

Emerging Trends Offer Promise To Aboriginal Peoples: TD Economics

TORONTO – A new report from TD Economics argues that an economic transformation for Aboriginal Peoples and their communities could be finally at hand. (www.td.com/economics) The report credits an “alignment of interests” between Aboriginal communities, business and governments as the main driver for improved conditions.

TD’s Chief Economist, Don Drummond, and Director of Economic Analysis, Derek Burleton, note a confluence of trends is now merging. One, Aboriginal communities are seeking out more opportunities in the market economy. Two, a growing number of Canadian companies are recognizing that employing Aboriginals and partnering with Aboriginal communities is a smart business strategy. Three, the federal and provincial governments are linking Aboriginal education and social issues with Canada’s future prosperity challenges.

“The nature of these reinforcing mutual interests is a positive development for Canada,” said Mr. Burleton, Director of Economic Analysis at TD Economics. “All Canadians have a vested interest in the economic prospects of Aboriginals, given that they represent the youngest and fastest growing segment of our population and will therefore make up an increasingly larger portion of our workforce. Our economy’s future is inextricably linked to their future.”

Portrait of an Aboriginal person as a young entrepreneur

By some estimates, there are as many as 27,000 Aboriginal-owned businesses operating across the country spanning a wide array of businesses from airlines to mining supply to business services. Business owners are seeing opportunities to fill the gaps that were opened up by past market failures. For example, a shortage of available credit on reserve has been a particular issue, partly due to the fact that real and personal property on a reserve cannot be used as collateral for a loan. As a result, Aboriginal-owned financial institutions have emerged, including First Nations Bank of Canada. Today, there are more than 50 Aboriginal Capital Corporations and financial institutions operating across Canada.

Mr. Burleton notes: “An important catalyst for the emergence of Aboriginal enterprises is their growing belief they can move into the mainstream economy without sacrificing their core values. Chief among them is the protection of land and the environment.” In this vein, the report highlights a real mark is being made by Aboriginal entrepreneurs in areas such as renewable power and alternative energy development.

Partnerships with the private sector starting to take off

The growing number of partnerships between Aboriginal and non-Aboriginal businesses, largely in western Canada, is a particularly encouraging sign. To some extent, the catalyst for these partnerships within the resource sector has been legal in nature – namely, the requirement to consult and accommodate Aboriginal communities following a couple of 2004 Supreme Court decisions. However, more and more companies across all sectors are worried about longer-term labour shortages and actively looking for solutions. One avenue is making more effort to connect with under-represented populations such as Aboriginal people.

Barriers remain

The 2006 Census data revealed that Aboriginal people made up some lost ground in terms of labour market performances, including employment and income figures. Yet the good news lost some of its shine when other elements of the data are considered. For one, there was evidence that on-reserve First Nations communities are falling further behind on virtually every count. And, second, the gap in high school completion rates, particularly on reserve, remained substantial.

“In one sense, the resource boom that ended in mid-2008 had a downside since it likely convinced many young Aboriginal people to forgo a formal education in order to seek good income,” said Mr. Burleton. “The resource sector is cyclical and when it declines, as has been the case lately, there is little to fall-back without the broader, higher education. That’s why the resource and construction booms and the benefits they delivered in terms of Aboriginal employment cannot be allowed to divert attention from the education imperative.”

Fortunately, Canadian governments and Aboriginal communities are beginning to move forward with innovative solutions to this key challenge, including more collaborative models, E-learning and efforts at making education “relevant” for Aboriginal people. A number of post-secondary institutions have also developed creative programs and services. However other key areas have not received as much focus, such as adult education, or may not be gaining the desired traction, such as private sector take-up of co-op programs for Aboriginal students.

The dismal state of infrastructure on reserve and the limits imposed by the Indian Act are two other barriers to the economic success of Aboriginal communities. The federal government’s 2009 budget, which announced \$1.4 billion down-payment targeted at Aboriginal skills training and infrastructure was a step in the right direction. In addition, the federal government is currently working on a new Policy Framework for Aboriginal economic development, which could include needed changes to the Indian Act.

More comprehensive information

Issues faced by Aboriginal communities cannot be adequately addressed unless the dimension of the problem is known and can be measured. Unfortunately there are sizable gaps in data, particularly around labour market information. For various reasons, some of the nation’s largest bands did not participate in the Census. Furthermore, an estimated one-quarter of the residents on an additional 166 First Nations reserves were not counted. All parties are urged to collaborate on this issue.

TD optimistic

“We are hopeful that the alignment of mutual interests among various stakeholders could mark the start of a more meaningful positive transformation with respect to Aboriginal Peoples’ labour market and education outcomes in the future,” said Mr. Burleton. “The economic success within the Aboriginal communities will reap dividends for all Canadians in terms of higher government revenues, lower social services costs and increased productivity.”

-- 30 --

For more information, please contact:

Don Drummond
TD Economics

don.drummond@td.com
416-473-5720 (cell)

Derek Burleton
TD Economics
derek.burleton@td.com
416-982-2514