

# THE ROYAL COMMISSION REPORT

## *Nine Steps to Rebuild Aboriginal Economies*

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### INTRODUCTION

The Royal Commission on Aboriginal Peoples tabled its final report in November last year. With this step, the seven Commissioners and their staff concluded five years of work, including three rounds of public hearings in over 100 communities, receiving the advice of 140 intervenor organizations and individuals, and integrating the results of some 340 research reports.

The extent of this inquiry into the relationship between Aboriginal and non-Aboriginal people in Canada is without parallel, driven by a very broad mandate recommended by the former Chief Justice of the Supreme Court, Brian Dickson, and accepted by the Government of Canada. The breadth of the mandate, which covered 16 major areas, made this one of the most far-reaching commissions in Canada's history. It also contributed to a major strength in the Commission's report, for it was required to deal with the whole of the picture and the interrelationship of the parts, in a manner that is congruent with the more holistic perspective of Aboriginal peoples. It should not be surprising, therefore, that the Commission's perspective on economic matters goes well beyond the narrow, technical aspects of business development or the intricacies of providing income support. It is a perspective that begins with the history of the relationship between Aboriginal and non-Aboriginal peoples,

and one that takes continuing cultural difference into account. It is also one that charts the interrelationship between the economic realm and other important dimensions of life.

This paper has three objectives:

- to give a brief description of different types of Aboriginal economies, so that the diversity and complexity of the task of achieving economic development is better understood
- to discuss some of the pre-conditions for rebuilding Aboriginal economies. What factors need to come together for economic development to have a good chance of success?
- to give an overview of the perspective and recommendations put forward by the Royal Commission in its final report on the concrete steps that need to be taken to rebuild Aboriginal economies

### A WORD ON POLICY CHOICES

The history of the relationship between Aboriginal and non-Aboriginal people in Canada is full of misguided policy choices. On the Aboriginal side, Aboriginal people like to joke that their most basic policy failure was to adopt an immigration policy that was much too liberal in permitting Europeans to enter North America, with disastrous consequences. On the non-Aboriginal side, Volume 1 of the Royal Commission report

documents many examples of what those of us who worked for the Commission called "bad policies." These included the Indian Act, residential schools, the relocation of Aboriginal communities, and policies toward Aboriginal veterans.

If we were to add to this list, a prime candidate would be the policy choices that contributed to the undermining of Aboriginal economies in the past two centuries, and the response to that situation primarily in terms of the creation of welfare economies. A brief historical digression clarifies this argument.

The first paper in this volume has made the point that Aboriginal nations were relegated to a marginal status once the fur trade declined and their role as military allies receded. A period of assimilation and displacement ensued, during which Aboriginal societies suffered an almost complete erosion of their land and resource base which in turn undermined much of their traditional economy. Widespread poverty and even starvation ensued.

In Nova Scotia, for example, it is estimated that the Mi'kmaq population declined from an estimated 26,000 persons in the year 1600 to only 1300 persons at the low point in 1840. The extent of disruption of the Mi'kmaq economy was so severe that starvation is judged to have been the principal cause of population decline, a more important factor than the effect of European diseases. Signs of indigence and petitions for relief made their appearance by 1767, but the response of colonial authorities was quite limited:

In 1768, Britain turned over responsibility for local affairs to authorities based in Nova Scotia but provided few resources for the implementation of policies. With respect to Indian affairs, little attention was given to the problem in the late 1700's and early 1800's, except when a military threat loomed and it was feared that the Micmac might again become a factor as allies of the opposing side. At such times, a report on the condition and disposition of the Micmac was sought, and impetus was provided for the provision of relief supplies. Such supplies were regarded by the authorities more as charitable donations than as the fulfilment of obligations resulting from past agreements ... and they took the form of blankets, potatoes, meal, fish or bread. While the relief allocations were sporadic at first and always very limited in terms of the total annual amount provided (ranging in cost

from 25 to 300 pounds for the whole province), the destitution of the Micmac necessitated regular annual grants from 1827 onward. As starvation and disease took their toll, an increasing proportion of the total funds granted were used to pay the medical bills submitted by non-Indian doctors.

In the later 1800s and early 1900s, the Mi'kmaq slowly regained their economic footing. While remaining poor, they were able to establish a reasonable degree of self-reliance through their own self-employment and by working as wage labourers on the fringes of the non-Indian economy. But the signs that this trend was not to continue were first seen in the depressions of the 1920s and 1930s when the Mi'kmaq began to lose their marginal foothold in the economy. Up until this time, welfare and other forms of relief payments had still not become widely available and were restricted largely to the aged and the infirm. As Chart 1 indicates, however, the level of outlay of welfare and related expenses began to rise more sharply in the 1920's and took an exceptional jump at the onset of the Great Depression. What had changed was not only the worsening of economic conditions, but also the fact that the federal government was prepared to alleviate hardship through the use of welfare payments, in contrast to the response of colonial authorities a century earlier.

The willingness of the Canadian public and Canadian governments to meet problems of economic hardship on the part of Aboriginal people with transfer payments continued to build in the post-War period. While Aboriginal people were not always included in the programs offered by an expanding welfare state, particularly in the early stages, by the 1960s most forms of discrimination in the availability of social programs had disappeared. Thus, in the absence of a solid economic base, the dependence of Aboriginal people on social assistance continued to grow. For the on-reserve population in Canada as a whole, 37 per cent were reliant on social assistance by 1981, a figure that grew to 45 per cent by 1995. Projected into the future and taking account of anticipated demographic change, the rate of dependence on social assistance is expected to reach almost 60 per cent by the year 2010 (Chart 2). In the Atlantic Region, we were already at the 74 per cent level in 1992, with the forecast for the year 2010 rising to a staggering 85 per cent unless something changes drastically.



This response by public authorities could be, and indeed is, interpreted as a humane and even generous one, especially in contrast with the failure of colonial authorities to provide relief a century earlier when it was so badly needed. The difficulty is that this has been the principal and virtually the only response to the declining economic situation. Significant and effective measures to protect what remained of the Aboriginal economic base and to assist in its rebuilding have not been undertaken. Indeed, the historical record bears out the conclusion that, even in this century, governments and the private sector have continued to take actions that serve to undermine Aboriginal economies on the one hand while steadily increasing the availability

of welfare payments on the other. Dams have been built, lands flooded, streams polluted, regulatory regimes imposed, and communities relocated, usually to benefit interests other than the Aboriginal community.

We are now caught in a cycle where costs for welfare and related remedial measures continue to grow while funds for economic development stagnate or are reduced. Chart 3 shows what the federal government estimated it would spend on Aboriginal people in 1995/96, as well as actual expenditures in earlier years. The amount allocated for what might be called social problem spending (social assistance, health, housing, policing) has grown from 30 to 40 per cent of total spending in the period between 1981/82

and 1995/96. The amount allocated for economic development (broadly defined to include items such as economic development, business development, and land claims) decreased from 10 per cent to 8 per cent, while the proportion allocated to education and training has grown slightly from 19 to 22 per cent.

The overriding impression left by these figures, and by the experience of Aboriginal communities across the country, is that governments continue to meet economic distress with income support payments rather than investing in the often more difficult measures that would rebuild Aboriginal economies.

We desperately need to break out of this dynamic. A welfare economy provides a minimal level of income for its "beneficiaries" and a measure of economic security, but it exacts an enormous cost in terms of individual self-esteem and family and community well-being. While change may be politically difficult, Aboriginal people are the first to say that it is not in their long-term best interest. Neither is it in the interest of Canadian society generally, for the overall costs of such an economy are steep and rising, with no light at the end of the tunnel. The issue before us, then, is how to protect what remains of the Aboriginal economic base and rebuild what has been destroyed. Additionally, how do we make the transition from policy choices that seek to alleviate the symptoms of economic distress to those that would contribute to the creation of more self-reliant Aboriginal economies?

## THE DIVERSITY OF CONTEMPORARY ABORIGINAL ECONOMIES

Before proceeding with a summary of the recommendations of the Royal Commission with respect to economic development, it is instructive to describe a bit of the diversity of Aboriginal economies. The picture that emerges from aggregate statistics and the popular media often suggests that Aboriginal economies are quite similar to each other across the country. Images of Davis Inlet spring to mind. In fact, there is a great deal of diversity in the ways in which people in Aboriginal communities make a living and in how they organize their productive activities.

We will provide a brief sketch of four types of Aboriginal economies, based on information provided by 16 community case studies carried

out under the auspices of the Royal Commission's research program. We pay particular attention to their distinctive features. One of the implications of this diversity is that it is very difficult for policies and programs made in Ottawa, or even in the provincial/territorial capitals, to have sufficient flexibility so that they support, rather than impede, the development of Aboriginal economies across the country.

### The Territorial North

The Commission's two case studies in the territorial north, Pangnirtung and Ross River, and Nain in Labrador all have a significant portion of their adult population engaged in the traditional pursuits of fishing, hunting or trapping, albeit with modern technology. Finding ways to make a living while preserving natural resources and the environment is in fact one of the central challenges of life in the north.

The economies of northern Aboriginal communities are often referred to as mixed economies, meaning that participation in traditional activities for subsistence is mixed with other elements. It may include selling a portion of the proceeds of the hunt on the market, or having a family member involved in wage employment in the public or private sector. It will also involve at least some members of the kinship unit receiving some form of transfer payments, such as unemployment insurance, social assistance, or an old age pension.

With respect to wage employment, one of the largest sources is the public sector, whether it is the hamlet/municipality/reserve, or the territorial or federal government. Related to this is the non-profit public sector, the service and political organizations that receive their funding from one or other of the governments and that have expanded considerably in number and scope in the last several decades.

Wage employment and self-employment are also found in the private sector in northern Aboriginal communities although typically the private sector is not well developed. It may take the form of a cooperative grocery store, a construction company that has little competition because of the isolation of the community, small firms in the service sector catering to the region's population or to the occasional tourist, or household-based businesses in the arts and crafts industry.

All three of the Commission's northern case studies also have had, or expect to have, some involvement with the non-renewable mining sector, whether this takes the form of employment/contracting with a large, capital intensive and externally owned corporation or a more modest, locally owned quarrying operation.

As we have witnessed in the North, significant changes in economic potential can be brought about through the conclusion of comprehensive land claim agreements which may expand land ownership, access to resources and the exercise of powers of self-government.

### **The Provincial North**

The Royal Commission undertook four case studies of Aboriginal economies in the provincial north—the Alberta Metis Settlements, La Loche in northern Saskatchewan, Lac Seul in the north west of Ontario, and the Montagnais communities in the north-east region of Quebec.

The types of employment that we have reviewed for the territorial north also make sense for the provincial north, although there are some differences. There are fewer people involved in the traditional economy of hunting, fishing, trapping and gathering, for example, although this is still an important activity as measured by the food and income it provides and the significance it has for Aboriginal cultures.

The natural resource sector is also different in the sense that, in contrast to the territorial north, forestry-based activities are possible in addition to mining, and there is even some prospect for agricultural activity in the more southern regions of the provincial north.

The history of communities in the territorial north often features instances of destructive community relocations mandated by outside authorities, and this theme continues in the provincial north. The damaging effects on communities of major resource development projects can also be noted, whether the source is environmental pollution from a mine or the flooding of traditional lands because of a hydro development project.

A powerful theme in several of the Commission's provincial north cases is the incursion of provincial regulatory regimes and their negative effects on Aboriginal lands, resources, and the livelihood base. We tend to think of these as being in the more distant past, but the case study of Lac Seul makes the point that pro-

vincial regulations such as trapline, environmental and wildlife management systems have affected the communities primarily in the last 30 years, and they continue to present a serious problem:

For us, the tragedy of outside resource management regulation is that many of the decisions of non-aboriginal governments restrict the lives of our people on our lands in ways that conflict with our culture and place it at risk. In addition, ecological knowledge that we consider to be important in making "land-use" decisions—knowledge of bear fishing locations, migratory waterfowl nesting and staging areas, key feeding areas and habitat for a variety of animals, etc.—has most often not even been used when non-aboriginal governments have made decisions on land use in our customary territories. The Government of Ontario might have thought twice about approving the flooding of Lac Seul if its decision had been made from our cultural perspective concerning the wealth of our Lands.....

### **Southern Rural**

The Commission's case studies located in more southern but rural parts of the provinces include Alert Bay (a coastal community in British Columbia), the Peigan Nation in southern Alberta, the Six Nations reserve in Ontario, Kitigan Zibi located at Maniwaki, Quebec, and Big Cove on the north shore of New Brunswick. While again there is considerable diversity among these communities, still there are some common features that distinguish this type of economy from those described previously.

A sector of traditional activity remains, but it is smaller than in the northern areas and often has to contend with a more restricted land and resource base. Participation in hunting, fishing or trapping may be more part time than full time, and take on more of a recreational flavour. It may also take the form of gathering wood for fuel or berries and other edible foods for home consumption.

While these economies are rural in nature, one of their key characteristics is their location in proximity to large urban markets. Thus it is possible for a portion of the labour force to commute to urban areas for employment, and the reserve residents are also likely to purchase consumer goods in town. However, the rural

community can still be described as an enclave economy, not well integrated into the surrounding regional economy and producing few goods and services for people living outside the community. Perhaps the major exceptions to this statement have been the development of the gambling, cigarette and alcohol trade in recent years. Because of their location, some communities are able to attract customers to tourism and recreational ventures such as golf courses and Aboriginal theme parks.

In contrast to communities in the more northern regions, those located in the rural south are likely to have gone further with the import substitution phase of economic development. Some, such as Six Nations, need to plan for the next phase of economic development, one that is more outward looking and that takes advantage of the export opportunities that access to a large urban market can provide. This type of development requires new forms of infrastructure and institutional supports if it is to succeed, such as larger amounts of capital, the development of local bank branches and credit unions, more sophisticated forms of planning, including by laws on business location, land use and environmental protection.

However, local governments in these southern rural communities are already well developed. They are likely to be managed by professional staff, and to have become differentiated into specialized public sector institutions that have assumed responsibility for services such as health, education, social services, economic development or policing. The labour force of Aboriginal communities located in southern rural areas will have higher levels of education than those in the north, and closer connection to community colleges or universities. Some post-secondary institutions may be located in or near the community, or may offer courses on a decentralized basis.

## Urban

The Commission's research includes four case studies of Aboriginal economies in urban areas. These are studies of Kamloops, Regina (where one deals with First Nations and another with Metis), and Winnipeg.

Aboriginal population growth in urban areas is fueled by two factors—the influx of migrants from rural areas and the natural rate of increase of the population that is already residing in

the urban area. The result is that there is tremendous pressure to find employment, housing, education and other services and, if efforts to do so are insufficient, then one can expect to find the social consequences emerging in the form of poverty, unemployment, the growth of street gangs, and so on.

The urban area does provide more economic opportunity than is available in most rural, reserve communities, and this is reflected in figures which typically show that urban Aboriginal employment rates, income levels, education levels, and the prospects of finding a full-time job are higher. Nevertheless, the figures also show that, when compared to the non-Aboriginal, urban population, the urban Aboriginal population is distinctly worse off.

While the urban Aboriginal population is predominantly low income and poorly educated, there is also an emerging group of middle class, professional persons who have achieved an improved socio-economic position in part because of their success in obtaining higher levels of education and in part because of positions that have become available in the publicly-funded organizations that have developed in the last three decades. These grew in response to the larger Aboriginal population in urban areas, seeking to speak for, and provide services to, the swelling numbers.

In contrast to the other types of Aboriginal economies we have described above, the urban situation is distinguished by a number of features:

- the fact that Aboriginal people are dispersed among a large non-Aboriginal population in urban areas.
- Aboriginal people in urban areas are likely to come from different nations or cultural groupings, making it more difficult for them to come together in a cohesive manner
- the urban Aboriginal and non-Aboriginal population provides a large potential market, so Aboriginal business development remains an important means of increasing employment. However, the economic environment also includes thousands of already-established non-Aboriginal businesses, making employment in those businesses a logical and important part of an employment strategy
- while representative political organizations exist to speak for urban Aboriginal populations, there is often conflict among them over

- who speaks for whom. Additionally, they lack the resources and the jurisdiction to act with authority on the concerns of their members
- there is a continuing jurisdictional tangle. While Metis tend to be neglected by federal programs, First Nations people in urban areas are frequently caught in the middle of federal-provincial disputes over who has the responsibility and the resources to meet their needs
  - with a few exceptions there is no urban land base. However, funds to purchase land in urban areas can be made available through comprehensive or specific land claims, or through treaty land entitlement settlements, and these lands could possibly be given reserve status

### SOME PRECONDITIONS FOR ABORIGINAL ECONOMIC DEVELOPMENT

It is fair to conclude that, over the last several decades, academics, governments and the private sector have come to a better understanding and perhaps to more agreement on the conditions that need to be put in place in the context of which economic development can proceed. Our understanding of Aboriginal economies in particular has been enriched by the work of the Project on American Indian Economic Development at the John F. Kennedy School of Government, Harvard University. There, Joseph Kalt and his colleagues and students have undertaken a large number of case studies of tribal economies in the United States, seeking to identify the factors associated with successful economic development as defined by the tribes themselves. They contrast these instances with the larger number of cases where such development has not taken hold.

One of their conclusions is that political leaders and policy makers are forever trying to pick winners — that is, potentially successful business ventures — rather than putting their energies into getting the institutional framework and preconditions for economic development right:

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, as 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.

As the quotation indicates, economic development is about more than "picking winners." They conclude that the following elements are among the most important components for success:

### EXTERNAL OPPORTUNITY

External opportunity refers to the political, economic, and geographic settings of reservations. There are four dimensions that 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 which come 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

**distance from markets:** the distance tribes are from markets for their products.

### INTERNAL ASSETS

Internal assets refers to 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, etc.

**human capital:** the skills, knowledge, and expertise of the labour force acquired through education, training or 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

**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

## DEVELOPMENT STRATEGY

Development strategy refers to the decisions tribes make regarding their plans and approaches to economic development. There are two key decisions:

**overall economic system:** the organization of the reservation economy itself, on such questions as the form of ownership of business enterprises and the approach to economic development (e.g., tribal enterprises, individual or family entrepreneurship, joint ventures, etc.). 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 which take advantage of tribes' market opportunities, allow tribes to specialize in using natural and /or human resources most available to them, and are consistent with tribes' cultures are more likely to be successful.

Whether in a Canadian or United States 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, for example, would want to emphasize human resource development and may be less concerned about distance from markets or the natural resource base. In general, however, the more elements in place, the better the nation's prospects for building a successful and diversified economic base.

## NINE STEPS TO REBUILD ABORIGINAL ECONOMIES

The Commission's analysis of Aboriginal economies shares the view that the important thing is to put in place the conditions in the context of which economic development can proceed. To this end, its recommendations, which are summarized here, deal with many of the conditions specified above.

### Regaining Control

The Commission's research makes repeated reference to the need for Aboriginal nations to regain control over the levers that govern their economies, in the context of the broader emphasis on self-determination and self-government. In a speech to a Royal Commission Round Table discussion, Joseph Kalt compared those American tribal groups that had achieved higher and stable levels of economic development with those that had not. He concluded that:

When we look around reservations, we find key ingredients to economic development. The first is sovereignty itself. One of the interesting phenomena that 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....

Why is the exercise of sovereignty a key? Well, we think in part it's because our Bureau of Indian Affairs in the United States faces a severe conflict of interest. The fate of the Bureau of Indian Affairs rises and falls with the fate of Indian country. The higher the unemployment rate, the worse the poverty, the better off is the Bureau of Indian Affairs,

its budget rises, its staff rises, its power rises. The individuals who work for our Bureau of Indian Affairs are in general perfectly fine individuals but they work within a system that creates a tremendous conflict of interest in which it is not in the interests of the Bureau of Indian Affairs to spur economic development and reduce dependence on reservations. And in case after case after case, we find the Bureau of Indian Affairs standing as an impediment to economic development.

The Royal Commission case studies add other dimensions to this argument. In the case of our Lac Seul case study, for example, the focus is on lack of decision-making power over traditional lands and resources. Non-Aboriginal rules and regulations hold sway and these are rooted in a world view that is quite different from Aboriginal perspectives. The result is cultural conflict and a retreat from economic activity on the part of the Anishinaabe people:

Does this mean that, unless we adopt the non-aboriginal way of economic organization fully, we can never have the 'resources' at our disposal to achieve economic independence? Not necessarily, is how our focus group results would best be interpreted. As Anishinaabe people living at Lac Seul, we have immense knowledge of our Lands. We have livelihood customs which represent significant economic strengths that could be put to use in developing new economic pursuits as well as nurturing 'traditional' ones. If we had security of access to our Lands we could develop appropriate financing mechanisms to take advantage of economic opportunities. This is the 'capital' that many Lac Seul people would use to nurture their economic recovery. Unfortunately, the knowledge, skills and the customary organizational strengths of our people which are expressed in our culture cannot be used by them in ways they would often prefer. This is because we are missing the one ingredient necessary to undertake livelihood projects as we would want: authority in relation to our Lands.

Another illustration comes from the La Loche case study, which describes a community where the major part of economic activity is generated by the very high levels of spending that are required to deal with problems such as unemployment, poverty, alcoholism and family breakdown. This is reflected in the fact that

the newest buildings in the town are the liquor store and the jail, rather than buildings which would reflect a thriving economic base not unusually dependent on government funds. The community's leaders are well aware that spending is being largely devoted to short-term remedial kinds of activities, and that the only sensible long-term solution is to build a self-sustaining economic base for the community. They would like to divert spending, or at least a portion of the annual increase in spending, from meeting social to meeting economic development objectives, but are unable to do so because virtually all the spending is controlled by individual provincial and federal departments, each with its own agenda. Coordination between the departments and between the levels of government seems to be virtually non-existent, and the idea that spending patterns would actually change to meet the long-term best interests of the community seems to be a pipe dream. As a result, an ever increasing amount continues to be poured into the community, dedicated to the management or alleviation of social problems. On the other hand, if the community had more political authority and could access a pool of funds not tied to pre-existing agendas and separate departments, it would be possible to envisage a different agenda being realized.

For these and other reasons, the Commission in its recommendations supports the inherent right of Aboriginal nations to govern themselves, and urges federal, provincial and territorial governments to make room for an Aboriginal order of government in Canada. Until such time as self-government is achieved, the Commission recommends that governments move away from fragmented, project by project funding with narrow mandates. It advocates the signing of long-term development agreements which will provide funds in block form and which will greatly increase the flexibility of Aboriginal governments in advancing economic development according to their own priorities.

### **Rebuilding Aboriginal Nations**

The Royal Commission's Final Report makes a strong argument for the Aboriginal nation as the appropriate unit to exercise powers of self-government, and argues that steps should be taken to rebuild and revitalize this historically important level of organization among Aboriginal peoples. By using the term "nation," the

Commission refers to “a sizeable body of Aboriginal people who possess a shared sense of national identity and constitute the predominant population in a certain territory or collection of territories.” The term refers to cultural groupings such as the Mi’kmaq in the east, the Mohawk in central regions of Canada, the Metis on the Prairies, and the Dene and the Inuit in the North. The Commission estimates there are approximately 60 Aboriginal nations in Canada.

With respect to economic development, the case for organizing activity around the nation, as opposed to or in conjunction with individual communities, is essentially the argument surrounding economies of scale. A project that is not viable if carried out by an individual community may well be viable if carried out by a grouping of communities organized into a nation. Individual communities may not be able to support a specialist in agriculture by themselves, but such scarce and expensive human resources may well be fully occupied if they are employed at the nation level. The same argument can be made for institutions to support economic development. While each community needs to have economic development personnel, it need not necessarily have an Aboriginal capital corporation, or a research and policy unit, or a marketing agency.

The point about the importance of economic scale was clearly made in the Commission’s studies of natural resource sectors, which recognized the important gains that had been made in institutional development when sector-specific and often province-wide technical support programs were established. Examples in agriculture included organizations such as the Saskatchewan Indian Agricultural Program, the Manitoba Indian Agricultural Program, and the Western Indian Agricultural Corporation. Many of these initiatives in agriculture and other fields were undermined when funding was diverted back to individual communities, with the consequent loss of the technical expertise and support that significant projects in the natural resource field would require.

### **Building Institutional Capacity**

Kalt and his associates make the point that an expanded range of powers will not lead to long-term economic development unless Aboriginal governments can take effective action, and this

requires the development of effective institutions. The latter have three characteristics:

1. Such institutions need to be seen to be legitimate by the people of the community or nation, capable of mobilizing and sustaining support. This is more likely to occur if the institutions are congruent with the culture of the nation. We noted above the diversity of Aboriginal nations in economic terms, and the same is true in cultural terms. Aboriginal nations differ significantly in matters such as the role of women in decision-making, preferences for individual or collective ownership of businesses, or the degree of executive leadership they are prepared to tolerate. Their institutions of governance, broadly defined to include economic development institutions, should be congruent with the culture of the community or nation. They should not be expected to conform to the “one size fits all” models that have been imposed through legislation such as the Indian Act.
2. Secondly, Aboriginal institutions for economic development need to be able to implement strategic choices effectively. That is, they need to have the capacity to develop and implement rules and procedures that are seen to be fair, carried out by a well trained and professional staff.
3. Finally, the institutions need to create a political environment that is safe and secure for development, one that can attract confidence, commitment and investment. This requires in part:
  - finding a way to separate and limit powers in order to minimize the abuse of power. In particular, this requires finding a way to draw the line so that the wealth of the community is not exploited for personal gain by those who have political power in the community
  - having a fair and impartial mechanism for settling disputes
  - finding a way to guard against the inappropriate involvement of political leaders in the day-to-day decisions of business ventures or of economic development institutions. Political leaders do have an important role to play in economic development—for example, in setting long-term goals, identifying appropriate strategic directions, and in putting in

place the institutional base for economic development—but that role should stop short of interference in the day-to-day operation of businesses or economic development organizations. This does not mean that a community can't have collectively-owned businesses, or publicly established economic development organizations, only that such institutions need to operate at arms length from the political leadership in terms of their day-to-day operations.

Putting in place the institutions required for development takes care of one of the critical ingredients of an environment that supports economic development. To this end, the Commission's recommendations strongly support the strengthening of the institutional capacity for economic development in Aboriginal communities and nations.

### **Expanding Lands and Resources**

The Commission believes that the land and resource base of Aboriginal communities urgently need to be expanded if a more solid economic footing is to be achieved. The Commission's research clearly documents that making full use of available economic opportunities entails having an expanded land base and/or better access, ownership or control over resources such as fish, minerals, wildlife or forests.

The loss of control over and benefit from their lands and resources experienced by Aboriginal people historically has been truly staggering, and many unresolved issues remain. For example, in some areas of the country such as the Maritimes and much of British Columbia, treaties addressing land and resource issues have never been negotiated (comprehensive claim areas). In other regions where land agreements or treaties were signed, there are outstanding issues resulting from fraud in some cases, disagreements over what was agreed to, and failures to implement what was promised. In still other instances, negotiations need to take place because highways, hydro lines, or dams have made incursions on Aboriginal lands and resources without consent or compensation (specific claims).

Canadians may be surprised to learn how much greater the loss of Aboriginal lands has been in Canada than in the United States. As

Chart 4 illustrates, south of the 60<sup>th</sup> parallel in Canada, the remaining Aboriginal lands make up less than one-half of one per cent of the Canadian land mass. In the United States outside of Alaska, by way of contrast, Aboriginal people hold 3 per cent of the land even though they make up a much smaller proportion of the United States population.

Once lands for Aboriginal people were reserved or set aside in the last century, it is also the case that the land base has been steadily whittled away over time, to the point that little more than one-third of the acreage remains. Thus the land base belonging to each reserve is typically just a few acres now, not enough to provide housing for the rapidly expanding population let alone to provide a basis for economic development.

The case made by the Commission for an expanded land and resource base is multifaceted. It includes the need for land to accommodate the housing and other needs of a rapidly expanding population. It underlines the importance of Aboriginal lands and resources for maintaining Aboriginal culture. In economic terms, it is clear from any examination of contemporary Aboriginal economies, especially those outside urban areas, how important the land and resource base is to those economies and to their aspirations for future economic growth.

This is, of course, not the only route to a more prosperous future and some would argue that it is misguided, that the future lies in the "knowledge economy" and in "high technology" of the kind that is particularly visible among the computer hardware and software firms of Kanata. However, this conception of contemporary economies sets up a false dichotomy. In fact, the knowledge economy is pervasive through the economy as a whole, including the natural resources sector. From an Aboriginal perspective, the proper understanding and management of natural resources has always been knowledge intensive — that is a lot of what traditional knowledge is about — and it continues to be so as modern technology and techniques (such as GIS) take their place alongside more traditional understandings.

The Commission's Final Report discusses in some detail how an expanded land and resource base can be achieved. The means include a revised, more fair comprehensive claims process, the renewal or renegotiation of treaties, establishing a fund which would permit land to be purchased on the open market, a new process for settling specific claims and, in the short term, the return of lands that were taken from Aboriginal communities but that are not being used for the intended purpose.

The Commission's research makes the point that having clearly recognized rights to the land/resource base is critical, for this entirely changes the dynamic between the Aboriginal nation and non-Aboriginal governments and companies. Under this scenario, Aboriginal people are in control and in a much better position to negotiate with outside interests. On the one hand, they may choose to have outside companies develop the resource — indeed there may not be an option because the resource may be of such a nature that only outside interests could mobilize the capital and other resources required

to exploit the raw material. In these circumstances, the Aboriginal nation can be in a strong position to negotiate favourable employment, contracting or revenue sharing agreements with outside developers. On the other hand, the Aboriginal nation may choose to develop the resource itself. In a paper prepared for the Royal Commission dealing with the mining sector, Jeffrey Davidson from McGill University favours this alternative:

In Canada, aboriginal communities are increasingly being put in the position of having to consider the prospect of major mineral developments within their traditional territories. In the past, communities have rarely taken the initiative to encourage intensive mineral exploration within their lands, nor have they necessarily welcomed large-scale mineral developments....

At the same time, aboriginal communities have not given serious consideration to promoting and supporting some sort of regulated small-scale mineral industry on their reserves or within their traditional territories. This is certainly understandable in light of the general lack of an indigenous historical experience with mining and the lack of the technical and commercial skills base necessary for either effective supervision or successful operation at a commercial level....

The promise of commercially successful small-scale mining operations is their potential to offer a community substantially more meaningful returns in terms of providing jobs, stabilizing revenue streams, developing managerial, technical and trade skills within the community, creating opportunities to participate in decision-making and in the management and control of potentially adverse environmental and social impacts and their mitigation. Their benefits accrue primarily to the communities near which they are located. Furthermore, mining at the smaller scale can be more easily integrated into the pre-existing economy, and is potentially more responsive to locally-oriented social, economic and political development needs and objectives.....

In short, an expanded land and resource base and especially one in which Aboriginal nations have a clear legal interest, must be a major element in any strategy to rebuild Aboriginal economies.

## Recognizing Aboriginal and Treaty Rights

As noted in the previous section, one of the principal ways in which the land and resource base can be expanded is through the recognition of Aboriginal and treaty rights. This is perhaps most obvious when Aboriginal rights are recognized through comprehensive claims settlements, which make available an expanded land and resource base, provide capital and other supports for economic development, and in some cases also include negotiations over the scope of Aboriginal self-government. Whether the result is an expansion of business opportunities or new positions available in the public sector, the end result is a significant expansion of economic opportunities. Similar but more limited results can be expected from the processing of specific land claims, the settlement of treaty land entitlements, and the renewal, renegotiation or implementation of treaty provisions.

A considerable portion of the Royal Commission's research examines issues surrounding Aboriginal and treaty rights, and Commission reports make extensive recommendations about these matters. These include the recommendation that the policy of extinguishment be abandoned, that new legislation, procedures and institutions be put in place to make comprehensive claims negotiations more just and productive, and that existing treaties be reexamined where necessary to correct historical injustices or to adapt them to contemporary circumstances.

## Building Aboriginal Businesses

The Commission's case studies and other reports provide some insights into the kinds of measures that need to be taken to provide support for Aboriginal business development in addition to those (such as the expansion of the land and resource base) that have already been mentioned. These include recommendations such as the following:

- improving access to capital through the establishment of banking facilities at the community level, making funds available to establish micro lending circles, strengthening the Aboriginal capital corporations, making greater use of revolving loan funds, surmounting problems of access to credit on reserve through such means as Kahnawake's trust deed loan system,

and establishing a national Aboriginal development bank

- supporting entrepreneurship through improved business advisory services, including support for new entrepreneurs in the critical months after the business is established
- improving and expanding access to markets through such measures as the establishment of effective contract set aside programs, support for a trade promotion capacity within Aboriginal economic development institutions, and the labeling, protection and promotion of uniquely Aboriginal products

## Supporting Traditional Economies

We noted above how important the traditional economy is for northern Aboriginal populations in particular, as the preferred way of making a living, as a source of nutritious country food, as one component in a mixed economy, and as a repository for Aboriginal ecological knowledge. The Commission's research leaves no doubt that this sector should be supported as one of many options for making a living.

One of the principal obstacles facing those who wish to make a living in traditional ways from the resources of the land and sea is the difficulty of obtaining the cash that is necessary to support expenses such as hunting equipment, snowmobiles, gasoline and traps. Cash income can be derived from part-time work, from the proceeds of the hunt, or from transfer payments, but these sources may be inadequate or unsuitable. The current welfare system, for example, acts as a disincentive to the needs of wildlife harvesting because it imposes penalties against income derived from the harvest, and the method of payment necessarily keeps hunters within reach of their communities.

The Commission's research, however, takes an in-depth look at a different kind of income support program, one modelled by the James Bay Cree and now being tried in other parts of the country. Basically, the idea is to provide income support to help maintain self-employed hunters who are already involved in productive activities, according to the time they spend on the land. The support system guarantees 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.

Income support is not of course the only kind of support the traditional economy requires.

Other measures recommended in the Commission's report on wildlife harvesting, for example, include the need for a revolving loan fund, the strengthening of the organizational capacity of traditional resource users, the provision of appropriate training for trappers, and support for a trap exchange program so that new trapping technology can be adopted.

### **Overcoming Barriers to Employment**

In one of the more useful questions asked in the Aboriginal Peoples Survey, conducted in 1991 by Statistics Canada, respondents were asked to indicate what barriers they faced in finding employment. The results are given in Chart 5.

#### *Expanding Available Jobs.*

The results reveal that by far the largest perceived barrier to employment is the lack of available jobs. High unemployment or underemployment in Aboriginal communities is typically a function both of conditions specific to the community, such as the state of business development or the education/training level of the adult population, and of conditions in the wider economy. Although the correlation is not perfect, unemployment rates in Aboriginal communities tend to be quite a bit higher when the community is located in a region of high unemployment, such as the Maritimes or the north, than they are when the communities are located in low unemployment regions.

Thus Aboriginal individuals and their organizations should have a significant interest in the economic policies of the federal, provincial, and territorial governments. Federal macro economic policy is particularly important because policy levers such as interest rates, exchange rates and fiscal policy set the stage for economic activity across the country and thereby exert a major influence on the number and types of jobs that are created at the local level. If jobs are available, then everything else tends to work better — there is more incentive to enter training programs, there is more success upon graduation, job finding techniques are more likely to work, and so on.

#### *Education and Training*

The second most significant barrier relates to the mismatch that is perceived to exist between the person's education/training qualifications, and the jobs that are available. The Commission's research on economic development repeatedly comes back to issues of education and training, and it does so for good reason. Available data clearly shows the relationship between levels of education and levels of unemployment (or many other measures of labour market outcomes). Indeed, it is difficult to envisage successfully carrying out strategies to expand employment without building in closely-linked strategies for making sure that properly qualified Aboriginal persons are available to assume the new positions.

Many of the issues pertaining to education and training are addressed by the Commission's research program in education and by the education/training recommendations contained in the Final Report. Among those studies commissioned in the area of economic development, the most directly relevant calls attention to the very positive and successful model provided by the tribal colleges in the United States. The lack of Aboriginal personnel with education in economic development-related fields is also identified. Finally, the study addresses the issue of the lack of representation of Aboriginal people in the science and mathematics-based professions. It recommends a three-part strategy in this connection:

- fostering a "desire to be" and providing the encouragement "to become"
- establishing the foundation to be a professional in a science-based discipline
- establishing a better learning environment for Aboriginal students so that they can successfully make the transition from high school into a technical/university science based degree or diploma program

#### *Improving Information Networks.*

If sufficient jobs are created and qualified Aboriginal people are available to take them, there still remains the problem of making the connection between the two. Social science research has made clear that 80 per cent or more of job vacancies are filled not through formal means such as newspaper advertising but rather through informal interpersonal networks that connect "those in the know" or "those with the connections" with the vacancy.

When the employer is non-Aboriginal, interpersonal networks are likely to be non-existent because there is not likely to be one or more Aboriginal employees already within the firm, and because the employer would not likely have personal connections to the Aboriginal community. Even if the firm is a larger one and uses formal recruitment methods, such as advertising for applicants, there are prior steps that may lead to the position being filled before the advertising stage is reached. For example, there may be collective agreements that give employees already with the firm the option to take the position if they are qualified. Or the employer may first check the applications on file to see if a suitable candidate emerges.

In order to bridge this kind of information/connection gap, and to prepare both job applicants and employers for working with each other, it is very important that governments make available an organized employment service that is particularly geared to the Aboriginal population. Unfortunately, these kinds of employment services are not available in all Canadian urban areas, and even when they do exist they have serious problems in obtaining the level and stability of funding that they need.

#### *Agreements with Major Employers*

After "lack of job information," the next most important barrier cited by respondents to the Aboriginal Peoples Survey is that of "being Aboriginal," a comment that can be taken to refer to the existence of discrimination. This supports other data available from the Commission's research which also suggests that discrimination is a significant barrier limiting employment possibilities.

The Royal Commission's Final Report outlines a new approach to breaking down employment barriers for Aboriginal people. This new strategy builds from the presumption that most employers have little connection to the Aboriginal community. Thus job vacancies are typically not made known to the community nor are the employers well versed in the steps they need to take to recruit effectively nor to create a comfortable environment that would serve to retain employees once hired. At least three other barriers stand in the way of an effective employment equity program. The first is the lack of suitably qualified individuals for the positions that may be available. The second is the fact that most employers are relatively passive about their recruitment efforts, typically waiting for Aboriginal applicants to come to them and make their qualifications known. The third is that most employers are geared to dealing with *individual* applicants; there is no effort made to connect with the community as a whole.

An approach to employment that would likely be more effective is one that involves the development of ties between employers and Aboriginal governments or organizations, especially those that have responsibilities for providing employment services, training and finding employment. Under this scenario, the employer would identify the kinds of vacancies that occur regularly or that are forecast to occur in a given time frame in the future. In collaboration with

the Aboriginal organization, suitable individuals from the community would be identified either to become candidates to assume the positions in the short term or, if suitably qualified individuals were not available, to undertake the necessary education and training so that they would be qualified in the future. At the same time, the Aboriginal organization would work with the employer in order to identify changes in workplace practices that would serve to maximize the prospects that the newly hired individuals would be retained. What is being recommended here is a long term, planned and collaborative approach.

This approach is being recommended in the context of providing much-needed employment for a rapidly expanding Aboriginal labour force. It can also be used to provide education, training and work experience for Aboriginal persons in occupations that are in high demand in the context of self-government — providing a training ground that includes hands-on experience for a number of years before the individual assumes duties on behalf of an Aboriginal government.

### *Child Care*

The final barrier to employment cited by the Aboriginal Peoples Survey is the lack of child care, a factor mentioned by close to 10 per cent of those responding. Not surprisingly, it is parents and female respondents who are most likely to cite this barrier. For these groups, it is a problem for close to a quarter of those who responded to the Aboriginal Peoples Survey.

This problem also figured prominently in the Commission's research which documents shortages in child care spaces, culturally inappropriate services, culturally insensitive provincial and territorial regulations, jurisdictional conflicts between federal and provincial governments, and the lack of trained child care workers, among other problems. However, some progress on the issues related to child care is being made through recent initiatives, such as the federal government's Aboriginal Headstart program and the First Nations and Inuit child care program. Unless child care issues are resolved, Aboriginal women in particular will find it impossible to take advantage of education, training and employment opportunities.

### **New Approaches to Income Support**

As we documented above, Aboriginal communities with high levels of unemployment typically

receive major infusions of funds from transfer payments provided by provincial, territorial and especially the federal government. Social security payments such as unemployment insurance, veterans benefits and old age pensions make up a portion of the total, but social assistance or welfare is the most significant item.

Typically these transfers are considered to be individual entitlements, paid to persons as a matter of right on the basis of need, and not requiring much of the recipient. The payments basically set a meagre floor for incomes, and provide the means for ensuring that groceries, fuel oil, shelter costs and similar items can be purchased.

As we have seen above in the case of harvester support programs, transfer payments need not be provided only in this way. They can be designed in such a way that they support productive activity, and indeed some Aboriginal communities take advantage of the limited flexibility allowed them by outside governments to use their social assistance money in more creative ways — for example, to provide wages rather than social assistance to those encouraged to work on a housing project. Others require recipients to develop a plan of action for getting off social assistance and to implement the plan in exchange for the financial assistance that is provided.

Perhaps the most radical departure from established patterns is what might be called the community entitlement approach, modelled by the Australian community development employment program. Here, the community decides democratically that it would like to shift from a system of individual entitlement for social assistance to one of community entitlement. The community develops a plan for particular projects that would improve community infrastructure, for example, or the economic development of the community, and an application is made to the source of welfare funds. In Australia this is the Aboriginal and Torres Strait Islander Commission. If the proposal is approved, then an amount equal to what the community would have received under the more normal individual entitlement welfare system is transferred to the community. In addition, a top-up amount of up to 20 per cent is provided to meet the costs of equipment for the project. As the projects are implemented, those who work on them are paid in the form of wages rather than social assistance. In this way, the community benefits by

having much-needed work completed in the interest of the social and economic development of the community. This is another example of how income support funds, which usually support only consumption, can be used in more productive ways to provide employment and to lay the basis for the further development of the community.

### **CONCLUSION: THE COST OF DOING NOTHING**

The Commission's recommendations in the area of economic development, as in the other areas of its mandate, call for far-reaching change. While the report has been warmly embraced by the Aboriginal leadership in the country, some non-Aboriginal governments have seemed to ignore the report while others have sought to pull from it some mildly reformist measures. What needs to be recognized is that the costs of the status quo are very substantial, and climbing. As John McCallum's presentation revealed, billions are lost each year by the failure of the country to realize the full economic potential of Aboriginal people—the acceptance of low labour force participation levels, atrocious unemployment levels, low earnings from the jobs that are held, and low incomes from other forms of wealth creation.

The Commission makes the case, in other words, that cost of the status quo amounted to \$7.5 billion in 1996 because of the net cost of foregone production, the extra cost of remedial programs and financial assistance, and the cost of foregone government revenues. Furthermore, if we keep with present policies, it is estimated that the cost of the status quo will escalate to \$11.0 billion by the year 2016.

Leaving aside moral, legal, social and other arguments for change, this is the financial argument for doing things differently. To make the basic structural changes that the Commission recommends—for example, with respect to the redistribution of lands and resources or self-government—will cost more than the status quo in the short to medium term, but the benefits will start to be visible within a decade. The Commission projects that, within 15 years to 20 years, the costs of the Commission's approach will be less than the status quo as the effect of new policies are realized in the form of increased incomes for Aboriginal people, and in positive changes to government expenditures and revenues.

In general, the Commission argues we need to make a sharp break with the patterns of the past, and have the courage and the foresight to establish a new relationship between Aboriginal and non-Aboriginal Canadians in this part of North America that we all share.