
SPECIAL REPORT

TD Economics



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DEBUNKING MYTHS SURROUNDING CANADA'S ABORIGINAL POPULATION

We thank the Canadian Council for Aboriginal Business (CCAB), whose research and insights were instrumental in the preparation of this report.

Highlights

- In recognition and celebration of National Aboriginal Day on June 21st, TD Economics continues its tradition of carrying out Aboriginal-related economic research, raising awareness about Aboriginal peoples, businesses and communities. This report represents our third in the series of articles on Aboriginal social and economic issues.
- In this report we attempt to put to bed ten myths surrounding Canada's Aboriginal population. The myths were chosen on the basis of misconceptions we encountered while carrying out the research on our previous reports. We also sought insight from organizations like the Canadian Council for Aboriginal Business (CCAB) which have community and business reach.
- The misperceptions put to rest are broad-based, including: access to free post-secondary education, taxation exemption rules, and the prevalence and success of Aboriginal-owned small businesses and economic development corporations.

In celebration of National Aboriginal Day on June 21st, TD Economics continues its tradition of carrying out Aboriginal-related economic research, raising broader awareness about issues confronting Aboriginal peoples, businesses and communities. This report represents our third in the series of articles. The first concluded that the tide had shifted in the right direction for Aboriginal peoples and there was a renewed spirit of entrepreneurship in the air. In our second article, we noted that Aboriginal people and businesses were increasingly leaving their mark on the national economic scene. We attached a \$32 billion figure to the size of the Aboriginal market by 2016, higher than the level of nominal GDP of two Atlantic provinces combined.

These two reports explored the economic footprint for Aboriginal peoples and how the future might unfold. To carry out this work, we needed to research the existing body of literature and craft our own stories with analysis and data in hand. In doing so, we have come across a number of myths about Aboriginal peoples which simply do not fit reality. These beliefs could influence the way in which the non-Aboriginal population looks at Aboriginal peoples. In order to set the record straight, we have compiled a list of ten myths to debunk.

Myth 1: Aboriginal people do not pay taxes.

Some don't, some do. According to the Canada Revenue Agency, Aboriginal people pay the same taxes and are subject to the same tax rules as non-Aboriginals.¹ There are a few limited exemptions for Status Indians which are stated in Section 87 of the *Indian Act*.² A Status Indian is generally the member

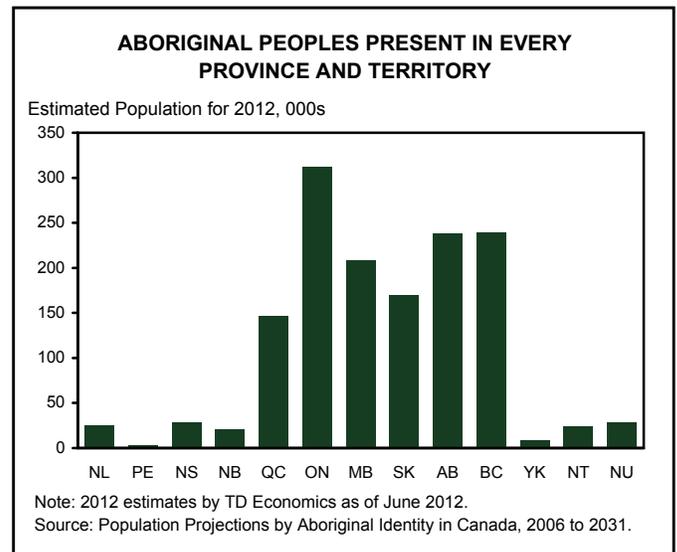
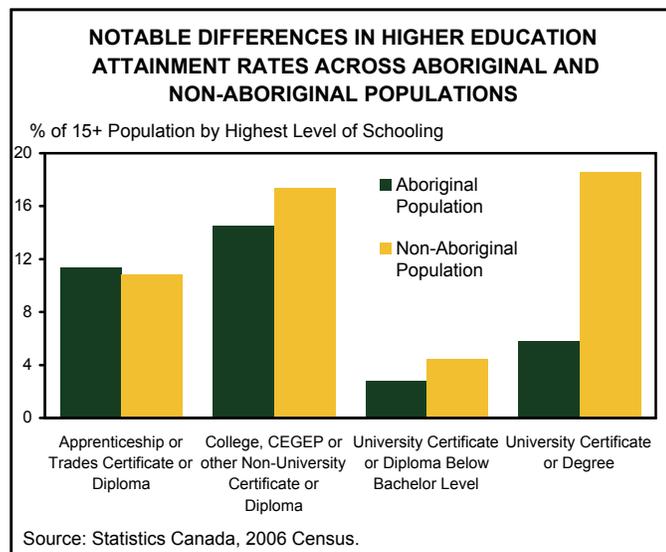
of an Indian band or community with rights under the *Indian Act* to live on reserve, vote for band council and chief, share in band monies, and have an interest in property on reserve. Approximately half of the one million people who identify themselves as Aboriginal are classified as Status Indian. Those Aboriginal people who are Inuit or Métis pay the same taxes as anyone else in Canada.

According to legislation, the personal property of an Indian or a band situated on a reserve is exempt from taxation. In court rulings, this provision has historical roots and is intended to preserve entitlement to the land.³ Employment income while working on a reserve also can be tax exempt. However, location of work and residence of employees are two examples of criteria used to assess whether the individual must pay taxes. The federal Goods and Services Tax (GST) is not levied for purchases by Status Indians, but in order to qualify, the purchase must be made on reserve or delivered to a reserve by a vendor or the vendor's agent.

Each province has set up policies with regard to tax exemptions for areas under their own jurisdiction. In some provinces, like Ontario and Québec, a Status Indian with the appropriate accreditation can receive a rebate on the provincial portion of the Harmonized Sales Tax (HST) for eligible purchases.^{4,5}

Myth 2: Aboriginal people do not have to pay for post-secondary education.

Some don't, some do. The federal government does provide money to First Nation and Inuit governments for students to attend a post-secondary institution. Programs have been set up to defray tuition costs, travel costs and living expenses associated with the pursuit of post second-

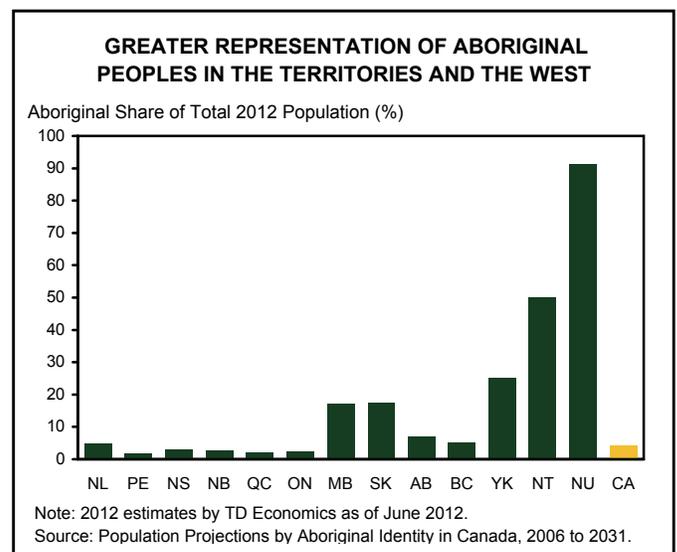


ary education.⁶ At present, there are no similar programs for students who identify as Non-Status Indian and Métis.

While post-secondary education support is available to some Aboriginal students, not everyone who is eligible receives it. With more demand than funds, some communities have resorted to limiting applications to only those students who are pursuing their first post-secondary certification.⁷ In other cases, they limit eligibility to include those students who live on reserve while they undertake their studies.⁷

Myth 3: Almost all Aboriginal people live on reserve and in rural areas.

False. Statistics Canada is not scheduled to release updated data on Aboriginal peoples until mid-2013. However, if we use their most recent population projections, we can dispel this myth.

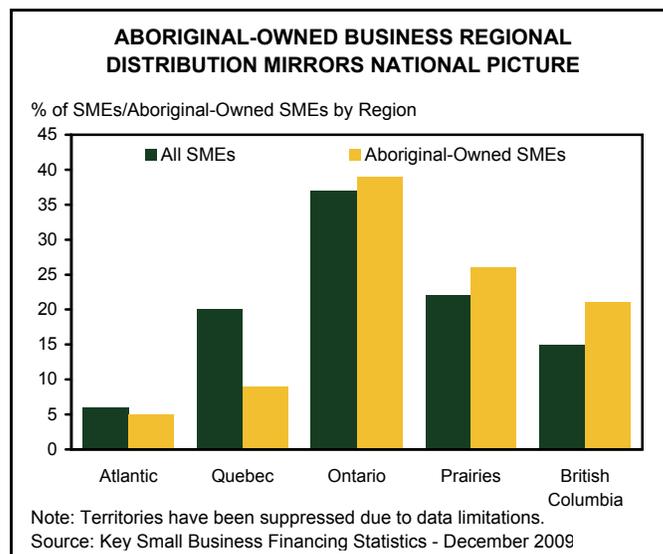


Aboriginal peoples currently reside in every province and territory. In terms of scale, British Columbia, the Prairies, and Central Canada are home to the highest number of Aboriginal people. This outcome is not very surprising as these provinces have the most number of Canadians. When the Aboriginal population is expressed as a share of total provincial or territorial population, we see that the territories indeed have the highest concentration of Aboriginal residents. Still, nearly one-in-five Saskatchewan and Manitoba residents identifies as Aboriginal, which is more than four times the national average.

In terms of the on- and off-reserve breakdown, one-in-five Aboriginal Canadians lived on reserve in 2011. In addition to most living off-reserve, the majority of all Aboriginals (54% in 2011) live in an urban setting. Both of these shares have been relatively constant over the past decade, cementing the fact that most Aboriginals are urban and off-reserve dwellers and have been for some time.

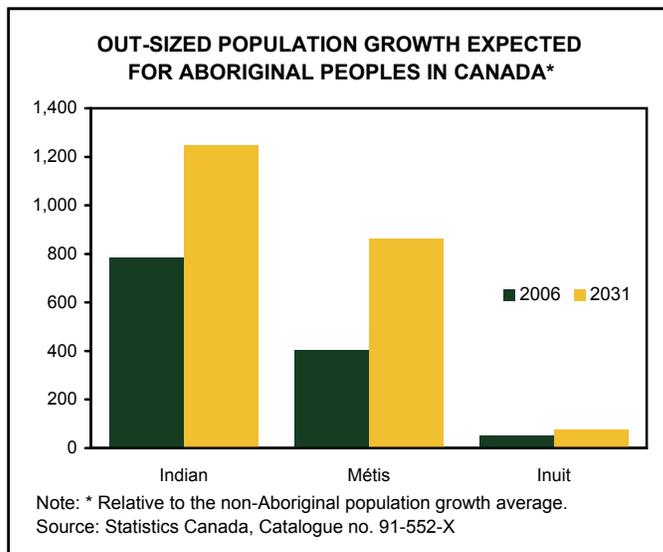
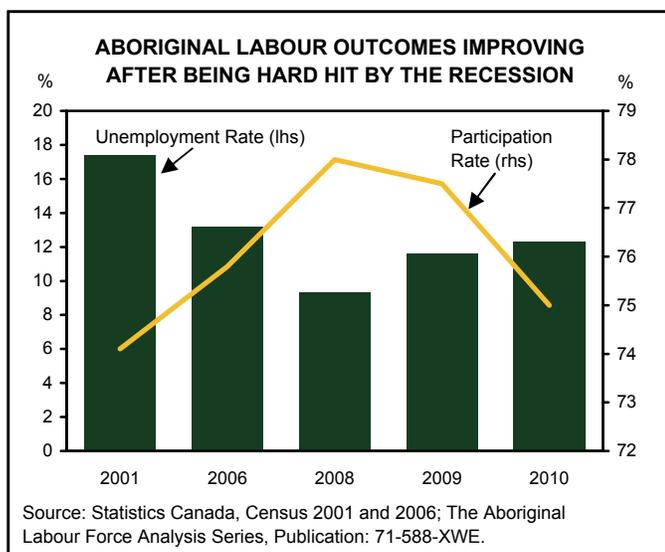
Myth 4: Aboriginal people are falling further behind in the job market.

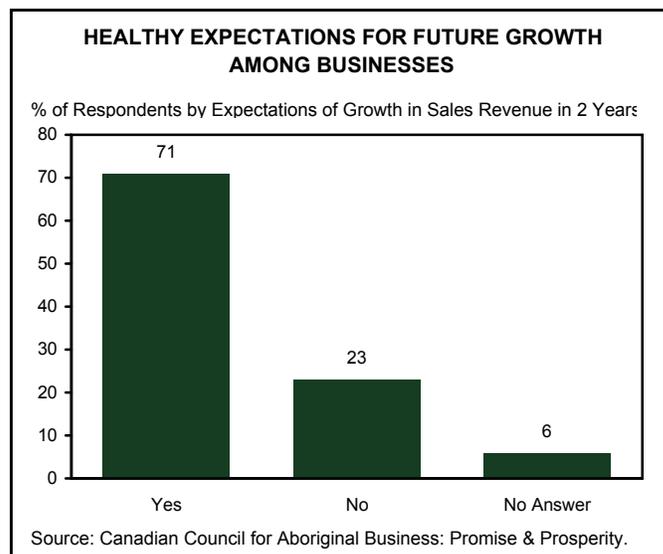
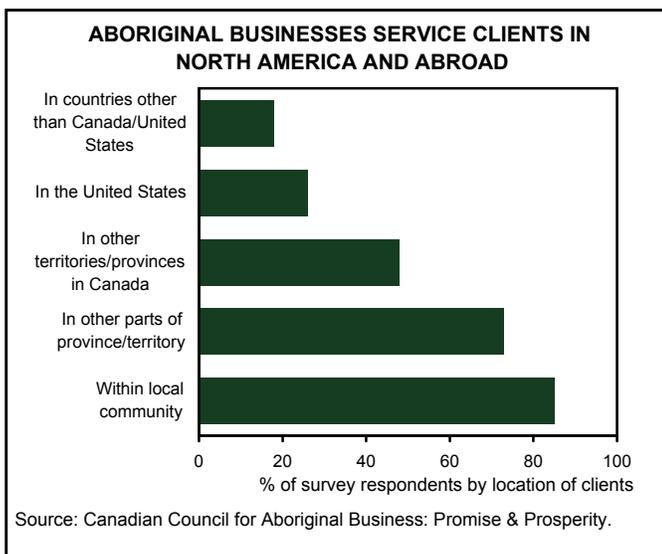
False. To debunk this myth, we must piece together data from the Census and a new publication that reports employment outcomes for Aboriginal people from 2008 to 2010.⁸ While these recent data are helpful, the Labour Force Survey does not sample Aboriginal people living on-reserve or in the territories. In spite of the underlying data limitations, information leading up to, and immediately after, the recession allows us to analyze employment trends with the global economic downturn in mind. Unfortunately, Statistics Canada has not yet published Aboriginal labour force data beyond 2010.



From 2001 to 2008, a commodity price boom prevailed and, as a result, there was a major shift in employment and economic growth towards the natural resource sector for Aboriginal people and communities. Construction projects also surged, as heightened activity in this sector often goes along with natural resource development. In 2008, for example, 36% of all employed Aboriginal people worked in the goods-producing sector and construction. The unemployment rate made significant progress during these years – it dropped from 17.4% in 2001 to 9.3% in 2008. Labour force participation rates also increased four percentage points over this timeframe. As we argued in our previous report, enhanced job opportunities allowed Aboriginal people to grow their economic footprint and improve their income prospects.⁹

Some of the employment and income gains seen during





the early part of the decade were given back with the onset of the global financial crisis. Aboriginal communities were hit particularly hard given their out-sized exposure to the primary sector: the Aboriginal jobless rate hit 11.6% in 2009 and the labour market participation rate fell by a half percentage point. The data show that this deterioration was temporary, with 2010 numbers bouncing back with some vigour. If we were to forecast out these measures to the present, both should be close to 2008 levels.

The past decade cements the idea that Aboriginal people are increasingly participating in the market economy. Both the labour market participation rate and unemployment rate are better today than where they stood in 2001. These trends demonstrate real progress in a relatively short period of time.

Myth 5: Very few Aboriginal people start their own business.

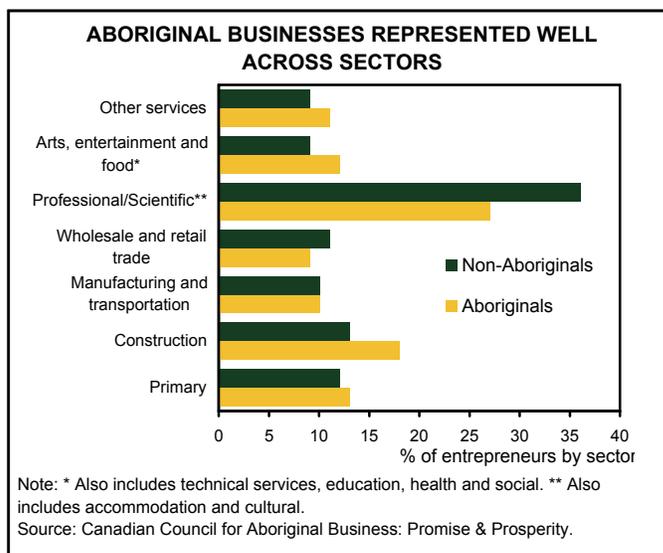
False. Roughly 2% of all small and medium-sized enterprises (SMEs) are operated by Aboriginal entrepreneurs, slightly lower than the 3.8% share of Aboriginals in the population.¹⁰ Even so, this translates into approximately 32,000 businesses, both on- and off-reserve. The data also suggest that women play an important role in Aboriginal-owned businesses – 51% of these firms belonged entirely or partly to women, while the Canadian average was 47%.

The count of Aboriginal SMEs is conservative, as it does not include firms who are incorporated under provincial and territorial charter. It also does not capture the number of economic development corporations (EDCs) or community-owned enterprises which have become a more popular business model over the past decade.¹⁰ According

to the Canadian Council of Aboriginal Business, there were approximately 262 active EDCs in Canada in 2010.⁹ We do not have more recent data than 2010, but we suspect that there are roughly 275 of these firms up and running today.

Myth 6: Even if there are Aboriginal businesses, they're not very successful.

False. The Aboriginal Business Survey provides some insight on the success of Aboriginal-owned businesses.¹¹ Most have only a handful of employees and operate in an environment which they define as highly competitive. Even with these headwinds, the majority of firms are profitable – six in ten reported a profit in 2010 and a third managed to boost annual revenues in 2010 despite the global downturn. Last but not least, roughly half of survey respondents labeled



their business a success. Interestingly, the criteria used to make this assessment were not just based on dollars and cents, but other factors like personal satisfaction with their line of profession and having a steady client base.

The future for Aboriginal entrepreneurs also looks bright as seven in ten survey respondents anticipated revenue growth over the next two years. This same proportion also thinks they will be at the helm of their business in five years. In addition, the growth rate of Aboriginals in self-employed positions is exceeding that of non-Aboriginals. This trend, combined with the rapid growth and success of the economic development corporation business model, suggests that the number of Aboriginal-owned SMEs should continue to increase. While barriers to competitiveness remain for this group of entrepreneurs, many are finding ways to overcome these challenges. An example of an innovative solution is the urban reserve near Saskatoon which is home to many Aboriginal and non-Aboriginal businesses.¹²

Myth 7: Aboriginal businesses are simply riding the coattails of the resource sector.

False. Roughly 13% of all Aboriginal-owned small and medium-sized businesses in 2010 were directly linked with the primary sector, which includes agriculture, forestry, mining, and oil and gas extraction.¹¹ Given a period of relatively strong commodity prices and an increase in resource exploration, many First Nation, Inuit and Métis communities have reaped the economic benefits.

Despite the emphasis on natural resources, Aboriginal entrepreneurs are operating successful businesses across all industries. In fact, the majority of Aboriginal-owned establishments are linked to service-producing sectors like construction and business services.

In addition to being diversified in terms of area of focus, business owners are filling niches in the marketplace which were victim to gaps or previously viewed as uncompetitive. For example, Inuit Air is a regional airline company which began in the mid-1970s shortly after the first modern land claims' agreement was signed.¹³ The company now employs roughly 500 people and services Northern Québec – a region which lies at the heart of the Québec government's Plan Nord initiative.

There are many other examples of innovation in Aboriginal-owned businesses outside the resource sector. A case in point is access to credit for businesses on reserve which was once an issue. This is because real and personal property on a reserve cannot be used as collateral for a loan

as stipulated by the *Indian Act*. Aboriginal Financial Institutions (AFIs) across the country sprung up to fill the gap and provided access to loans where needed. The National Aboriginal Capital Corporations Association estimates that since the late 1980s, AFIs have provided over \$1.3 billion in financing and 30,000 loans to Aboriginal small businesses.¹⁴

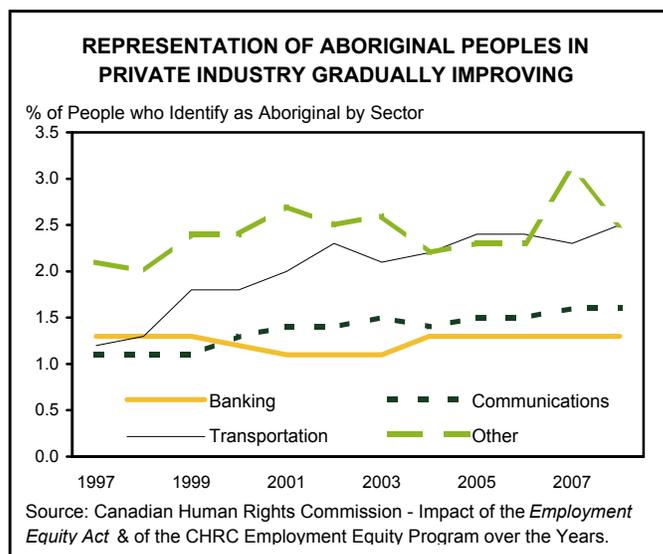
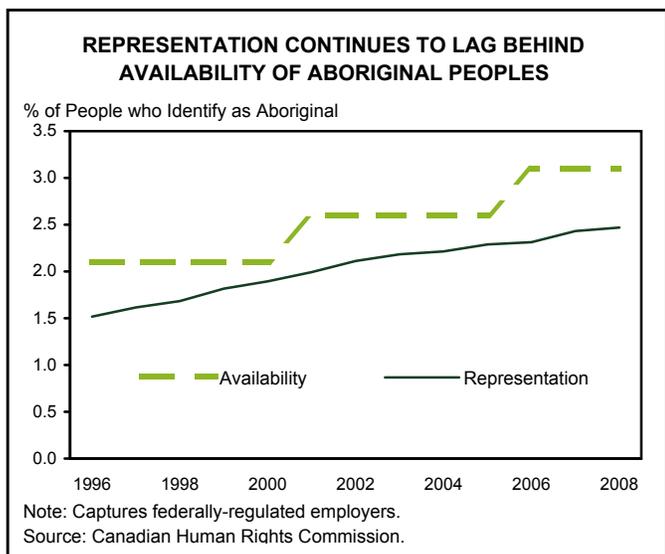
Myth 8: Aboriginal communities are protected by government Treaties – which pretty much guarantee their economic and political rights.

Yes and no. A treaty is a negotiated, written agreement which defines the rights and responsibilities for all parties involved. Issues resolved in treaties include land ownership, governance structures, wildlife and environment management, financial benefits and taxation rights.¹⁵ More generally, agreements can sometimes capture the spiritual, philosophical and cultural views of those Aboriginal communities involved. Eleven historical treaties were signed from 1871-1921 covering much of Canada, except British Columbia, Québec and Newfoundland and Labrador.¹⁶ There are twenty comprehensive land claims settled since 1973, involving 96 communities and over 70,000 Aboriginal people. These claims have involved 4,106,958 square kilometres in settlement land and \$2 billion in settlement dollars.

Recent court decisions highly recommend that treaties be negotiated with government and Aboriginal communities to bring greater certainty to land use and to ensure a clear definition of rights and responsibilities has been agreed upon. At present, not all Aboriginal communities have either historical or modern-day agreements in place – most are situated in British Columbia. For instance, 60% of all First Nations (or 116 communities) in the province are not governed by a treaty. Negotiations with senior Aboriginal leaders and Crown representatives are ongoing. It can often take years for one agreement to be signed. The British Columbia government estimates that the total benefits from signed treaties, including increased investment, could reach \$50 billion, or \$1-2 billion per year for the next 20-25 years.¹⁷

Myth 9: Aboriginal people receive a huge, immediate boost to their income when they settle a claim.

Not always. In settling a land claim, governments often use different payment methods: cash and other considerations such as economic development initiatives.¹⁸ With land claim settlements, many Aboriginal communities are able to seek out opportunities for economic prosperity while offering their community members a more stable and certain future. It has been estimated that yet-to-be-settled compre-



hensive and specific land claims could yield \$9-\$13 billion.¹⁹

The financial portion of a comprehensive claim is usually handed over to the community over 12-15 years, while specific land claims are paid as a lump sum. However, this money is rarely a flow through transfer from the federal government to an individual Aboriginal person. Instead, the Aboriginal government often directs these funds be placed in a Trust.

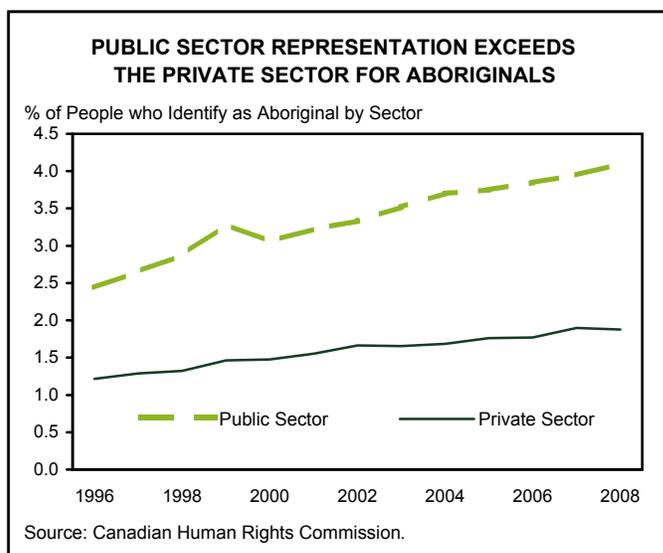
Although settlement funds are paid to the Aboriginal government (and placed in a Trust), there is often a per capita distribution payment made to all registered community members at the time of the settlement then living, both on- and off-reserve. Adults receive their payment immediately, while payments to Minors are deferred (held in trust) until the person reaches the age of majority. The decision to distribute per capita payments is made throughout the settlement process. Any per capita money must be stated in the agreement itself and the decision must be ratified by a community vote. The reason for these up-front payments is that it usually takes many years to settle a claim. In addition, given that the Trust is meant to be a long term benefit to all current and future generations of members, the Aboriginal government usually recommends a one time immediate payment to share in the celebration of the settlement with all its members.

Myth 10: There is a quota system for how many Aboriginal people must be hired by Canadian employers.

False. At the end of 2010, the employment rate of Aboriginal people (the per cent of the adult population

employed) was 66%. This share is fifteen percentage points lower than the comparable statistic posted by non-Aboriginal people. Noticeable differences between the two groups of individuals is also seen when we review the unemployment rate measure: for Aboriginals it stood at 12.3%, almost double the number recorded for non-Aboriginals.⁸

The different labour outcomes among Aboriginals and non-Aboriginals suggest that the former are under-represented in the labour market. To achieve better equality in the workplace, the *Employment Equity Act* was enacted in the late 1980s to help increase the representation of four designated groups: women, Aboriginal peoples, persons with disabilities, and members of a visible minority. Federally-regulated private sector firms,²⁰ Crown corporations, and much of the federal public service are just some of the employers governed by this legislation.²¹ Each firm must



adhere to reporting requirements and is responsible for showing “reasonable progress” on increasing representation of these groups.²²

Since the implementation of the legislation, progress has indeed been made – representation of Aboriginal people in the federally-regulated workforce has increased steadily from 1.5% in 1996 and 2.5% in 2008.²³ In the public sector, Aboriginal peoples were well represented overall in 2008 compared to the private sector.²³ Certain industries like transportation and communication have made important strides over the past decade. It is important to stress that takeaways from these statistics should be made with caution as the definition surrounding Aboriginal ancestry and identity changed in different Census iterations.

Representation and availability of Aboriginal workers should converge so that their full employment potential can be secured. However, federally-regulated employers adhere to the equal opportunity principle, such that candidates for a position must be judged without discrimination and/or bias. This means for a certain hire, managers must choose the best candidate for the position, based on the job description, regardless of race, gender, sexuality and many other criteria. With this in mind, and even with employment equity legislation in place, there is no quota system for employers on how many Aboriginal people must be hired.

Myths equal misperceptions

There are many myths surrounding Canada’s Aboriginal population and they encompass a wide range of areas. In this report, we have assembled the necessary facts and figures to debunk just ten – many more exist. Misperceptions like these can lead to a lack of understanding about Aboriginal communities or underlying Aboriginal socio-economic conditions. In addition, non-Aboriginals may think of the Aboriginal community as one homogenous group, forgetting that many have their own unique history, culture and traditions. Myths could also distort non-Aboriginal thinking about the effectiveness of government programs targeted to the Aboriginal community or the appropriate policy to improve certain indicators such as labour market participation. This is unfortunate as there are more than a million people who identify as Aboriginal in Canada. In addition, Aboriginal people are important contributors to our history, culture and values, and the national economic picture.

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Notes and References

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2. Status Indians have their names on the Indian Register (maintained by the federal government) and as such, are recognized as Indians under the *Indian Act* and entitled to certain rights and benefits under the law. Roughly half of the people who identify as Aboriginal are Status Indians and included on the Indian Register.
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