FIRST NATION COMMUNITIES AND URBAN ECONOMIES

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ABSTRACT / RÉSUMÉ

First Nation communities generally do not enjoy the same levels of employment and income as other small communities. These economic disparities are stubbornly persistent. Much hope has been vested in the natural resource sectors, and the recent boom has rekindled those hopes. This study offers an alternative vision that posits economic integration with local urban centres as a key driving force of economic development. The performance of First Nation economies in light of their connection to urban centres is reviewed, and the role of urban centres in economic development is discussed.

Les communautés des Premières nations ne bénéficient pas en général des mêmes niveaux d'emploi et de revenu que les autres petites collectivités. Ces disparités économiques sont obstinément tenaces. Beaucoup d'espoir a été fondé dans le secteur des ressources naturelles et l'essor récent de ce secteur a attisé ces espoirs. Cette étude offre une autre vision, posant comme postulat l'intégration économique aux centres urbains comme moteur du développement économique. L'auteur examine le rendement des économies des Premières nations à la lumière de leur lien avec les centres urbains et le rôle des centres urbains dans le développement économique.

First Nation communities generally do not enjoy the same levels of employment and income as other small communities. These economic disparities are stubbornly persistent. Much hope has been vested in the natural resource sectors and the recent boom has rekindled those hopes. Here we offer an alternative vision that posits economic integration with urban centres as a key driving force for the economic development of small communities. We review the performance of First Nation economies in light of their connection to urban centres and briefly discuss the role of urban centres in economic development.

AN ECONOMIC LINK TO AN URBAN CENTRE

One crucial economic link between a small community and an urban centre is the extent to which residents of a small community participate in the labour market of the urban area, i. e., commute to work in the urban area. Statistics Canada's Statistical Area Classification (SAC) subdivides communities into seven groups according to the strength of this link, ranging from those that are part of a metropolitan area to those that have no connection at all to an urban centre (See text box; overleaf).

There are 615 First Nations in Canada that have some 2,800 parcels of land of various sizes. The 2001 census enumerated 307 separate First Nation territories with a population of 250 or more in the ten provinces.[1] The average population of these communities is 478 people, and the largest has 5,022 residents. The communities are very small and most are not close to a large urban centre.

In this study we compare these First Nation communities with other small communities south of sixty. To avoid comparing apples to oranges, we limit the population size of other communities to the same range as that of First Nations, i.e., 250 to 5,500 residents. There are nearly 3,000 non-First-Nation communities in Canada with such small populations.

Table 1 shows that First Nation communities are not as closely linked to urban labour markets as other

TABLE 1: Communities with a population of 250 to 5,500, by SAC type and reserve status

			NUMBER OF CSDs		SHARE OF TOTAL	
			FIRST NATION	OTHER	FIRST NATION	OTHER
Small community is part of an urban centre	1	Metropolitan	16	153	5%	5%
	2	Large urban	10	31	3%	**1%**
	3	Small urban	26	167	8%	6%
Small community is not part of an urban centre but has an economic link to it that is	**4**	Strong	7	428	2%	14%
	5	Moderate	55	1,113	18%	37%
	6	Weak	78	782	25%	26%
	7	None	15	298	37%	10%
Total			**207**	**2972**	**98%**	**98%**

communities. More than three in five First Nation communities have a weak or no link to an urban centre (categories 6 and 7), whereas one in two other communities have either a moderate or a strong connection to an urban centre.

COMMUNITIES AND THE STATISTICAL AREA CLASSIFICATION (SAC) SYSTEM

Each small community considered in this study is some type of municipality or a populated reserve. According to Statistics Canada, each such community is a Census Subdivision (CSD), a geographic unit for the purpose of the population census. A few First Nations have more than one separate populated territory or CSD but most have just a single one.

According to Statistics Canada's Statistical Area Classification (SAC), a CSD can be a part of:

1) a census metropolitan area (CMA), an urban centre with a population of more than 100,000
2) a "tracted" census agglomeration (CA), an urban centre with a population of 50,000 to 100,000
3) a non-tracted census agglomeration, having a population of 10,000 to 50,000.

Generally, a community is considered part of the urban centre if more than one-half of the employed labour force of the community works in the urban centre outside the community.

CSDs that are not part of an urban centre are subdivided according to the share of the employed labour force that commutes to the urban centre, as follows:

4) Strong influence: 30% to 50%;
5) Moderate influence: 5% to 30%;
6) Weak influence: less than 5% but more than 0%;
1) No influence: no commuting at all.

For these four categories, the SAC classification does not indicate the size of the urban centre the community is connected to. Communities north of sixty make up an eighth category not included in this review.

INCOME AND EMPLOYMENT

According to the 2001 census, income per capita in First Nation communities ($9,634) is only 56% of that in other communities ($17,228). Employment income, other market income and transfer payments are all lower in First Nation communities, with employment income accounting for most of the difference in total income (Figure 1, leftmost column).

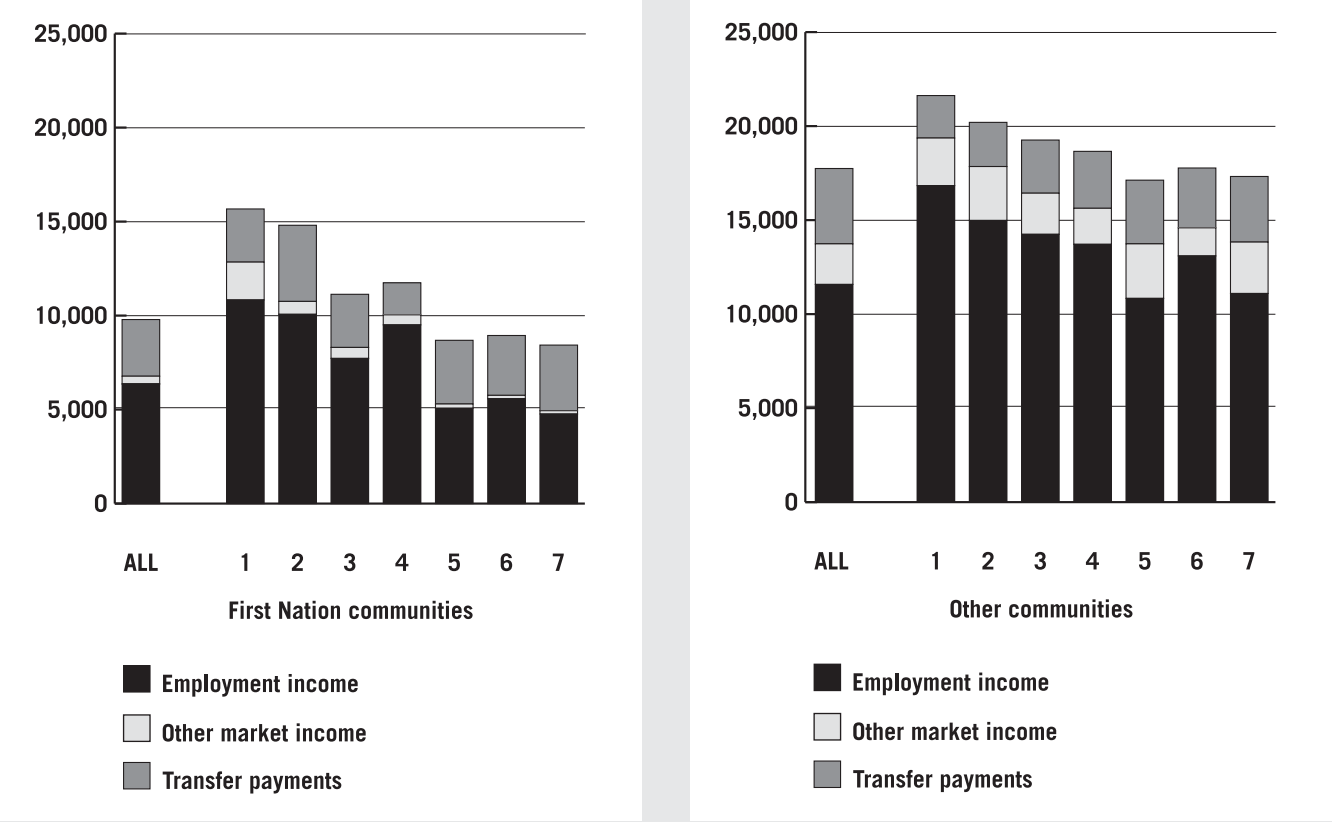
A major reason for lower employment income in First Nation communities is lower employment (Figure 2). Employment as a share of the working-age population in First Nation communities is only 75% of that in other communities (Figure 3). Earnings per employed person are also lower in First Nation communities: they are only 78% of what employed people in other communities earn (Figure 3).

These differences are well known, and they have not changed very much between recent censuses. Figures 1, 2 and 3 also show the same indicators for communities subdivided by the strength of their link to the labour market of an urban centre. For First Nation communities, the stronger this link, the higher income and employment are. For other communities, income also varies depending on the link to an urban centre but employment is more or less the same regardless of this link. The weaker the links to an urban centre, the lower earnings are per employed person and employment in First Nation communities relative to other communities (Figure 3).

What accounts for these patterns? As a general rule, better-paying jobs tend to be in urban centres where one finds more head offices of businesses, more highly qualified people in the public and business services sectors and a better-educated labour force. Communities that are located in or near cities can participate in the high-wage economies of those cities, as both First Nation and other communities appear to do. However, First Nations do not draw the same level of high earnings as do other communities resulting from their participation in urban labour markets.

First Nation communities have more public sector employment than their counterparts – i.e., jobs in public

FIGURE 1: Total income per capita and its three components, small communities by connection to an urban centre*



* Columns 1 to 7 in reflect the seven SAC categories described in the text box

administration, infrastructure (roads, water and utilities and security), education and health care and social services. On average, these jobs may provide good if not very high levels of pay. Even so, earnings per employed person in First Nations communities without a strong link to urban centres are relatively low. This suggests there are no or few well-paying private sector jobs in rural and remote First Nation communities.

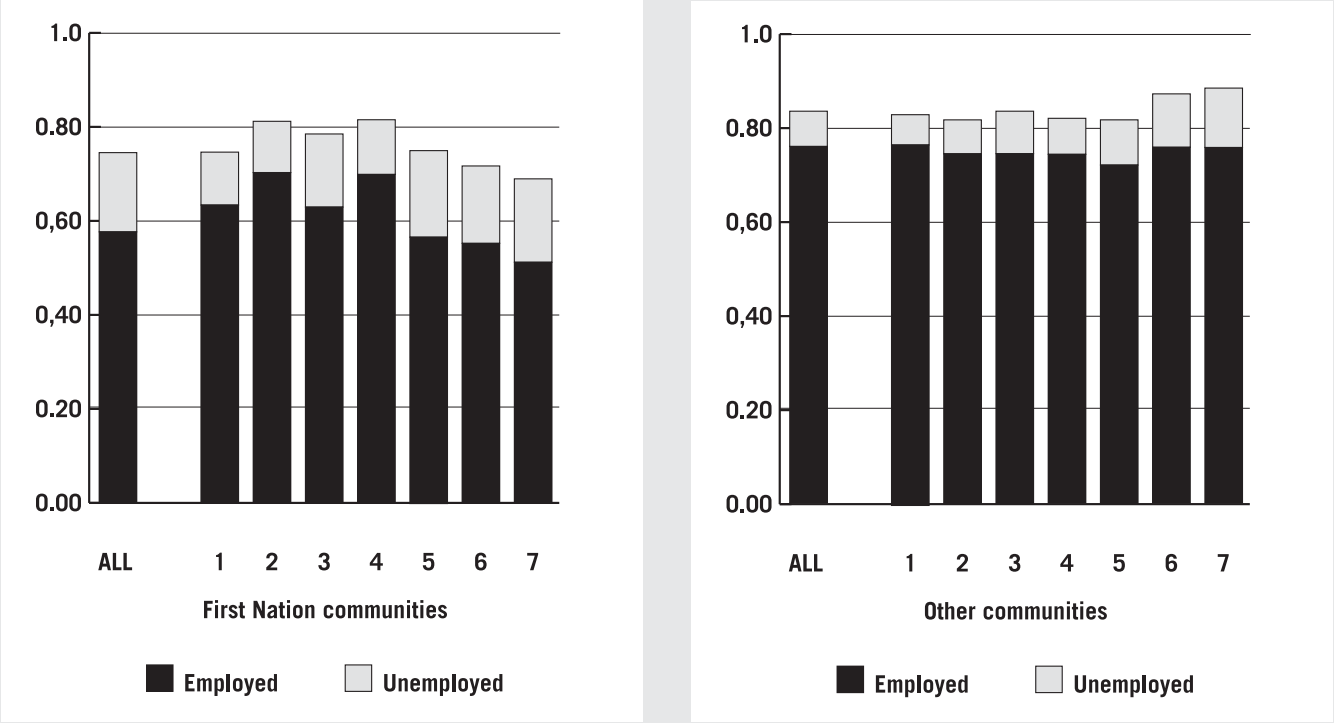
That employment in other communities does not vary with the link to an urban centre may well be due to the fact that, by and large, people live where there are jobs. Settlements arise and grow where there is economic opportunity. When employment in a small community becomes less plentiful, people move away and sometimes the community ceases to exist. By contrast, First Nations communities are located in the traditional territories and frequently at some distance from such activity. In many of these places there has been little opportunity for market-based economic activity. Out-migration has taken place but communities have continued to exist in spite of lack of jobs.

TRANSFER PAYMENT INCOME

Government transfers to persons are lower in First Nation communities than in other small communities (Figure 4, leftmost column). This reflects differences in population structure (Figure 5) as well as in income and employment. Child benefits are high in First Nation communities where children are numerous, whereas transfers to the old-aged are much higher in other communities, where seniors make up a large share of the population. Low incomes in First Nation communities make for higher child benefits; while, in other communities CPP-QPP benefits per senior are higher because these people have been employed for much of their working lives.

First Nation communities receive much less in EI benefits than their counterparts, but much more of "Other transfer payments" (Figures 4 and 6). Other government transfers consist of social assistance payments and a variety of small tax credits and benefits that tend to be associated with low income from other sources.

FIGURE 2: Employment and unemployment as a share of the population of working age; small communities by connection to an urban centre



The amounts of transfers to people of working age (i.e., EI benefits and other transfer payments) do not seem to vary according to the strength of the link to an urban centre. However, EI benefits in other communities are high where there is no or only a weak or moderate link to an urban centre (Figure 4). Higher EI benefits in rural and remote places reflect the higher unemployment rates and more seasonal employment and lower qualification requirements for EI benefits. The number of hours of employment needed to qualify for benefits depends on the regional unemployment rate.

First Nation communities with a weak link to an urban centre are also often found in regions with higher unemployment and easier qualification for EI benefits; but, the amount of EI benefits; but, the amount of EI benefits received is rather low. As shown in Figure 6, EI benefits per unemployed person are only 30% to 40% of those in similar other communities that are not part of or have no strong link to an urban centre. This must be because employment is so scarce that people fail to qualify for EI benefits even where it does not take many weeks of employment to qualify for benefits.

This brief overview illustrates a profound difference: most First Nation communities do not have an economic rationale for their existence in terms of the contemporary global market economy. Other communities, generally, would not come into being without an economic base and would decline and even disappear, if their economic base fell away. Some First Nation communities have been able to participate in the economy of a nearby urban centre but most have not.

THE DRIVING FORCES OF ECONOMIC DEVELOPMENT

The history of the development of Canada after contact with Europe is well described by the "staples theory" of Harold Innis, who saw settlement of Canada resulting from an abundance of natural resources that were in demand. Communities developed in agricultural regions and around sawmills as well as pulp and paper plants and mines. Gateways to the hinterland grew into towns and cities.

In the latter part of the 20th century, natural resources were not the engine of growth they were when Canada was a frontier society. For the most part, the regions of Canada had to look to other sources of economic growth. As Higgins and Savoie (1997) put it, the challenge of economic

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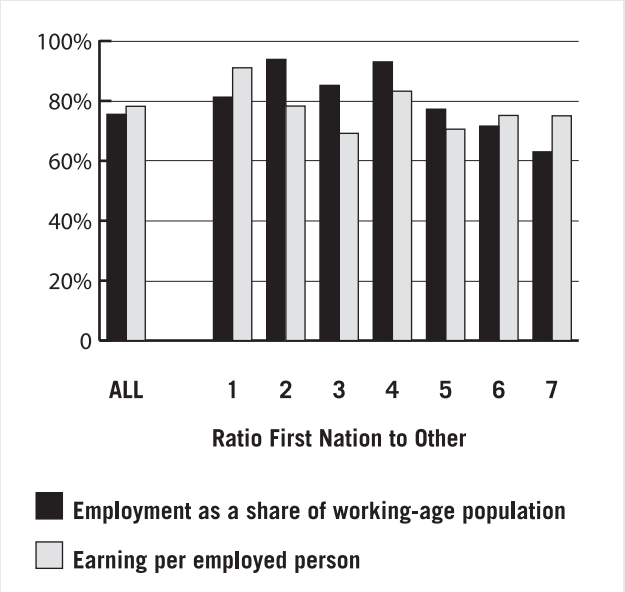
development for Canada is to transform the economy from exploitation of natural resources to exploitation of new technologies and development of new products and services, i.e., from a natural-resource-based to a human-resource-based economy. Michael Porter, Ann Markusen and Jane Jacobs are some of the leading observers of this new economy.

- Michael Porter (1998) argues that industrial "clusters", i.e., groups of related sectors concentrated in a region may generate a competitive advantage for the region and a leading role in world markets. The basic factors that have determined location of industry for so long – a ready source of energy, literate workers, and so on – are now available anywhere in the world. A region's success in the modern economy increasingly depends on factor conditions that are man-made, specialized and are the result of long-term investments. Examples include workers with uncommon expertise and research institutions specialising in key technologies – specialised human resources of high quality.
- Ann Markusen (1999) focuses on the life cycle of industries from birth to growth, stagnation and decline. In the early stages of development of new products, an industry is necessarily concentrated in one or a few areas. Chance plays a large role in determining these areas, although regions can enhance their chance of harbouring a new industry by creating favourable conditions to attract high-quality human resources, researchers and entrepreneurs. During this early stage, a new industry tends to be very profitable and grow rapidly. As the industry matures, competition increases, and success depends more on cost of production. Firms would then locate in lower-cost areas or close to large markets. At some point, growth levels off and decline may set in. Many countries and regions are vying to be the place where major new industries are born, as success at this brings high incomes and rapid growth. This is known as the "first mover advantage".
- Consistent with the theories of Porter and Markusen is the idea that population size makes a difference. A large city tends to have more diversity of economic activity, more specialisation, and cross-fertilisation, known in economic science as "agglomeration economies". Larger cities have more dynamic economies capable of generating growth. Jane Jacobs (1970) regards cities as the locus of innovation leading to economic growth. More specifically, she sees import replacement as the engine that can generate explosive growth.

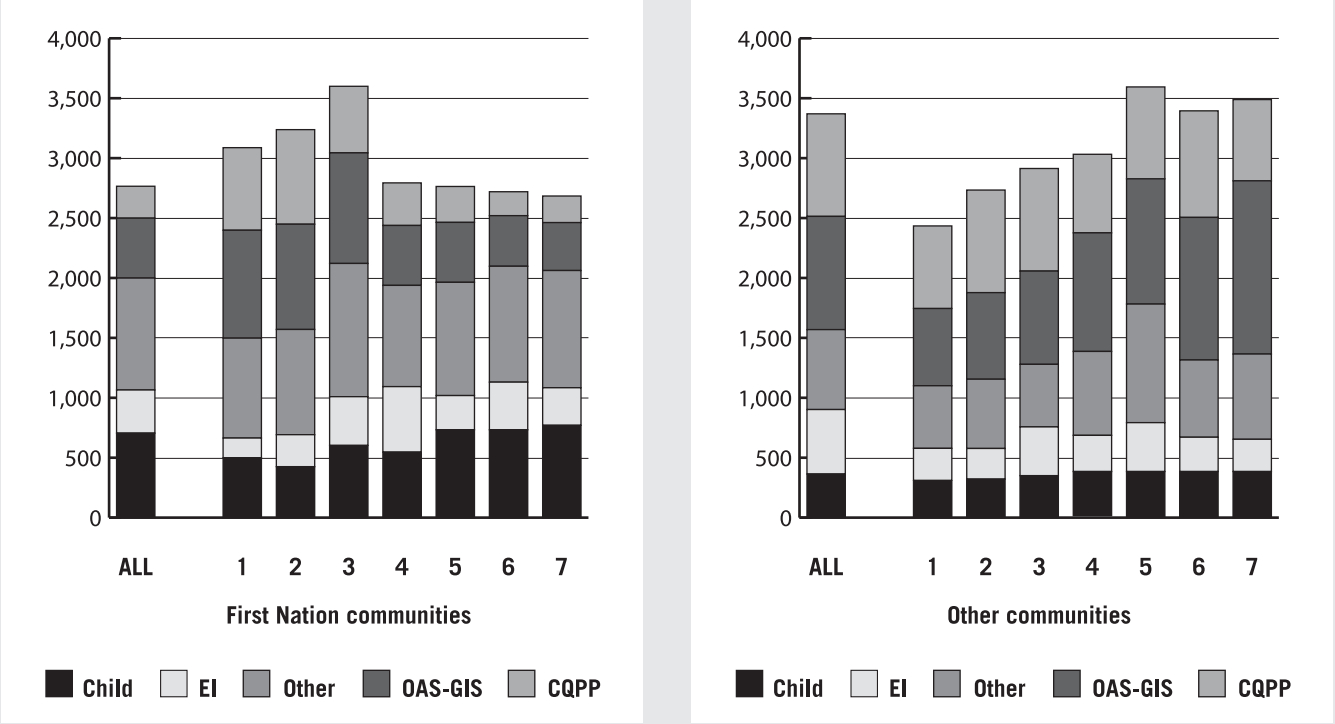
Persistent differences in average income among Canada's regions are consistent with the idea that a small, scattered population and lack of a large city are a disadvantage in economic development. This insight has led governments to make efforts to concentrate development in "growth poles", by, among other things, attracting "footloose industries". These methods have not met with lasting success. Efforts then turned to community economic development: stimulating small business development, developing local talent and building local capacity. Today, local, regional and provincial governments commit significant resources to this form of economic development. Across the country there exists quite a large network of community development corporations engaged in small

FIGURE 3: Employment income and other market income; small communities by connection to an urban centre



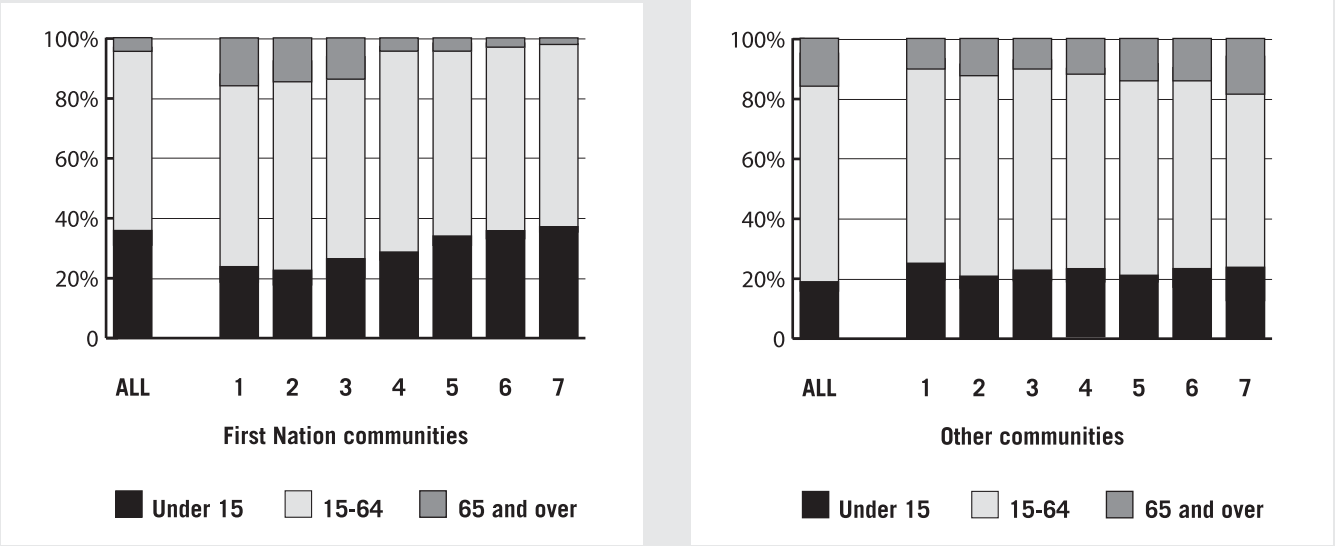
[1] Other market income consists of investment income and pension income.

FIGURE 4: Transfer payment income per capita; small communities by connection to an urban centre



[1] Child: federal and provincial child benefits. EI: Employment Insurance benefits. Other transfer payment income: social assistance benefits and a variety of other transfers that tend to be associated with low income from other sources. OAS-GIS: Old Age Security benefits and the Guaranteed Income Supplement for seniors. CPP-QPP: Canada and Quebec Pension Plan benefits.

FIGURE 5: Age structure of the population; small communities by connection to an urban centre



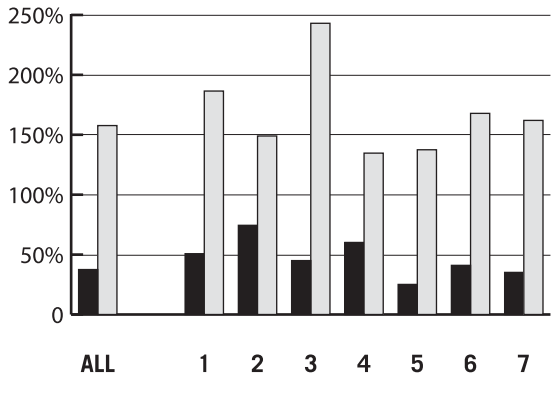
business development and financing, management training and local economic planning.

In spite of considerable efforts by governments, smaller rural and remote communities have generally not fared well in the last quarter of the 20th century, as noted in the study by Higgins and Savoie mentioned earlier. In agricultural areas, small communities have declined and disappeared. As farming required ever fewer workers, the family farm made way for farming corporations and distance became less important. Similarly, mechanisation and automation reduced the amount of local labour involved in mining and forestry and often replaced it with highly trained operators brought in from urban centres. Provinces struggle to define rural strategies to bolster some rural and remote communities amidst the general decline.

First Nations, on the whole, did not participate in the natural-resource-driven economic development of Canada. Moreover, they are not fully participating in contemporary urban-driven economic growth. The Royal Commission on Aboriginal Peoples (RCAP 1996) attributes this primarily to historical exclusion, institutional factors like the special legal environment on reserves and various disruptions including the introduction of welfare payments. RCAP also notes that many Aboriginal communities are isolated, with little employment in the surrounding area. We would add to this that there is a high incidence of physical and mental health problems in First Nation communities and that a lack of economic development over a long period of time undermines the capacity to participate in development.

In the early years of the 21st century, world demand for natural resources has strengthened due in large part to rapid economic growth in Asia. Indeed, it seems that natural resources, particularly oil and gas, are once again the major economic driving force, with major impacts where the resources are found. However, many of Canada's small communities are not positively impacted by this perhaps temporary boom. Their economic future may lie in ties to the dynamism of Canada's urban centres. We believe that sharing in the economic growth of urban economies is an essential ingredient for lasting economic success of smaller communities.

FIGURE 6: Other transfer payments and Employment Insurance benefits; small communities by connection to an urban centre



CONCLUSION

In this brief review we could do no more than present a perspective on economic development and offer some general comments on patterns found in the charts. This is far from a definitive analysis. We have viewed the economies of small communities through a single lens: the extent of commuting into the urban labour market. We have not considered geographic distance as a barrier to participation in urban economies. Furthermore, we aggregated large and small urban centres, even though they may have very different economic dynamics.

Even so, we believe that the facts we have shown are striking enough to consider economic links to an urban centre a major factor in the economic development of small communities including First Nation communities. Strengthening these links may be a way of overcoming the exclusion of many First Nation communities from the larger economy that was noted by RCAP. In a recent report, the Senate Committee on Aboriginal Affairs (2006) discussed this challenge. The committee points in three directions:

- Small communities should work together to pursue common economic development objectives.
- Remote First Nations should have an urban strategy.
- Many communities need better basic infrastructure.

Of these directions, the notion of an urban strategy for First Nations fits well with the perspective taken in this paper. Working together to overcome size limitations and investing in infrastructure are constructive ideas; and, improving the level of education is, of course, also a vital

ingredient. We hope that this brief review of economic self-reliance will contribute to a sharper focus on the challenge of economic development of small, remote First Nations and more and sustained action to meet that challenge by building economic links to urban centres.

NOTE

[1] Statistics Canada does not publish income data for communities with a population of less than 250 persons.

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