however, and the branch was not prepared to commit the resources necessary to support the ideas that resulted from the process.

The Indian affairs department returned to community-based development in the 1980s through devolution of programs to the community level (that is, community implementation of existing programs under federal guidelines, not community control) and comprehensive community-based planning. More recently, under CAEDS, the department has sponsored a program that provides support to community-based economic development officers.

Aboriginal approaches to economic development

A sense of the policy directions that Aboriginal people would pursue to achieve a stronger, more self-reliant economic base can be derived from alternatives advanced by Aboriginal leaders in the last several decades. The first major statement on the issues came in reaction to the 1969 white paper and was prepared by the Manitoba Indian Brotherhood (MIB). Its report, *Wahbung: Our Tomorrows*, stated:

In developing new methods of response and community involvement it is imperative that we, both Indian and Government, recognize that economic, social and educational development are synonymous, and thus must be dealt with as a 'total' approach rather than in parts. The practice of program development in segments, in isolation as between its parts, inhibits if not precludes, effective utilization of all resources in the concentrated effort required to support economic, social and educational advancement.

In order that we can effect changes in our own right, it will be necessary to develop a whole new process of community orientation and development. The single dependency factor of Indian people upon the state cannot continue, nor do we want to develop a community structure that narrows the opportunities of the individual through the transferral of dependencies under another single agency approach.

The transition from paternalism to community self-sufficiency may be long and will require significant support from the state, however, we would emphasize that state support should not be such that the government continues to do for us, that which we want to do for ourselves.²⁵

This statement had some similarities with the Hawthorn report, especially in its call for a comprehensive approach to development, but it diverged from Hawthorn in its emphasis on reserve development as both an economy and a community central to Indian life. It called for development to proceed not in bits and pieces but according to a comprehensive plan for progress on several fronts. The proposed strategy consisted of three elements:

1. A plan to help individuals and communities recover from the pathological consequences of poverty and powerlessness. This meant a focus on individual and community health and healing. Adequate health services and community infrastructure were needed to support the individual.
2. A plan for Indian people to protect their interests in lands and resources.
3. A concerted effort at human resource and cultural development. It argued for revitalizing Indian traditions within the context of Canadian institutions, laws and ways of doing things.

At its heart was the concept that if change was to lead to increased self-sufficiency, it must be directed by Indian people themselves, so that both individual and communal

interests could be taken into consideration. This would require governments to relinquish some political power and Indian people to combine elements of Canadian and local culture. The MIB proposal also emphasized the need for substantial financial support from the federal government over an extended period of time.

Support for comprehensive approaches to development were also articulated in the North. In 1973, for example, the Council for Yukon Indians (CYI) outlined its case for regaining control over lands and resources and a comprehensive approach to development in its land claims statement, *Together Today for Our Children Tomorrow*.²⁶ While the MIB and CYI approaches to development were similar, they emphasized different priorities, with CYI stressing private business initiatives as the key to a healthy economy - essentially individual interests - while MIB emphasized communal economic initiatives.

These are two of a large number of proposals from Aboriginal people for approaches to development, including the National Indian Brotherhood's 1976-1977 strategy, the 1979 Beaver report, and the recent community-based evaluation of CAEDS.²⁷ In addition, economic development approaches advanced by non-Aboriginal sources (though with substantial Aboriginal input) include the Berger report and the Penner report.²⁸

The reports differ in approach, but together they reveal some recurring themes in Aboriginal approaches to economic development:

- As the statements from the Manitoba Indian Brotherhood and the Council for Yukon Indians illustrated, Aboriginal approaches to development are much broader in conception, including elements such as governance, culture, spirituality, education and training, and community healing and social development.
- An integrated, holistic approach is favoured rather than one that proceeds on the basis of segmented instruments, each pursued more or less independently.
- The achievement of self-government is central to Aboriginal visions of development, not only for its own sake but as a vital element of sustained economic development.
- Recognition of the rights of Aboriginal peoples is vital, and through this means an expanded land and resource base can be obtained.
- Development of the resources, institutions, rights and responsibilities of the community and nation are emphasized. There is an appreciation of the need for Aboriginal people to make their way as individuals in the broader Canadian society, but this needs to be balanced with the development of the community or nation.
- Economic development should be compatible with and strengthen Aboriginal culture and identity rather than undermine it.

- Aboriginal approaches to development should support traditional economies and the measures required to sustain them, including respect for indigenous knowledge and resource conservation.
- Transition must be made from allocating a large proportion of government funds to social assistance and other forms of remedial and maintenance expenditures to an emphasis on economic development and preventive expenditures.
- The influence of Aboriginal cultures in decision making, business ownership, the distribution of wealth, and the role of kinship is not uniform.

Over the 30-year period we have been examining, federal government policy slowly converged on the direction set out by Aboriginal people. First, the nature of assistance has diversified from direct loans and equity contributions to a broader range of services, including management and technical assistance and planning support. Second, the target groups have expanded to include not only Indian people living on reserves but also Inuit, Métis people, and Indian people living off-reserve. Third, the scope of the objectives has widened from the initial focus on small business development to include community development with a community-based planning approach, sector development of arts and crafts, agriculture, and fishing, and development of economic development institutions. Finally, there has been a shift from programs designed and delivered by a single department (DIAND) to the collaboration of several departments in a somewhat coordinated way through CAEDS.

The degree of participation and control by Aboriginal people has also increased. In the 1960s and early 1970s, the federal government retained control over all aspects of economic development. It did the planning, set priorities, developed projects and approved them. Since then, the size of the role assumed by Aboriginal governments and communities has increased gradually. Examples of the increasing influence of Aboriginal people over the development process and related government policy have included the National Indian Socio-Economic Development Committee, joint National Indian Brotherhood-Department of Indian Affairs and Northern Development committees, Indian economic development loan boards, the NEDP advisory board and its various committees, the CAEDS boards, and the Pathways boards. As a result of government and community initiative, there has been significant growth in the institutional capacity of Aboriginal communities to further the process of socio-economic development.

Conclusion

This overview of federal economic development policy and programs has revealed significant changes in the last three decades. There are, however, continuing tensions, such as the need to recognize that Aboriginal economies are both distinctive from the mainstream and diverse. They arise because federal policy emphasizes individual advancement and integration into the broader Canadian economy more than rebuilding Aboriginal economies and all that entails.²⁹

Tensions also continue over the extent to which policy and programs are designed, implemented and changed by Ottawa, or whether genuine partnerships with Aboriginal people will be realized in the context of self-government, with Aboriginal governments playing the lead role in the design and delivery of economic development policies and programs.

In reflecting on the experience with economic development policy and programs over the last 30 years, several broad conclusions can be drawn. The first is to recognize that this is a complex area and that no single approach will solve the problems within a few years. The single-focus approaches of the past, based on agriculture or business development, will have limited success. Aboriginal economies vary across a wide spectrum, from predominantly traditional economies to modern market economies. They have varying levels of natural and human resources. Government policy must acknowledge the diversity of Aboriginal economies and Aboriginal economic goals. Its aim should be to facilitate, encourage, advocate, assist and support the development of sustainable economies. This means establishing a broad policy framework within which Aboriginal communities and nations can design their own instruments to further their objectives. This framework needs to be sustained over a long period, so as to create a stable, predictable environment for economic development.

Second, the Commission believes that Aboriginal people must have stewardship of their economies if development is to succeed; that is, they must be able to plan the development of their economies, develop the projects, implement them, monitor them and change them if necessary. To accomplish this, government policy should continue to encourage the development of Aboriginal economic institutions to play a variety of roles, including the provision of capital, sector development, management and technical assistance, economic analysis and planning support.

Third, economic development is unlikely to succeed if the severely constrained land and resource base is accepted as given. Public policy must come to grips with these factors before even the best designed business development program can be expected to be broadly successful.

Fourth, we see a need to reconsider the most appropriate units for economic development. With few exceptions, policy and programs have been geared to individuals. Community-based economic development is important, but as we argue later in this chapter, it is also important to consider what can be accomplished by working with units of larger scale. An emphasis on the Aboriginal nation is consistent with our recommendations in the area of self-government, but also has much to commend it for the purpose of achieving stronger Aboriginal economies.

Fifth, economic development of Aboriginal communities cannot occur in isolation from the rest of the Canadian economy. Aboriginal people's overall participation in the Canadian economy has been marginal: if they have participated as workers, it has usually been in low-skilled, low-wage, easily lost jobs; if they have participated as business people, they have encountered significant obstacles, such as racism and insufficient

access to capital. In many cases, local Aboriginal economies are invisible to the surrounding economies, even though they are significant contributors to those economies. Aboriginal people must participate in federal, provincial and local economic planning mechanisms (such as economic development commissions, economic planning boards, local economic task forces). The establishment of genuine partnerships with the non-Aboriginal private sector should also be encouraged.

Finally, the Commission favours integrated, holistic approaches to development. Economic development must be accompanied by activities that, while not focusing directly on economic development, still have a significant effect on it. These activities include education, improving overall levels of health, developing positive cultural identities, and building and maintaining infrastructure and services for communities and families. In the absence of improvements in these other areas, economic development will be curtailed.

These are the general lessons of experience with economic development policy and the approaches to economic development advocated by Aboriginal people. More specific recommendations emerge from the more detailed discussion of issues in the second part of this chapter.

1.2 Contemporary Aboriginal Economies

The amount and quality of empirical information on Aboriginal economies has improved significantly in recent years, making it possible to describe some of the main characteristics fairly accurately. In this section, we move from an historical to a contemporary account. With the assistance of tables and figures, we show that the legacy of history is economies that are dependent rather than self-reliant and that offer labour force participation rates, incomes and levels of business development far below Canadian averages. In the absence of new approaches to economic development, this situation is not likely to improve, particularly given the large anticipated increase in the size of the Aboriginal working age population.

Contemporary issues

Dependence

Their traditional economies disrupted, reduced to a small fraction of their land and resource base, and subjected to inappropriate economic policies and practices, it is hardly surprising that Aboriginal nations are far from self-reliant. There are, of course, important exceptions, usually the result of advantageous location, particularly imaginative leadership, unusual resource endowments, or comprehensive claims agreements, and we refer to these from time to time. On average, however, Aboriginal economies will require substantial rebuilding if they are to support Aboriginal self-government and if they are to meet current and anticipated income and employment needs.

The current level of dependence is illustrated by data on the sources of income of Aboriginal individuals and on the sectors or industries in which they are working. Table 5.1 shows the percentage of the Aboriginal identity population 15 years of age and over that received social assistance in 1990.³⁰ It reveals high levels of dependence on social assistance, especially for Indian people on-reserve. DIAND provides additional data on the latter group and calculates dependency rates based on the number of beneficiaries as a percentage of the total population of the community. According to these figures, the dependency rate was 37.4 per cent in 1981, a figure that remained fairly constant until the end of the decade but then increased to 43.3 per cent by 1992. The rate for the non-Aboriginal population shows a similar pattern of change, increasing from 5.7 to 9.7 per cent over the same period, though at much lower levels.³¹

TABLE 5.1
Receipt of Social Assistance among Aboriginal Identity Population Age 15+, 1990

	Indian on-reserve %	Indian %	Métis %	Inuit %	All Aboriginal persons %
Total Receiving Assistance	41.5	24.8	22.1	23.5	28.6
Received Assistance 1-6 months	10.6	7.8	7.5	8.2	8.5
Received Assistance 7-12 month	28.1	15.8	13.6	14.1	18.4

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

There was also considerable variation between regions for Indian people on-reserve, with the lowest rate in Ontario, at 23 per cent in 1992, and the highest in the Maritimes, at 74 per cent.³² Nor does the future look very encouraging; Moscovitch and Webster project major increases in social assistance expenditures by the federal government for the registered Indian population, based on trends in population growth and migration.

Dependence is related not only to lack of jobs and reliance on social assistance but also to the kinds of jobs held by the employed population, many of which are dependent on government funding, as Table 5.2 illustrates. Table 5.2 shows that Aboriginal people, to a greater extent than other Canadians, rely on employment in the public sector. To some extent these figures reflect the greater presence of government services in Aboriginal communities, but they also suggest greater dependence on externally derived funding and a weaker private sector, especially among registered Indians and Inuit, although the situation is improving, as we will see.

TABLE 5.2

Aboriginal Identity Population in the Employed Labour Force, by Industry Sector, 1991

	Registered North American Indians	Non-registered North American Indians	Métis Persons	Inuit	Total Aboriginal	Total Non-Aboriginal
Primary Industry	7.9	5.4	8.0	4.6	6.5	6.0

Manufacturing	8.1	13.1	9.4	5.2	10.7	14.4
Government Services	29.2	9.6	11.3	24.4	15.1	7.8
Education and Health Services	17.7	14.8	14.7	17.7	15.8	15.4
Other Tertiary Industry	37.1	57.1	56.6	48.1	51.9	56.3

Note: Percentage of the employed Aboriginal labour force working in each sector.

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

We conclude that the challenge of creating a self-sufficient economic base is substantial and not likely to be accomplished by modest measures.

Inequality

Inequality between Aboriginal people and the total Canadian population on measures of economic outcomes is also substantial and in some respects is getting worse, not better. Table 5.3, for example, shows Aboriginal labour force participation rates, the unemployment rate, the proportion of the adult population that is employed, and the percentage of the population with less than \$10,000 in total annual income, comparing these figures with those for the total population. It also shows the results of calculations to determine how many jobs need to be created to make up the difference between employment among Aboriginal people and among Canadians generally - that is, to achieve equality in employment rates.³³

TABLE 5.3

Labour Force Activity of Aboriginal Identity and Total Canadian Populations Age 15+, 1991

	Indian People on Reserve	Indian People off Reserve	Metis Persons	Inuit	Total Aboriginal	Canada
% Adult Population in Labour Force	45.3	60.7	63.1	57.2	57.0	67.9
% Labour Force Unemployed	30.8	23.4	21.7	25.0	24.6	10.2
% Adult Population Employed	31.4	46.5	49.4	42.9	43.0	61.0
% With < \$10,000 Total Income	64.2	50.4	49.3	57.4	54.2	34.0
Number of Jobs Needed to Close Employment Gap*	48,900	27,200	10,200	4,000	82,400	—

Notes:

Numbers have been rounded to the nearest hundred. *See Table 5.14. and note 33 at the end of the chapter.

Source: Statistics Canada. Aboriginal Peoples Survey (1991). catalogue no. 89-534; 1991 Census, catalogue nos. 93-324 and 93-331; M.J. Norris, D. Kerr and F. Nault, "Projections of the Aboriginal Identity Population in Canada, 1991-2016", research study prepared by Statistics Canada (Population Projections Section, Demography Division) for **RCAP** (February 1995).

Table 5.4 focuses on the unemployment rate in particular, showing variations within the Aboriginal population. It shows how high the rate is for some Aboriginal groups,

especially youth, and reveals a major increase in unemployment in the past decade as the size of the youth population grew.

The inequalities of the present have their roots in the policies and practices of the past, and patterns of disadvantage, once begun, tend to perpetuate themselves from one generation to the next; children of parents who are long-term recipients of social assistance are less likely to be healthy, less likely to do well in school, and more likely to be unemployed themselves than are children born into more affluent circumstances (see Volume 3, Chapter 3).

Demography

Because of high birth rates and decreasing mortality rates, the Aboriginal population has increased sharply in recent years. Among other things, this means that the size of the population aged 15 and older is also growing rapidly and is projected to continue to do so. Figure 5.1 documents this point, the implication of which is that thousands of new Aboriginal entrants to the labour force can be expected. Indeed, the surge in the size of the Aboriginal labour force has been under way for several years. Indications are that, even where some progress in employment is occurring on an absolute basis, these developments are being overwhelmed by demographic patterns, so that unemployment rates are rising, not falling, as Table 5.4 showed.

Place of residence plays a role in economic prospects, because jobs tend to be created at a higher rate in urban than in rural areas. The Aboriginal population became more urban in the decade 1981-1991. (A rough estimate is that the proportion of the Aboriginal population living in urban areas increased by 10 per cent from 1981 to 1991.) The data for these two census years are not strictly comparable, however, so it is difficult to be precise. Even in 1991, however, the Aboriginal population was, on the whole, much more rural than was the case for non-Aboriginal Canadians, as Table 5.5 reveals. There is also considerable variation among Aboriginal groups, with about two-thirds of Métis people and non-registered Indians living in urban areas, compared to 34 per cent of registered Indians and 22 per cent of Inuit.

TABLE 5.4

Unemployment Rates in the Aboriginal Labour Force, 1981 and 1991

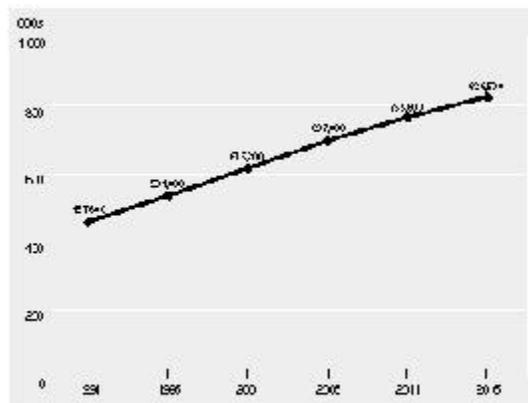
		Unemployment Rate %	
		1981	1991
Inuit Males	15-24 years	22	36
	25-54 years	12	22
	55+ years	11	—
Inuit Females	15-24 years	22	28
	25-54 years	12	22
	55+ years	8	—
Métis Males	15-24 years	22	31

	25-54 years	11	22
	55+ years	7	25
Métis Females	15-24 years	19	25
	25-54 years	12	16
	55+ years	6	9*
North American Indian (Status) Males	15-24 years	23	46
	25-54 years	14	30
	55+ years	13	29
North American Indian (Status) Females	15-24 years	25	33
	25-54 years	14	23
	55+ years	10	20
Non-Aboriginal Males	15-24 years	13	16
	25-54 years	5	9
	55+ years	4	8
Non-Aboriginal Females	15-24 years	13	14
	25-54 years	7	9
	55+ years	6	8

Notes: — Figures suppressed; the coefficient of variation of the estimate is higher than 33.3%. * Figure to be used with caution; the coefficient of variation of the estimate is between 16.7 and 33.3%.

Source: D. Kerr, A. Siggner and J.P. Bourdeau, "Canada's Aboriginal Population, 1981-1991", research study prepared for RCAP (1995).

FIGURE 5.1
Adjusted Aboriginal Identity Population Age 15+ 1991-2016



000s. Projections are based on the current trend.
Source: Ed J. Hogg, D. Kerr and F. Reilly, "Projections of the Aboriginal Identity Population in Canada, 1991-2001", research study prepared by Statistics Canada, Department of Indian Affairs and Northern Development, Ottawa, 1999.

TABLE 5.5
Residence of Aboriginal Identity and Non-Aboriginal Populations, 1991

	Registered North American Indians	Non- registered North American Indians	Métis Persons	Inuit	Total Aboriginal	Total Non-Aboriginal
	%	%	%	%	%	%
Urban (non-reserve)	33.9	69.0	64.6	21.9	44.4	77.2
Rural Non-Reserve	8.0	31.0	35.4	78.1	20.3	22.8
Reserve	58.1	—	—	—	35.3	—
Total	100.0	100.0	100.0	100.0	100.0	100.0

Notes

1. Table shows only the registered North American Indian population as having a reserve residence. Although a very small number of non-registered Indian persons. Métis people and Inuit live on reserve, they are shown as part of the rural population.

2. Table reports adjusted population figures for all Aboriginal groups except Inuit, for whom unadjusted data from RCAP custom tabulations of the 1991 Aboriginal Peoples Survey are used.

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

Even when Aboriginal people live in urban areas, they are more likely than Canadians generally to live in smaller urban centres than in large metropolitan areas (Figure 5.2).

These figures on place of residence are significant because most of the new jobs created in the Canadian economy in recent years have been located in urban areas. Table 5.6 projects this trend into the future, ranking the major occupational groups by their predicted rate of annual growth in the period 1993-2000. It can be readily observed that almost all the occupations with the highest projected growth rates were largely urban in location in 1991. (The representation of what would appear to be rural occupations in urban areas is attributable to the fact that in some urban areas, such as Sudbury, Ontario, for example, there are large numbers of mining jobs in or near the city.)

TABLE 5.6
Projected Annual Growth Rate of Occupational Groups, 1993-2000, and Proportion of Jobs Located in Urban Areas, 1991

Occupational Group	Projected Annual Growth Rate, 1993 - 2000 %	% of Jobs in the Urban Areas, 1991
Managerial-Administrative	2.7	81.3
Natural Sciences	2.6	86.3
Social Sciences	2.4	85.2
Arts and Recreation	2.3	86.5
Service Occupations	2.2	81.1
Medicine and Health	2.1	81.1
Not Classified	2.0	77.1
Construction Trades	1.9	70.4
Clerical Occupation	1.7	83.1
Sales Occupations	1.5	82.9

Product Fabrication	1.3	77.3
Teaching	1.1	79.7
Processing	1.1	65.0
Machining	1.1	76.1
Religion	0.7	77.4
Farming	0.7	27.0
Materials Handling	0.6	79.5
Transportation Equipment Operation	0.5	72.0
Other Crafts	0.4	80.5
Fishing/Trapping	0.1	23.5
Mining	-0.4	63.7
Forestry and Logging	-0.8	NA
Total	1.8	78.0

Source: Canadian Occupational Projection System. COPS Reference 1993 Projection; and Statistics Canada, 1991 Census, custom tabulations.

Thus, the issue is not only a rapidly increasing Aboriginal labour force but also a mismatch between the geographic location of that labour force and the anticipated location of job growth in the Canadian economy. While the future of Aboriginal employment may not necessarily be as tied to urban locations as non-Aboriginal employment is, it can be expected that in the coming years Aboriginal people will continue to migrate to urban areas for jobs as well as other reasons. Thus policy attention needs to be directed to urban areas and to migrants there, as well as to the challenge of expanding economic opportunities in rural and northern areas.

The diversity of Aboriginal economies

Economic development policies of federal and provincial/territorial governments have tended to treat Aboriginal economies as though they were the same as non-Aboriginal economies, or at least to try to make them like the latter. They are quite different in many respects, however - in their histories, their goals, their cultural bases, their legal relationship to Canada, and their social and economic characteristics.

Thus we need to recognize Aboriginal economies as different in important respects, but also quite diverse. Here we describe three types of Aboriginal economies: First Nations reserves and rural Métis communities, urban Aboriginal economies, and northern economies.

First Nations reserve and rural Métis economies

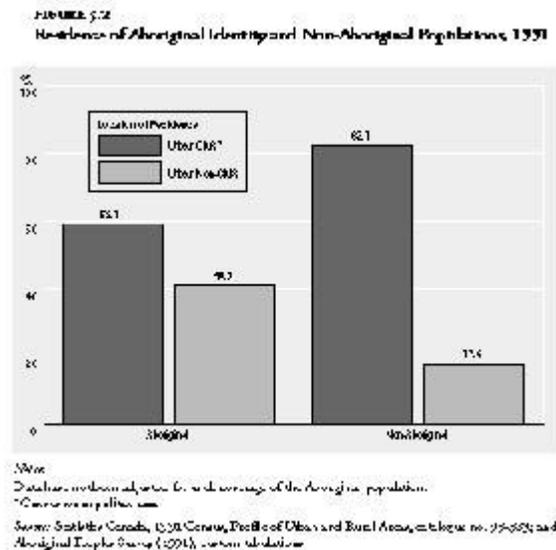
There are 884 occupied reserves in Canada,³⁴ the large majority located in rural areas, and a much smaller number of rural communities where the bulk of the population is Métis. In some ways they are the same as non-Aboriginal rural communities; in other ways they differ from them and from each other.

In terms of structure, and in contrast to urban Aboriginal communities, reserves have their own governments and a clearly delimited membership, two factors that are important when collective action is contemplated. The identification of the membership is particularly clear on reserves, because lists are kept of all individuals belonging to a particular band; lists also indicate whether a member is living on- or off-reserve.

Communities in which Métis people reside also have their own clearly defined governments, although these are public governments of the municipal type.

While reserve governments can be clearly identified, it is not so easy to identify other differentiated institutions in the economic realm. In comparison with non-Aboriginal communities, a private sector is less evident (especially on reserves) and not likely to be organized in a chamber of commerce or board of trade. Nor is there likely to be a bank or trust company, an industrial park, or clearly understood rules of the game about the relationship between the private sector and the government.

The reserves have a defined land base; title to it rests ultimately with the Crown. As specified in the Indian Act, a reserve is a “tract of land, the legal title to which is vested in Her Majesty, that has been set apart by Her Majesty for the use and benefit of a band”.³⁵ The act gives the governor in council (in practice the minister of Indian affairs) the right to “determine whether any purpose for which lands in a reserve are used is for the use and benefit of the band”. Individual band members may gain possession and use of a defined portion of the land according to the custom of the band, or by being allotted a portion of land by the band council and given a certificate of possession or a certificate of occupation by the minister. Transfers of possession, once obtained, can be to the band or to another member of the band only, again with the permission of the minister.



Reserve lands are not subject to seizure under legal process. In addition, 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. The effect of these Indian Act provisions has been to reduce access to financing for economic development significantly, although an amendment to the property provision has made some property (but not land) seizures possible. Reserve lands, however, may be taken for public purposes. That is, a province, municipality, local authority or corporation may expropriate reserve lands for public purposes, provided they have been given authority to do so by Parliament or a provincial legislature.

While a defined land base exists, the amount of land available to each reserve tends to be quite small on average (Table 5.7).

TABLE 5.7
Size Distribution of Reserve Land

Size (hectares)	Indian Reserve Land ¹		All Types ²	
	No	%	No.	%
0 to 500	1,968	79.3	2,090	78.3
501 to 1,000	126	5.1	140	5.2
1,001 to 1,500	54	2.2	57	2.1
1,501 to 2 000	54	2.2	57	2.1
2,000 and more	279	11.2	325	12.2
Total	2,481	100.0	2,669	100.0

1. Includes both populated and unpopulated reserves. Data are for some time in the period 1991-1994, depending on the region.

2. Includes land identified as Indian reserves, Crown land settlements (federal or provincial), Category 1A lands, Indian settlements and proposed Indian reserves.

Source: Department of Indian Affairs and Northern Development, from information provided by the Department of Natural Resources, custom tabulations, 1994.

In many cases, too, reserves are not well located from the point of view of access to markets or services (Table 5.8) or in terms of possession of natural resources.

TABLE 5.8
Proximity of Indian Bands to Service Centres

	Bands	
	#	%
< 50 kilometres	184	31.1
50-350 kilometres	279	47.1
> 350 kilometres	20	3.4
Special Access	109	18.4
Number of Bands*	592	100.0

Notes

1. A service centre is a community where the following services are available: supplies, material and equipment; a pool of skilled or semi-skilled labour; at least one financial institution; and provincial and federal services. The largest reserve or community associated with a band is used when measuring the distance to the nearest service centre.

2. An Indian band is a group of Indian persons for whose use and benefit in common lands (reserves) have been set aside or who are otherwise recognized by the federal government under the Indian Act. A band can have more than one reserve, and not all reserves are occupied.

* This total is slightly less than the total number of bands in Canada (608 as of 1995), because some bands are without a reserve.

Source: Department of Indian Affairs and Northern Development, Band Classification Manual (March 1995), custom tabulations.

The title to any subsurface resources rests with either the federal or the provincial Crown, and the most reserves can do is refuse to surrender or designate the lands, or attempt to impose conditions on the surrender. A few reserves, however, do have a valuable resource base and receive substantive resource rents; the best known cases are Alberta reserves with oil and natural gas deposits. These kinds of revenues (as well as income from the sale of capital assets) are held in trust by the minister of Indian affairs, whose approval is required for release of the funds.

Reserve lands, however, are exempt from all forms of taxation except local taxation, and this applies as well to the personal property of a First Nations individual or a band situated on the reserve. This provision can give an economic advantage to individuals and businesses located on reserves, but it does not apply to corporations owned wholly or partially by First Nations people. Courts have ruled that corporations are not 'Indians', nor are they entitled to be registered as Indians; hence, they are not eligible for tax exemptions. First Nations people have argued to no avail that this exclusion is a violation of Aboriginal and treaty rights and takes away a competitive advantage that reserves need if they are to compete from rural and remote locations.

By contrast, most Métis communities do not have a land base, nor are they subject to the Indian Act. Métis people own lands and assets as other Canadians do. The Metis Settlements in Alberta are the exception. A substantial land area was transferred to the Alberta Metis Settlements General Council in fee simple in 1990. As in the case of reserves, strict protective mechanisms prevent the loss of settlement lands to outsiders - restrictions deemed important to protect the land base but that stand in the way of obtaining loans for economic development purposes, because the land and its assets cannot be pledged as collateral.

While the land base of the Alberta Metis Settlements is more substantial than that set aside for reserves (an average of 63,178 hectares for each of eight settlements), subsurface rights remain with the province of Alberta. The settlements are negotiating the issue and have not reached agreement to date.

In the case of both reserves and Métis communities, there may be access to Crown lands outside the boundaries of the community for purposes of hunting, fishing or trapping, or in some cases to cut logs or engage in other economic ventures. As discussed earlier in

this volume, however, these opportunities are increasingly circumscribed by the activities of other land and resource users and by myriad regulations and restrictions that have the effect of overriding treaty and Aboriginal rights.

Although the communities described in this section have their own governments, the nature of the governments and their powers are defined outside the communities. The Indian Act sets out the composition of a band council, the manner of its election, and its term of office (two years). The powers of band councils are limited to making by-laws and enforcing them within the reserve boundaries. The by-laws must be consistent with the act and with regulations adopted by the governor in council. Approval of the minister is required for all by-laws. The act permits band councils to make by-laws with respect to taxation of land and interests in land; licensing of businesses, trades and occupations; and the raising of money from band members for band projects.

The act also contains a number of prohibitions. For example, one provision is little used today but serves as a reminder of the time when the Indian agent could restrict economic activity on a reserve if it would compete with non-Aboriginal producers:

A transaction of any kind whereby a band or a member thereof purports to sell, barter, exchange, give or otherwise dispose of cattle or other animals, grain or hay, whether wild or cultivated, or root crops or plants or their products from a reserve in Manitoba, Saskatchewan or Alberta, to a person other than a member of that band, is void unless the superintendent approves the transaction in writing ... Every person who enters into a transaction that is void under subsection 32(1) is guilty of an offence.

Indeed, this argument about competing with existing interests is still used in the contemporary context to refuse loans and other forms of assistance to those who wish to establish businesses on reserves or in Métis and Inuit communities.

The Indian Act removed Indian lands and property from the Canadian economic realm and set them aside in enclaves. Here, creditors and bankers are reluctant to enter because they cannot exercise their rights in case of default; provincial governments are reluctant to enter because it is an area of exclusive federal jurisdiction; individual entrepreneurs are reluctant to enter because they perceive that reserves are inhospitable to their interests; and band councils have experienced considerable uncertainty and restriction in terms of their capacity to regulate the business environment.

The solution to these problems is not straightforward, however. First Nations people both on- and off-reserve place a high value on the reserves as a refuge from non-Aboriginal society, a place where the bonds of community are strong and where Aboriginal culture and identity can be learned and reinforced. There is strong resistance to measures that would place the few remaining reserve lands at risk in any way, even for the sake of economic development.

Métis people are spared the detailed prescriptions imposed by the Indian Act, but they are subject to the same restrictions as other rural municipalities in their province. Their

delegated powers from the province leave much to be desired in terms of achieving community control over local resources and economic development projects. Again, the exception is the Metis Settlements in Alberta, which now have fairly extensive powers to organize their economies at the community level and at the level of the regional general council.³⁶

The formalities of the Indian Act and of provincial legislation mask a degree of initiative and decentralization that exists informally or by agreement. This is particularly the case with more aggressive communities and those with more extensive material and human resources that have been able to negotiate ways around Indian Act restrictions. DIAND has been encouraging bands to assume responsibility for providing programs and services, although typically under terms and conditions defined outside the community. Nevertheless, this has resulted in the takeover of programs in education, housing, health, social services, policing and economic development. In the process, local jobs have been created in band and social service administration; this, together with the weakness of the on-reserve private sector, accounts for the high proportion of Aboriginal people working in the public sector, as documented in Table 5.2.

Business development is weak on reserves, and to a lesser extent in rural Métis communities. With only a small population to serve, it is difficult for businesses to become viable, except those that can function on a small scale, such as a corner store, a gas bar, a hairdressing salon or an auto repair shop. As a result, the considerable funds flowing into communities quickly flow out again to non-Aboriginal businesses in neighbouring towns. A study of the monthly household expenditures of six Shuswap communities in British Columbia, for example, documented that only \$142,645 was spent on-reserve, out of total expenditures exceeding \$750,000 - less than 20 per cent (1991-1992). An analysis of the spending patterns of the Shuswap governments showed a total expenditure of \$13.2 million, of which \$6.32 million, or 48 per cent, was spent for goods and services purchased on-reserve. However, almost all the on-reserve spending took the form of wages, benefits and post-secondary school allowances, which soon found their way to institutions and businesses outside the reserve. The authors of the study concluded that the actual leakage was closer to 90 per cent.³⁷ It is not surprising, therefore, that rural Métis and First Nations communities seek to reduce this leakage through 'import substitution'.

Reserve economies are largely isolated from the economies of surrounding regions except as consumers of goods and services produced outside the community or occasionally as hosts to leaseholders, cottagers or bingo players. They do not supply manufactured goods or services to the region, their residents are not employed by the non-Aboriginal drugstores and supermarkets that profit from sales to Aboriginal people, and local or regional development agencies are typically ignorant of the First Nation economy in their midst, even if it is significant in dollar terms. While occasionally a regional development authority might have an Aboriginal representative or even an Aboriginal sub-committee, there is not much evidence that these linkages are leading to significant economic development.

Most reserves and rural Métis communities are located in regions that are struggling economically and losing jobs in the natural resources and manufacturing sectors. The depletion of resources, tougher international competition, and the continuing adoption of capital-intensive technology all contribute to this trend. The consequences become immediately obvious if unemployment rates in rural and northern areas are compared with those in urban and more southern areas³⁸ Exceptionally high population growth rates in First Nations and Métis communities present a major challenge for employment and economic development in these regions.

Urban economies

Since the Second World War, many Aboriginal people living in rural or reserve areas have migrated to urban areas and, in particular, to Canada’s largest metropolitan centres. The flow of migrants has not always been steady, but now almost half the Aboriginal identity population lives in urban areas, as documented in Table 5.5. Aboriginal people have moved to cities to pursue jobs, education or training opportunities, to have better access to health or social services, to join a family member or spouse, or to escape an abusive relationship. For a fuller discussion of the varied dimensions of Aboriginal life in urban centres, see Volume 4, Chapter 7.

The urban environment does offer somewhat better employment and business opportunities. To a degree, Aboriginal people have been able to take advantage of those opportunities. Aboriginal people in urban areas, on average, have higher labour force participation and employment rates than those living in non-urban areas (Table 5.9). As well, those who have found work earn more income on average and are more likely to have a steady, full-time job.³⁹ Yet the economic conditions of Aboriginal people in urban areas are still well below those of non-Aboriginal people, and in some cities, especially in Manitoba and Saskatchewan, the differences are very substantial. Table 5.9 reveals unemployment rates for the urban Aboriginal labour force that are more than double the non-Aboriginal level, even though labour force participation rates are almost comparable.

**TABLE 5.9
Labour Force Activity of the Aboriginal and Non-Aboriginal Populations Age 15+, 1991**

	Aboriginal			Non-Aboriginal	
	Urban	Rural	Reserve	Urban	Rural
Labour Force Participation Rate	62.7	58.3	45.3	68.1	67.9
Employment Rate	48.4	45.5	31.4	61.5	60.7
Unemployment Rate	22.9	22.1	30.8	9.7	10.6

Source: Statistics Canada. 1991 Census, custom tabulations; and Aboriginal Peoples Survey (1991), catalogue no. 89-534 and custom tabulations.

Rates of poverty among Aboriginal people in urban areas are also higher than among other urban residents. In every major metropolitan centre in the country, the proportion of the Aboriginal adult population with a very low income (less than \$10,000) is considerably higher than the proportion in the total metropolitan population. The Aboriginal rate is about double that of the total metropolitan population in every centre but Halifax.⁴⁰

These figures paint a general picture of Aboriginal disadvantage in urban areas, particularly in some cities, but the data may not reflect a substantial amount of informal economic activity among urban Aboriginal residents. The Aboriginal Peoples Survey, for instance, reported that in metropolitan centres from Winnipeg to Victoria, between 17 and 25 per cent of the adult population participated in the informal economy.⁴¹

To understand the distinctive features of urban Aboriginal economies, it is useful to contrast them with the rural economies described earlier. First Nations reserves and, to some extent, rural Métis economies are “enclave economies”.⁴² The urban economies of non-reserve Aboriginal populations are more appropriately conceived of as “interwoven economies”. It is often difficult to distinguish a distinct urban Aboriginal economic unit. In cities such as Winnipeg, Regina and Saskatoon, however, large segments of the Aboriginal population are concentrated in certain parts of the city, usually inner city areas with a greater availability of low-cost rental housing. Even these areas have a mix of Aboriginal and non-Aboriginal inhabitants, however, and the latter tend to be dominant. In fact, there is only one Canadian urban census tract (in Winnipeg) in which Aboriginal people make up the majority of residents.⁴³

Other characteristics also contribute to a more interwoven picture. The urban Aboriginal population tends to be more culturally heterogeneous than rural First Nations or Métis communities. It is usually made up of people from numerous First Nations and, especially in the prairie provinces, it includes a sizeable Métis population as a separate cultural and economic group.

In centres such as Toronto, Ottawa, and Montreal, the population with some Aboriginal ancestry may be large, but the percentage who identify themselves as Aboriginal is small. In fact, Aboriginal people in urban areas usually represent only a small minority of the urban population. People who identify themselves as Aboriginal account for less than six per cent of the population of large metropolitan areas, and in most of those cities the proportion is less than two per cent.⁴⁴ A delegate at the Commission’s round table on urban issues explained that the size of the city affects the Aboriginal community’s sense of cohesion even in Winnipeg, which has the largest urban Aboriginal population in the country:

The bigger Winnipeg gets, the greater the sense of isolation for Natives, the less they practise togetherness. It is very difficult to ‘feel’ Native culture in urban areas. In the rural areas, Natives are in closer touch with one another.⁴⁵

The urban population is diverse in other respects as well. Although the proportion of low-income earners is high, there is also a growing middle class of higher income earning professionals working as senior employees of Aboriginal organizations and an increasing number of university graduates in fields such as law, business administration and health care.

The lack of urban Aboriginal governing structures is a further impediment to the development of distinct Aboriginal economic and cultural communities in urban areas. Where representative organizations have developed, they have lacked the resources and the legislative authority to plan and implement economic policies and programs aimed at building linkages within the community. Moreover, the development of these structures has been complicated by debate about the form urban Aboriginal organizations should take. Some support the idea of umbrella organizations to represent all Aboriginal groups, while others advocate separate First Nations and Métis organizations.

In the economic arena, institutional development is weak as well. Community development corporations are more visible in rural communities than in urban. Aboriginal capital corporations - financial institutions that deal mostly in small business financing - have also focused more on the needs of rural and reserve communities than on those of the urban population. Winnipeg, for example, is the headquarters of a Métis capital corporation and two others affiliated with First Nations tribal councils, yet the bias is toward rural community and reserve lending.

Making life more complicated for the urban dweller is the fact that non-Aboriginal governments tend not to recognize urban Aboriginal communities in policies and programs. The federal government has largely denied responsibility for urban Aboriginal people unless they are registered Indians who have moved recently from a reserve or are living away from one temporarily. Usually, responsibility for services for other urban Aboriginal people has fallen on the provinces. For the most part, Aboriginal people have used agencies and programs designed for the general population.

Provincial governments have been generally open to developing targeted policies and programs to address the distinct needs and circumstances of some groups, such as immigrants, but they have been reluctant to do so for Aboriginal people. The provinces argue that Aboriginal people, or at least registered Indians and Inuit, are a federal responsibility, so the cost of Aboriginal-specific programs should be covered or at least shared by the federal government. The federal government argues that service provision is a provincial responsibility anywhere outside reserve boundaries. This jurisdictional stalemate has resulted in a policy vacuum. The implications of this situation, as well as a proposed resolution, are developed in Volume 4, Chapter 7.

Although levels of educational attainment and training among Aboriginal people are higher on average in urban areas than in rural or reserve areas, they are still substantially below those of non-Aboriginal urban dwellers.⁴⁶ As well, Aboriginal people in urban areas have less access to job information and personal contacts in non-Aboriginal businesses and institutions, connections that have been estimated to account for as much

as 80 per cent of all jobs found. Employment prospects are affected also by instability in the urban community. Delegates to the Commission's round table on urban issues underlined the point that it is considerably more difficult to find employment if basic needs for shelter, food and clothing have not been met.

The effects of racism inhibit economic prospects as well. Racism is felt strongly by Aboriginal people living in urban areas. Delegates to the urban issues round table described racism as pervasive in their dealings with government, business, financial institutions, employers, and the broader community. Indeed, they identified racism as the principal barrier to improving economic opportunities for Aboriginal people in urban areas.

Lack of accessible child care is another barrier. Usually, Aboriginal women living in cities do not have the same support structures - in the form of extended family and community networks - as women in rural or reserve communities. Yet they need child care if they want to pursue educational or employment opportunities. The proportion of Aboriginal families headed by sole-support mothers is significantly higher in urban areas than elsewhere.⁴⁷

An alternative to approaches focusing on individual participation in the mainstream economy is strategies directed to the community as a whole and aimed at increasing economic opportunity within a distinct Aboriginal urban economy. They include mutually reinforcing economic linkages between and among Aboriginal businesses, Aboriginal urban residents, service agencies, financial institutions and political organizations.⁴⁸

One proposed strategy involves creating urban 'incubators' bringing together a number of Aboriginal businesses and service agencies in a single facility where they have access to a central source of financing and managerial expertise and can share scarce skills, capital and overhead costs. An incubator makes it easier for fledgling Aboriginal businesses to learn from and support each other, to develop mutually reinforcing economic linkages, and to economize on costs.

A successful incubator was begun with the opening of the Aboriginal Centre of Winnipeg in 1993, in the old Canadian Pacific railway station in the core area of the city. The centre has brought together a credit union, some small businesses, a number of service agencies, including an employment services organization, and the Aboriginal Council of Winnipeg, an umbrella political organization representing Aboriginal people in the city.

Another strategy for strengthening urban Aboriginal economies emphasizes building supportive links with the community. Within the community, the use and production of goods and services, the expenditure of income and the reinvestment of profit should, as much as possible, be oriented toward the betterment of the community. This approach encourages community members to spend their incomes within the community and also encourages businesses to produce the goods and services consumed in the community,

thus aiming to reduce the very high levels of income leakage characteristic of Aboriginal urban economies.

Northern economies

More than one-third of all Aboriginal people live in the territories, Labrador and the northern parts of the six provinces west of the Maritimes. This vast land area is three-quarters of the total area of Canada, yet just 6.2 per cent of the Canadian population lives there.⁴⁹ In most regions of northern Canada, Aboriginal people form the majority or a large plurality of residents (Table 5.10).⁵⁰ (See Volume 4, Chapter 6 for a full discussion of the North in relation to the Commission's mandate.)

The northern economies share important fundamental structural features but are also enormously diverse. Northern economies range in character from the troubled Labrador coast fishery, where income levels are low and even fishing for domestic consumption is threatened, to the relatively rich mixed economy, based on fur and petroleum, of the Mackenzie Delta. Considering the differences in local resources and other influences, however, there are remarkable similarities in economies across the North. Many Aboriginal people in the North still make their living in much the same way that people have made a northern living for centuries. From time immemorial, northern Aboriginal peoples have been hunting, gathering and fishing. Each nation or people built a regionally appropriate economy, based on seasonal use of resources by relatively small groups of interrelated people.⁵¹ The exact seasonal round varied according to local conditions and local technology, but in all cases people moved across a familiar landscape and made use of detailed knowledge of the animal and plant species upon which they depended. Trade between groups, often across many hundreds of miles, was common.

TABLE 5.10
Non-Aboriginal¹ and Aboriginal Identity² Population Distribution, by Region, 1991

Region	Far North ³		Mid-North		South	
	Aboriginal	Non- Aboriginal	Aboriginal	Non- Aboriginal	Aboriginal	Non- Aboriginal
Labrador	6,710	23,665				
Nunavut ⁴	17,795	3,449				
Denendeh ⁴	16,790	19,615				
Yukon	4,520	23,277				
Quebec	14,905	21,405	18,095	539,538	23,295	6,278,725
Ontario			42,005	419,646	72,805	9,550,339
Manitoba			28,810	35,353	70,415	957,364
Saskatchewan			25,075	1,660	61,620	900,573
Alberta			27,855	145,452	75,705	2,296,451

British,Columbia			23,190	232,222	77,940	2,948,709
Newfoundland					3,320	534,779
Prince Edward Island					570	129,195
Nova Scotia					8,815	891,127
New Brunswick					5,300	718,600
Canada	60,720	91,411	165,120	1,373,871	399,785	25,205,862

Notes:

1. Non-Aboriginal includes persons with some Aboriginal ancestry but who did not self-identify as Aboriginal people in the 1991 Aboriginal Peoples Survey.
2. The Aboriginal identity population has not been adjusted for undercoverage in the APS.
3. For an explanation of what constitutes the Far North, Mid-North and South, see Volume 4, Chapter 6.
4. The sum of Denendeh and Nunavut constitutes the population of the Northwest Territories.

Source: Statistics Canada, 1991 Census, catalogue no. 93-304; and 1991 Aboriginal Peoples Survey, custom tabulations.

Some aspects of the traditional (pre-contact) northern economies prevail today, but for the last hundred years or more they have been blended with other forms of economic activity.⁵² Occasional wage employment has been available to northern Aboriginal people since their first contacts with Europeans. Inuit worked as whalers and guides; many Dene, Cree and Métis people and members of other nations found casual employment at fur trading posts and in the associated travel and transportation networks. Wages have been a significant source of cash income in many Aboriginal families for decades, though likely an even more important source of cash, overall, has been the fur trade. The great fur trade that once stretched across northern Canada became a permanent source of non-indigenous commodities and cash. In the last 30 years, for Inuit especially, art and handicrafts have grown in importance; like furs, carvings and other items of beauty can be produced from the resources at hand and traded for cash or the goods families require.

Today, outside a few wage employment centres, the household-based mixed economy predominates: extended families share income in kind from gathering, hunting and fishing and cash income from occasional wage employment and social welfare transfers. Sharing occurs within households (or families) and also between them. Within a household, for example, part of grandmother's old age pension and cash income from father's seasonal employment might be used to purchase supplies for fishing, which in turn will yield fish for the entire family to eat. Some of the fish might be shared with other families, especially if the catch is bountiful. Similarly, a moose or a caribou will be shot by one person but consumed by many, some of whom will be earning wages and be in a position to return the favour by subsidizing further hunting or fishing trips.

Effective participation in the mixed economy also relies on detailed knowledge of large territories and the flora and fauna they support. This knowledge connects Aboriginal people to their shared past and to each other. Information is shared about such matters as

the likely location of game, but it is also part of an ethical system guiding use of the land and the animals and the attitudes of respect and humility with which they are used. Also necessary is a sophisticated set of skills and abilities, which must be taught over time.

The final requirement for successful land-based production is regular access to cash. As practised today, hunting, fishing and gathering require equipment: snow machines, boats with motors, rifles, ammunition, gasoline. The use of such equipment turns an investment of money into high-quality food, the materials necessary for handicraft production and art, and a healthy way of life. But these products rarely generate sufficient cash to finance further land-based production.

The harvesting of country food does not come cheaply however. The purchase of skidoos, rifles, nets, fuel, etc., requires significant cash resources. Fluctuations in the availability of cash income, as occurred in the 1980s in Nain [Labrador], result in a decrease of harvesting activities as hunters become unable to finance the purchase of new equipment and supplies. To further aggravate the situation, in the early 1980s protests by animal rights groups against the harvesting of seals led to a sharp decline in pelt prices, drastically reducing yet another source of income to hunters.⁵³

The northern mixed economy is resilient in the face of the vicissitudes of the market but vulnerable to harvest disruption and competing forms of land use. It has a unique dynamic and requires a policy environment quite different from that required by other forms of economic activity. While the fruits of the land are on the whole bountiful, northern Aboriginal people confront severe economic hardships: very high costs for travel, transportation and consumer goods, set against scant and constrained wage opportunities, a harsh climate and distant markets. Furthermore, unlike other forms of modern economic activity, major parts of the mixed economy do not generate cash surpluses that can be taxed or accumulated as a source of capital.

Taxable economic activity - wage employment and profit making - is found in a relatively restricted range of economic sectors, including mining, oil and gas exploration, a small amount of oil and gas production, hydroelectric development, transportation of people and goods, tourism, military bases, the small business service sector and the public sector. Although transportation, mining, and oil and gas in particular have received massive public subsidies in the last 40 years, they have yielded relatively little in terms of full-time employment. For example, only four per cent of the entire mining-related work force in Canada is Aboriginal. In the Northwest Territories, with its very high proportion of Aboriginal adults, only 12 per cent of the 2,200 jobs in the mineral sector were held by Aboriginal people in 1989.⁵⁴

A more stable source of employment has been the public sector. Nearly half the labour force in the territorial North is employed directly by federal, territorial and local governments. Most of these public service jobs are held by non-Aboriginal people, many of whom were drawn to the North by employment opportunities. The proportion of Aboriginal public service employment increases in local and regional government offices and is least noticeable in senior and technical positions in the capital cities and regional

centres.⁵⁵ In all northern communities, public service wages represent a very large proportion of the cash entering the community; even small reductions in government spending are noticeable.

Since the establishment of a non-Aboriginal presence in the North, all forms of economic activity have required public subsidy. Infrastructure development, building and maintenance of transportation and communications facilities, identification of mineral reserves and their development, organization and maintenance of tourism - all have been funded from the public purse. It seems clear that further activity of this nature and maintenance of the traditional mixed economy will continue to need subsidy.

The federal perspective on non-renewable resource development in recent decades has assumed a heavy degree of political encouragement and public subsidy.⁵⁶ By contrast, the original federal approach to Aboriginal people in the North was *laissez-faire*: Aboriginal people were considered best left to their own long-standing means of making a living, even in times of famine or epidemic disease. Treaties were negotiated when agricultural settlement or resource development made conflict over land use likely. After the Second World War, systematic efforts to relocate and centralize Aboriginal communities increased (see Volume 1, Chapter 11). In addition, the social welfare state was greatly expanded in Canada as a whole and in the North. From the perspective of Aboriginal northerners, the 1950s and early 1960s were remarkable for dramatic changes in their way of life, produced by unprecedented levels of social expenditures on health, housing, education and transfers to individuals. The systematic analysis of what are generally acknowledged to be massive and far-reaching cumulative effects has barely begun.⁵⁷

Northern economic development has often been described in terms of polarized choices. During the 1970s, for example, debate over the construction of a Mackenzie Valley pipeline was cast as a choice between 'frontier' (as it was for the state and for the resource companies) and 'homeland' (as it was for the Aboriginal people of the North). Sometimes today the choice is expressed as 'sustainable development' versus 'non-renewable resource exploitation'. Although such phrases have some descriptive and explanatory value, they are also misleading. As a federal royal commission of the day argued, the 'homeland' perspective on the North did not preclude non-renewable resource development; rather, it emphasized locally controlled development over externally driven economic processes.⁵⁸ Similarly, 'traditional' production does not preclude participation in the wage economy. On the contrary, hunting, fishing, gathering and trapping can be complementary to the northern wage economy, particularly as that economy moves through boom and bust cycles.

Education and training levels among Aboriginal people in the North are still much lower than those in the general population, a situation that is particularly acute for those just entering the labour market at a time when youth unemployment is a major problem across the country. However, two relatively new developments in northern Canada are having an important positive economic effect: the advent of land claims settlements and the realization of a degree of political self-determination. Negotiation of comprehensive land claims settlements has led to the introduction of stable infusions of capital to certain

regions of the North and the creation of Aboriginally controlled organizations to manage these funds.⁵⁹ Although the overall amounts are not great enough to transform local economies, they have put the means for sustained, diversified economic development in Aboriginal hands.

Only a few comprehensive claims agreements have been in place long enough for their economic impact to be assessed. A 1989 assessment of the impact of the Alaska Native Claims Settlement Act (1971), the James Bay and Northern Quebec Agreement (1975), the Northeastern Quebec Agreement (1978), and the Inuvialuit Final Agreement (1984) found that the agreements' potential to produce positive results was frustrated by three factors:

- implementation problems, including, in the Alaskan case, expensive litigation;
- limited local investment opportunities, owing to the highly undiversified nature and small size of regional economies; and
- excessive bureaucratization, as Aboriginal organizations followed patterns established by non-Aboriginal governments and established a large presence in northern economies.⁶⁰

The second major development with important economic effects in northern Canada has been the creation of self-governing institutions by Aboriginal people. For demographic and other reasons, some Aboriginal people in the North have tended to prefer what has been called the 'public government' model. The creation of Nunavut by the division of the Northwest Territories will create a new public government, with a fresh mandate and some new functions. Establishment of Nunavut and implementation of the land claims agreement will create an estimated 2,300 jobs in the region. An estimated 85 per cent of the jobs will require post-secondary education. The Nunavut agreement includes a 'best efforts' clause stating that Inuit should fill 85 to 90 per cent of the jobs in the new government. This clause, and the general need for employment in Inuit communities, creates an enormous challenge to develop appropriate training and development mechanisms. About half the Inuit in Nunavut are under the age of 20, and 50 per cent of adults do not have a high school diploma or skills relevant to public sector employment.⁶¹ (See Chapter 3 of this volume for a discussion of the various forms of Aboriginal self-government, including public government.)

In the northern parts of the provinces and in the rest of the territorial north, as control over institutions is devolved and self-governing institutions are developed, more wage employment opportunities will be created. Provided these jobs are created with Aboriginal employment in mind, self-government could assist in the diversification and development of northern regional economies for many years to come.

Understanding Aboriginal economic development

For many Indian nations and their leaders, the problem of economic development has been defined as one of picking the right project. Tribal governments often devote much

of their development-related time and energy to considering whether or not to pursue specific projects: a factory, a mine, an agricultural enterprise, a motel, and so on

Picking winners is important, but it is also rare. In fact, Indian Country is dotted with failed projects that turned sour as investors' promises evaporated, as enterprises failed to attract customers, or managers found themselves overwhelmed by market forces and political instability. In fact, many tribes pursue development backwards, concentrating first on picking the next winning project at the expense of attention to political and economic institutions and broader development strategies. Development success is marked, in part, by the sustainability of projects. Generally speaking, only when sound political and economic institutions and overall development strategies are in place do projects - public or private - become sustainable on reservations.⁶²

Economic development is complex and difficult, and its ingredients vary from one situation to another. As implied in the passage just quoted, economic development involves the interdependence of many elements going well beyond the strictly economic. Stephen Cornell and Joseph Kalt, the authors of the passage, have been associated with the Project on American Indian Economic Development at Harvard University. Their conclusions about economic development on reservations in the United States are derived from a large number of case studies that sought to identify the factors associated with successful economic development as defined by the tribes themselves, contrasting this experience with the much larger number of development efforts that have not borne fruit. As Cornell and Kalt discovered, economic development is about more than picking winners. They concluded that one of the most important factors in success is external opportunity, which refers to the political, economic, and geographic environment of reservations. Four circumstances are particularly important for economic development:

- political sovereignty: the degree to which a tribe has genuine control over reservation decision making, the use of reservation resources, and relations with the outside world;
- market opportunity: unique economic niches or opportunities in local, regional or national markets that result from particular assets or attributes (minerals, tourist attractions, distinctive artistic or craft traditions) or from supportive government policies;
- access to financial capital: the ability of the tribe to obtain investment dollars from private, government or other sources; and
- distance from markets: the distance tribes are from markets for their products.

Another important factor they cite is internal assets, which are the characteristics of the tribes and the resources they control that can be committed to development. Again, there are four important variables:

- natural resources: minerals, water, timber, fish, wildlife, scenery, fertile land, oil, gas, and so on;

- human capital: the skills, knowledge, and expertise of the labour force acquired through education, training and work experience;
- institutions of governance: the laws and organization of tribal government, from constitutions to legal or business codes to the tribal bureaucracy. As these institutions become more effective at maintaining a stable and productive environment, the chances of success improve; and
- culture: conceptions of normal and proper ways of doing things and relating to other people and the behaviour that embodies those conceptions. As the fit between the culture of the community and the structure and powers of the governing institutions becomes better, the more legitimate the institutions become and the more able they are to regulate and organize the development process.

Cornell and Kalt also listed development strategy as another factor. It refers to the decisions tribes make regarding their plans and approaches to economic development. There are two key decisions:

- choice of overall economic system: the organization of the reserve economy with respect to such questions as the form of ownership of business enterprises and the approach to economic development (such as tribal enterprises, individual or family entrepreneurship, joint ventures). The prospects of successful development are improved if there is a good fit between the economic system chosen by the tribe and its social organization and culture.
- choice of development activity: the selection of specific development projects, such as a convenience store, a gaming operation, a motel or a manufacturing plant. Activities are more likely to be successful if they take advantage of tribes' market opportunities, allow tribes to specialize in using the natural and/or human resources most available to them, and are consistent with tribes' cultures.

Whether in a Canadian or a U.S. context, it is not likely that a particular nation or tribe will be strong in all areas, nor is this necessary. Different development strategies require a different mix of elements - an Aboriginal nation emphasizing high technology development would want to emphasize human resources development and may be less concerned about distance from markets or the natural resources base. In general, however, the more elements in place, the better the nation's prospects.

The situation in Canada is somewhat different from that in the United States; for example, Aboriginal rights and the treaty relationship, including the terms of the treaties and comprehensive claims agreements, are significant factors shaping the context for economic development in Canada. In addition, factors that Cornell and Kalt take as given, such as the degree of political autonomy and the endowment of land and natural resources, remain unresolved to a large degree in Canada - indeed, they are the subject of this Commission's mandate and recommendations. Nevertheless, the importance of these factors for economic development is affirmed by the Commission's research and by

testimony at public hearings and round tables, and they figure prominently in the discussion that follows.

2. The Levers of Change

2.1 Transforming Aboriginal Economies: An Overview

The transformation of Aboriginal economies from dependence on government transfers to interdependence and self-reliance is fundamental to the development of self-government. It is now widely accepted that Aboriginal nations and communities must be able to generate sufficient wealth to provide an acceptable quality of life for their members. Without this capacity to generate wealth and to use it for their own development, dependency will continue, and the economic and social costs of maintaining it will continue to rise.

Transforming Aboriginal economies is a large undertaking that will require concerted, comprehensive effort over an extended period. It will take a deliberate commitment of time and resources. Some remarkable achievements in Aboriginal economic transformation over the past decade have laid the foundation for future efforts. Much work has been done by Aboriginal people to prove that the barriers to economic development can be surmounted. It is heartening to see the spirit of innovation and creativity rekindled in Aboriginal cultures.

Given the diversity of Aboriginal economies, their paths to interdependence and self-reliance may differ. Self-reliance can be practised by following the migrating caribou herd across Labrador, by pursuing a mix of part-time wage jobs and harvesting resources from land and sea, or by conventional wage or entrepreneurial activity. Ways of making a living that are much more adaptable and flexible are becoming prevalent across the Canadian economy. Ideas about fixed hours of work, established places of employment and lifetime employment with a single organization are eroding as the impact of technology is felt. Technology is increasingly able to deliver education and even health care to those who choose to live outside populated centres and make a living by traditional or unconventional means.

Self-reliance is about diversity and understanding the implications of choice. Inhabitants of smaller communities often prefer the quality of life there - with its unique dimensions of time, culture and relationships - to the anonymity and pressure of cities. Many would choose a different mix of cash and other types of income if the prospect of healthy and sustainable communities were attainable. Measurements of social and economic well-being would be different for those communities because of the choices people make. While these communities may never be fully self-reliant, they could make far better use of existing public resources if allowed to do so in a way that corresponds to local conditions.

We saw earlier in this chapter why most Aboriginal communities and many Aboriginal individuals find themselves on the economic sidelines. The desire of Aboriginal peoples

to be self-governing political entities can be fully realized only with a transformation in their capacity to provide for themselves. A nation does not have to be wealthy to be self-determining. But it needs to be able to provide for most of its needs, however these are defined, from its own sources of income and wealth.

Ownership of resources is necessary to reach this objective. But ownership, in and of itself, is insufficient to generate adequate incomes or the wherewithal to run a modern government. The organization and skills needed to turn resources into income are becoming increasingly complex for communities that would earn their living in the global economy. For those who would pursue traditional lifestyles, many of the necessary skills have to be rediscovered. A community or nation that wants to control the wealth available from its resources cannot leave critical management, technical and harvesting tasks to outsiders. Ownership alone is not sufficient to ensure desired economic or social outcomes. Mastering the skills of a modern economy or organizing communities to follow a mix of traditional and cash pursuits will provide the keys to self-reliance.

In this section we examine the levers of change that can transform the economies of Aboriginal nations. Much has happened in recent years that creates hope for a different future. However, the challenge of translating these changes into a broad transformation of economic life in Aboriginal communities is multi-faceted and immense.

No single economic outcome is right or appropriate. Canada is blessed with natural and human resources that provide flexibility for people to pursue varied lifestyles, as they have for generations. We will continue to see economic outcomes and income mixes that are as strikingly different as the lives of Inuit carvers in Cape Dorset and Aboriginal professionals in Montreal or Vancouver. What should be common to everyone is the opportunity to acquire the needed education and skills to make a reasonable living no matter which way of life they choose.

In the next decade, what measures can alter sufficiently the economic options available to Aboriginal communities and individuals? The single most important factor in the medium term will be the restoration to Aboriginal peoples of fair shares in the lands and resources of this country. We mention this first because we believe that it is likely the most contentious aspect of a strategy to achieve economic self-reliance, yet the one whose absence would make the prospect of meaningful economic change for Aboriginal communities an empty expectation. The case for this has been made compellingly, and the means to make it happen were identified in the previous chapter. The recognition of Aboriginal rights and treaty provisions and the negotiation of new or renewed treaties are central to this process.

Not all Aboriginal nations will benefit to the same degree from this redistribution. Many, however, would see a striking increase in employment and access to revenues from resource management and development. This might be realized in traditional harvesting of fish and wildlife, in agriculture, or in mineral, forest and hydroelectric development, if the latter is undertaken in an environmentally responsible fashion. Moreover, since these activities occur in proximity to many Aboriginal communities, they would offer a wide

variety of skilled jobs and provide an alternative to leaving the communities to earn a living. We therefore emphasize redistribution as a central element in a strategy to achieve economic self-reliance. It is an element that holds great promise but also poses significant challenges for Aboriginal governments.

The next important factor is the ability of Aboriginal peoples to regain control of the key decisions concerning economic strategy. Their institutions of government and economic development must effectively encourage open communication and co-operation, political and legal stability, and fair opportunity if real change is to occur.

Central to the challenge of economic development is the ability to create and manage enterprises that can harvest resources and manufacture the goods and services that generate income and wealth. Aboriginal people are demonstrating the capacity to master a wide range of commercial activity, whether as individual entrepreneurs or as managers of community-owned enterprises. Levels of business formation have been high in recent years, as discussed later in this chapter. Hundreds of Aboriginal people are acquiring the skills needed to work in a modern economy and influence the way business is conducted. The ability to transform resources into income will depend critically on the development of business acumen and organization. Acquisition of management skills and access to equity and loan financing remain the two most important barriers to successful business formation.

Motivating Aboriginal young people to complete their education is vital to transforming the economic future of their communities. A foundation in traditional knowledge and proficiency in the professional and technical skills of contemporary society will build self-reliance. Strong community commitment will be needed to help young people acquire this education, particularly if they have to leave their communities for an extended period. Those who do so while remaining loyal to culture and community deserve to be celebrated as the modern equivalent of the hunters, warriors and leaders of the past.

If Aboriginal people are to achieve employment rates similar to those of other Canadians in the next 20 years, more than 300,000 jobs will be needed. This will take a concerted national effort, well beyond conventional approaches to job creation and training. Partnerships between Aboriginal and other governments, employers and educational institutions, together with the innovative approach to employment brokering and on-the-job training we propose, will be needed to achieve this. These and other measures to improve employment equity, the provision of child care, and job creation can reduce the number of those currently dependent on social assistance.

Finally, we propose fundamentally new approaches to social assistance for Aboriginal communities. Some cash income is essential for all individuals, even those pursuing traditional lifestyles, but there will not be enough conventional wage employment in many communities to provide it. Existing approaches to income transfer may ward off starvation, but they breed dependency and social disintegration. Income supplements can

become a means of encouraging self-reliance and community cohesion, making healthy and sustainable communities a reality.

In essence, then, measures to restore control, secure resources, master professional and technical skills, develop enterprises, broker employment, and relate income supplements to productive activity are the key components of a strategy to transform Aboriginal economies. The end results will vary with the choices people make, but a self-reliant livelihood and access to economic options should be within the grasp of every Aboriginal citizen.

2.2 The Economic Implications of Aboriginal Rights and Treaties

In keeping with the principles of a renewed relationship discussed in Volume 1, Chapter 16, the Commission believes that it is vital to take steps to make it possible for Aboriginal nations to be economically self-reliant. Fundamental changes are required to reverse a situation that has developed over at least two centuries. An obvious starting point on the road to self-reliance is the fulfilment of treaty promises and the conclusion of modern treaties (comprehensive claims agreements) in areas where such agreements have not yet been made.

Too often, the poverty and economic underdevelopment afflicting Aboriginal communities are seen from a narrow perspective. With the present focus on indices of poverty and disadvantage, technical solutions may be prescribed, such as training or loans for small business or incentives to work in an income support program.

The Commission takes a much broader, integrated approach. We place strong emphasis on understanding the historical picture, which helps to explain how the economies of Aboriginal communities reached their present state. We also underline the importance of the issues discussed in this volume - treaties, governance, and lands and resources - for economic development. This chapter is located deliberately at the end of this volume to enable the reader to gain a full appreciation of the larger structural issues that need to be resolved if economic self-reliance is to be a realistic objective.

Our discussion of the levers of change later in this chapter elaborates on the connections between regaining control (governance) and economic development, and between lands and resources and economic development. We do the same with respect to Aboriginal and treaty rights. The theme in each instance is that progress on these major issues will put in place three important levers of change required for economic development in Aboriginal communities.

The connection between treaty discussions and economic development is perhaps most obvious in the parts of the country where treaties or similar accords have not been concluded and Aboriginal communities are either engaged in or preparing for treaty discussions (much of British Columbia, parts of the Northwest Territories, Quebec, Labrador, and with the Métis people). Other areas, such as the Maritimes, where early treaties were concluded but the sharing of lands was not included, are in a similar

situation. In all these cases, the discussions will be broad ranging and attentive to the determination of the Aboriginal peoples concerned to have their historical rights recognized and to achieve a sharing of lands and resources. In fact, a land base of sufficient size to provide economic self-reliance now and in the future is an essential element of the renewed relationship between Aboriginal and non-Aboriginal people.

Other comprehensive claims negotiations over the last two decades, such as those leading to the Inuvialuit Final Agreement, the Nunavut Agreement, the James Bay and Northern Quebec Agreement and the Northeastern Quebec Agreement, have demonstrated that the results of this process can have a major impact on the resources available to Aboriginal communities for economic development and other purposes. These modern treaties may include provisions for an expanded land and resource base directly under Aboriginal control; improved access to lands and resources in adjacent territories, including a share of revenues from resource developments; and improved control over the management of lands and resources in adjacent territories through co-management and other arrangements. Other forms of assistance may also be provided, such as cash transfers and support for education and training. It is not surprising, therefore, that one of the first conclusions of a case study sponsored by the Commission of an Aboriginal community in British Columbia was that

The history of the relationship between European colonizers and First Nations has resulted in the alienation of rights and dispossession from lands. This process was initiated by the acceptance of undertakings that Kwakwa ka'wakw would retain unencumbered access to and use of their resources. These rights have been eroded over the years to the point where they are a vestige of their initial conception.

It is apparent that the settlement of comprehensive claims is central to economic recovery for the Kwakwa ka'wakw bands ... the foundation of unobstructed access to historically-owned resources on which the Douglas Treaties of 1851 and the reserve lands allocation processes in Kwakwa ka'wakw territory were based must be recognized and respected.⁶³

In areas where historical treaties were signed, it should be recalled that the First Nations that signed the treaties were vitally concerned that their traditional way of life be protected and that, if changes were to occur, they be helped to make the transition to new means of livelihood. In the oral agreements, as well as in the written versions, assurances were given that this would be done, though they varied from one treaty to another.

The treaty implementation and renewal process recommended in Chapter 2 will provide an opportunity to address treaty provisions with a direct bearing on the capacity for economic development. The economic provisions in existing treaties vary from one treaty area to another, but they include items such as the following:⁶⁴

1. Among the clearest and most important provisions is that contained in the Robinson treaties, which contain promises of annuities to be tied to future Crown revenues from ceded lands: should the territory hereby ceded by the parties of the second part at any future period produce such an amount as will enable the Government of this Province,

without incurring loss, to increase the annuity hereby secured to them, then and in that case the same shall be augmented from time to time, provided that the amount paid to each individual shall not exceed the sum of one pound Provincial currency in any one year, or further sum as Her Majesty may be graciously pleased to order.⁶⁵

Despite the wealth generated from these vast lands, the annuity has been revised only once, to \$4.00 in 1874. The numbered treaties also include provisions for annuities to be paid, and these too have become token amounts over time.

2. The 1752 treaty between the Mi'kmaq people and the Crown provides for the "free liberty of hunting and fishing as usual" and the liberty to bring to Halifax and other locations items for sale such as skins, feathers, fowl or fish. A truck house stocked with goods for exchange could also be established at the "River Chibenaccadie" and at other locations.⁶⁶

3. Other early treaty provisions promise the Indian signatories that they can peaceably enjoy all their lands and properties and that certain lands (such as the "beaver hunting grounds" of the Haudenosaunee) will be placed under the protection of the Crown for the continuing use of members of the nation.

4. Many of the treaties include promises that rights to hunt, fish and trap on ceded lands will be respected so that Indian signatories can maintain their traditional lifestyles. These promises have been infringed upon by the activities of mining and logging companies, by court decisions, by federal and provincial regulations, and by legislative alterations that breach at least the spirit and intent of these provisions. Both commercial and subsistence activities have been affected.

5. In some cases, treaties also include specific promises of assistance. In some instances, this is to be provided on a one-time only basis in the form of cash payments or goods such as livestock, farm implements, seeds, powder, shot, and cloth. In other cases there are promises to provide recurring gifts. Again these may take the form of money, goods such as ammunition, twine, and provisions, or services such as assistance with agriculture and stock raising. Usually, such items are part of the written text, but the treaties do not reflect the more general verbal commitments to protect traditional lifestyles or help people rebuild their economies and learn new ways of making a living if traditional patterns are no longer viable.

These promises were part of an exchange. They were not unilateral benefits bestowed by the Crown but a recognition that the Indian parties were making important commitments as well - to live in peaceful coexistence, for example, and to share lands and resources.

In addition to the items contained in the text of treaties, a whole range of other matters should be addressed by the treaty implementation and renewal process recommended in Chapter 2. These include the frequent failure of the written text to reflect the promises made and the understandings reached in the oral discussions, including the Aboriginal understanding that they were sharing lands and resources, not extinguishing their title to

them. They include the possibility that informed consent to particular treaties was not obtained, that provisions of the historical treaties have not been implemented in accordance with their spirit and intent, and that the result has been a demonstrably inequitable allocation of lands and resources.

There are also hundreds of situations where specific treaty promises have not been kept or where other events have occurred, such as fraud and expropriation, that give rise to valid claims for redress. As we described in Chapter 4, some treaty nations in the west did not receive the full extent of the reserve lands promised to them in the treaties, and now sizeable grants of land and cash are having to be made through a process of treaty land entitlement settlements, after long and arduous negotiations. In other cases, specific communities are pursuing claims regarding expropriation of their lands for military and other purposes, or seeking redress from other actions that have reduced their land and resource base without informed consent and due process. Again, the Commission made recommendations in Chapter 4 concerning the need for a more expeditious and fair process to resolve these issues.

Treaty nations regard their treaties (renewed from time to time as circumstances require) as the centrepiece of their relations with the Crown. Looking to the future, these treaties should encompass the economic and other issues that arise between governments, including matters of fiscal transfers, taxation, trade, and assistance. The treaty framework would replace the current situation where treaty provisions have been allowed to atrophy and where policies and programs often have been determined unilaterally by federal (and provincial) governments. Governments have seen treaty provisions as discretionary matters that could be advanced or retracted at will. They often included service delivery by federal or provincial agents instead of respect for the authority of Aboriginal governments to deliver programs and services according to their own laws and policies.

Thus, Aboriginal and treaty rights are relevant - in fact central - to achieving self-reliant economies for Aboriginal nations. These matters will be high on the agenda in discussions between Aboriginal nations and representatives of the Crown in both treaty and non-treaty areas.

2.3 Regaining Control

It is clear that a long struggle faces us in the pursuit of self-sufficiency and economic independence. Community and groups need vision, skilled leadership, agreement on development plans and many years of persistence to make this a reality. Trust and tolerance must be developed between the political and cultural leaderships and those committed to economic development.⁶⁷

Self-government and economic development

Paul Samuelson, an American economist, predicted that the next area of growth in the late 1950s would be Latin America, not Asia. Latin America was rich in natural resources, Samuelson reasoned, and did not have the population pressures Asia faced. “I

was wrong,” he said subsequently. “The key to economic development is not resources. The key to economic development is effective self-government.”⁶⁸

It is readily understandable why economic strength is an essential ingredient for meaningful self-government; without it autonomy is severely circumscribed. However, some elaboration may be required to explain why the reverse is true as well - why political autonomy is an important ingredient in the economic development of Aboriginal communities and nations.

One explanation is simply to point to the historical record and trace the decline of Aboriginal economies from the time Aboriginal people lost the power to control the shape, pace and direction of economic change. That record is replete with decisions made by non-Aboriginal governments or by the private sector that harmed the economic health of Aboriginal communities. These decisions systematically undermined the land and resource base of Aboriginal nations, virtually destroying their economies.

The case for regaining control is not restricted to looking at the past. In our public hearings, intervener submissions and research studies, a recurring theme was the rejection by Aboriginal people of models and approaches to development imposed from outside and a desire for the autonomy to build their economies according to their own culturally grounded visions of development. Just as there is not only one Aboriginal culture, there is not only one Aboriginal vision of development. There is little question, however, that the priorities, processes, and outcomes of economic development would change, and indeed are changing, under Aboriginal stewardship.

Regaining control over Aboriginal economies means a stronger likelihood that decisions about economic development would be culturally and situationally appropriate. It also means that decision making would be more rapid, since most decisions no longer would be made by a distant bureaucracy.

Control over economic decision making lodges responsibility in the hands of Aboriginal people. It provides an opportunity for the development of Aboriginal leadership in economic matters, as well as a stimulus to making the latter accountable for their economic stewardship. Compared with outside decision makers, Aboriginal leadership is more likely to have the commitment required to make development initiatives succeed and to mobilize the support of its communities. As one of the Commission’s economic research projects concluded,

Ultimately ... it will be the extent to which the Aboriginal community can be mobilized to draw on its inner strengths and abilities which will determine the pace of Aboriginal development ... State resources will have an important role to play but Aboriginal pride and determination to be self-reliant in the long term will be more important.⁶⁹

Finally, control over economic decision making would enable Aboriginal communities to reduce duplication of programs and services and stabilize the funding of economic development institutions. It would provide an opportunity to change public spending

priorities to achieve a better balance between long-term economic development and short-term spending to remedy or alleviate social problems.

The prospects for the self-sufficiency of Aboriginal economies will be improved significantly once Aboriginal nations regain control of the levers of economic decision making. As Joseph Kalt told the Commission's round table on economic development,

When we look around reservations, we find key ingredients to economic development. The first is sovereignty itself. One of the interesting phenomena we see in the United States is that those tribes who have broken out economically and really begun to sustain economic development are uniformly marked by an assertion of sovereignty that pushes the Bureau of Indian Affairs into a pure advisory role rather than a decision-making role.

This is not to say that the transition will always be smooth, that mistakes will not be made by those taking charge, that there will not be abuse of power, or that there will not be internal conflict over development priorities and processes. As Kalt went on to tell us,

One of the things we find with American Indian reservations is that tribal sovereignty is sufficient to screw things up ... if the central government of the tribe cannot set in place an economic and social and cultural environment in which inside and outside economic actors, investors and others feel safe and secure in making investments in tribal development, the tribal government has the ability to destroy those [economic] opportunities.⁷⁰

It is to say, however, that one of the key factors in achieving Aboriginal self-reliance - political jurisdiction - will have been put in place.

The desirability of Aboriginal control over economic decision making is increasingly accepted, but the way this will be accomplished is not so clear. Steady progress toward self-reliance is too critical to depend on the eventual resolution of all governance questions. Interim mechanisms can be designed and implemented to be consistent with the institutional framework a nation will adopt when fully self-governing; we outline several in the remainder of this section.

Some economic powers exercised by the government of Canada would be unlikely to accrue to Aboriginal governments: powers over the currency, for example, including interest rates, exchange rates, the growth of the money supply and the authority to enter into international trade and monetary agreements. Aboriginal governments will likely exercise a broad range of other economic powers, sometimes on a shared basis with other governments. These could include

- authority to zone, license, and regulate businesses;
- authority to engage in land use planning and environmental management;
- responsibility for health, education and labour force training;

- the provision of physical infrastructure in Aboriginal territories (for example, roads, docks, communications);
- authority to negotiate and implement commercial arrangements with other Aboriginal nations within Canada or internationally;
- management of lands and resources;
- the capacity to raise capital, guarantee loans, and enter into contracts and joint ventures;
- implementation of business incentive programs;
- regulation of financial and other institutions;
- taxation of business activity, levying user fees for use of facilities, utilities and natural resources;
- regulation of labour relations; and
- implementation of income support programs.

Exercising jurisdiction in these areas could provide tools useful in moving toward economic development. As Lester Lafond pointed out at the Commission's economic development round table, "the existence of distinct and definable geographic areas provides the basis for the creation of incentives to encourage investment, offset development costs, and reduce business risks, both real and perceived". Speaking from the experience of Saskatchewan First Nations communities, he described the incentives that could be available to encourage external investment in reserve communities, ranging from more liberal zoning laws to tax incentives related to investment and employment:

There is little doubt that a competitive advantage can be created, but appropriate measures are required to assure its effectiveness. Suitable policy and/or legislation is required that would clearly outline the incentives and guarantee their enforcement and continuity ... The First Nations must provide appropriate and enforceable legislation to secure the confidence of investors with respect to access, use and securability of lands and assets.⁷¹

Transferring economic development programs

Federal, provincial and territorial governments operate a number of programs to assist Aboriginal businesses, individuals and institutions. At the federal level, the principal programs have been under the umbrella of the Canadian Aboriginal Economic Development Strategy (CAEDS). Involving several departments, CAEDS provides equity contributions to Aboriginal businesses, capitalizes and supports the activities of regional Aboriginal capital corporations, and sustains community economic development

organizations on reserves and in Inuit communities. In addition, the Pathways program sponsors national, regional, and local area management boards, composed of representatives from Aboriginal communities, that make decisions about the allocation of training dollars for Aboriginal people. At the provincial and territorial level, there is also a range of programs, some directed explicitly to Aboriginal people, others to regions with large Aboriginal populations.

Not long ago, almost all aspects of these programs were controlled by non-Aboriginal public servants located in territorial, provincial and national capitals. Over the last two decades, a considerable measure of geographic decentralization has taken place, and the degree of Aboriginal participation in the operation of these programs has increased markedly. This has occurred not only through the employment of Aboriginal people by sponsoring departments but also through the establishment of boards that control or advise on decisions and the advent of Aboriginal institutions in fields such as education, the disbursement of loans, and community development.

Progress has been substantial, but the record of decentralization and Aboriginal control varies widely, as recent evaluations have pointed out.⁷² Moreover, without exception, these programs are still established, funded and ultimately controlled by federal, provincial or territorial governments. The demands of political accountability place real limits on the amount of decentralization and Aboriginal control possible.

We have argued that Aboriginal governments need to regain effective control over their economies if they are to pursue their own culturally and situationally appropriate forms of development. To do so, they need general powers in the economic realm, but they also need to be able to shape their economies through the design and delivery of economic development programs.

A further compelling reason for transferring economic development policy and program delivery to Aboriginal institutions is the array of federal and provincial programs, each with its own objectives, criteria, decision-making procedures, and bureaucracy. Designing an economic development project to fit the criteria of these programs often results in proposals that meet no one's needs. Further, the few people responsible for economic development in Aboriginal communities, rather than being able to concentrate on assisting Aboriginal entrepreneurs, spend inordinate amounts of time dealing with government agencies, filling out forms, and negotiating with and reporting to distant bureaucracies. If federal and provincial programs are to contribute to the attainment of self-reliance - and we believe they have a vital role to play in the next decade - the manner in which they are delivered must be radically altered.

Development policies and programs should be designed and delivered by Aboriginal institutions. These must embrace economic training, infrastructure development, financing and the provision of business services such as planning, accounting and marketing. Traditionally, governments often put these functions in different departments and agencies. No program comprehensively addresses all elements of economic development; CAEDs was designed to do so but was not implemented as designed.

Instead of Aboriginal communities having to adjust to the criteria and procedures of distant bureaucracies, the process needs to be reversed. It is the communities that should define priorities and the instruments best suited to meet them. Government agencies should adopt a fully responsive service approach rather than the intrusive role they have played traditionally. This will require program frameworks to be more comprehensive and flexible than generally they have been to date. We therefore call upon federal and provincial governments to enter into long-term development agreements with Aboriginal communities to pool program resources with a direct bearing on economic development. These would include not only programs directed to Aboriginal people but also a share of general economic development programs, based on either historical use of these programs by Aboriginal people or their percentage of the relevant population, whichever is higher. This has been done previously on many occasions to implement federal-provincial agreements.

These agreements might be reached through a step-by-step process. First, agreement would be reached between the Aboriginal nation and other Canadian governments on the principles and goals that would drive activity. Next, individual Aboriginal nations would undertake to develop the policies and instruments to implement these goals in relation to their particular circumstances. These then would be brought back to the table for discussion, where government agencies could suggest enhancements. As long as they were consistent with the agreed principles, the final decision about the nature of the activity would rest with the Aboriginal nation.

Agreements would be multi-year. They would be subject to audit on a biannual basis, with a report to Parliament through the responsible department. They could be terminated by the department if it were shown clearly that expenditures were not being made in conformity with the defining principles in the agreement.

The amount of funding in each agreement would be subject to negotiation. Because needs will always be in excess of available resources, clear parameters should circumscribe these negotiations. Nations that had entered into comprehensive agreements or modern treaties would not have access to this process if resources for economic development were part of their treaty settlement and the authority to pursue their own objectives was clearly within their jurisdiction.

Other factors that should have a bearing on the funds available include the size of the nation, the current revenues available to it, and its stage of development. These factors are not likely to lend themselves to formula financing. For example, a nation at a relatively early stage of development may have a great need for income generation but a relatively low capacity to undertake major economic development. Its early years may be occupied with planning, opportunity identification, small business development and skills acquisition. Another nation may be involved in a greater degree of economic activity and hence enjoy a stronger capacity to participate in activities such as major resource development. This might argue for a larger allocation of program dollars per capita, even though this nation's income-generating capacity is greater than that of the former. Need must play a role in allocating resources, but the capacity to use these resources effectively

and the ability to back those who are making solid progress is also crucial. Over time, nations will reach a point where they enjoy sufficient income-generating capacity from their enterprises or resource endowments to reduce their call on future development funds.

The complexity and difficulty of allocating government funds, coupled with the fact that economic development does not occur equitably across the country, will be advanced as reasons to retain allocation and investment decisions in government departments. One factor, however, should outweigh all others. The quality of decision making by the Aboriginal community and the nature of its learning process will be entirely different if it is making decisions with respect to a finite amount of funds that it fully controls, rather than joining the queue in competition with other communities to obtain funds from a government-controlled source.

Responsibility for programming should not be lodged at the level of individual First Nation, Métis or Inuit communities, where most funding and programs are now directed. There is a strong case for implementing economic development programs at the level of the Aboriginal nation, confederation or provincial/territorial organization, given the scarcity and cost of skilled personnel, among other factors. There are also considerations of scale. Better choices can be made if decision makers can choose from a number of alternatives, encourage linkages that go beyond the boundaries of particular communities, and amass the financial resources to support large projects as well as small ones. In a world of large international trading blocks that are gradually eroding the importance of state borders, Aboriginal people will need to have units of sufficient scale and strength to act effectively in a highly competitive environment.

We have suggested that economic development programs continue to be available until Aboriginal nations reach the stage of full self-government. We believe that responsibility for economic development should be exercised by the governments of recognized nations as envisaged in Chapter 3. Many groups that can be expected to emerge as nation governments already operate development initiatives at a larger collective level.

Administration of these programs should be undertaken by Aboriginal institutions wherever this capacity exists. Communities that have entered into comprehensive treaties can be expected to have negotiated economic development support as part of these arrangements. They should therefore fund these programs from their own revenues, recognizing their capacity to borrow funds on the basis of project business plans or against the assets of the nation government. Although these commercial projects should be eligible for regional development, business development or export programs available from Canadian governments to other businesses, the nature of investment decisions is altered significantly when project funding is coming from own-source revenues. A major disadvantage of program funds administered by non-Aboriginal governments is that investors do not have to make hard choices between projects. Much energy is spent submitting as many attractive proposals as possible to the outside funding agency. When funds are within community control, a different dynamic can be expected to operate.

Realistic assessments and a focus on the best management of existing resources is likely to replace an opportunistic push for incremental funds.

For communities that are not prepared to move toward nation government, or for individual Aboriginal entrepreneurs operating in cities or other locations where Aboriginal economic development institutions of sufficient scale and scope do not exist, economic development will be no less important. Other means of delivering economic development services will need to be found.

The institutional structures developed in the context of self-government will be determined by Aboriginal governments. The Commission believes, however, that they should not be local but broader in scope and should manage a variety of supporting programs for economic development, such as training, business planning, equity contributions, loans and loan guarantees, and other business services. Indeed, some Aboriginal nations or tribal councils have established development corporations and other organizations to spearhead their efforts in economic development generally or in specific sectors such as fisheries. It would also be logical to assume that Aboriginal capital corporations would play an important role, since they serve all three Aboriginal groups and provide some business-related programs already. However, there are gaps in coverage and funding and other structural problems that need to be addressed, a subject to which we return later in this chapter.

As part of a transition phase, those responsible for existing programs should place a high priority on developing the human resources and institutional capacity of Aboriginal governments to assume responsibility for programs.

The Commission heard numerous interventions about the slight attention given to long-term economic development, especially compared to the time and attention devoted to short-term expenditures on welfare, housing, and remedying social problems. Some Aboriginal governments want to change these priorities gradually but find it almost impossible to do so because of internal political pressures and because funding is externally controlled. In the context of full self-government, however, the prospects for change will improve, especially if fiscal transfers to Aboriginal governments, whether for economic development or for other purposes, are not unduly tied to specifics. It may be unrealistic and perhaps undesirable for transfers to be completely free of terms and conditions, but Aboriginal governments must have the capacity to change spending priorities across broad budget categories as well as within them.

Recommendations

The Commission recommends that

2.5.1

Federal, provincial and territorial governments enter into long-term economic development agreements with Aboriginal nations, or institutions representing several nations, to provide multi-year funding to support economic development.

2.5.2

Economic development agreements have the following characteristics:

- (a) the goals and principles for Aboriginal economic development be agreed upon by the parties;
- (b) resources from all government agencies and departments with an economic development-related mandate be channelled through the agreement;
- (c) policies and instruments to achieve the goals be designed by the Aboriginal party;
- (d) development activities include, but not necessarily be limited to, training, economic planning, provision of business services, equity funding, and loans and loan guarantees;
- (e) performance under the agreement be monitored every two years against agreed criteria; and
- (f) funds available for each agreement be determined on the basis of need, capacity to use the resources, and progress of the Aboriginal entity toward self-reliance.

2.5.3

Aboriginal nations that have negotiated modern treaties encompassing full self-government have full jurisdiction over their economic development programs, which should be funded through their treaty settlements, fiscal transfers and their own revenue sources, and that businesses on these territories continue to be eligible for regional, business or trade development programs administered by Canadian governments for businesses generally.

Building institutions

An expanded range of powers will not lead to long-term economic development unless it is accompanied by effective action. This requires the development of effective institutions of governance and economic development. According to Cornell and Kalt, governing institutions need to perform three basic tasks:

- Mobilizing and sustaining support for institutions and strategies. That is, the institutions and development strategies they pursue must be seen as legitimate by the people of the community or nation. If they are not capable of generating respect, considerable conflict can be anticipated, and it will be difficult to create an environment in which social and economic development can take place. A principal means by which

institutions develop legitimacy is by achieving a good match between institutions and the society's culture. In other words, institutions should reflect and reinforce culturally understood ways of doing things on matters such as who has power, how power is exercised, the legitimate rights of and limits on leaders and citizens, and how disputes are resolved.

- Implementing strategic choices effectively. This requires the development of formalized rules and procedures so that things are done and are seen to be done in an accountable and fair manner. Governance institutions need to hire and train professional and capable staff, recruited on the basis of skills and capacity, who operate by open and clearly understood procedures and are fully accountable to the nation's leadership.
- Establishing a political environment that is safe for development. In a global context where there is considerable competition for and mobility of labour and money, an effective government needs to create the conditions of security and predictability that will attract investment and commitment. This is important for external investors and for those within the nation with savings to invest or with entrepreneurial talents that might contribute to the development process.⁷³

Three problems need to be solved to create a safe environment for development. First, a way needs to be found to separate and limit powers. If power is concentrated in a few hands, and if there are few constraints on its exercise, there is a strong risk that those with power will use it in their own interests, possibly at the expense of others in the community. Second, there must be a means to settle disputes that is open and impartial and provides the assurance of a fair hearing, with judgement rendered by a body not controlled by government or any community faction. Third, a way needs to be found to guard against inappropriate political involvement in the day-to-day decisions of business ventures or economic development institutions.

As part of its research program, the Commission undertook 16 community-based case studies of Aboriginal economies; through these we learned a great deal about the state of institutional development in the economic development field.⁷⁴ Compared to the situation two or three decades ago, there is no question that there has been considerable evolution in institutional structures. This has taken the form of community-based and sometimes regional economic development organizations and staff, the development of Aboriginal education and training institutions such as the Saskatchewan Indian Federated College and the Gabriel Dumont Institute, the formation of some 33 Aboriginal capital corporations serving Inuit, Métis and First Nation communities, and so on.

Impressive as this growth has been, problems with the functioning of existing institutions and gaps in institutional development remain. Using the Cornell and Kalt terminology, there are problems of legitimacy, an inappropriate mix of politics and business, and a lack of checks and balances.

Problems of legitimacy

In many First Nation communities, the imposition in previous decades of an elected chief and council system has set up a situation of continuing conflict between this form of government and traditional forms of governance. This conflict has been particularly intense in some Mohawk communities, but it is evident in other communities as well.⁷⁵ Even where a competing government does not exist, there may well be segments of the population that deny the legitimacy of the elected chief and council or believe the existing electoral process allows dominant families or clans to control power.

In other cases, problems arise because traditional forms of governance have been replaced, but the new institutions are not adequate to fill the void. At Alert Bay, British Columbia, for example, traditional forms of dispute resolution are no longer present, but modern mechanisms, such as appeal and grievance procedures for band staff, are inadequate to resolve larger disputes between competing interests and factions in the community.⁷⁶ As self-government proceeds and constraints such as the Indian Act are lifted, we can expect to see many nations rethinking the appropriateness of the chief and council system for governing their communities in light of their own cultural traditions. Indeed, a number of First Nations, including the Siksika (Blackfoot) and the Pikuniwa (Peigan), are currently re-examining their traditional modes of decision making and their applicability to contemporary conditions.⁷⁷

Inappropriate mix of politics and business

Whether in Inuit, Métis or First Nation communities, it is not difficult to find examples of political leaders interfering with economic development organizations and projects for political reasons - for example, demanding that certain individuals be hired, standing in the way of lay-offs that may be necessary on financial or business-related grounds, or trying to influence the distribution of grants or loans. The result of these interventions is the demoralization of staff, the failure of individual business ventures, and sometimes the undermining of an entire economic development organization. Over the long term, the result is an unpredictable, arbitrary business environment that discourages investment and commitment. There are important, indeed crucial, roles for political leadership - to create and sustain an appropriate environment, establish guidelines, and make important strategic decisions about the direction of development - but they do not lie in day-to-day decisions about economic development.

Lack of checks and balances

There are also examples in Aboriginal communities of power that is concentrated in the hands of a small political leadership or a single individual. Without checks and balances, whether in terms of cultural norms, alternative power bases, or restraining laws, procedures or institutions (such as an independent judiciary or a strong legislative branch to restrain executive action), the political leadership can use the resources of the community for personal gain. Again, the result is damaging to communities and to economic development.

Thus, there is work to be done to improve the operation of existing institutions. Given the diversity of Aboriginal societies, especially their cultural diversity, no one model can be applied across the country. Each community will have to struggle to redesign its institutional base, but they will need support and assistance. As part of the program to assist Aboriginal nations to rebuild their nationhood and design appropriate institutions of self-government, financial support should be made available in such a way that the perspectives of Aboriginal men and women are included.

In addition to problems in the functioning of existing institutions, the Commission also identified gaps in institutional structures. Institutional capacity - including organization and human resources - needs to be strengthened in at least four areas.

Canada level

At present there is no capacity in Canada for sustained research and development on issues of Aboriginal economic development. A few specialists are scattered across the country in universities, governments and consulting firms, and a handful of national organizations are working on economic development issues, including the National Aboriginal Forestry Association, the Canadian Association of Native Development Officers and Economic Development for Canadian Aboriginal Women. Each of these organizations has quite a specific mandate, however, and their funding is limited and tenuous.

The Commission believes it is important to develop a national research and development capacity in economic development, as part of an overall policy capability encompassing this and related fields, such as education, health and social policy. In the Commission's view, this would best be lodged in a national Aboriginal university, a concept developed further in Volume 3, Chapter 5. Such an institution could make a valuable contribution to the support of Aboriginal economic development by

- advising Aboriginal nations and their communities on the development of institutions of economic development;
- assisting Aboriginal groups and organizations on matters of economic development strategy and policy;
- undertaking and stimulating research on Aboriginal economic development; and
- identifying, through research and applied activity, broad economic development opportunities where Aboriginal people have or can develop a competitive advantage.

Such an institute should serve the needs of First Nations, Métis people and Inuit and should operate with close links to other Aboriginal education and training institutions.

Aboriginal nation and sectoral levels

We referred earlier to the importance of organizations and personnel with a horizon larger than a particular community or reserve. This is important in part because personnel with the necessary degree of expertise are scarce and are likely to remain so. It is also a matter of scale, of being able to take initiatives and call on resources that are substantial enough to improve the chances of success. For example, a manufacturing initiative, such as the making of Christmas wreaths from evergreen boughs for export to the New England market, may make little economic sense in the context of an individual reserve but be quite feasible when carried out with the involvement of several reserves. Furthermore, in a world that is increasingly organized in large trading blocks, economies have to be organized on a scale that goes beyond the community if they are to advance the economic interests of those communities.

During the 1980s, the department of Indian affairs funded sectoral organizations, such as the Indian agricultural program in Saskatchewan and similar initiatives in other provinces and in other sectors (forestry, fisheries, minerals). However, the department subsequently came under pressure from community-based political leaders to transfer the moneys involved to the community level, and most of the sectoral organizations could not continue. While it is important to have economic development capacity at the community level, the Commission believes it was a mistake to end support of sectoral organizations, whose record of accomplishment generally demonstrated a growing capacity to make a valuable contribution to economic development.

In many parts of the country, community-based leaders have been coming together to develop organizations at the nation or regional level, whether as an arm of tribal councils (for example, Kaska Inc. of the Kaska Tribal Council), provincial political organizations (such as the structures developed by the Manitoba Metis Federation), or Aboriginal nations (for example, collaboration among Mi'kmaq communities to develop a common fisheries policy). The Commission believes that initiatives such as these are a very important component of economic development and urges all Aboriginal nations to develop approaches and institutions of this kind.

Community level

While we have emphasized the importance of developing institutional capacity at the nation and sectoral level, Commissioners also heard repeatedly about the need for community economic development. Aboriginal people see this approach as one that is consistent with their values and world view and that provides the maximum amount of authority and autonomy to deal with local circumstances. The Commission agrees that institutional development needs to take place at both the nation or sectoral level and the community level.

Community development, of which community economic development (CED) is a part, is based on the premise that a community can take steps collectively to shift its life in a direction it considers desirable. This approach also holds that the local community and its institutions are the legitimate and lead actors in development. The role of governments is to support the activities identified and endorsed by local communities.

CED is more than the stimulation of local businesses to create jobs. It involves a comprehensive program to improve the entire range of social and physical resources in the community: business and jobs but also education, housing, transportation, public infrastructure, and leisure. The key to this approach is the planned integration of social and economic goals. The approach is holistic and has therefore been attractive to Aboriginal people as one that is consistent with their values and world view.

The adoption of a CED approach in federal Aboriginal economic development policy has been sought by Aboriginal people since the mid-1960s, as described earlier in this chapter. The CED approach, which recognizes the local community as a legitimate location for development effort, requires that communities be able to engage in a planning process to articulate social and economic needs and goals, identify institutions that need to be founded or supported, and identify development strategies consistent with local cultural, social and economic conditions. It requires that the community have in place a governance process to provide legitimacy and a basis for implementing plans.

The federal government has been sympathetic to CED, but it has experienced difficulty translating that attitude into official action. Budgets for CED and the resulting activities are inadequate, and real control over budgets and development still eludes communities. The Commission's community case studies revealed hamlet councils and related boards with very limited capacity to pursue job creation, training, or community planning. While the need will vary with the size of the community, at a minimum, Aboriginal communities should have some capacity to support economic development in terms of organization, staff resources and training.

In a review of the experience with CED in the United States, Stewart Perry reported that

Perhaps the most significant lesson from the U.S. research is that community economic development must be carried on under local direction, according to local priorities, and by mobilizing local resources first. That is quite different from conventional development policy which begins with central decisions in the economic core areas about what should happen in the peripheral regions.⁷⁸

Perry also found that the federal government should offer three types of support to local communities as they develop and implement their own plans: ideas or knowledge about various aspects of the development process, consultants or staff resources, and technical support and capital.

The CED approach has been adopted successfully by a number of Aboriginal communities. For example, the Lac La Ronge First Nation created the Kitsaki Development Corporation (KDC) in 1981 to serve as the economic development and investment arm of the band council, which represents several member communities.⁷⁹ KDC then focused on a strategy of business development. It adopted a philosophy of capacity building aimed at creating a favourable business environment. Job creation was a secondary goal, since it believed that once the community had the capacity to develop business enterprises, employment levels would increase, as would education levels as

individuals recognized the need for knowledge and skills. KDC also worked to help the community increase its knowledge and understanding of community-based planning techniques; business management techniques; project feasibility analysis; and the socio-political aspects of economic analysis. This was accomplished through a series of workshops, seminars and courses.

The success of the decade-long effort is evident: KDC has been able to undertake several joint ventures with local businesses. These businesses hire locally and produce revenues for the operation of KDC itself as well as for new investments. This success was achieved by adopting an economic development strategy that placed responsibility for development squarely in the local community. The La Ronge council created an institution and gave it a mandate to plan, design, finance, implement and operate economic development programs on the reserves that are part of the Lac La Ronge First Nation.

The CED approach enjoys considerable support in many Aboriginal communities because of its foundation in local identification of economic opportunity, local development and implementation of appropriate responses, and integration of social and economic objectives. It is being adapted for use by communities located in urban, rural, and northern regions and involving Métis, First Nation and Inuit communities. Support for this approach from the federal government will require economic development agreements that include provisions for broad and flexible support of community economic development institutions and for the staff required to run them.

Linkages with surrounding economies

Finally we note that steps need to be taken to improve linkages between the planning bodies and staff of Aboriginal communities and those of surrounding regions. Aboriginal economies do have connections with the economies that surround them, but for the most part, they have been seen as sources of labour or markets for goods and services. Rarely have Aboriginal economies been seen as distinct economic entities with which surrounding municipalities, regions and counties could have mutually beneficial ties.

Several of the case studies prepared for the Commission described a sense of isolation from surrounding regions felt by Aboriginal economic managers. The economies of Six Nations, near Brantford, Ontario, and the urban Aboriginal community in Kamloops, British Columbia, seemed virtually invisible to the surrounding region. The economic concerns of the Aboriginal communities were not known to local planning officials, nor were leaders of either community included in economic planning efforts. Yet Six Nations was contributing about \$115 million yearly to the regional economy surrounding the community.⁸⁰ In Kamloops, Shuswap governments spent approximately 47 per cent of their annual expenditures off-reserve. A survey of monthly household expenditures for seven Shuswap communities indicated they made 78 per cent (\$585,000) of their monthly expenditures in Kamloops.⁸¹ While only limited data are available for other communities, they indicate similar economic linkages.

From the Commission's case studies of Aboriginal economies, it appears Aboriginal communities rarely have formal representation on local economic planning bodies. The reverse is also true: it is rare for representatives of local economies to have representation on Aboriginal economic or community development bodies. The result is that Aboriginal economic concerns and issues tend to be ignored at the local and regional level beyond the Aboriginal community.

The case for co-operation between Aboriginal and non-Aboriginal economies is strong. Successful economic development requires careful planning and co-ordination of effort and resources. Most Aboriginal communities are too small to support large enterprises. Growth potential is limited unless small enterprises actively seek and enter larger markets, often beginning with the surrounding economy. Market entry could be facilitated with the support of local and regional economic planning councils.

Similarly, non-Aboriginal enterprises seeking to establish themselves in Aboriginal communities might benefit from similar support.

Environmental concerns are also important dimensions of economic decision making that require co-ordination. In many cases, environmental issues that affect one community are also of concern to adjacent communities. Joint planning efforts in this area would yield many benefits. Again, the lack of participation on local and regional economic planning councils leads to ignoring Aboriginal concerns.

Finally, the development of local Aboriginal businesses is often seen as an unwelcome competitive threat to local businesses, especially those whose customers include a high number of Aboriginal people or organizations. This issue is likely to arise more often as Aboriginal economies grow in size. It is thus important to recognize these linkages and potential areas of friction and put mechanisms in place to deal with them.

Aboriginal communities are more than sources of labour and extended markets for surrounding economies. They are distinct entities with a broader relationship to local and regional communities. In many cases, leaders in both communities would like to forge relationships between Aboriginal and non-Aboriginal planning and economic development bodies, at both the local and the regional level, so that mutual economic concerns can be raised and addressed there.

Recommendations

The Commission therefore recommends that

2.5.4

Aboriginal nations give high priority to establishing and developing economic institutions that

- reflect the nation's underlying values;

- are designed to be accountable to the nation; and
- are protected from inappropriate political interference.

2.5.5

Aboriginal nations receive financial and technical support to establish and develop economic institutions through the federal funding we propose be made available for the reconstruction of Aboriginal nations and their institutions (see recommendations in Chapter 3, in the first part of this volume).

2.5.6

Responsibility for economic development be divided between the nation and community governments so that policy capacity, specialist services and major investment responsibility reside with the nation's institutions, which would then interact with community economic development personnel at the community level.

2.5.7

The recommended Aboriginal Peoples' International University establish a Canada-wide research and development capacity in Aboriginal economic development with close links to the developing network of Aboriginally controlled education and training institutions.

2.5.8

Leaders of municipalities, counties and larger regional bodies and their Aboriginal counterparts consider how to reduce the isolation between them and develop a mutually beneficial relationship.

2.4 Lands and Natural Resources

Stewardship and development of lands and natural resources represent promising avenues of economic development in the near and medium term for most Aboriginal communities. We say this despite our perception that, for much of Canada's history, the displacement, damage, and distress occasioned in Aboriginal communities by resources development have been so serious that the overall effect on Aboriginal people has been overwhelmingly negative. Clearly, our optimism about the future role of lands and resources in Aboriginal economies is founded on a fundamental departure from past and current approaches.

Despite the inadequacy of current relationships with respect to lands and resources, we believe the challenge of improving the situation may be less daunting today than it was a decade ago. Aboriginal governments in general are more aware of their rights and the vehicles for protecting them. Their institutional capacity to deal with development has increased considerably. More Aboriginal young people are achieving high levels of

education. In addition, constitutional and other legal frameworks lend support to Aboriginal perspectives on land and resource issues.

As well, governments across the country have made adjustments, some of them major, in response to the changing legal framework and to Aboriginal representations for a fair share of the benefits of land and resource development. The National Forest Strategy, reflecting a broad consensus, is explicit on this score. Some private sector companies and associations, including those in the oil and gas and mining sectors, have recognized the changing realities and have sought ways to co-operate with Aboriginal governments in the search for mutual benefits. Also, the list of Aboriginal businesses active in the resource sector continues to grow, albeit from a small base.

While we see economic development based on lands and resources as a central feature in the rebuilding of Aboriginal economies, it is not, of course, the only solution. There is no magic answer in the quest by Aboriginal nations and communities to strengthen their economies and achieve a greater measure of self-reliance. Economic development based on lands and resources does not resolve all the economic issues facing Aboriginal people in rural areas or in urban areas. Some might even argue that the emphasis on lands and resources is misplaced given the declining role of natural resources in the Canadian economy over the long term, especially as a source of employment, and the serious problems of resource depletion in sectors such as fisheries. The continuing growth of the service sector and the shift to processing information rather than raw materials might also be noted.

The perspective in Aboriginal communities is different, however. The use of lands and natural resources has formed a central part of Aboriginal economies from time immemorial. For most Aboriginal communities, natural resources are the key to making a living, whether this takes the form of traditional subsistence activities or profit-seeking, wage-providing enterprises.

True, sectors such as mining, forestry, and oil and gas are now characterized by large, capital-intensive production units that generate considerable wealth but little employment. In some cases, the nature of the resource and the cost of extraction and processing leave little room for alternative strategies, but this is not always the case. Even in sectors such as forestry and mining - and certainly in agriculture, wildlife harvesting and fisheries - there are ways of organizing production in smaller units, ways that enable more employment to be generated, more linkages to be made with other aspects of local economies, and more sustainable development to be pursued.

We also reject the notion that the information economy is separate from the development of lands and natural resources. In fact, the information economy pervades all sectors, and lands and resources are no exception. From an Aboriginal perspective, the successful use and sustainable management of natural resources have always been knowledge-intensive, drawing on a base built up over many centuries and that still has much to contribute, even as mainstream scientific and technical knowledge makes another kind of contribution. Nor is land and resource development divorced from the growth of the service sector,

since services such as resource planning and management, accounting and equipment repair, as well as services related to tourism and recreation provide strong links.

The integration approach

While accepting the importance of economic development based on lands and resources, we believe that a substantial change in approach is required. In Volume 1 of this report, we noted that one of the features of the period of displacement and assimilation, especially in this century, was exploitation of natural resources on traditional Aboriginal territories by non-Aboriginal interests. Whether by privately owned companies or Crown corporations, for increasingly large capital-intensive ventures, aided by governments, the trend has been to exploit the resources of forests and mines, hydroelectricity and oil and gas reserves. In the process, Aboriginal and treaty rights to the land and resource base have been largely ignored, traditional economies have been disrupted, and Aboriginal communities have received few if any benefits.

Recently greater efforts have been made to see that Aboriginal communities receive some benefits from resource development, but the main thrust of policy and practice remains unchanged. That is, the emphasis is on how loan and licensing provisions can be structured so that Aboriginal people can take part in the now largely non-Aboriginal commercial fishery, how surface lease agreements issued to uranium mining companies can be worded to give preference in employment to northern residents, or how Aboriginal businesses can be stimulated through contracting for goods and services with a natural resources producer.

By now, there has been considerable experience with this approach. In many instances there has been a genuine commitment on the part of government authorities, resource sector companies and Aboriginal communities to make this strategy work. Research conducted for the Commission suggests, however, that on the whole, the results have been disappointing, with successes notable as exceptions rather than the rule. Overall, the levels of employment achieved have been limited in at least two respects. First, the proportion of Aboriginal people employed in industries such as mining, forestry and oil and gas is little better than the proportion of Aboriginal people in the Canadian population - despite the proximity of Aboriginal communities to resource projects, and counting all Aboriginal people employed in the sector, not just those employed by non-Aboriginal companies. Second, evaluation reports consistently conclude that Aboriginal employment is restricted to less highly skilled, lower-wage occupations.

There is also continuing ambivalence within Aboriginal communities about participating in this form of resource development, despite efforts to accommodate Aboriginal workers through commuter arrangements, Aboriginal-speaking staff, extensive investments in education and training, and outreach to neighbouring communities. The concerns expressed include the large scale of projects, damaging environmental effects, the alien culture of the workplace, lack of community involvement in decision making, sharp inequalities within communities as some individuals find high-wage employment while most do not, and lack of control over these developments by Aboriginal communities. In

terms of the success of policies intended to integrate and maintain Aboriginal participation in the commercial salmon fishery, for example, one study conducted for the Commission concluded that

Overall, Aboriginal participation in the commercial salmon fishery, based on the number of vessels either owned or operated by Aboriginal people, declined from 32.4 per cent of the fleet in 1946 to 15.3 per cent of the fleet in 1977In 1984, the last year for which reliable estimates are available, less than 14 per cent of the salmon fleet was owned by Aboriginal people.

A number of federal initiatives have attempted to staunch such losses and shore up participationWhatever the merits of these initiatives, it has generally been conceded by federal policy makers and fisheries department analysts that these programs have not achieved the long-term objectives for which they were intended.⁸²

The conclusions in the minerals sector are similar. A study of Métis involvement concluded that the “Métis people in the province of Saskatchewan have traditionally received few benefits from the mining activities in the north of the province. Those meagre benefits that have accrued to individual Métis have been of the lowest order of benefit in the hierarchy for economic development activities”.⁸³ A more general overview concludes that The benefit regimes of formal mines operating in areas where local labour pools are largely unskilled or semi-skilled, underemployed, and/or partly involved in subsistence activities, have been highly circumscribed - largely restricted to the immediately surrounding communities and to direct employment opportunities for unskilled/semi-skilled job functions. Employment levels, while slowly increasing, remain low relative to the composition of the local labour pool. Job assignment has remained limited to low skilled job categories, with little evidence of improvement thus far.

Work and service contracts for local entrepreneurs have also been limited to certain areas of activity (e.g., transportation, custodial, minor construction, catering and security) and have tended to be relatively small in size and scope (with the exception of transportation and materials handling contracts). Local social infrastructures have benefited primarily from new or expanded recreational facilities. In a few cases, bands have shared in provincial mining royalties, but the existence of distinct federal and provincial jurisdictions has sometimes interfered with the distribution of funds to eligible communities (for example, northern Saskatchewan) ...

As the majority of mineral development to date has occurred off-reserve, Aboriginal groups have not had a strong legal position from which to promote and protect band interests. The record of company/community interaction has not always been positive, with communities often learning about exploration projects or prospective new mines after the fact⁸⁴

With respect to forestry, interviews with forest companies in various parts of Canada yielded the following conclusions:

In matters concerning employment, the industry has reduced its work force significantly over the past decade. Most woodlands operations are contracted and both pulp and saw mills have reduced the number of workers to improve productivity and competitiveness. Aboriginal people are not well represented in the workplace, in any category or level, despite making up a large proportion of the population where many forestry operations are located. Most respondents are opposed to target-driven employment equity but recognize that their workforce must become more representative of local populations.

With regard to contracting and business partnerships, the same study concluded,

*A significant portion of saw and pulp mill operations are now contracted, especially woodland operations for timber supply and silviculture. Again, as with employment, Aboriginal businesses make up a very small proportion of total contractors. There are isolated areas within a few company operations where Aboriginal contractors are a significant proportion. Respondents indicated that potential does exist to increase Aboriginal business, but they cited many barriers to increased Aboriginal involvement. The industry does, however, recognize that provision of contracts and equity ventures with Aboriginal people will help to build a better relationship and potentially provide future security of fibre.*⁸⁵

The mixed and often disappointing results of this strategy should not lead to the conclusion that it should be abandoned. Some Aboriginal communities have been able to take advantage of the opportunities presented, while for others it may well represent the best, perhaps the only, alternative available. Even if communities are increasingly in a position to pursue a different strategy - for example, to develop their lands and resources themselves, through their own business ventures - employment and contracts with non-Aboriginal resource companies can provide a valuable training ground.

In the future, new mainstream resource development projects will have to respond better to the aspirations of Aboriginal people. One reasonable approach would be to ask what the level of Aboriginal involvement in resource development industries ought to have been and what it should be in the future, keeping in mind that people living near the development should have the first opportunity for employment. What would an Aboriginal government, as a business owner or partner, accept as a reasonable level of employment in a forest operation or a mine in its traditional territory? It would not likely accept four per cent, concentrated in the unskilled portion of the work force; yet this is precisely the situation in these two industries now.

We cannot limit the vision to new resources development, however. To do so would be to abandon many of the current generation of Aboriginal people so seriously affected by unemployment. The bulk of business and employment opportunities must be found, for the foreseeable future, in existing operations.

New approaches are required to provide economic opportunities for Aboriginal individuals and businesses. For the most part, we hope to see this achieved through co-operation and, if necessary, incentives. For example, it may be possible, within existing

international trade agreements, to provide selective tax incentives or direct assistance to subsidize the cost of placing Aboriginal interns in companies and to provide financial assistance where new environmental rules imposed as a response to Aboriginal concerns lead to higher costs.

Governments in Canada and elsewhere use regulatory powers and lease or licence conditions to ensure compliance with requirements for environmental protection, further processing of resources, worker safety, and reforestation. Most forest management agreements, for example, are 'evergreen', rather than 'perpetual', meaning that the licensees must comply with all licence requirements and relevant regulations to ensure that their licences will continue beyond the existing term. In many cases the current term is 20 years, but astute firms that learn of a new condition for extension usually seek to satisfy the requirement well in advance of the expiry date.

Aboriginal economic development opportunities have seldom been a requirement in the Crown's licensing policies. Under the new arrangements, they would be a central consideration.

Such changes must respect the importance of outside capital, however. Our proposals would ring hollow if, in the end, there was little development to share. Canada must remain a stable and secure place for private investment. However, stability that depends on the denial of Aboriginal and treaty rights is purchased at too high a price. Stability on such a basis is not tenable in the long run, as resentments will boil over, to the detriment of Canada's image as a place to do business. We believe that even with significantly changed rules to enhance the economic benefits to Aboriginal people, the security that would result from more co-operation between governments would leave Canada well placed in the international competition for capital. We must re-emphasize here that the objectives of the system we propose would not be considered anomalous or extreme in most countries that want development to serve the needs of their people. If the new co-jurisdiction lands were a developing country (which in many respects they are), our proposal would be commonplace - in fact, it would probably be approved by institutions such as the World Bank and the Canadian International Development Agency. New arrangements would not mean that employers would have to hire Aboriginal people who are incapable of doing a job. They would not be forced to deal with Aboriginal companies that do not meet their commitments. They would not be subject to rulings by resource managers who lack necessary skills or do not understand business realities.

The best practices of companies that have been successful in attracting and retaining an Aboriginal work force should be identified and disseminated widely. Additionally, ways need to be found for Aboriginal people to obtain a share in a wider range of benefits from such projects. Using an equity position in the project as a lever to obtain a share of profits, as well as to influence policies on hiring, promotion and contracts, is one avenue that some Aboriginal organizations are pursuing. Another might be to take a share of resource revenues, such as lease fees or royalties from companies operating in traditional territories, and deposit it in an economic development fund to benefit the Aboriginal communities in that area.

In this connection, the Bayda Commission (also known as the Cluff Lake Inquiry), established in 1977 to recommend whether Saskatchewan should proceed with uranium mining, concluded that a share of uranium royalties should be paid to “certain northern governing bodies”. The commission argued that

If the distribution of economic benefits (taxes and royalties, spin-off and job benefits) and social benefits is left to the natural market forces and normal governmental processes the chances are high that the people of the province generally will benefit most from that distribution and the Northerners very little

The direct sharing of uranium royalties with Northerners is justified on two broad grounds: first, when one considers that Northerners have been left behind in the struggle to better their lives, that the mineral resources and the revenues generated by developing them are by far the greatest source of wealth in the North and constitute the only tax-producing property of any consequence in the North, that the Northerners will bear most of the social costs associated with the development of uranium, it is only fair that they share more generously than the people in the rest of the province in the revenue to be generated by that development; second, the sharing of revenues will go a long way in giving to the Northerners the kind of control they seek, and it is only fair that they have, over their own affairs.⁸⁶

A step in this direction was taken by the government of Saskatchewan which, since 1979, has been distributing some revenues to northern municipalities. The main vehicle has been the Northern Revenue Sharing Trust Account, which receives revenues from the lease and sale of Crown lands and distributes them to northern municipalities - but not to reserves - to support capital projects and operating costs. However, the amount of money involved is relatively small and does not include royalty payments, which continue to go into the general revenues of the province. The funds are not distributed directly to the communities involved either. In 1993, the joint federal-provincial panel on uranium mine development in northern Saskatchewan echoed the recommendation of the Bayda Commission and was explicit in recommending that groups such as tribal councils, the Saskatchewan Metis Association and the Aboriginal Women’s Council for Saskatchewan should be included in discussions of revenue sharing.⁸⁷

Recommendations

The Commission recommends that

2.5.9

Until self-government and co-jurisdiction arrangements are made, federal and provincial governments require third parties that are renewing or obtaining new resource licences on traditional Aboriginal territories to provide significant benefits to Aboriginal communities, including

- preferential training and employment opportunities in all aspects of the resource operation;
- preferred access to supply contracts;
- respect for traditional uses of the territory; and
- acceptance of Aboriginal environmental standards.

2.5.10

The efforts of resource development companies, Aboriginal nations and communities, and governments be directed to expanding the range of benefits derived from resource development in traditional territories to achieve

- levels of training and employment above the entry level, including managerial;
- an equity position in resource development projects; and
- a share of economic rents derived from the projects.

2.5.11

Unions in these resource sectors participate in and co-operate with implementation of this policy, because of the extraordinary under-representation of Aboriginal people in these industries.

Partnership and self-development approaches

The integration approach has yielded benefits for some Aboriginal individuals and, to a lesser extent, their communities, and steps could certainly be taken to make it more effective, but it is evident from earlier chapters in this volume that the Commission's approach to economic development based on lands and resources proceeds from different assumptions. The essence of this strategy is achieving a land and resource base under Aboriginal control (whether exclusive or co-managed) sufficient to meet the needs of Aboriginal people and to support Aboriginal industries in the natural resources sector. Once this is achieved, Aboriginal people will be in a position to undertake the development of natural resources through Aboriginal companies and to negotiate from a position of strength with other interests, whether non-Aboriginal companies interested in joint ventures or other governments, concerning issues such as revenue sharing.

Using this approach, as we discussed it in the previous chapter, Aboriginal governments would have sole jurisdiction over an expanded land and resource base established on current reserves, newly acquired Crown lands and, where necessary, purchased private lands. In addition, they would share jurisdiction with other governments over a

significant proportion of what are now public, or Crown, lands within their traditional territories.

Some of these lands and resources will have to be purchased from their present, non-Aboriginal, owners but we expect that the dominant focus of negotiations will be Crown lands, and these are vast. They occupy an area (excluding adjacent territorial waters) of more than 8 million square kilometres. Few countries are as large.

Moreover, despite many decades of aggressive development by non-Aboriginal entities, Crown lands remain a major source of wealth. Minerals, timber, oil and gas, fisheries, hydroelectricity and recreational resources are the heart of the economy of several Canadian regions. They provide many thousands of jobs, related business opportunities and tax revenues for local, provincial, territorial and federal governments.

These benefits, for the most part, have eluded Aboriginal people for decades as development has proceeded around them. An expanded land and resource base, including co-jurisdiction, could provide a powerful remedy for this situation. With an enhanced ownership and managerial role, Aboriginal nations and their communities could exercise considerable influence over resource development in their traditional territories, and they could exercise it through partnerships with non-Aboriginal companies or by launching their own business ventures and developing the resource base in their own way.

The partnership approach

With respect to the first of these alternatives, partnerships with non-Aboriginal companies, it should be possible to foster new community-based business opportunities, new prospects for Aboriginal entrepreneurs, and greatly enhanced employment opportunities in all resource developments.

It is important that such partnerships protect what Aboriginal people value - their environment, their culture, their institutions - from insensitive development and its consequences. For instance, it is widely felt in Aboriginal communities that timber harvest operations damage the habitat needed for successful traplines. Yet under current management systems, choices are made generally on the basis of profit; traplines lose out in that evaluation, because Aboriginal lifestyles, food and culture are undervalued.

Aboriginal partners must have a say in determining the rate and nature of development on their own and shared lands. Without the authority to establish criteria for development (usually by the private sector), economic development based on lands and resources will remain a mirage for Aboriginal communities.

An Aboriginal government in a controlling or co-jurisdiction position might weigh the issues differently and insist on a more reasonable accommodation of cultural values and traditional vocations. Similarly, an Aboriginal government could negotiate set-aside agreements giving preference to local suppliers of goods and services. It could insist that

any development plan for oil and gas, forestry or mining incorporate education and training for specified numbers of Aboriginal citizens.

Strong Aboriginal institutions, collaborating with existing mainstream agencies at the federal, provincial and territorial level, will provide large and varied employment opportunities eventually. Management of Crown lands provides employment for thousands of support staff, technicians, professionals and managers at all levels of government. At present, very few of these are Aboriginal people.

Co-jurisdiction means that Aboriginal governments will have to have the same breadth of capacity to play their full part in the partnership. Indeed, they must insist on this, so as not to be overwhelmed by outside 'expert' opinion. That capacity has to come from the people themselves if their governments want to use the arrangements to their fullest advantage. This is doubly important in managing lands and resources, for Aboriginal people have distinct and significant knowledge, insights and values to bring to management and must be encouraged to apply these alongside conventional scientific knowledge. We are not suggesting that Aboriginal governments would need the same number of staff as non-Aboriginal agencies have now, but it is clear that there would be more opportunities available than there are Aboriginal people with the skills to take advantage of them.

These situations - offering interesting, well paid, secure employment without the need to sever ties to communities or give up the chance to blend traditional and modern lifestyles - represent an opportunity for Aboriginal people to live in their own communities without financial penalty. Some of the technical and management jobs will be in urban settings and could provide alternative employment for those who have already left their communities.

Moving from the current situation to one in which at least half the staff of joint management bodies consists of Aboriginal people presents a host of challenges and will take time. The Canadian public must make the commitment to co-jurisdiction now, however, so that a start can be made on the changes that will be needed.

The self-development approach

Self-development refers to the management and development of lands and resources owned by Aboriginal communities by Aboriginal companies. Canadian experience shows that the management of Aboriginal lands and resources by non-Aboriginal parties in industries such as forestry and fisheries can be disastrous. To take forestry as an example, a 1992 report of the federal Auditor General concluded that

Based on the results of our examination, we concluded that DIAND is not discharging its statutory responsibility for Indian forest management with professional and due care.

In view of the uncertainty surrounding this issue and an increasing tendency for the federal government to be called to account for its stewardship of Indian interests, the

*Department needs to review with the various bands the manner in which forest management is carried out. Failure to discharge its responsibilities in this regard could lead to legal action against the Department.*⁸⁸

Problems with DIAND's management included the lack of a clear mandate in areas of management other than the granting of licences to cut timber on-reserve, lack of appropriate numbers of qualified staff to permit the department to carry out its statutory responsibility for Indian forests, and regulations that conflicted in some respects with the Indian Act and discouraged joint ventures. The regulations are in any event outdated. In this regard, the Auditor General noted in the same report that

The Indian Timber regulations were enacted in 1954. At that time, forestry was considered to be synonymous with logging. Reforestation was left to nature. The regulations are silent on virtually all of the modern forestry practices that would ensure harvesting of Indian timber on a sustained yield basis. They are also inadequate for the proper management of resources that are significantly affected by forestry operations, such as water and wildlife. Furthermore, preservation of the natural habitat is a vitally important factor in the agricultural, cultural, and spiritual practices of Indian bands.

In the United States the legal situation regarding ownership has been different, but the results of external management have been equally unsatisfactory. With regard to minerals, for example, subsurface rights have long resided with Aboriginal people, but management was in the hands of the Bureau of Indian Affairs. The U.S. experience demonstrates that ownership is not a sufficient condition for the resource to be harvested in a manner that is in the long-term interests of Aboriginal people:

Until 1982, it was illegal for Indians to initiate the external development of minerals which lay under their lands. Instead the development of Indian mineral resources was subject to bidding and leasing procedures similar to those used by the U.S. Bureau of Land Management for minerals located under public lands ...

The system provided no built-in protection or guarantees or even a consultation requirement vis-à-vis tribal priorities and values, or respect for sacred sites and the local environment

By the early 1970s, not only did the limited financial returns provided by the fixed royalty system begin to bother the affected tribes, but a spate of other environmental, cultural and self-government issues stirred dissentResistance to large-scale mineral resource development emerged on many reservations, as resentment at being excluded from decision making, at having cultural and religious priorities ignored, at having to bear the brunt of adverse environmental and social impacts without realizing a fair share of the benefits, accumulated. The BIA mineral lease came to be regarded as a prime instrument for effecting the transfer of control and exploitation of Indian mineral and other natural resources to non-Indians. New attitudes and different approaches emerged as the various tribes tried to move beyond leasing to alternative modes of development that would ... allow them to ... safeguard their cultures and environments, while

benefiting from the jobs, revenues, and operating and management experience that mineral development could potentially provide

American Indian tribes first assumed responsibility for exercising their own proprietary rights, then assumed various regulatory responsibilities (including permitting, administration of tax regimes and enforcement of certain environmental standards), and finally began to promote mineral resource development on their own reservations as a means to generate tribal revenues and jobs. The potential for direct economic returns and non-cash benefits of on reservation mineral development only became substantial after tribes began negotiating their own deals⁸⁹

With ownership and the exercise of managerial authority comes the ability to shape natural resources development in the way preferred by the Aboriginal nation involved. The chosen path might differ from the mainstream approach. In the case of forestry, for example, the National Aboriginal Forestry Association told the Commission of the importance of the forest to Aboriginal peoples in Canada.

The forests are our home, our hunting grounds, our ceremonial lands. Aboriginal forest values, therefore, play a key role in community social and economic development. Aboriginal peoples perceive their relationship with the forest as being much broader than the mere removal of trees. To Aboriginal peoples, forestry involves the care and management of the entire ecosystem of an area, ensuring that forestry practices do not threaten the continuation of biodiversity and healthy wildlife habitats.

Aboriginal values are evident in our preferred forestry practices. We prefer harvesting methods which cause minimal damage to the forest habitat. When replanting, our interest is in the regeneration of an entire habitat; therefore we take great care with respect to the use of such things as pesticides and herbicides. As well, when we look at forest renewal, it is not necessarily limited to one or two species but may include plants that are of cultural importance to us, such as black ash which we use in our basket-making or berries and medicinal plants for cultural and spiritual use. From the Aboriginal perspective, healthy forests must support a broad range of economic activities for Aboriginal communities, such as hunting, fishing, trapping, tourism, logging, and the management of wildlife resources and of course the management of the forests themselves.

Harry M. Bombay
National Aboriginal Forestry Association
Ottawa, Ontario, 1 November 1993*

Ownership and managerial authority also open up the possibility of harvesting natural resources in a different way, on a different scale, and over a different timeframe than is the norm. Small-scale production is quite possible in sectors such as fisheries, agriculture and wildlife harvesting. It is also possible in industries such as forestry and mining. Taking the latter as a case in point, the Commission's research points out that Aboriginal communities can choose to enter into agreements with large, capital-intensive, externally owned mining companies and have their resources mined in the usual manner, using their ownership position to obtain substantial benefits from the venture in the form of

employment, contracts or resource revenues. However, they can also choose to develop the resource themselves and to do so with a smaller-scale operation that is a manageable part of the Aboriginal nation's overall strategy of development. Looking at the international experience with mineral development and the disadvantages of large-scale, capital-intensive forms of development, Jeffrey Davidson of McGill University's department of mining and metallurgical engineering makes the case for small mines:

There are compelling reasons for countries to re-examine their attitudes to small-scale mining. Smaller mines offer the prospect of making significant contributions to the physical and economic development of rural areas and to the improvement of rural standards of living on a longer-term basis. Such activities can provide a basis for additional economic opportunities within the area, contribute to the development of community infrastructure, and lead to improvements in the quality of life for workers, their families, and the community at large. They can become vehicles for upgrading the trade skills and management abilities of local people.

Small mines, when properly organized and managed, have the potential to become economically self-sustaining and net-positive generators of wealth, much of which can be retained within the community. Smaller, locally owned and operated mines offer other advantages and possibilities as well, including

1. operation in remote areas with more modest infrastructural support;
2. extraction of smaller deposits that may otherwise be non-viable on the larger scale;
3. reduced capital requirements and lead time to bring into production;
4. better capability to respond to and survive market vagaries; and
5. less disruption of the existing social and economic framework.

Small mines provide employment and cash income, serving as points of entry to the cash economy, often complementing rather than displacing traditional economic activities, such as farming and fishing.⁹⁰

Davidson goes on to make the point that a small-scale strategy is not possible for all minerals or all locations, but it is feasible in a broad range of situations.

The self-development approach requires policies and programs quite different from those of the integration approach. Governments are already familiar with some of the issues to be addressed. In the west coast fishery, for example, efforts have been under way since the mid-1970s to achieve a larger share of the salmon resource for Aboriginal food and ceremonial use, and these efforts were pushed further by the Sparrow decision, leading to the Aboriginal Fisheries Strategy. We also referred earlier to support for sectoral organizations in agriculture and forestry in the 1980s. It does not appear, however, that

these initiatives and this approach to developing Aboriginal lands and resources have been a priority, nor have they been well conceived in all cases.

Certainly the issues that remain to be addressed satisfactorily are many. Among them are the crucial issues of recognition of Aboriginal and treaty rights, securing an expanded land and resource base, clarification of rights to own and manage resources on or under Aboriginal lands, and the need to undertake resource inventories. The latter is a pressing need in forestry, mining and agriculture, for without such inventories it is difficult to know what forms of development are possible and what kind of management regimes need to be established. In many of these industries, especially fisheries, forestry and wildlife harvesting, there is a strong need to rehabilitate or conserve the resource stock. These issues were discussed and recommendations were made in the previous chapter.

Debate has arisen in Aboriginal communities about approaches to resource development and indeed whether resources should be developed at all. Thus there is a need to establish community consensus on how resources within the sphere of its authority should be developed, by whom, according to what timetable, with what forms of ownership, and with what implications for other resource users.

In industries such as fisheries and forestry there is a need to deal effectively with the hostility of non-Aboriginal interests, combat racism and defuse conflict at the community level. In developing such strategies, however, it is important to take account of the economic crisis affecting non-Aboriginal resource producers in many parts of coastal, rural and northern Canada, which contributes to hostility toward Aboriginal people.

The Commission's research on fisheries provides some ideas about what might be done. In the Maritimes, one suggestion is to "put resources in the hands of local leaders, both Aboriginal and non-Aboriginal, and to create new structures for them to work together to reduce tensions, to solve technical problems and to establish mechanisms for dispute resolution". It is important that the major fishers' organizations in the region be "co-opted into such a process as quickly as possible to head off any danger that the more extreme elements among their members will garner greater support for their hostile stance vis-à-vis Aboriginal fishers".⁹¹

With respect to the west coast salmon fishery, especially the Fraser River, another study advocates increasing the supply of available salmon to all interested parties through improved stock-specific management - a process in which Aboriginal people, using traditional technologies, can play a vital role. This increase in supply, coupled with equitable treatment of all stakeholders, could result in a win-win situation and thereby defuse tensions in the salmon fishery.⁹²

Finally, we return to the need to strengthen the capacity of Aboriginal communities for regulation and management. Clearly this involves education and training, as well as the development of institutional capacity. In their sole-jurisdiction lands, Aboriginal nation governments will have full responsibility for stewardship and for establishing the terms and conditions of development, including the economic benefits from such activities.

This will involve phasing out the Indian Oil and Gas Corporation and other agencies that now manage and allocate Aboriginal lands and resources and replacing them with Aboriginal agencies.

This will necessitate a substantial build-up of institutional capacity related to lands and resources. It will put the onus on Aboriginal governments to generate economic development strategies that are faithful to community values and that reflect preferences about the relative roles of Aboriginal enterprises and outside companies. The new institutions would be responsible for many tasks, including resource inventory, royalty design and collection, and enforcement of environmental regulations, and for a range of resources from agriculture to water.

To function effectively and efficiently with governments and the private sector, these new institutions must, as a priority, assemble large amounts of information and knowledge from a variety of sources. They will need technology such as geographic information systems and computerized resource inventory and analysis capabilities, as well as tools for reviewing business opportunities if they are to stay in the forefront of the information society.

As we have noted in other contexts, it is especially important to build human resources and institutional capacity at the nation or sectoral levels. This course of action was advocated in a research study prepared for the Commission on the Aboriginal fisheries in the Maritimes, which concluded that

The consultants can identify some important advantages to the elaboration of more broadly based management structures at the provincial or regional level:

1. greater political leverage in dealing with governments and non-Aboriginal communities, and perhaps an end to the pattern of 'divide and rule' that continues under the DFO Aboriginal Fisheries Strategy;
2. an enhanced ability to negotiate and enter into partnership agreements for co-management of fisheries resources with other stakeholder groups;
3. more effective means to resolve issues arising when fishers from different First Nations, or those not resident on reserves, wish to harvest resources on the same off-reserve fishing grounds;
4. greater administrative coherence and the achievement of economies of scale in
 - training and supervising personnel;
 - funding, organizing and implementing research projects;
 - undertaking stock enhancement and habitat renewal; and

- delivering conservation, licensing, catch monitoring, surveillance and enforcement services; and

5. greater consistency and less danger of local politics in providing services to the Aboriginal fishing community.⁹³

The weakness in the strategy to link economic development to an accessible land and resource base is the lack of Aboriginal individuals and businesses with the skills needed by new government institutions, Aboriginal enterprises, and the non-Aboriginal private sector. Later in this chapter, we explore issues related to training and education. We make the point that training is important but not sufficient on its own. Without the conviction that full participation in productive work is a real possibility, it will not be possible to bridge the motivation gap that cuts short the learning careers of so many Aboriginal young people.

Our perspective provides one answer to the question, ‘training for what?’. Indeed, it sounds a note of considerable urgency. The task of planning, developing and implementing the necessary programs and courses of study is surely daunting, but considerable help will be available from the growing number of post-secondary institutions that are pioneering the subjects and teaching methods that will be needed.

We believe, as well, that broadly based coalitions of government, private sector companies, trade unions and educational institutions could be assembled to give tangible effect to statements of support made to this Commission and in other forums. Later in this chapter we discuss practical ways to assemble these coalitions.

The task is enormous; the gap between present reality and what is needed for the vision to work is very large. For example, our research indicates a relatively low representation of Aboriginal people in groups holding university or college credentials in environmental management, geology, forestry, agronomy, biology, zoology, engineering, business, and economic development. These numbers help to explain the low levels of Aboriginal representation in these professions, but students’ choices may have been influenced by a real or perceived lack of opportunity and by inadequate preparation in disciplines such as maths and science.

It is urgent to instill in Aboriginal people of all ages, but particularly in young people, the conviction that now they have a realistic opportunity to shape their own futures, to serve their communities and strengthen their nations. Aboriginal governments will have to flesh out the design of their management institutions, determine in some detail the number of people and skills required, and develop strategies to bring their people up to the level of skills and experience required to join these institutions and make them work.

Conclusion

Natural resources industries are quite different from each other; general discussion soon reaches the specific issues and options facing each sector. Without going into detail about

each sector, we have sought to outline several approaches to economic development based on lands and resources. We have suggested that, wherever possible, an approach that secures an adequate land and resource base for Aboriginal nations and communities and that supports the determination of those nations to develop the resource base according to their own priorities is the preferred option.

With this approach, we believe natural resources will be managed better, and Aboriginal communities will derive a full range of benefits from the economic development process. There are indications of untapped potential in all the natural resources areas. In forestry, for example, the Auditor General concludes that

According to FORCAN estimates, the current reported harvest levels on reserve forests represent only 25 per cent of the annual potential allowable cut. Indian forests are also growing less wood fibre than they are capable of. Therefore, it appears that existing harvest levels could be increased significantly with improved forest management. In the long term, this could potentially raise the annual harvest to nearly 5 million cubic metres, which would generate log shipments with an estimated value of \$200 million annually and prospective direct employment for almost 10,000 people.⁹⁴

In fisheries on both the east and west coasts, in agriculture on the prairies, and in wildlife harvesting in northern areas, there are further indications of opportunities for economic development that can be pursued if the appropriate strategies and policies can be brought together.

Recommendations

The Commission recommends that

2.5.12

Federal and provincial governments promote Aboriginal economic development by recognizing that lands and resources are a major factor in enabling Aboriginal nations and their communities to become self-reliant.

2.5.13

Aboriginal governments, with the financial and technical support of federal, provincial and territorial governments, undertake to strengthen their capacity to manage and develop lands and resources. This requires in particular

- (a) establishing or strengthening, as appropriate, Aboriginal institutions for the management and development of Aboriginal lands and resources;
- (b) identifying the knowledge and skills requirements needed to staff such institutions;

(c) undertaking urgent measures in education, training and work experience to prepare Aboriginal personnel in these areas;

(d) enlisting communities in dedicated efforts to support and sustain their people in acquiring the necessary education, training and work experience; and

(e) seconding personnel from other governments and agencies so that these institutions can exercise their mandates.

2.5 Agriculture: An Illustration

As we have discussed, each of the natural resource industries has its own unique characteristics; we looked at several of these industries in Chapter 4, in our examination of lands and resources. In this section, we take a closer look at one sector, agriculture, to illustrate some of the concrete issues of economic development that need to be addressed.

As reserves were established and as traditional ways of making a living could no longer be sustained on a sharply reduced land base, the federal government came to see agriculture as a solution for the economic problems facing Aboriginal people and a means of encouraging civilization and citizenship. Case studies of particular locations suggest that there were some initial successes, but that early efforts to till the soil soon gave way to disappointment and retrenchment.

In perhaps the most thorough historical study of agricultural initiatives involving Indian people on the prairies of the late 1800s and early 1900s, Sarah Carter writes of the reasons for the failure:

The standard explanation for the failure of agriculture on western Canadian reserves is that the Indians could not be convinced of the value or necessity of the enterprise. It was believed that the sustained labour required of them was alien to their culture and that the transformation of hunters into farmers was a process that historically took place over centuries. When I began to investigate the question of why agriculture failed to provide reserve residents a living, I thought I would add detail to this explanation but essentially retain it intact. Before I got very far into the sources, however, I found that little evidence existed to support this interpretation.

It was the Indians, not the government, that showed an early and sustained interest in establishing agriculture on the reserves. Although the government publicly proclaimed that its aim was to assist Indians to adopt agriculture, little was done to put this course into effect. In fact government policies acted to retard agriculture on the reserves. The Indians had to persuade government officials of the necessity and importance of agriculture. In treaty negotiations and later assemblies, they sought assurance that a living by agriculture would be provided to them, and they used every means at their disposal to persuade a reluctant government that they be allowed the means to farm. They proved anxious to farm and be independent of government assistance, despite discouraging results year after year. Not all Indians wished to farm but many did, and circumstances

compelled some to consider this option at a time when there were few others. In the decade after 1885, government policies made it virtually impossible for reserve agriculture to succeed because the farmers were prevented from using the technology required for agricultural activity in the West. The promotion of reserve land surrender after the turn of the century further precluded the hope that agriculture could form the basis of a stable economy on the reserves.⁹⁵

Although Métis farmers were not subject to the Indian Act or to supervision by agents of the federal government, in other respects their experience with agriculture was similar. In the decades before 1870, Métis people in the Red River area developed farming on small narrow tracts of land extending inland from river frontage. These lands were good for subsistence production and small-scale mixed farming to supplement other sources of food and income (for example, from the buffalo hunt or trading), but they provided a very poor basis for the development of larger-scale commercial farming. When land grants were allocated in the form of scrip after 1870, it appeared to be intended to settle claims to Aboriginal title more than to establish viable commercial farms. Certainly most Métis people lacked the capital and technical expertise to make effective use of the new lands, and they did not receive the assistance they required. The loss of this land base, and the dispersal of the Métis population to points west and north, relegated the Métis people to no land at all in some cases, to land without a secure title in other cases, and at best to a modest living on marginal mixed farms supplemented by other sources of income.⁹⁶

Facing no such constraints, and benefiting from the availability of lands alienated from Aboriginal control, non-Aboriginal farmers proceeded to develop commercial agriculture with the help of government policies, taking advantage of the latest technologies. By the end of the First World War, and especially after the Second World War, the gap between Aboriginal and non-Aboriginal farming was increasingly evident and widening.

Over the last three decades, governments have undertaken some initiatives to reverse the pattern of neglect and marginalization that characterized the Aboriginal agricultural sector. For example, programs such as the Agricultural and Rural Development Act (ARDA), Special Agricultural and Rural Development Agreements (special ARDAs), and Economic and Regional Development Agreements (ERDAs) had some success in bringing reserve lands into effective use and, in the process, requiring some land planning to take place.⁹⁷ In the 1980s, Indian affairs funding was provided for a number of agricultural programs in Ontario, Manitoba and Saskatchewan. Research conducted for the Commission concluded that these programs had growing pains, but on the whole represented a significant step forward in providing advisory services to Aboriginal farmers, administering a range of support programs, and providing a training ground for Aboriginal people in agriculture. We return to this topic shortly.

Métis people benefited to some extent from the federal support programs of the 1970s and 1980s, but less so than status Indians. The main problem has been ineligibility for funding. Special ARDAs, for example, were one of the first federal programs Métis people were eligible for, and Métis trappers and fishers did benefit from its provisions, but the criteria for access effectively eliminated Métis applicants in the farm category.⁹⁸

Although Métis farmers had access to later programs and strategies, including the Native Economic Development Program and the Canadian Aboriginal Economic Development Strategy, they have been able to use them to a very limited extent only, and they have not been able to receive support from Indian affairs agricultural programs.

The other factor affecting progress in Aboriginal agriculture is the changes being experienced by the agricultural sector as a whole. These make it more difficult than ever to develop successful commercial livestock, grain or forage operations:

The most recent phenomenon is what is termed the 'global market'. In effect, the aspect of the food system that determines world prices, and who shall supply which market, has moved away from the primary producers and their traditional collection and selling institutions. The livestock auction and the grain elevator, which for many decades represented the market delivery point and the window on the price-setting mechanism, have lost their significance.

Much of the food system (estimated to be one-third of the total) is now dominated by a few major corporations, often linked with others internationally, which purchase and combine commodities from around the world into processed food items. National boundaries are now merely inconveniences rather than limitations to trade, and distance simply a part of overhead. As a consequence, price, quality and ability to supply quantities on demand determine which food-producing area will export its products into the system.

To cite a specific example of the changed situation, only thirty years ago, the beef packing industry in Canada could state quite confidently that they would accept and market any animal the farmers delivered to their plants. Currently, one has to have precisely the quality of animal demanded in the market or suffer severe discounts, and furthermore, one may have to arrange for a date to have one's animal accepted. The implications for Aboriginal agriculture [are] that a production project, whether individual- or band-managed, must plan to 'land running', so to speak, providing in quantity the quality of crop or animal demanded by a market that has grown very intolerant of beginners and inefficiency.⁹⁹

This trend severely limits the ability of individual producers to compete on their own, making strong Aboriginal agriculture organizations more important than ever. Effective representation of Aboriginal people in broader organizations such as the Saskatchewan Wheat Pool, the Canadian Federation of Agriculture and the Canadian Cattlemen's Association is also important.

Issues concerning scale, technology, knowledge and skills remain very important as well. In Canadian agriculture, since the mid-1960s, the number of farms with annual gross sales of less than \$100,000 has declined precipitously, while the number with gross sales of more than \$100,000 has increased substantially. As these figures suggest, the average size of a farm has also been increasing, growing by well over 100 per cent in all regions of the country except Ontario and Quebec in the period 1941-1986.¹⁰⁰

With respect to technology, knowledge and skills requirements, patterns in the grains industry are typical of agriculture as a whole:

The skills required to operate a farm are changing dramatically. What was once just common sense and hard work has become an ability to handle sophisticated machinery, an in-depth knowledge of chemicals and crop varieties and a significant ability in business management. The result is a growing dependence on off-farm specialist services extending from the professions of law and agronomy to the information provided by chemists and engineers through their products. The Aboriginal farmer is not excused from these changes and must have a channel for receiving information and high technology supplies.¹⁰¹

Like Canadian agriculture in general, Aboriginal agriculture is diverse, ranging from subsistence activities to small mixed farming to larger, more specialized operations. Often farm production is combined with other sources of food or income, such as hunting and wage labour. It also includes larger commercial farms specializing in beef, dairy, grains, forage crops or wild rice production. There are few Aboriginal farms in Atlantic Canada, but Aboriginal farming is significant in Ontario, throughout the prairies and in some regions of British Columbia. It is not uncommon for reserve landholders to lease out a large proportion of their lands to non-Aboriginal farmers, in part because they lack access to the capital needed to farm the lands themselves. They are also attracted by the promise of regular, low-risk incomes from lease payments.¹⁰²

On the whole, Aboriginal farming operations tend to be small-scale. Lands allotted to individuals on-reserve are small, and the prospects of individuals adding to their land base are few. A profile of First Nations agriculture in Manitoba, for example, revealed that the average annual gross sales of 122 farmers were \$29,361 in 1991. Almost three-quarters of this group (71 per cent) reported income after expenses of less than \$15,000, with half claiming a net worth of less than \$25,000.¹⁰³ Almost all were engaged in beef production and related crop cultivation, with a very few in hog production. A survey of 80 Métis farmers on the prairies revealed that most were in the subsistence and mixed farm categories, and indeed 80 per cent of respondents reported receiving off-farm income.¹⁰⁴

Analyzing the characteristics of Aboriginal agriculture in light of general trends in Canadian agriculture raises important questions about future directions. It can be argued that, given the current characteristics of Aboriginal agriculture and the constraints it faces, small-scale farming is a reasonable adaptation to present circumstances. It does not generate great wealth, but it does provide a living if combined with other sources of income. In more northern areas and for some specialty products, it is perhaps the only course of action that makes sense. This does not necessarily mean a continuation of the status quo - there are opportunities for growth, new products, and modest expansion, and steps can be taken to improve the size and quality of the land base or to enhance access to capital. Smaller farming units could serve as a training ground for successive generations of Aboriginal farmers who will, over time, develop the knowledge and skills base and the capital and land resources to make farming their principal, perhaps their only, occupation.

Thus, under this model, public policy should support small mixed farms and resist the tendency to favour larger and often more specialized units.

Another view, influenced by Canadian and international trends, sees the future in terms of large farms with the technology, capital and management for success. According to this view, small farms with a significant subsistence or non-farm income element are unlikely to provide the basis for the competitive commercial enterprises of tomorrow, and public policy should be devoted to creating the conditions in which larger farms can develop:

The only manner of organizing in the beginning stages of prairie farm development was obviously for and by the individual small-scale homesteader, or Aboriginal farmer in the case of the reserve lands. There were some very large acreage farms attempted by individuals or groups of non-Aboriginal people in the earliest farm development stages. But they could not, with the tools at hand, survive for long because of the swings in the production and marketing conditions that had not yet been minimized by government policies and technology. The band-based initiatives were usually much more modest in scale. They were inspired by the individual reserve superintendents, or the church, and somewhat later by the band councils but suffered a similar fate

Jumping ahead in time, the current climate for farm development now favours the larger operations for grain and for most livestock ventures. The small farms with a number of income centres were able to ... cope with more risk, and so survived as long as they maintained a modest expectation for income. But risk-spreading has been shifted from farm family 'belt-tightening' to government support programs and improved management methods as well as institutionalized marketing methods. Despite the ability to handle risk, the difficulties which increase with this larger-unit pattern of farming are the high requirements for capital and management.¹⁰⁵

As this passage makes clear, however, the argument for larger-scale operations pertains to particular kinds of agriculture (livestock, grains, and so on) geared to particular markets. Some Aboriginal communities will have the desire and the potential to be competitive in these markets. Others will continue farming as part of a multiple income mix, or pursue the kinds of agricultural production that permit smaller-scale farms.

It is evident that a full range of opportunities exists. The Commission's research identifies opportunities in large-scale operations such as swine, beef backgrounding, and beef feedlots. With appropriate support from governments, there is significant interest in Ontario and the prairies in the production of ethanol fuel from grain. Distillers grains and stillage water (cattle feed produced as by-products of ethanol generation), can support beef feedlots of considerable size. In addition, there are opportunities in reserve pasture projects, diversified reserve grains operations, game farming with bison or elk, expansion of wild rice production, the growing of herbs for traditional medicines or to flavour foods, the processing and marketing of wild berries, and wild game-related tourism.¹⁰⁶

These possibilities are compatible with a broad range of farm sizes and requirements for capital, technology and management. However, Aboriginal farmers engaged in small-scale and mixed farming feel strongly that agricultural policy and programs neglect their needs in favour of supporting larger farm operations. Métis owners of small farms interviewed for a Commission research project were clear on this point, linking their concerns about government policy to the survival of small rural communities:

A farmer in this area, actually a businessman and farmer, owns 36 sections of land and is constantly seeking to expand his big corporation. A lot of his wealth has been gained through government grants and other assistance and business write-offs. I have lost track of the number of small farmers who have been bought out and shipped out and empty farmhouses now scattered in the municipality. Government people cater to Mr. Big and he is paraded around as a model for all of us to follow. It is all part of our modern brainwash - it's Free Trade and only 'big' people can operate successfully in our new North American economy.

I might accept that if Mr. Big and his government supporters can prove to me that he can operate his vast estate more efficiently and cheaper than a good farmer with three or four sections of land. But in this assessment, I suggest that we include the associated costs of the loss to the community of all the displaced small farmers, the costs of relocation, and the social and other costs of the urban centres who have received these displaced farmers. The loss of the dignity, the ambitions, and the hopes of all these people is beyond estimate.¹⁰⁷

Whether they own small or large farming operations, those who want to improve their situation are likely to face one or more obstacles: lack of land, problems with land tenure and use, lack of capital, inadequate information and technical assistance, and inadequate education and training.

Lack of land

Farmers who want to expand the size of their land base and new farmers - many of whom have been introduced to farming by their parents or by others in their communities - find that obtaining land is one of the most formidable obstacles they face, whether on- or off-reserve. On-reserve, the total land base available to the community may be much too small, and other uses, such as residential and commercial space, need to be accommodated. Good agricultural land may not be available or if it is, may come at a hefty price. Even if funds are available to purchase land adjacent to a reserve, bands wanting to increase the reserve land base have run into opposition from non-Aboriginal neighbours and municipalities, as discussed earlier in this section.¹⁰⁸

Land tenure and use

Reserve residents are usually allotted lands by the band council, or the distribution of lands may reflect traditional or hereditary ownership. Whatever the allocation method, the size of land parcels available for farming is typically quite small unless the band has

reserved a larger acreage for farming by a collectively owned enterprise. That the size of the land base and present patterns of land tenure are unsatisfactory is evident from the following descriptions of two contrasting situations - both located in southern Alberta, the home of Canada's largest reserves:

On the Peigan Reserve in Southern Alberta, 244 square kilometres, or 57 per cent of the reserve's land base, have been individually allottedMuch of today's distribution pattern goes back to the 1920s, when the Peigan population numbered around 500 (one-sixth of today's population). The educational policy of that period placed particular emphasis on manual training and agricultural instruction, and band members interested in agriculture were allocated a parcel of land by the Indian agent. Yet in the 1950s small-scale agriculture experienced a serious relapse, when mechanization and related changes intensified, and traditional farming became just too uneconomical. Many of the older individuals on the reserve ... recalled working their land with a horse-drawn plough until the late 1950s. Then they resorted to leasing their plots to non-Indian farmers and ranchers because they saw no other way of making a living. While reserve land had been leased before, it was only at this time that band members started leasing out their small individual plots to off-reserve enterprises. With the onset of 'self-government' in the 1960s, political factors gained importance in the process of land allocation.

In the 1980s there were about 170 landholders on the Peigan Reserve. The average size of a large holding was 390 hectares, while small holdings averaged 65 hectares. Small plots accounted for 75 per cent of all individual holdings. Sixty per cent of the individually allocated grazing land, and 90 per cent of the arable land was leased out. This appears logical when we consider the land-people ratio. An economic unit for an Indian dryland farmer would require a minimum of 500 hectares. With regard to ranching, it is assumed that a satisfactory living could be made on a pasture capacity of 250 animal units. Based on a general carrying capacity of 10.1 hectares per animal unit per year, this translates into 2,525 hectares per ranch. Even if this acreage were reduced by the use of a six-month grazing system, supplementary feed and the use of the community pasture, the discrepancy between the actual holdings and economic units is still evident.

... The resultant pattern was the exorbitant leasing out of valuable land, with two-thirds of the revenue leaving the reserve and only one-third being paid out to the 'owner'.¹⁰⁹

On another Alberta reserve, the pattern of land holding is different, but the consequences are similar:

Individual land tenure on the Stoney Reserve in the Rocky Mountain foothills west of Calgary is subject to the same customary system. Here, however, it is even more flexible and informal. The division between 'landowners' and landless band members is less pronounced than on the reserves of the Blackfoot Confederation, as every family by custom has the right to fence off or use a parcel of land to graze some livestock. There are 'acceptable' limits as to the size of holdings an individual may fence off for himself/herself, the majority measuring under 65 hectares. Sixty-nine per cent of a Stoney sample [selected for interviews] ... claimed a parcel of land, with a majority being

uncertain about its exact size. Only two of the twenty-two landholders utilized larger areas, in the neighbourhood of 260 hectares. There is no land registry, and as a result there are no data regarding the number of landholders or size of holdings ... [W]ith over 400 households on the Morley Reserve, and its physical features imposing limitations on settlement and utilization of some parts, there is a pronounced land shortage. The individual holdings are uneconomically small, especially in view of the fact that the wooded character of a major part of the reserve necessitates larger ranch units to make a living than on the Peigan Reserve. Nevertheless, all the individually used land is utilized for grazing livestock, and none is leased to non-band members. Although leasing was practised before self-government, it was discontinued two decades ago as a matter of policy, and thanks to their gas royalties, part of which are distributed on a per capita basis, band members do not depend on this source of income. There is no defined land policy; disputes arising over questions of inheritance and transactions are handled individually by the Council.

Thus the land situation on these reserves is characterized by a peculiar tension caused by the combination of hard economic facts, perceived and/or real political favouritism, and the enduring Indian holistic concept of land ownership. Referring to supposedly communal ownership of the land base, the landless feel justified in asking where their profit from this resource is likely to occur. Due to population increase and historically established distribution patterns, only a limited number of families can reap the major benefits.¹¹⁰

As this passage reveals, the land is regarded as a collective resource, and this adds to the complexity of the situation. Individuals who have been allotted a certain piece of land do not have the security of knowing that the land will remain in their family's hands for future generations. Since successful farming typically develops over several generations, insecurity of tenure is an impediment to long-term commitment. And since the land cannot be sold, it is more difficult for a reserve-based farmer to build up equity for retirement or to leave a legacy to children. Division within the community is also created if land, a community resource, is allocated to individuals for their profit, with few if any benefits being returned to the community as a whole. To avoid this problem, bands that allocate reserve lands for wealth creation could charge rent for the land, to be paid in cash or as a percentage of the crop. Furthermore, such revenues could be reinvested in the land base or used to promote economic development - for example, creating an internally generated capital fund available for investment as an alternative to borrowing funds from external sources. Charging rent for the land would also act as an incentive for reserve farmers to make more productive use of the land and to further their level of education and training in agriculture and related fields.

Tackling issues of land tenure and use is very difficult for reserve political leadership, but it is important to address the issues and reach compromises if agricultural development is to proceed. The problem is not only that most land units are too small to be economically viable, but also they are not being used to promote the economic development of the band - that is, some land may be leased to non-Aboriginal interests, with revenues accruing mostly, perhaps entirely, to the band member who was allotted the land. Some

individuals do very well from these revenues and may be part of the economic and political elite of the community.

The incentive structure could perhaps be changed to encourage more productive use of the lands - for example, resolving access to capital problems so that reserve farmers could invest in farming equipment rather than lease lands to outsiders, or charging rents on allotted lands. Alternatively, the band council could, with the approval of the minister of Indian affairs, reallocate land allotments and place more land in the hands of those who would farm it more efficiently. This would remove an important source of income from those who now hold the land, however.

Difficult as it may be, bands whose lands have agricultural potential have to decide whether to use the lands as part of an agriculture development strategy, or for residential and other purposes. If the lands are to be used for agriculture, consideration needs to be given to land allocation and use issues - should some lands be retained for band projects or, alternatively, assigned to individual members? Should some be set aside for joint ventures with other bands or with non-Aboriginal people? How can land units of sufficient size and productivity be created so that farming activities are economically viable or, alternatively, what kinds of agricultural activities can be pursued successfully given the amount and distribution of available land? How can the resulting revenues be shared so that there are incentives for individuals but also benefits to the community as a whole and retention of funds for reinvestment in the land base? On many reserves, land reform and the development of land use plans should precede, or at least accompany, other plans to develop the reserve's agricultural potential.

Lack of capital

Historically, a major problem standing in the way of Aboriginal agriculture development was lack of access to capital for developing land or purchasing seeds, livestock, ploughs and tractors. Access to capital remains an important issue, certainly for reserve-based farmers, because reserve land cannot be used as security for loans. It is an issue as well for the Métis farmers interviewed for a Commission research study. Access to capital to expand farm operations was, in fact, the most frequently mentioned constraint. Those interviewed strongly advocated expanding the availability of loan capital, not government grants.¹¹¹ Some of the opportunities in agriculture, such as ethanol production and related feedlot operations, would require large amounts of capital. For these operations, the best approach may be projects involving co-operation between several bands or communities and/or joint ventures with non-Aboriginal interests. Access to capital is discussed at some length later in this chapter, in our examination of business development.

Information and technical assistance

The Commission's research underlines the importance of providing appropriate information and technical assistance to farmers. Extension and outreach programs are especially important for Aboriginal farmers struggling to gain a foothold in the industry. Indeed, one of our research studies suggests that it was precisely this kind of support,

provided through Indian agricultural programs of the 1980s, that was instrumental in the success stories that have emerged - progress that is now threatened by funding cutbacks in these organizations and the programs they administer.

Possibly the most significant and beneficial change to the system of assisting Aboriginal farmers from the time of the farm superintendents was focusing efforts through the establishment of the Indian Agricultural Programs. Unfortunately, the federal funding cut-backs have centred on these programs and so they are dwindling and disappearing. To say that this is a serious blow to Aboriginal agriculture is an understatement of the obvious. Some items to consider in this move are as follows:

1. The initial cost/benefit from the investments in Aboriginal farming has been low if measured by the criteria for development moneys used in many other sectors of the economy. However, that the programs actually caused a turnaround so that successful farmers now exist, where none were before, as a direct result of daring investments and loans, is positive. And, that bands now take some time to address agriculture specifically, whereas most had not before the 1970s, gives encouragement to those responsible for working with the individual bands. These initiatives will fade as moneys are restricted and staff laid off.
2. The tie-in with the provincial extension services was a major step in giving Aboriginal people direct access to information from specialists serving the non-Aboriginal communities. This service is absolutely essential for advancement and will fade away as the budgets are being reduced, unless other provisions are made.
3. Certain projects, such as land clearing, establishing pastures and wild rice harvesting, were planned and executed with professional staff managing the programs. There were small dedicated groups created in most provinces which could be identified when a new project was being planned. This is not to deny that private consultants do not serve a purpose, particularly where high-priced and high tech projects are being established. However, much of the development on the reserves needs almost constant overseeing by trained people, in the very early stages and well into the middle years of a project.
4. An opportunity was created for Aboriginal people with some professional agricultural training to fit into a service of their level of competence, and to work with a critical mass of fellow professionals. This small, but critically important group of Aboriginal people is being laid off and will be lost to the pursuit of agriculture.¹¹²

Agriculture extension services provided by provincial governments are useful, but indications are that they work better for the well-established farmer with specific information needs to which the provincial services can respond. They do not provide the culturally sensitive and active outreach that is more likely to come from an Aboriginal extension service. Thus the Commission believes the Indian agriculture programs are a good investment and supports their re-establishment or continuation in all provinces where this is warranted by the number of First Nations farmers. Similar support should be given to Métis farmers. Aboriginal farmers should also consider establishing their own

organizations to improve access to information and government programs and provide a stronger voice in decision making concerning agriculture policy and programs.

Education and training

As in other natural resource fields, levels of education and training in agriculture are widely believed to be inadequate, an issue the federal government recognized with the establishment of the Aboriginal Agriculture Industrial Adjustment Services Committee in 1993. This committee, whose membership was drawn from people involved in Aboriginal agriculture from across the country, identified several important gaps in training:

1. Course content is often too advanced and requires prior knowledge.
2. There is a chronic shortage of Aboriginal trainers.
3. There is a lack of courses that are culturally appropriate to Aboriginal people.
4. There is a lack of courses delivered in local communities to groups of Aboriginal people who know and trust the instructor.¹¹³

The committee made recommendations to heighten the awareness and interest of young people in careers in agriculture, including an 'Agriculture in the Classroom' program. It asked agriculture training institutions to develop customized courses to meet the needs of Aboriginal farmers, using Aboriginal training colleges and instructors where possible. It called on post-secondary institutions to co-operate in developing a pre-agriculture program for Aboriginal youth modelled on the success of similar programs in law and the health professions. It also called for the establishment of a national Aboriginal agriculture training advisory council. These recommendations are worthy of support.

Recommendations

The Commission recommends that

2.5.14

The government of Canada remove from Aboriginal economic development strategies such as CAEDS and related programs any limitations that impede equitable access to them by Métis farmers and Aboriginal owners of small farms generally.

2.5.15

The government of Canada restore the funding of Indian agricultural organizations and related programs and support similar organizations and services for Métis farmers.

2.5.16

Band councils, with the support of the federal government, undertake changes in patterns of land tenure and land use so that efficient, viable reserve farms or ranches can be established.

2.5.17

The government of Canada implement the recommendations of the Aboriginal Agriculture Industrial Adjustment Services Committee designed to advance the education and training of Aboriginal people in agriculture.

2.6 Business Development

Business development plays a vital role in strengthening Aboriginal economies. In 1990-1991 25,275 Aboriginal people in Canada reported current business ownership and/or income from self-employment.¹¹⁴ Another 12,575 reported prior business ownership. The percentage of each identity group population engaged in business ownership or self-employment is reported in Table 5.11.

TABLE 5.11
Business Ownership/Self-Employment among Aboriginal Identity Population Age 15+, 1991

Situation	Total Aboriginal Identity Population	Registered North American Indians	Non-Status North American Indians	Metis People	Inuit	Other ¹
	%	%	%	%	%	%
Current or Prior Business Ownership/ Self-Employment	11	9	19	16	12	21
Current Business Ownership/ Self-Employment	8	6	12	10	10	12
Prior Business Ownership/ Self-Employment	4	3	7	6	2	9
Never Owned a Business	89	91	81	84	88	79

Notes

Percentages may not add exactly because of rounding.

1. Includes North American Indians with unknown registry status and individuals providing more than one response to the identity question.

2. Percentage of total population of each Aboriginal identity group.

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

Anecdotal accounts suggest a substantial increase in the number of Aboriginal businesses in the last two decades, although clear data on the matter are not readily available. The Commission has some information on self-employment in non-incorporated businesses, which make up the largest proportion of all businesses, and this shows an increase

between 1981 and 1991 in both the absolute number and the proportion of Aboriginal people who were self-employed. Table 5.12 reveals that the sharpest growth in self-employment has occurred among Aboriginal women, although in numbers they still lag behind Aboriginal men by a considerable margin and they are more likely to be working part-time in the businesses they own. Aboriginal men who were self-employed increased in absolute numbers but not as a percentage of the adult male population. The proportion of self-employment among the non-Aboriginal population also grew, however, and remained almost double the Aboriginal rate.

TABLE 5.12
Self-Employment among Aboriginal Identity and Non-Aboriginal Populations Age 15+, 1981 and 1991

	Total Aboriginal		Aboriginal Male		Aboriginal Female		Total Non-Aboriginal	
	1981	1991	1981	1991	1981	1991	1981	1991
	%	%	%	%	%	%	%	%
% of population age 15+	2,4	2,6	3,9	3,6	1,0	1,7	4,5	4,8
% full-time	70,4	63,5	74,2	69,5	56,5	52,0	78,6	77,4
% part-time	23,8	28,0	20,8	22,6	34,4	38,0	17,3	18,6

Notes

1. Self-employment is defined as persons reporting that they worked for themselves, with or without paid help, and whose businesses were not incorporated.
2. Those for whom the part-time or full-time designation was not applicable are not included.

Source: Statistics Canada, 1981 Census; 1991 Census; and Aboriginal Peoples Survey (1991), custom tabulations.

The reasons for the increase among those reporting income from business ownership and/or self-employment are not well understood. However, demographic factors may be playing a role, for there is now a large cohort of Aboriginal people in the young adult category, and business ownership and self-employment tend to be highest among those aged 25 to 54 than among those who are younger or older.¹¹⁵ Growth in the urban Aboriginal population could also be a factor, since the proportion in business ownership and self-employment is generally higher off-reserve and in southern and more urban areas.¹¹⁶ Large numbers of persons searching for work but unable to find wage employment can also lead to self-employment and business ownership.

It is also reasonable to suggest that part of the growth is accounted for by the signing of comprehensive claims agreements and the expansion of the land and resource base for some Aboriginal communities. These agreements result in an infusion of cash into regional economies for investment and other purposes, creating a more dynamic environment for business development. Other types of settlements, such as specific claims agreements and treaty entitlement settlements, have a similar effect. This

explanation may help to account for the fact that the highest incidence of current business ownership/self-employment is found in northern Canada (see Table 5.13). The large number of persons engaged in traditional economic activities likely helps to account for this finding.

TABLE 5.13
Business Ownership/Self-Employment among Aboriginal Identity Population Age 15+, by Region, 1991

Region/Province	Current Business Ownership or Self-Employment		Prior Business Ownership or Self-Employment	
	No.	%	No.	%
Atlantic	1,015	8	430	4
Quebec	2,625	9	1,135	4
Ontario	4,730	8	2 505	4
Prairies	9,355	7	5,015	4
British Columbia	5,425	10	2,885	7
Northern Canada	2,125	11	605	4

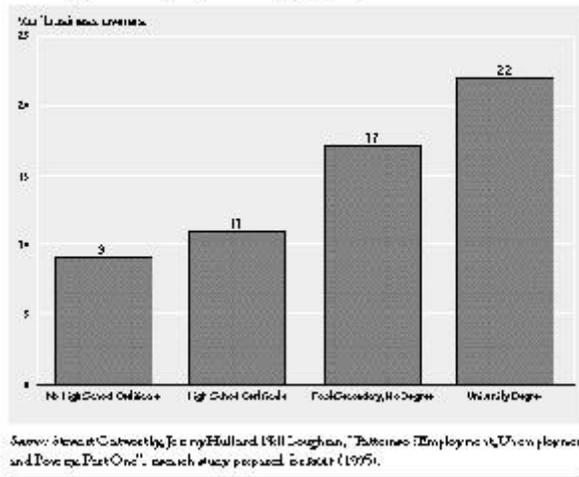
Note: Percentages refer to the proportion of the Aboriginal identity population that reported provincial location and ownership status.

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

Some have speculated that the increasing education level of the Aboriginal population has translated into an expansion in the number of entrepreneurs, and indeed this hypothesis is supported by the available data. Figure 5.3 reveals that the incidence of business ownership and self-employment is lowest among those with no high school education and increases steadily with further education.

The proportion of university graduates who are business owners is high, but the small number of university graduates nevertheless means that most Aboriginal businesses are owned by people with a high school education or less. There is also evidence that success in business depends on more than formal education. A recent evaluation of Aboriginal businesses assisted by the Canadian Aboriginal Economic Development Strategy (CAEDS) between 1989 and 1990 found that management teams with the least education (elementary school or less) had the smallest proportion of business closures or failures and the highest proportion of businesses in the safe or profitable category.¹¹⁷ The explanation may be that entrepreneurial skills are being passed from one generation to the next, without the benefit of much formal education. This is often the case in regions such as the Beauce in Quebec and the Acadian areas of Nova Scotia, where entrepreneurial skills flourish.

FIGURE 5.3
 Highest Level of Education, Current and Former Business Owners
 Aboriginal Identity Population, Age 15+, 1991

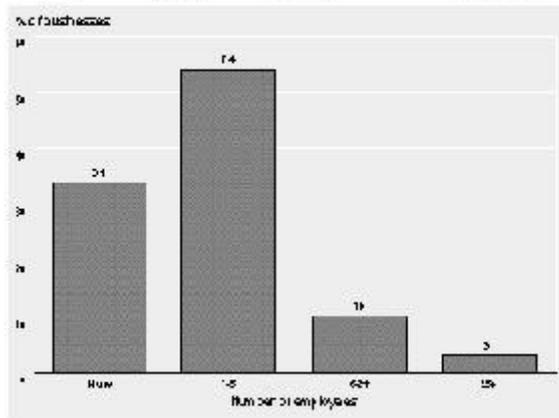


The same study, as well as another evaluation reflecting an Aboriginal, community-based perspective,¹¹⁸ also suggests that the various programs that make up CAEDS are having a positive effect through the provision of training, business development grants, loans, and support for joint venturing and for community economic development organizations. The importance of government programs in influencing business development should not be exaggerated, however, since they are typically a source of financing for only a small proportion of businesses. Self-financing and other sources of capital, such as banks and credit unions, also need to be taken into account.

One other characteristic of Aboriginal businesses is that they are very small in size. Figure 5.4 gives figures on size as measured by the number of employees and reveals that 34 per cent of current businesses have no employees other than the owner(s), while 88 per cent have five employees or fewer.

In summary, there is some encouraging news about small business development in Aboriginal communities, but some major problems remain to be addressed. Not only is the rate of business ownership still substantially less than for the non-Aboriginal population, but there are also sharp differences in access to business ownership among the major Aboriginal groups, for Aboriginal women as compared to Aboriginal men, and by region of the country.

FIGURE 5-4
Current Business Ownership and/or Self-Employment among
Aboriginal Identity Population, Age 15+, by Number of Employees, 1998



Source: Statistics Canada, Jeffrey Hull and Jill Loughran, "Business: Employees, Unemployment and Diversity Data 1998", research study prepared for SCAR (1999).

Business development in an Aboriginal context

The reserves exist within a complex and advanced consumer-based economy which is highly competitive and profit-motivated Encouraging conventional investment and business development within the reserve communities will necessitate the identification, development and promotion of realizable competitive benefits, while at the same time effecting a change in perceptions arising from the long period of economic and cultural isolation.¹¹⁹

Self-reliance was fundamental to life in traditional societies. Although the manner in which food and goods were distributed varied, all Aboriginal societies placed a high value on the skill of the providers, be they hunters, fishers, farmers, gatherers or those who transformed the products of forest and field into the goods needed to sustain and enrich life. There was no question that everyone was required to exercise their skills to contribute to the well-being of family, clan and community. In many traditions, the highest honours went to those whose skills provided the greatest benefit to the community as a whole.

The characteristics that hone these skills are qualities that productive societies everywhere uphold as important, qualities as essential to the operation of a modern commercial enterprise as to a traditional hunting party. Ron Jamieson, a Mohawk from the Six Nations community and a vice-president of the Bank of Montreal, told the Commission's National Round Table on Aboriginal Economic Development and Resources:

There is a perception in the Aboriginal and non-Aboriginal communities that Aboriginal people lack the skills and temperament to be effective entrepreneurs. I challenge that assumptionThe personal skills and resources they bring to their business are the same as those which allowed our ancestors to survive in a traditional Aboriginal economy.¹²⁰

He went on to identify four qualities essential for modern business that have long been practised by Aboriginal people: risk taking, discipline, clarity of vision and meeting the needs of the community or customer.

Entrepreneurship without risk taking does not existTraditional economies had high degrees of risk, many of them life-threateningTrue risk means risking your own resources.

Discipline means paying attention to the details of ensuring your business survives and growsTraditional economies required personal discipline because survival and the success of the hunt required an attention to detail and the ability to make quick decisions under pressure.

Vision and self-confidence are especially crucial to survive the first five years of business. Traditional entrepreneurs had to have a clear sense of ... results [in order to] feed, clothe and care for their families.

It is essential to meet fully and exceed the customers' expectationsThis is very important in the Aboriginal community where people often see themselves as being taken advantage of by unscrupulous entrepreneursThe traditional entrepreneur derived his feeling of self-esteem through his ability to provide the essentials for his family, clan and community.¹²¹

It was made clear to us in the hearings that the fundamental difference in emphasis between the Aboriginal view of economics and the beliefs of liberal capitalism relates less to the means by which wealth is created than to the appropriate distribution of resources once these have been acquired. Aboriginal cultures share a deeply embedded belief that the welfare of the collective is a higher priority than the acquisition of wealth by the individual. Although not all Aboriginal individuals or communities practise that precept, where it is disregarded it is not denied, and its neglect often produces an unsettling effect.

This approach does not detract from the skills and achievements of individuals. Indeed, individuals are as highly valued in the present as in the past. But additional merit is gained by using one's skills to benefit the community. The more one has to make available to the community, the greater the merit earned.

Attitudes widely present in economically depressed communities cannot be taken as reflective of Aboriginal tradition. It is commonly observed that communities that have been denied resources and marginalized become places of cynicism and inaction that are hostile to achievement. Those who try to break free of oppression are often perceived to be 'letting the side down' by demonstrating that change is possible.

Aboriginal communities, for the most part, have been robbed of the capacity to trust in anyone or anything. Years of manipulation, broken promises, and out-right deception have produced a nation of individuals who hold very low tolerance for what they perceive

to be risky ventures. Cynicism, sarcasm and scepticism are the hallmark qualities of both the leadership and grassroots membership of Aboriginal communities ... This tendency to question the potential for success should be seen as a major impediment to growth in the business sector.¹²²

This phenomenon is found in all cultures subjugated by oppression and futility. It takes unusual circumstances and extraordinary people to break the cycle. But the hostility toward achievement and individual effort that is felt in Aboriginal communities is often misinterpreted, particularly by outsiders, as a product of Aboriginal emphasis on the collective and the community. In fact it is part of the pathology of loss and despair - loss of lifeways, of self-reliance and self-esteem.

The closed attitude of local administrations towards private, profit-oriented projects seems very real ... It may even constitute a major obstacle to venture start-up and survival. In more isolated communities, the same values of collective use of resources and sharing of wealth seem ... to be an insurmountable constraint on private enterprise. The ostracism (social isolation, economic sanctions) to which some entrepreneurs say they have been subjected in their own communities by their "brothers", in their view kills private initiative and drives potential entrepreneurs out of the reserves to go into business.¹²³

As discussed earlier in this chapter, governing structures that mirror the basic values of the community are the most effective. Likewise, the means of organizing economic activity to earn income and wealth will be most effective if they reflect a community's values. Some Aboriginal cultures, such as that of Métis people, which place a high value on individual initiative, will see their most effective organizations built around individual entrepreneurs. Others, such as the Ojibwa or Innu, whose social organization is more communal in nature, will be more comfortable using economic units premised on consensus-based action. Other traditions, exemplified by the Haudenosaunee, have fostered both individual and community initiative. Still others, who might come from a strong communal tradition, find themselves comfortable identifying with individual entrepreneurship as a result of extensive interaction with the non-Aboriginal world. There is no 'right' way to structure effort for economic activity.

Nowhere have I seen an outright rejection of capitalism by Aboriginal people. In fact, I have seen a desire to adapt this particular political-economic system to work in accordance with Aboriginal belief systems.¹²⁴

It appears to us that too much is made of the alleged difference between the Aboriginal approach and the ways of liberal capitalism. The mainstream economy incorporates a wide range of structures for economic activity: individual proprietorships, partnerships, corporations governed by boards and with few shareholders, corporations with many shareholders, co-operatives, Crown corporations, joint ventures, and licensing arrangements where companies come together for specific purposes. All can be organized as for-profit or not-for-profit entities. There is little benefit in categorizing approaches to economic activity using outmoded ideological constructs, such as the idea that

collectively owned entities should disdain profit or that individually owned enterprises or shareholder-owned corporations are driven solely by the bottom line. How economic organizations choose to use their earnings depends entirely on the nature of the market they are in and the priorities of their owners, whether these are individual proprietors, shareholders or members of a community.

In a market where technologies or tastes are changing rapidly, most net revenues have to be reinvested in the firm so that it can continue to earn sufficient future revenues to remain viable. If that is not the case, if there are genuine surpluses, these are usually distributed in the for-profit enterprise as returns to the owners or shareholders. In the mainstream economy, most firms must take this route if they are to retain the investments of their shareholders. However, community-owned or not-for-profit enterprises will often use their surpluses to support other agreed objectives, such as providing scholarships for community members, funding new community facilities, or supporting cultural or social activities.

There are, however, other ways for an enterprise to realize its goals. If its primary objective is to create employment in the community, it may do so by hiring more individuals than may be warranted by the nature of the business. It will pay a price for doing so; that is, a percentage of what might have been profit will be used to pay the wages of the additional workers. Or the firm may choose to use production techniques that are more sparing of the environment, such as selective timber harvesting. Its profit may not be as high as if it had used other methods, but it will have exercised a value judgement.

The capacity to exercise this choice assumes one thing: that the owners or managers have mastered the organization of their activity so that their product obtains a price sufficient to cover their operating costs. This is the essential commercial parameter that holds true whether an enterprise, however structured, operates solely in the Aboriginal economy or trades extensively outside it. Without this, owners cannot continue to provide employment or generate a surplus to invest in the future of their company, their community and their collective goals.

The alternative is to subsidize the operation from some other source or to shut down. Communities have seen funds that were otherwise earmarked for housing, health or education diverted to keep money-losing operations open and people employed. Canadian governments have done the same by subsidizing coal operations in Cape Breton and operating supply-management regimes for agricultural products. But fiscal burdens on all governments and international trade agreements are now forcing a review of these practices.

Managing an enterprise so that revenues match or exceed costs requires an array of skills and experience. The small business entrepreneur will learn these from family, friends, customers, fellow business owners, and sometimes previous job experience. In the larger enterprise, these skills will be more sophisticated and specialized. The basics are the same, however: production, marketing, finance and the management of people. Decisions

in these areas, whether made individually or through consensus, need to be informed by professional judgement and advice. The nature of the issues to be dealt with vary little whether a company is individually or collectively owned or managed. The values that govern those decisions may vary considerably, but they must always respect the overall commercial rule: revenues, over time, must equal or be greater than costs.

This rule can be stated in different terms in the contemporary setting, but it applied even more forcefully to traditional economies. If the techniques of production - mastery of the hunt or knowledge of where to find plants and berries or the best fishing sites - were not learned and practised with great skill and patience, the community would be forced to disband or face starvation. Those who were able-bodied but reluctant to participate in the collective effort soon found that community-imposed sanctions made life very uncomfortable. The same choices that existed in traditional society continue in modern commerce.

The colonial mentality characterized traditional Aboriginal economies as lacking an interest in future investment. Yet all Aboriginal societies set a high value on passing on knowledge from one generation to the next. Most people practised harvesting techniques that were conscious of the danger of resource depletion and mindful of the interests of future generations. To impute behaviour conditioned by generations of living in poverty, where output was hardly sufficient to survive let alone invest in increased productivity, to an inability to delay gratification is simply to be ill-informed.

David Newhouse, chair of the department of Native studies at Trent University, believes that Aboriginal values and world views will affect the practice of capitalism in an Aboriginal context. In a paper prepared for the Commission's round table on economic development, he set out the changes he foresaw:

- The concept of personal and social development will be much broader.
- Development will be seen as a process and not a product.
- The emphasis will be upon the quality of the journey rather than the specific place to be reached. This view of development may mean that there will be a willingness to pursue long-term results over short-term improvements.
- Development will be seen as a joint effort between the individual and the collective and its institutions, in this case the community and government. The process will tend to be collaborative rather than competitive.
- The development effort will emphasize human capital investment rather than individual capital accumulation.
- Traditional wisdom as interpreted by the elders will be used to guide planning and decision-making.

- The issues surrounding wealth distribution will be tackled using Aboriginal values of kindness and sharing.¹²⁵

The Aboriginal entrepreneur

The increasing number of Aboriginal businesses launched in the last decade have ranged from cottage industries providing goods and services in traditional communities to firms that compete in sophisticated, internationally competitive industries such as control technology, fashion, food products, architectural services, communications and computer-based manufacturing.

Most firms that have an individual entrepreneur at the helm are relatively small. Many provide a living for the owner and perhaps three or four employees. Some, especially in isolated and northern communities, may not generate enough income for the family but require supplementation through the harvest of country foods or part-time employment elsewhere. In most cases, however, these enterprises give owners and their employees a sense of self-reliance they may not have had before and an opportunity to acquire skills that may lead to larger undertakings in the future.

As we have seen, the rate of business ownership in Aboriginal communities is, on average, considerably less than it is in non-Aboriginal communities - perhaps half. Genuine entrepreneurs with the skills to turn a small beginning into a major enterprise are few in number. But such individuals are found among Aboriginal people as they are in any other population. Some run their own enterprises. A number direct their skills and energies to the growth of community-owned businesses. There are, however, many more capable of joining the ranks of small businesses. These individuals provide the many goods and services that meet the requirements of any community.

Aboriginal entrepreneurs confront the same challenges as other entrepreneurs in start-up operations: thorough planning, sufficient funds to sustain firms, effective production practices, appropriate marketing for products and all aspects of management. But these are compounded by factors with which other small business owners usually do not have to contend.¹²⁶ Because of their history of economic marginalization, for example, Aboriginal people have not been able to accumulate savings for business ventures or borrow from family and friends. These small pools of funds are the prime source of risk capital essential to any small business start-up.

An equally large barrier is the difficulty of obtaining loan financing from banks and other mainstream financial institutions to acquire equipment and provide cash flow in the early months. Those living on-reserve cannot use their land, buildings or equipment as collateral. It is cumbersome at best, and often impossible, for a bank to seize on-reserve assets should the business fail. Even for those with off-reserve businesses, isolation can prove a major hurdle. Equipment purchases, for example, are often financed by the manufacturer. But if the equipment is located hundreds of miles from the sales depot, the cost of repossessing it, should the business fail, often severely limits the amount of financing the seller is willing to carry. Added to this is the fact that most new Aboriginal

business people do not have a track record in business operations. They may not even have a record of consumer loans because of the absence of banks in their home communities.

Aboriginal entrepreneurs wishing to start a business in an isolated location will often face the problem of a limited local market. Usually, this means providing goods and services to the reserve and surrounding communities, unless major resource development activities are nearby, in which case the scope will be larger. Alternatively, entrepreneurs may be able to engage in activities with a high value-added component and in which the cost of transportation to distant markets can be absorbed in the product price. Examples are artistic products such as Inuit sculptures; high quality granite mining; specialty foods such as wild rice and salmon; and tourism related to fishing, hunting and the natural environment.

Isolation also limits the ability to take advantage of business services, such as planning, consulting advice on production or marketing, financial services, and training facilities for staff. Often, speedy access to these services can be critical to success when businesses are facing specific challenges. Technology is making some of these services accessible to small communities. Accounting software designed for small businesses and customized for the particular circumstances of the Aboriginal entrepreneur, make financial management much more accessible.¹²⁷ Other technologies can bring a wide range of advice as close as a telephone line or a fax machine. But these methods of communication are fully effective for start-up businesses only with the assistance of business advisers familiar with the isolated firm and its needs. Such advisers operate out of certain Aboriginal development corporations as well as through other non-government agencies, such as the Canadian Executive Service Overseas, which have served Aboriginal businesses in the domestic market for a number of years.

Isolation may also mean contending with a community that resents entrepreneurs who take advantage of opportunities to provide a better life for themselves and their families. This hostility is, unfortunately, all too common. It severely impairs the chance of business success, and if one family falls prey to such attitudes, it can have a devastating effect on others' aspirations for self-reliance.

Individual entrepreneurs who begin to succeed are often seen as too independent and apart from the collective; this often results in lost opportunities for individuals to develop market niches in their own communities. This issue has to be addressed if the Aboriginal community is to have motivated and self-sufficient entrepreneurs with the ability to take advantage of opportunities in the marketplace and contribute to the economic growth of the community.¹²⁸

Participants in a national conference on Aboriginal entrepreneurship sponsored by the Institute for Research on Public Policy arrived at the following conclusions on this subject:

Native entrepreneurs need the recognition and support of their communities The communities should understand that enterprises serve the population and bring prosperity and jobs to the communitiesEntrepreneurship needs to be legitimized in the communities and young people must be made aware of it through the education systemIn communities that are more developed economically, the change is already apparent: “At Mistissini, people are proud of their enterprises, and every member of the community is determined to help.”¹²⁹

Entrepreneurs who find themselves in communities with little or no tradition of individual businesses need to make building links with the community an essential part of their business planning. Not only should they plan to keep their lines of communication open to all groups, they may also want to consider returning to their communities a portion of their earnings, for example by sponsoring recreational activities or contributing to educational facilities. Mainstream businesses often find this a valuable way to establish their identities in communities. Small-town and village life makes this even more important.

Given the critical need to restore self-reliance and self-sufficiency in Aboriginal communities, what can be done to overcome barriers to entrepreneurship? Government has been relatively active and somewhat effective in the field of Aboriginal economic development in the last decade, even though the resources devoted to it are dwarfed by those spent on welfare and other social programs. Earlier in this chapter, we recommended that delivering small business support be the responsibility of emerging nation governments. That being so, what has been learned from the recent experiences of individuals, communities and governments? We discuss two aspects of supporting entrepreneurship: the provision of business services and the need for loan and equity capital.

Business services

Guides to business planning are available from banks, funding agencies and bookstores. However, most would-be entrepreneurs also need interaction with others experienced in business start-ups. Good advice, however, is hard to obtain.¹³⁰

The risks in hiring consultants to write business plans and funding applications are twofold. Consultants may see their future business as dependent on their clients' success in obtaining funding. They may then be tempted to tell the client what he or she wants to hear or to second-guess what will trigger acceptance from the funding agency. The other possible disadvantage is that the business plan will be constructed by the consultant with little real ownership or understanding by the client. In either case, the entrepreneur ventures forth with a sense of security that the problems have been identified and the remedies designed, only to find that reality is quite different.

Local development agents, especially in isolated regions, admit they do not have sufficient experience to face up to the responsibilities entrusted to them; the band councils say the decisions they have to make often exceed their capacities, thus forcing

them to call in increasingly costly advisory services from outside, or involve people who are poorly prepared for work in a Native environment.¹³¹

The need for sound business advice is further justification for its delivery to be monitored by an Aboriginal development agency. If such an agency has staff who can provide frank and objective advice in a way the entrepreneur fully understands, major problems can be avoided. Such advisers do not need to be staff members. The agency can ascertain over time which consultants provide consistently good service.

Putting in place a detailed business plan can be a vital learning experience for the entrepreneur. If the development agency or bank is doing its job, it will require planning and preparation that the entrepreneur may regard as red tape. Criticism about the time taken or the procedures imposed by banks and funding agencies often relates to unnecessarily bureaucratic processes. It may also be the entrepreneur's expression of frustration at the need to address all the issues before opening for business.

An effective business plan is a first step. Equally important are sound accounting advice and specialized production or marketing assistance. Start-up businesses can often benefit greatly from the advice of knowledgeable counsellors who can look at key aspects of the operation, such as inventory control, bookkeeping practices and product marketing. Availability of these services is limited in isolated locales. Aboriginal governments that place a high priority on economic development have put in place their own specialized consulting services staffed by trained professionals who understand the requirements and values of these communities and are well versed in the disciplines of commercial enterprise. Touch the Sky, serving Six Nations communities, the Nishnawbe-Aski Development Corporation, which serves 43 communities across northern Ontario, and the Apeetogosan Development Corporation, which serves the Metis Nation of Alberta, are three such services. Business expertise delivered in a manner that is relevant and culturally appropriate for the Aboriginal entrepreneur is a vital factor in creating sustainable businesses.

Recommendation

The Commission recommends that

2.5.18

Governments, as a high priority, improve their economic development programming by

(a) developing business advisory services that combine professional expertise with detailed knowledge of Aboriginal communities; and

(b) placing these advisory services within the emerging economic development institutions of Aboriginal nations.

Access to loan and equity capital

Commercial loans are often vital in the start-up phase, when availability of cash from sales is limited. Throughout a business year, expenditures will sometimes exceed receipts, and access to a line of credit will be needed. At other times, new equipment or facilities will be necessary but the funds to invest unavailable. These instances call for a term loan.

However, no business can begin with borrowed funds alone. Loans have to be repaid in regular instalments, putting pressure on the business in its early stages, when revenues from sales are limited and expenditures to establish production and marketing facilities are high. Without the entrepreneur's own funds or interest-free loans, the business is not likely to be viable. The smaller the ratio of debt to equity, the better chance the business has of becoming established successfully. For similar reasons, commercial financial institutions will not lend money unless the business has a significant amount of equity. This equity is also viewed as a measure of the entrepreneur's level of risk in the business and therefore his or her commitment to its success. Thus, both loans and equity capital are required for businesses to succeed.

The role and development of collectively owned enterprises

It is largely through collectively owned enterprises that Aboriginal nations have become significant players in regional economies and industrial sectors. These are companies in which shares are held by the community or the nation government on behalf of its members. The Commission investigated the experience of a number of successful community-owned enterprises operating across Canada. Companies consulted were Meadow Lake Tribal Council Forest Industries in Meadow Lake, Saskatchewan; Torngat Ujaganiavingit in Nain, Newfoundland and Labrador; Westbank Development Indian Band Corporation in Kelowna, British Columbia; Tribal Councils Investment Corporation of Manitoba in Winnipeg, Manitoba; Burns Lake Native Development Corporation in Williams Lake, British Columbia; Opasqueya Development Corporation of The Pas, Manitoba; Advanced Thermodynamics Corporation of Sault Ste. Marie, Ontario; and B&D Plastics of Regina, Saskatchewan.

Most of these businesses are professionally managed, with direction given by a corporate board. In many cases, these boards operate at arm's length from the political authorities who represent the people to whom the enterprise is ultimately accountable. In some corporations, the separation between political authorities and business managers is either informal or exists only on paper. Others have gone to great lengths to make the division both formal and effective. The issue of political control is critical in the effective operation of these companies.

The corporations operate a wide range of commercial endeavours. They run regional and feeder airlines across the north of most provinces and in the territories. They operate trucking companies and bus routes. They engage in forestry management, silviculture, harvesting and wood processing. They run grocery stores and wholesale food distribution networks. They own motels, hotels, casinos, four-star resorts and golf courses. They arrange eco-tourism expeditions, international snowmobile treks and opportunities for

visitors to spend time on the trapline. Game ranching, fish harvesting and processing, catering, construction of every kind, housing co-operatives, health care facilities, and a wide range of manufacturing are all opportunities for self-reliance.

Most of these enterprises are less than 10 years old. Communities have learned a great deal as they grappled with running a major business using procedures, values and market realities that are often at odds with community tradition and expectations. Many mistakes have been made, many investments lost. By the same token, for dozens of communities across the country, the operation of a modern commercial enterprise is no longer a mystery. Hundreds of people have gained the confidence that comes from developing skills and the stability of a regular income and have dramatically altered the way they view the world.

Collectively owned enterprises face many of the same challenges that individual Aboriginal entrepreneurs confront: access to sufficient equity capital, an assured source of loan financing, and acquiring skills in production, finance and marketing. Collectively owned firms often find the necessary equity in the finances of their governments, but this can mean difficult trade-offs and usually requires strong commitment from community leadership. Many of these firms have been able to obtain funding from the federal government's Aboriginal economic development strategy, particularly if they can demonstrate a strong business plan and good employment prospects.

Access to financing is often hampered by the size of these operations and the lack of experience managing complex businesses. Lenders are cautious and will often seek a loan guarantee from the federal or Aboriginal government or assurance that suitable assets are pledged as collateral.

Finding appropriate advice is another challenge. These operations usually require highly detailed business planning that draws on the advice of specialists such as engineers, industry analysts and accountants. Great care needs to be taken to ensure the advice is thorough.

These projects are often politically driven, with the project being held out as a solution to pressing community problems. Such projects are always more complex to put in place and run profitably, often requiring more time and money than initially expected. Successful companies are usually the result of vision and dogged determination, paired with cautious scepticism and an ability to ask the hard questions. An example is the Meadow Lake Tribal Council in Saskatchewan, which has a 20-year plan to reduce unemployment and achieve parity in jobs and incomes with broader Canadian society. Its strategy includes both 'pull' and 'push' elements. The pull elements involve creating opportunities that draw individuals into employment. The push element consists of enhancing people's abilities and thereby creating an environment conducive to the development of Aboriginal subcontractors who can capture the spin-off activity created by the larger businesses. This latter strategy is supported by business development services, employment services, human development resources services and some equity funding.

In addition, because of their ownership structure and the major role they may play in the life of a community, collectively owned enterprises face particular challenges relating to four general themes: securing community support; instilling responsibility among employees; training the work force and management; and relating to the political representatives of the shareholding members of the community.

Securing community commitment

Many company managers have discovered that the commitment required from the community to support collectively owned enterprises, whether in funds invested or skills acquired, is usually found only when the community has been involved in the project from the beginning.¹³² Carry-the-Kettle First Nation held 10 meetings with community members over three years when developing a joint venture with B&D Plastics, a plastics manufacturing operation. Professionals from the company were brought in to explain aspects of the business project when needed. People participated actively in the process and were always aware of the status of the project.

A key part of these meetings was to explain the risks and benefits of the project and its underlying objective to provide meaningful work for community members. People's questions were answered fully and openly, and objections were considered. What appeared to be critical for this community and for others was that there be effective communicators who could bridge the gap between business language and the language of the community, and between community leadership and members.

Community support is often critical when the business management faces difficult choices. Because of their early involvement, the Carry-the-Kettle chief and council supported community members on the board when the members believed they were not getting either the training their partners had promised or an accurate picture of company performance.

The importance to community members of attending feasts, pow-wows and funerals was explained to the non-Aboriginal manager of B&D Plastics. Attending these events is now accepted as a legitimate reason for being off work. For others, who feared development would undermine their culture, it was pointed out that the increased prosperity available to the community made it possible to pursue Aboriginal language programs and cultural events.

Community members are often concerned about the infusion of what they see as alien values and ways of doing things. Managers who do not structure their projects to conform to community values, communicate constantly with the community, and provide opportunities for feedback may find themselves isolated and their projects a source of strife and division.

When the Meadow Lake Tribal Council initially embarked on its venture with the forest industry, there was little community involvement. As harvesting progressed, community members became dissatisfied with approaches being taken, and some resorted to

roadblocks against their own company to make a point. A resolution occurred when co-management boards were formed between community representatives and the company to review cutting practices and other company activities and to allow the input of environmental, social and culturally related perspectives.

Community commitment to a granite quarry in Nain, Labrador was secured after project managers demonstrated that their plans did not conflict with community values. Remote communities are often concerned about the impact on traditional activities such as hereditary traplines. Initially, the community of Nain resisted the idea of developing a granite quarry because working on stone was not seen as a traditional pursuit. People wanted their money invested in the fishery instead. The debate ended when a group of artists pointed out that they had always worked with stone, causing people to rethink their definition of traditional work.

Instilling motivation and pride

Some of the challenges facing collectively owned enterprises are lack of motivation and sense of responsibility. When an individual entrepreneur operates a business, his or her own assets are at risk. This usually results in 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 bands 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.)

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.

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

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.

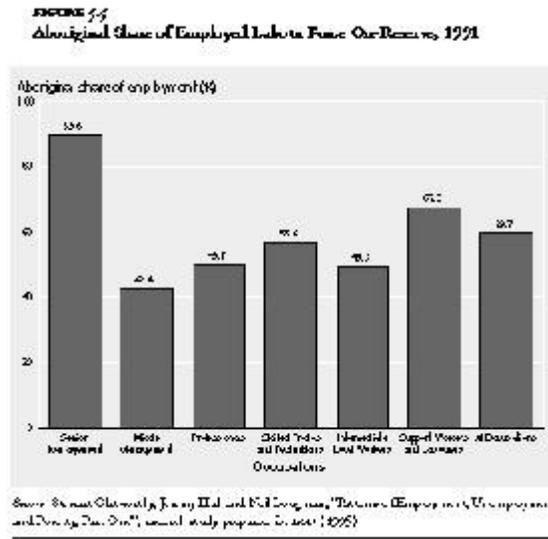
In Cape Breton, a Mi'kmaq police force has been formed to provide policing services to the region's communities once provided mainly by the RCMP. In Saskatchewan, Métis people, in their negotiations for self-government, expect to identify a range of services that can be put under Métis jurisdiction and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



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.

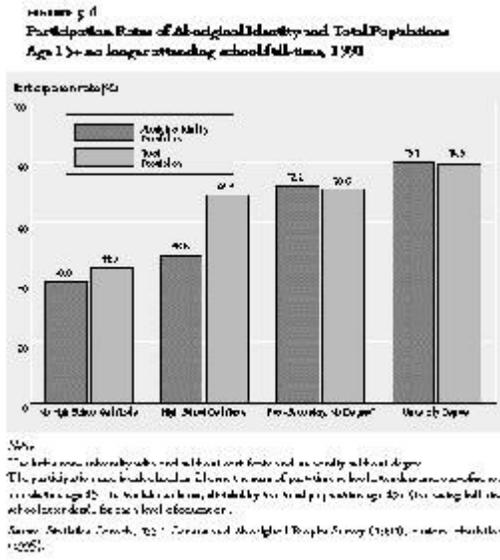
While we wish to underline the importance of investing in education and training, we also emphasize that it is not a panacea. Some types of education and training are more useful than others. Some Aboriginal groups benefit more than others. Other factors also contribute to the sharp differences in unemployment 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

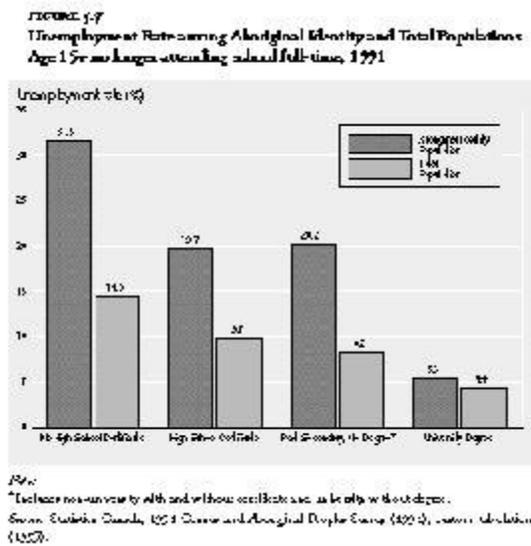
In the Canadian labour force as a whole, people with higher levels of education can generally expect to benefit from higher levels of labour force participation, a higher probability of employment, and higher levels of earned income. These patterns hold for the Aboriginal labour force as well, but not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



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.



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.

**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.

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

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.

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.

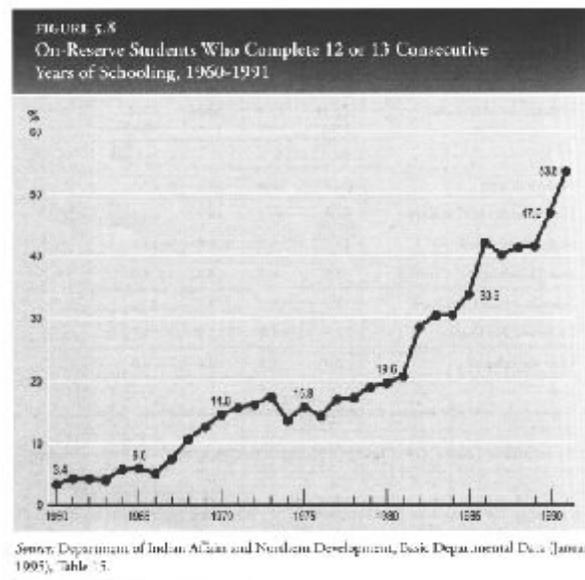
Second, high school completion rates must continue to improve. Youth who fail to complete high school face a labour market that increasingly demands completion or better. Future generations must have at least the minimum required for success in employment and for entry into higher education.

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).



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 meaningful ... I 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 community ... I 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 farThere 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 generatesAs 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 cooperate 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 Hernal, "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).

113 Garven and Associates, "Aboriginal Agriculture Training Needs and Strategies: Final Report", prepared for the Aboriginal Agriculture Industrial Adjustment Services Committee (Ottawa: Human Resources Development, April 1994), p. iii.

114 Figures on business ownership were taken from the 1991 Aboriginal Peoples Survey. To the business owners, we added persons who did not report business ownership in 1991 but who stated in the 1991 census that they had income from self-employment in 1990. Figures on the number of persons owning businesses are highly variable, depending on the question asked. For further detail, see Clatworthy et al., "Patterns of Employment" (cited in note 38).

115 Clatworthy et al., "Patterns of Employment" Table 44.

116 Clatworthy et al., "Patterns of Employment" Tables 47 and 48.

117 Goss Gilroy Inc., "Financial Performance and Employment Creation Relating to Firms Assisted by ABDP", prepared for Industry, Science and Technology (Ottawa: 1993).

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

119 Lafond, "Historical Use of Land and Resources" (cited in note 1), p. 65.

120 Ron Jamieson, "Building an Aboriginal Economy", in RCAP, *Sharing the Harvest* (cited in note 1), p. 272.

121 Jamieson, "Building an Aboriginal Economy", p. 272.

122 Corinne Jetté, "Creating a Climate of Confidence: Providing Services within Aboriginal Communities", in RCAP, *Sharing the Harvest* (cited in note 1), p. 127.

123 Yvon Gasse, Marcelle Bouchard and Aline D'Amours, "The Development of Entrepreneurship in Native Communities: A Matter of Culture and Adaptation", Working Paper 92-48 (Quebec City: Laval University, Faculty of Administrative Sciences, July 1992).

124 David Newhouse, "Modern Aboriginal Economies: Capitalism with an Aboriginal Face", in RCAP, *Sharing the Harvest* (cited in note 1), p. 92.

125 Newhouse, "Modern Aboriginal Economies", pp. 95-96.

126 For a discussion of small Aboriginal businesses see Wanda Wuttunee, *In Business for Ourselves: Northern Entrepreneurs* (Montreal and Kingston: McGill-Queen's University Press, 1992).

127 Abenaki Computer Enterprises Ltd., a First Nations company with offices in Orleans (Ontario), Akwesasne and Winnipeg, developed software geared to the requirements of Aboriginal communities to supplement existing accounting programs. Their programs include modules for administering economic development, education and housing programs.

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

129 Yvon Gasse and Harold Bh erer, eds., *Native Entrepreneurship: the Key to Autonomy*, Proceedings of the National Conference on Native Entrepreneurship (Quebec City: Institute for Research on Public Policy, 1990), pp. 74, 75.

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.

133 Aboriginal Industries Committee, *For the Benefit of All: Report on Aboriginal Business Management Development* (Montreal: November 1991), p. 24.

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).

142 See Aboriginal Peoples Business Association, "Access to Capital: Problems Facing Aboriginal People", brief submitted to RCAP (1993). See also Metis Settlements General Council, "Aboriginal Economies Report", research study prepared for RCAP (1994).

143 Michael L. Rice, Kahnawake Caisse Populaire, transcripts of the hearings of the Royal Commission on Aboriginal Peoples, Kahnawake, 5 May 1993; and Jo-Anne Ferguson, Credit Union Central of Saskatchewan, RCAP transcripts, Ottawa, 18 November 1993.

144 Claude Têtu, Confédération des caisses populaires et d'économie Desjardins du Québec, RCAP transcripts, Montreal, 19 November 1993.

145 See, for example, the presentation by William Lyall, "Retaining Wealth and Control in Remote Aboriginal Communities", in RCAP, *Sharing the Harvest* (cited in note 1), pp. 146-147.

146 *Aboriginal Business*, October 1994.

147 The proposed bank will be incorporated initially as a Schedule II bank but will later apply to be a Schedule I bank under the *Canada Bank Act*. See *First Nations Bank of Canada Proposal*, Federation of Saskatchewan Indian Nations, Chiefs Legislative Assembly, 20 September 1995.

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

149 A baseline study conducted by the project established that one in three reserve households had some cash-generating self-employment activity and could therefore potentially benefit from a micro loan fund. See Lashelle Brant, First Peoples Fund of Toronto, RCAP transcripts, Toronto, 3 November 1993.

150 ADOPEM (Asociación dominicana para el desarrollo de la mujer) in the Dominican Republic adds another wrinkle to the collateral game by requiring all women who borrow to deposit a percentage of the amount of the loan into a savings account when the loan is disbursed. They must also pay a membership fee. Both can be withdrawn when the loan is fully paid, but both also serve as a source of capital for further loans. See EDCAw, "Access to Financial Institutions" (cited in note 148).

- 151** Loxley et al., "Aboriginal People in the Winnipeg Economy" (cited in note 48).
- 152** Sinaaq suggests that a similar micro business loan program be put in place to support the domestic harvesting economy in northern Canada and that the moribund Eskimo Loan Program be converted to this purpose. For a brief description of the Eskimo Loan Fund, see RCAP, *The High Arctic Relocation* (cited in note 16), Appendix 6.
- 153** Goss Gilroy Inc., *Economic Impacts of Aboriginal Businesses: A Preliminary Analysis*, study prepared for Industry Canada (Ottawa: January 1994).
- 154** David P. Bowra and John C. Bowyer, "Aboriginal Capital Corporations Program: Situation Assessment", report submitted to Aboriginal Economic Programs, Industry, Science and Technology, June 1993.
- 155** Deloitte & Touche Management Consultants, *ACC Strategic Planning Initiative: Final Report*, prepared by Shorebank Advisory Services and Deloitte & Touche Management Consultants for Aboriginal Economic Programs, Industry Canada (Guelph, 1994).
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- 157** Loxley et al., "Aboriginal People in the Winnipeg Economy" (cited in note 48).
- 158** Edward T. Jackson and Jonathan Peirce, "Mobilizing Capital for Regional Development", in *Regional Development from the Bottom Up*, ed. Michael Lewis (Vernon, B.C.: Westcoast Development Group, (1993).
- 159** Canadian Council for Aboriginal Business, "Presentation to the Royal Commission" (cited in note 139), p. 30.
- 160** For a discussion of this in the U.S. context, see Richard Pottinger, "The American Indian Development Bank?", *American Indian Culture and Research Journal* 16/1 (1992), p. 137.
- 161** This discussion draws on the proceedings of a workshop on access to capital, sponsored by RCAP and the Canadian Bankers Association and held in Toronto on 22 November 1993. See also John Giokas, "The *Indian Act*: Evolution, Overview and Options for Amendment and Transition", research study prepared for RCAP (1995). The historical development of the *Indian Act* is discussed in Volume 1, Chapter 9 of this report.
- 162** A discussion of a recent initiative to pursue the alternative legislation route regarding land management can be found in Giokas, "The *Indian Act*". See also Volume 1, Chapter 9.
- 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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167 Bruce Johnstone, "Creative banking set to help Indians", *Regina Leader Post*, 15 September 1994, p. D7.

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

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- 182** Universalialia, "Assessment of the Pathways to Success Strategy, Final Report to the National Aboriginal Management Board" (Montreal: June 1994), p. 23.
- 183** Lars Osberg, "Social Policy and the Demand Side", paper presented at the Canadian Employment Research Forum Workshop on Income Support, Ottawa, 24 September 1993 (Halifax: Dalhousie University, 1993).
- 184** Loxley et al., "Aboriginal People in the Winnipeg Economy" (cited in note 48).
- 185** Universalialia, "Assessment of Pathways" (cited in note 182), pp. 76-77.
- 186** See Canadian Labour Congress, "Aboriginal Rights and the Labour Movement: A Report by the Canadian Labour Congress" (1993); and United Steelworkers of America, "Aboriginal Studies Project" (1993), briefs submitted to RCAP.
- 187** See, for example, Treasury Board, "Completing the Circle: Report of the Aboriginal Employment Equity Consultation Group", brief submitted to RCAP (1992).
- 188** Canadian Bankers Association, "Brief submitted to the Royal Commission on Aboriginal Peoples" (1993), p. 8.
- 189** Information supplied by Jim Carbery, Senior Adviser, Aboriginal Programs, Syncrude Canada Ltd., Fort McMurray, Alberta.
- 190** Our discussion of Aboriginal Training and Employment Services (ATES), formerly called Native Employment Services, draws on Loxley et al., "Aboriginal People in the Winnipeg Economy" (cited in note 48).
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- 192** Reimer and Dialla, "A Case Study of an Inuit Economy" (cited in note 74).
- 193** Gillis et al., "Case Study of Alert Bay" (cited in note 8).
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- 198** Clare Wasteneys, "Regional Overview of Aboriginal Child Care in Ontario and Quebec", research study prepared for RCAP (1994).
- 199** Loxley, "Child Care Arrangements" (cited in note 170), p. 4.
- 200** Wasteneys, "Regional Overview" (cited in note 198).
- 201** The following discussion is drawn from George et al., "Patterns of Employment (Part Two)" (cited in note 175). The Commission normally uses data from the 1991 Aboriginal Peoples Survey, but in this study, 1991 census data were used to compare Aboriginal and non-Aboriginal groups.
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- 203** Economic Council of Canada, *Good Jobs, Bad Jobs: Employment in the Service Economy, A Statement* (Ottawa: Supply and Services 1990), p. 14.
- 204** Human Resources Development, "Improving Social Security in Canada: A Discussion Paper" (Ottawa: 1994).
- 205** Del C. Anaquod, "Aboriginal Economic Training, Education and Employment", research study prepared for RCAP (1994).
- 206** For example, in 1945, the Indian relief monthly ration scale consisted of "flour, 24 lb.; oats, 6 lb.; sugar 2 lb.; lard, 3 lb.; beans, 5 lb.; rice 2 lb.; cheese, 1 lb.; and meat, 5-10 lbs. depending on price. These sad rations were calculated on the basis of 3,000 calories per day---". See Moscovitch and Webster, "Social Assistance and Aboriginal People" (cited in note 31).
- 207** These figures reflect not only growing dependency but also population increases and the effects of Indian persons regaining status through Bill C-31.

- 208** DIAND, Quantitative Analysis and Socio-demographic Research, Management Information and Analysis, Finance and Professional Services, "Basic Departmental Data, 1992" (Ottawa: 1992).
- 209** Moscovitch and Webster, "Social Assistance and Aboriginal People" (cited in note 31).
- 210** Moscovitch and Webster, "Social Assistance and Aboriginal People".
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- 213** Moscovitch and Webster, "Social Assistance and Aboriginal People".
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- 215** See Brigitte Kitchen, "Wartime Social Reform: The Introduction of Family Allowances", *Canadian Journal of Social Work Education* 7/1 (1981); and David A. Wolfe, "The Rise and Demise of the Keynesian Era in Canada: Economic Policy 1930-1982", in *Modern Canada: 1930-1980s: Readings in Canadian Social History*, Volume 5, ed. M.S. Cross and G.S. Kealey (Toronto: McClelland and Stewart, 1984).
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- 217** Health and Welfare, "Chronology of Selected Federal Social Security Legislation, 1918-1993" (July 1993), p. 10.1
- 218** Quoted in Allan Moscovitch, "The Canada Assistance Plan: A Twenty Year Assessment", in *How Ottawa Spends, 1988-89, The Conservatives Heading into the Stretch*, ed. K.A. Graham (Ottawa: Carleton University Press, 1995). The quotation from Cassidy appears in a work on the development of the *Unemployment Insurance Act* by James Struthers, "Shadows from the Thirties: The Federal Government and Unemployment Assistance, 1941-1956", in J.S. Ismael, ed., *The Canadian Welfare State: Evolution and Transition* (Edmonton: University of Alberta Press, 1987), p. 10.
- 219** Struthers, "Shadows from the Thirties", pp. 10-26.
- 220** *Unemployment Assistance Act*, S.C. 1956, c. 26, s. 4(1) (c).

221 Food rations in 1945 amounted to \$4 or \$5 of relief per month at a time when the maximum means-tested old age pension benefit for non-Aboriginal people was \$25. See Moscovitch and Webster, "Social Assistance and Aboriginal People" (cited in note 31).

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.

223 Interview quoted in First Nations Management, "Aboriginal Economic Development" (cited in note 22).

224 The system of financing social assistance is in the process of being changed as a result of the federal government's February 1995 decision to terminate the Canada Assistance Plan by 1 April 1996 and to replace it with a block grant under the Canada Health and Social Transfer. The conditions to be attached to the grant have yet to be determined.

225 The financing, administration and delivery of Aboriginal social assistance is very complicated. For more details, see Allan Moscovitch and Andrew Webster, "Aboriginal Social Assistance Expenditures", in *How Ottawa Spends 1995-96: Mid-Life Crises*, ed. Susan Phillips (Ottawa: Carleton University Press, 1995), pp. 214-217.

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