A Pro-active Approach to Improving the Standard of Living of Aboriginal People in Canada

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Views expressed in this paper are those of the author and should not be attributed to members of the National Aboriginal Economic Development Board or Industry Canada.

This paper is based on background information compiled by DB Caldwell Research Associates Inc.
Executive Summary

The purpose of this paper, which is one of a number that will be considered at the TD Forum on Canada’s Standard of Living (2002), is to discuss ways of improving the Aboriginal population’s standard of living. The Aboriginal population discussed in this paper includes North American Indians, Métis and Inuit living on-reserve and off-reserve.

Raising the standard of living of any particular group is a complex undertaking. Many interrelated factors are at play, some of which are not amenable to change in the short term. In recognition of this fact, this paper has a relatively modest goal: to isolate a few of the more important factors influencing the Aboriginal community’s standard of living that can realistically be targeted for significant change in the short term.

The starting point for any analysis of the standard of living of Aboriginal peoples is to recognize that average income per capita of the Aboriginal community is well below the national average. This situation results from a number of factors including:

- a relatively low share of the population in the working age group;
- a relatively low participation rate in the active labour force;
- a relatively high unemployment rate among those in the labour force;
- a relatively low average income per worker.

These differentials from corresponding national averages can be partly explained by the fact that a significant part of the Aboriginal economy is more remote from large population centres, more resource-based and more seasonal than is the Canadian economy. Because the Newfoundland economy faces similar challenges, it is instructive to use it as one of the benchmarks to which the Aboriginal economy can be compared.

Nevertheless, there is more to the story. In fact the main thesis of this paper is that increased education and more entrepreneurial activity have the potential to move the Aboriginal community’s standard of living closer to the national average.

Some specific actions advocated in the body of this paper that have the potential to improve the standard of living of Aboriginal people include:

i) more education for Aboriginal youth through:

- ensuring all teachers are well trained and have a good knowledge of Aboriginal issues and culture;
- promoting a curriculum that is both academically sound and culturally sensitive; and,
- encouraging educated and successful members of the Aboriginal community to act as role models, e.g., giving frequent motivational speeches in the schools and to
parent groups.

ii) more Aboriginal entrepreneurship through:

- increasing the amount of capital available for starting new businesses;
- providing mentoring services for new entrepreneurs; and,
- providing management and financial training for new and existing entrepreneurs.

These two thrusts will lead to a more self-reliant population with a much stronger attachment to the active work force. This should, over time, increase the earning power of the population and, consequently, the standard of living will rise. A higher standard of living for the Aboriginal population, based on a healthier Aboriginal economy, will have spinoff benefits for all Canadians.
A Pro-Active Approach to Improving the Standard of Living of Aboriginal People in Canada

3. Introduction

The purpose of this paper, which is one of a number that will be considered at the TD Forum on Canada’s Standard of Living (2002), is to discuss ways of improving the Aboriginal population’s standard of living. The Aboriginal population discussed in this paper includes North American Indians, Métis and Inuit living on-reserve and off-reserve.

Having an adequate standard of living, measured as income per capita, means being able to afford good food, warm clothing and desirable housing. It also means having the flexibility to make choices about life style and cultural pursuits which contribute to the quality of life.1

Raising the standard of living of any particular group is a complex undertaking. Many interrelated factors are at play, some of which are not amenable to change in the short term. In recognition of this fact, this paper has a relatively modest goal: to isolate a few of the more important factors influencing the Aboriginal community’s standard of living that can realistically be targeted for significant change in the short term.

The main thesis of this paper is that increased education and more entrepreneurial activity have the potential to move the Aboriginal community’s standard of living closer to the national average.

A review of the factors which determine the standard of living in the Aboriginal community and selected Canadian benchmark populations is the subject of Section 2. In Section 3, ideas about how to address some of the problem areas are presented. Expected benefits of the approach proposed are discussed in Section 4. Problems to be overcome are addressed in Section 5. And, finally, Section 6 concludes the paper.

4. The Challenges

*Average income per capita of the Aboriginal community was well below the national average in the latest available Census year.*

Income per capita in the Aboriginal community was $6,449 in 1995 (the last available data2), only forty percent of the level ($15,945) found in the non-Aboriginal community. While these figures relate only to personal income, and therefore do not take into account health, education and infrastructure benefits received from government tax revenues, the difference is striking.

2.1 Aboriginal People Compared to Other Canadians

In this section, the Aboriginal standard of living is compared to that of all non-Aboriginal Canadians and to non-Aboriginals living in Newfoundland. While other benchmarks could provide additional perspective, a comparison of the Aboriginal situation to that in Newfoundland
is felt to be of particular interest given that remoteness from the largest population centres, resource-dependence and seasonality are features in common.

To better understand the challenges that must be met to raise the Aboriginal standard of living, this paper employs a simple analytical approach, i.e. income per capita (IPC) depends on the share of the population working (SPW), the average income earned by those workers (IE) and the extent to which other income received augments earned income (OI) - see Table 1.

A relatively low share of the Aboriginal population is employed.

Only 28.7% of the Aboriginal population is working compared to 33.9% of Newfoundlanders and 47.2% of Canadians. This differential is important because it would have to be offset by higher earnings or income transfers in order for Aboriginal people to have the same standard of living as other Canadians.

The share of the population employed depends on the share of the population that is of working age, the participation rate of working age people and the employment rate. We consider each of these factors in turn.

The share of the Aboriginal population that is of working age is relatively low. In fact, the Aboriginal population is much younger than the non-Aboriginal populations chosen as benchmarks. Fully 35.1% of the Aboriginal population was under 15 years of age at the time of the 1996 Census, compared to roughly 20 percent of non-Aboriginals in both Canada and Newfoundland. Consequently, the working age population constitutes only 64.8% of the Aboriginal population. Corresponding figures for Canada and Newfoundland are 79.7% and 80.2%, respectively. Thus, in the race to attain higher standards of living, the Aboriginal population starts at a disadvantage because income received by the working age population must be spread over a greater number of dependents.

The Aboriginal participation rate, measured as the share of the working age population that is actively seeking work (i.e. is in the labour force) is relatively low compared to Canada as a whole, but is slightly better than in Newfoundland. In 1995, 58.3% of Aboriginal people 15 or older were working or seeking work compared to a figure of 65.6% for non-Aboriginal Canadians and 56.2% for non-Aboriginal Newfoundlanders. The participation rate is influenced by the type of work available and the generosity of unemployment insurance, among other things.

The third factor determining the share of the population that is employed is the employment ratio (inverse of the unemployment rate). A lower share of Aboriginals were employed than non-Aboriginal Canadians but the Aboriginal figure is almost identical to that of non-Aboriginal Newfoundlanders.
TABLE 1
Factors Determining Income Per Capita

<table>
<thead>
<tr>
<th></th>
<th>Aboriginals</th>
<th>Non-Aboriginals</th>
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<tbody>
<tr>
<td></td>
<td>Canada</td>
<td>Newfoundland</td>
</tr>
<tr>
<td>Share of Population Employed ($SPW = AxBxC$)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Working age population/Total pop.</td>
<td>.648</td>
<td>.802</td>
</tr>
<tr>
<td>B. Labour force/Working age population</td>
<td>.583</td>
<td>.562</td>
</tr>
<tr>
<td>C. Employed/Labour Force</td>
<td>.760</td>
<td>.752</td>
</tr>
<tr>
<td>Income Earned ($IE$)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. Average earned income</td>
<td>$17,382</td>
<td>$20,973</td>
</tr>
<tr>
<td>Increase in Income Due to Transfers ($OI$)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E. Total income/earned income</td>
<td>1.43</td>
<td>1.47</td>
</tr>
<tr>
<td>Income per Capita ($IPC = SPW x IE x OI$)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F. Income per capita</td>
<td>$6,449</td>
<td>10,450</td>
</tr>
<tr>
<td>Data Source: 1996 Census</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thus, compared to non-Aboriginal Canadians the Aboriginal community is lower on each factor contributing to the employment-to-population ratio. In contrast, in comparison to Newfoundlanders, the prime cause of a lower employment-to-population ratio is the younger age of the Aboriginal population. As we have seen, labour force participation and employment rates were actually better in the Aboriginal community than in Newfoundland at the time of the last Census.

Average income earned by working Aboriginals is lower than it is for other Canadians.

The most important source of income for Aboriginals is employment, as illustrated in Figure 1. Roughly 70% of Aboriginal community income comes from paid employment, 25% from government transfers and the rest from other sources.

While the share of income from employment is similar to the rest of Canada, the average amount earned by Aboriginal workers is low as shown in Table 1. At the time of the last Census, Aboriginal workers earned $17,382 per annum on average compared to $20,973 for non-Aboriginals in Newfoundland and $26,658 for non-Aboriginals in Canada as a whole. This
discrepancy will be discussed further in Section 3.

Transfers from the government (unemployment insurance, social assistance, etc.) and income from other sources pushed total income received by the Aboriginal community up 43% above what it would otherwise have been. In the case of non-Aboriginals in Newfoundland, the increase was even greater at 47%. For non-Aboriginals in Canada as a whole the increase was 33%.

The foregoing comparisons between the Aboriginal community and non-Aboriginal Newfoundlanders shows that the two communities are similar in a number of ways. Participation rates, employment rates and the importance of income transfers from government and other sources all made roughly the same contribution to the respective standards of living. The main reasons that standard of living differed between the two communities were that the Aboriginal population has a much younger age profile (meaning that income must be spread over a greater number of people) and average earned income by Aboriginals is lower. Since little can be done about the first factor, this paper focusses on the second.

Comparisons with non-Aboriginals in all of Canada show that in addition to the gaps related to age of the population and average earned income, Aboriginals have a lower participation rate and a lower employment rate (i.e. higher unemployment rate).


2.2 Diversity Within the Aboriginal Community

There are progressively fewer Aboriginal people at higher income levels.

Figure 2 shows the distribution of the working age Aboriginal population by income group at the time of the last Census. While almost 49,000 individuals or about 10% of the working age population had no income, the great majority were income recipients. The greatest concentration of the working age population was in the $5,000 to $9,999 range, followed closely by the number of individuals in the $10,000 to $14,999 range.

![Working Age Aboriginals by Income Group - 1995](chart)

While the number of individuals tends to decline in each successive income category, there were still some 39,000 Aboriginals receiving income of $40,000 or more per annum in the latest available Census year.

Some provinces are significantly below the national income level.

Aboriginal people living in the Maritime provinces as well as Saskatchewan and Manitoba earn significantly less than the national average. Alberta is close to the national average while BC, Quebec, NWT and Yukon are significantly above. Aboriginal people living in Ontario have the highest earned income at $19,606 almost matching the earned income of non-Aboriginals in Newfoundland.
This review reveals that a significant, although still low, proportion of the Aboriginal population enjoys a reasonably high standard of living. Clearly, if the conditions are right, many more Aboriginal people can earn similar incomes and in the process contribute to a much improved overall standard of living for the Aboriginal community.

5. Areas for Action

This section discusses short term goals and suggests areas where appropriate action can be taken.

**Short term goal:** Reduce the proportion of Aboriginal people with very low income by 4 to 5 percentage points.

As Figure 4 shows, the share of the Aboriginal working age population earning less than $10,000 in 1995 was in the 12% -16% range, much higher than for non-Aboriginals in Newfoundland or in Canada. The discrepancy was particularly large at the lowest levels of income. At higher levels of income per worker, the share of the Aboriginal population represented falls increasingly below that of the non-Aboriginal Newfoundlanders and non-Aboriginal Canadians. Clearly, more needs to be done to move Aboriginal people up the income scale.
The prevalence of low income in the Aboriginal community is partly a result of a more tenuous attachment to the labour market. Only 33.8% of Aboriginals worked full time for the full year compared to 40.5% of non-Aboriginal residents of Newfoundland and 50.9% of non-Aboriginal Canadians. The remainder of the Aboriginal work force worked part-time or part year (52.0%) or did not work (14.1%) at all.

Another factor which tends to limit the share of the Aboriginal population earning higher incomes is the concentration of Aboriginal employment, especially among the less educated, in lower paying occupations. Examples of low paid occupations (full time–full year) include cultural pursuits (e.g. artisans and crafts, painters sculptors and other visual artists) and general service occupations (e.g. cashiers, service station attendants, food service counter attendants and food preparers, food and beverage servers).

### 3.1 Improved Education Levels

Improving the number of Aboriginal people earning higher incomes should be a priority. Action is required on both the supply side and the demand side of the labour market.

**Short Term Goal:** Increase the educational attainment levels of Aboriginal people so that 45% or less of the working age population has less than high school qualifications.

With respect to the supply side, an Ekos Research Associates Inc. poll conducted in 2001 found...
that 69% of First Nations peoples on reserve believe that increasing their level of education would have a most positive effect on their standard of living. This belief is borne out by data from the 1996 Census, covering all Aboriginal people, which shows that average earned income increases with level of schooling - see Table 2

<table>
<thead>
<tr>
<th>TABLE 2</th>
<th>Income and Earnings of Aboriginal People by Education - 1995</th>
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<tbody>
<tr>
<td></td>
<td>Average Earnings</td>
</tr>
<tr>
<td>Less than High School Graduation</td>
<td>$13,499</td>
</tr>
<tr>
<td>Less than University Degree</td>
<td>$18,913</td>
</tr>
<tr>
<td>University Degree</td>
<td>$31,690</td>
</tr>
</tbody>
</table>

Aboriginal people with more than high school graduation but less than a university degree have 40% more earning power than those with less than high school graduation ($18,913 vs $13,499) and this differential feeds through to overall income received. Having a university degree results in earnings well over double the levels achieved with less than high school graduation ($31,690 vs $13,499)

While significant gains have been made in the educational attainment of Aboriginal people over the last few decades, there is still a sizable gap in comparison to other Canadians. Figure 5 illustrates that well over 50% of Aboriginals have less than high school graduation compared to 45% of non-Aboriginal Newfoundlanders and 35% of non-Aboriginal Canadians. The situation is reversed at higher levels of schooling where Aboriginal people still lag behind non-Aboriginals in the rest of Canada.

More effort devoted to encouraging Aboriginal youth to stay in school longer is needed, including:

1. ensuring all teachers are well trained and have a good knowledge of Aboriginal issues and culture;
2. promoting a curriculum that is both academically sound and culturally sensitive; and,
3. encouraging educated and successful members of the Aboriginal community to act as role models, e.g., giving frequent motivational speeches in the schools and to parent groups.
3.2 More Entrepreneurial Activity

Short term goal: *Increase the incidence of entrepreneurial activity in the Aboriginal community to 10%.*

Some 16,755 Aboriginals were self-employed in unincorporated businesses in 1995. A further 4,050 were self-employed in incorporated businesses. Overall, the share of the experienced labour force that was self-employed was 7.5%, somewhat lower than for non-Aboriginals in Newfoundland (8.1%) and significantly lower than for non-Aboriginals at the national level (12.5%) - see Figure 6.

More Aboriginal businesses would provide increased employment opportunities for the Aboriginal community. Studies have shown that a majority of employees in Aboriginal owned or managed businesses are themselves Aboriginal. These businesses are beginning to expand into faster growing sectors of the Canadian economy which will provide higher paying jobs for Aboriginal people.³

More effort devoted to encouraging Aboriginal people to start their own businesses is needed, including:

4. increasing the amount of capital available for starting new businesses;
5. providing mentoring services for new entrepreneurs; and,
6. providing management and financial training for new and existing entrepreneurs.
6. Expected Benefits

While much good work is occurring at present, increased emphasis on the two thrusts advocated, i.e. increased education and more entrepreneurial activity, will lead more quickly to a more self-reliant population with a much stronger attachment to the active work force. This should, over time, increase the earning power of the Aboriginal population and consequently the standard of living will rise. A higher standard of living for the Aboriginal population, based on a healthier Aboriginal economy, will have spinoff benefits for all Canadians.

7. Problems to be Overcome

While this paper is intended to deal primarily with economic issues, it may be appropriate to touch on some social issues that have a bearing on the ideas discussed so far. For example, there has been a history of difficult relations between the Aboriginal population and the schooling system provided by various levels of government and religious organizations. This has left a residual distrust of the schooling system. The situation has improved significantly over the last number of years, especially with the growing popularity of Band-run schools. A focussed program to communicate the benefits of education would help overcome any remaining negative sentiment to the education system in the Aboriginal community.

In addition, alcohol and substance abuse, also referenced in the Ekos poll mentioned earlier, continues to be a problem in Aboriginal communities. It contributes to youth dropping out of schools and a tenuous connection to the labour force on the part of adults. Increased opportunities to work for Aboriginal-owned/operated businesses would provide hope for economic betterment.
which would in turn be an incentive to adopt healthier life-styles.

8. Conclusion

Overall, progress has been made in improving education levels and in entrepreneurial behaviour over the last few decades. It is important to continue the momentum that has been established in order for Aboriginal people to move their standard of living towards that attained by non-Aboriginal Canadians.

Endnotes

1. Standard of living differs from quality of life although the two are linked. Standard of living refers to the ability to consume goods and services and is measured as income per capita. Quality of life, on the other hand, is a broader concept which includes, for example, the health of the population.

2. All data presented in this paper are sourced from Statistics Canada’s 1996 Census Dimensions Series-Portrait of the Aboriginal Population in Canada. Unfortunately, relevant data from the 2001 Census will not be available until the beginning of 2003, too late to be included in the current analysis.

3. See for example, Aboriginal Entrepreneurs in Canada: Progress and Prospects (1998), Industry Canada