

An Overview of Indigenous Economies Within Canada

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Abstract

Attempts to measure aspects of Indigenous economies within Canada are limited by data availability and quality. Drawing on the most recent data sources and research, we provide an overview of such economies and their relationship to the economy of Canada. This includes a discussion of labour markets and the characteristics of Indigenous-owned businesses. While several measures suggest economic outcomes have improved for Indigenous Peoples in recent decades, some institutional settings and gaps in infrastructure and financing continue to hinder economic progress. The creation of new institutions is helping Indigenous communities to overcome these historic barriers. However, continued progress is needed to improve data on Indigenous economies to enable Indigenous and Canadian policy-makers to make informed decisions.

Topics: Central bank research, Development economics, Financial services, Labour markets, Monetary Policy Transmission, Regional economic developments

JEL codes: E01, E02, N41, N42, O43, P48

Résumé

La disponibilité et la qualité des données freinent les tentatives pour évaluer divers aspects des économies autochtones au Canada. Nous nous appuyons sur les sources de données et les recherches les plus récentes pour présenter une vue d'ensemble de ces économies et de leurs relations avec l'économie canadienne. Nous analysons notamment les marchés du travail et les caractéristiques des entreprises autochtones. Bien que plusieurs indicateurs montrent une amélioration de la situation économique des Autochtones au cours des dernières décennies, certains cadres institutionnels et certaines lacunes en matière d'infrastructures et de financement restent un obstacle à leur développement économique. La création de nouvelles institutions aide les communautés autochtones à se libérer de ces entraves historiques. Cependant, les progrès doivent se poursuivre pour que les données sur les économies autochtones soient améliorées, afin de permettre aux décisionnaires autochtones et canadiens de prendre des décisions éclairées.

Sujets : Recherches menées par les banques centrales, Économie du développement, Services financiers, Marchés du travail, Transmission de la politique monétaire, Évolution économique régionale

Codes JEL : E01, E02, N41, N42, O43, P48

Introduction

Indigenous Peoples within Canada have long faced systemic barriers to developing their economies. These barriers have led to persistent socio-economic disparities relative to non-Indigenous people. As noted by the First Nations Financial Management Board (FMB) in its "RoadMap Project," these socio-economic gaps impede reconciliation, while a lack of data limits the ability of policy-makers to make informed decisions that can benefit Indigenous economies (FMB 2022).

Respecting the principles of Indigenous self-governance and economic self-determination entails a recognition that Indigenous economies are varied, and in many respects, distinct from one another and the overall Canadian economy. Indigenous governments may have economic objectives that differ from those of the provincial and federal governments. It is from this perspective that Carol Anne Hilton writes, "My work specifically brings focus and attention to the economic empowerment of Indigenous Nations to design our own future as Indigenous Peoples" (Hilton 2021, 13). In this paper we define Indigenous economies through this lens, to encompass both the economic empowerment and self-government of Indigenous communities as well as the contributions of Indigenous Peoples to the Canadian economy. While our definition includes both an overview of the successes and challenges of Indigenous economies individually and in relation to the Canadian economy, we limit ourselves, for the most part, to the conventional measures used by economists to measure economic outcomes. In this respect, we acknowledge that our definition provides only a partial picture of Indigenous living standards, as others have argued that an Indigenous approach to measuring economic progress needs to account for the value of natural, social and cultural assets (Podlasly et al. 2020; Anielski and Hilton 2021).

In recent years there has been growth in research related to Indigenous economies within Canada and their relationship to the economy of Canada. This work has advanced understanding across multiple dimensions. However, there have been no systematic reviews linking aggregate trends in the most recent data to the major themes that have emerged from this body of research. We fill this gap by discussing the main findings from this literature in the context of new descriptive statistics from the most recent Census and newly available data on Indigenous-owned businesses within Canada. Several main takeaways follow from our overview. Indigenous economies are growing, and Indigenous Peoples will become an increasingly important share of Canada's future labour market. Yet, some institutional barriers, and gaps in infrastructure and financing continue to hinder Indigenous economic progress. New institutions and frameworks have been created that are helping Indigenous communities overcome some of these barriers. Finally, we argue that improving data is necessary to enable Indigenous and Canadian policy-makers to make informed decisions.

Our work complements several other papers that provide overviews of various aspects of Indigenous economies within Canada, with the most recent including: Gangji, Jones, and Wheeler (2023), Indigenous Services Canada (2023a), and Feir (2024).¹ Gangji, Jones, and Wheeler (2023) study the impact of the COVID-19 pandemic on Indigenous populations and argue that socio-economic disparities that existed pre-pandemic increased risk and harm to Indigenous Peoples. They provide background information that overlaps with several aspects of our analysis. However, their focus is much more

¹ Earlier reviews of the Indigenous economies within Canada can be found in Wilson and MacDonald (2010) and the Royal Commission on Aboriginal Peoples (1996).

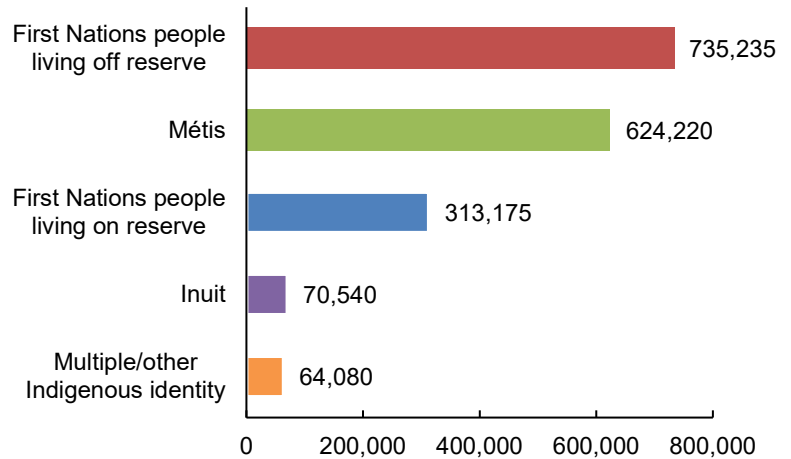
centered around Indigenous Peoples' experience of COVID-19, whereas our focus is on longer run trends in the data and literature. Indigenous Services Canada (2023a) recently published an update on the socio-economic gaps between the Indigenous and non-Indigenous populations within Canada using data from the 2021 Census and previous censuses. While some of the indicators in that report overlap with our descriptive analysis, it does not cover Indigenous-owned businesses or access to financing. In addition, our analysis contextualizes the most recent trends in the data by linking them to related research findings, whereas their analysis is largely limited to a presentation of the statistical trends. Feir (2024) reviews and reflects on the literature on Canadian Indigenous policy that has been published in *Canadian Public Policy* and top economics journals since 1975. They note that while the earlier literature focussed on topics related to Indigenous rights and self-government, more recent work has focussed on education and labour market research. They discuss the factors that explain these trends and encourage researchers to broaden the scope of analysis and include a greater diversity of perspectives in future work. Relative to Feir's work, we incorporate descriptive analysis of more recent data, including the 2021 Census, and data on the Indigenous-owned businesses that have only recently become available for the first time. In addition, our review of the literature is broader insofar as we cover reports published by Indigenous and non-Indigenous governments and organizations, whereas their work focusses on research published in peer-reviewed journals.

The remainder of the paper is structured as follows. We begin with a short description in section 1 of the Indigenous population within Canada, followed by a summary in section 2 of the available data and studies to measure the size and contributions of Indigenous economies to the Canadian economy. In section 3 we describe the institutional settings, and in section 4 discuss various characteristics of Indigenous economies, including labour markets, Indigenous-owned businesses, access to finance, and the state of infrastructure.

1. The Indigenous population within Canada

Indigenous Peoples within Canada are diverse, with unique cultures, languages, and histories. About 1.81 million people self-identified as Indigenous in the 2021 Census, representing 5 percent of the population (Statistics Canada 2022a). Three main groups are recognized by the *Constitution Act* (1982, section 35) (**Chart 1**):

Chart 1: The Indigenous population in Canada



Source: Statistics Canada (2022a)

- The **First Nations** are the largest group, with over 1.05 million people in more than 630 First Nations communities across Canada, representing more than 50 nations and 50 languages. Status First Nations refer to First Nations people with registered or Treaty Indian status. This includes those who are registered on a list with the federal government under the *Indian Act*, or who belong to a First Nation that signed a treaty with the Crown.²

Based on the 2021 Census, Status

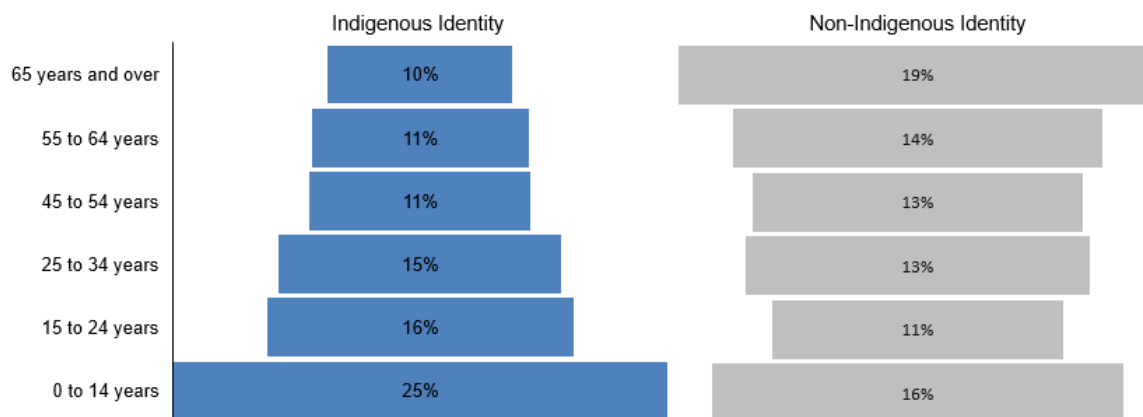
First Nations represent roughly 72 percent of all First Nations people. Throughout this paper we present data on First Nations people living on and off reserve. Almost 30 percent of First Nations people live on a reserve, the term used for a tract of land where legal title is held by the federal government for the use of a particular First Nation.

- The **Métis** are a distinct people numbering 624,220 who originated from the intermarriage of European settlers with Indigenous women in the western Canadian prairies during the 18th century. The Métis Nation homeland includes the three Prairie provinces as well as parts of British Columbia, Ontario and the Northwest Territories. Michif is the official language of the Métis Nation (Royal Canadian Geographical Society 2018).
- **Inuit** comprise about 70,500 people living mainly in the arctic regions of Canada and sharing the common language of Inuktitut (with many dialects). Approximately 69 percent of Inuit live in the Inuit Nunangat, where they are the majority of the population. Inuit Nunangat comprises four regions in northern Canada: the territory of Nunavut, the Inuvialuit Settlement Region (in the Northwest Territories), Nunavik (in northern Quebec), and Nunatsiavut (in northern Labrador).

Compared with non-Indigenous people within Canada, the Indigenous population is younger, growing faster, and more likely to live in rural areas. As seen in **Chart 2**, in 2021, youth 24 years and younger represented 41 percent of the Indigenous population compared with only 27 percent of the non-Indigenous population. The Indigenous population grew by 18.9 percent from 2011 to 2016 and by 9.4 percent from 2016 to 2021. This exceeds the growth in the non-Indigenous population of 4.2 percent and 5.3 percent, respectively, over these periods (Statistics Canada 2022b). This faster growth reflects, in part, rising rates of self-identification but also higher fertility rates.

² Enacted in 1876, the *Indian Act* is the primary statute defining the relationship between the federal government and the majority of First Nations.

Chart 2: Distribution of the Indigenous and non-Indigenous Population in Canada by Age

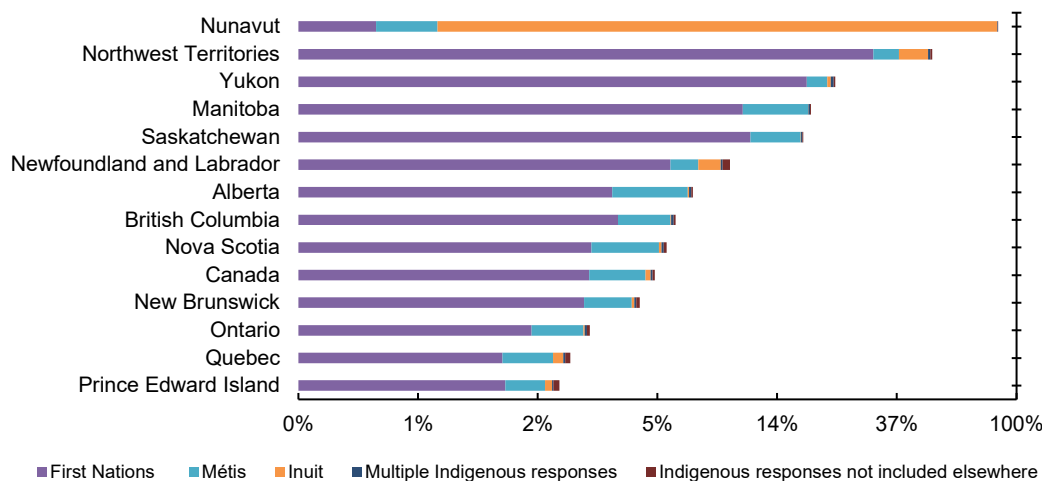


Source: Statistics Canada (2022a)

Almost 60 percent of the Indigenous population within Canada lives in rural areas (compared with one-third of the non-Indigenous population), while about one-quarter live in the 12 largest cities (Organisation for Economic Co-operation and Development 2020). Their population distribution varies significantly by region. For example, Indigenous people account for only 2 percent–3 percent of the population in the largest provinces, Ontario and Quebec, but for 18 percent in Manitoba and 86 percent in Nunavut (**Chart 3**). Indigenous people are often the majority populations in northern communities.

Chart 3: Indigenous share of population by province and territory

Logarithmic scale



Source: Statistics Canada 2022a

2. Data gaps in measuring Indigenous economies within Canada

Attempts to measure the size or contributions of Indigenous economies within Canada are limited by data availability and quality. Although the Organisation for Economic Co-operation and Development (OECD) (2020) reports that Canada has relatively good data compared with other OECD countries with Indigenous populations, those data provide only a partial picture of the Indigenous economies within Canada. For example, survey data are often unavailable at the community level, are not comparable across communities or with non-Indigenous communities and are not timely or available at regular frequencies (Trevethan 2019). The scarcity of high-quality data also reflects a lack of trust and participation from Indigenous Peoples in government-run surveys as a result of the long history of discrimination and research conducted with little input from Indigenous communities (Steffler 2016). Their limited participation in such surveys may also reflect a deliberate choice to maintain their data sovereignty.³

The information gaps are especially large for on-reserve and northern Indigenous communities, and these gaps often reflect community size, remoteness, and jurisdictional issues that limit data collection and validation (Feir, Gillezeau, and Jones 2018). Statistics Canada (2022b) notes that unique challenges associated with data collection during the 2021 Census led to the highest number of incompletely enumerated First Nations reserves and settlements since the 1996 Census, a trend that had otherwise been declining over time.⁴ In addition, Statistics Canada excludes on-reserve communities from its monthly Labour Force Survey and the consumer price index.⁵ Often, data on some small communities are suppressed for privacy reasons or excluded for lack of participation or inconsistent definitions of who falls into categories such as First Nations and Métis, among other issues (Trevethan 2019). One result is that Nunavut is often excluded from national data.⁶ These data gaps limit the ability of governments to effectively provide services to Indigenous Peoples (FMB 2022). Data for Indigenous populations within

³ The First Nations Information Governance Centre (FNIGC 2022) argues that Canada's information management regime imposes several systemic barriers to First Nations data sovereignty. Trevethan (2019) notes that while vast amounts of data are collected by non-Indigenous governmental agencies and researchers, they are not easily accessed by First Nations communities and do not necessarily correspond to the information needed by First Nations governments.

⁴ Statistics Canada (2022c) notes that 2021 Census data collection was paused, and in some cases halted altogether, due to challenges associated with the COVID-19 pandemic, regional wildfires, and the trauma associated with the confirmation of unmarked graves of Indigenous children who attended residential schools. In the 2021 Census, there were 63 incompletely enumerated Indigenous reserves and settlements, representing 6.14 percent of the 1,026 census subdivisions Statistics Canada classifies as "on reserve." By comparison, in the 2016 Census, there were 14 incompletely enumerated reserves and settlements. Despite the significant uptick in missing data, this is unlikely to affect our qualitative conclusions because our analysis of the 2021 Census data involves highly aggregated statistics. For future research that relies on more disaggregated geographical data from the 2021 Census, a possible methodology to overcome this data limitation would be to use illumination data to bridge missing data points, following the approach proposed in Feir, Gillezeau and Jones (2018).

⁵ Statistics Canada states that this is due to operational difficulties in collecting data from remote locations and the large costs and efforts associated with it (Statistics Canada 2019, 2020).

⁶ For example, the Canada Mortgage and Housing Corporation reports on housing starts only for communities with populations above 10,000, which excludes all 25 Nunavut communities.

Canada are also limited for several social indicators, and these data gaps limit understanding of the important links between social and economic development.⁷

The two main sources of publicly available national data on Indigenous Peoples within Canada are the Census of Population and the voluntary postcensal Indigenous Peoples Survey (IPS), though the latter stopped including on-reserve communities after 2006. Both are conducted by Statistics Canada every five years, most recently in 2022 and 2017, respectively.⁸ Beyond these, other periodic surveys focus on thematic issues such as health, education, and employment, including two major surveys conducted by the First Nations Information Governance Centre on reserve and in northern First Nations communities. For individual First Nations communities, the *First Nations Profiles* website hosted by Crown-Indigenous Relations and Northern Affairs Canada is another source of detailed socio-economic data.⁹ Steffler (2016), Feir and Hancock (2016), and the OECD (2020) provide good summaries of the available data in Canada and discuss their limitations.

Indigenous Services Canada's Community Well-Being (CWB) index (Indigenous Services Canada 2019) is the most comprehensive source of publicly available measures of socio-economic conditions permitting comparison of First Nations and Inuit communities with other Canadian communities, though it has limitations. It includes four components constructed from census data from 1981 to 2016: educational attainment, labour force activity, income per capita, and housing conditions. In 2016, out of a total of over 1,000 Indigenous communities within Canada, CWB scores were available for 623 First Nations and 50 Inuit communities, but only 357 of these have consistent data from 1990 onward (Feir, Gillezeau, and Jones 2018). Another shortcoming is the absence of indices for Indigenous populations living in urban or non-Indigenous communities (Anielski and Hilton 2021). Furthermore, the CWB index provides only a partial picture of Indigenous prosperity. The Office of the Auditor General of Canada (2018) points out that the CWB omits several dimensions of well-being considered to be important to Indigenous Peoples, such as health, environment, language, and culture. Also missing from the CWB are measures of the traditional activities (e.g. hunting, fishing, and crafting clothes or artwork), except to the limited extent that these measures may be captured in market income. These activities can represent an important supplement to Indigenous Peoples' income and have important cultural significance. For example, a study on subjective well-being conducted by Kant et al. (2014) reveals that land laws, traditional diets, social ties, and cultural sites are deemed the most important factors that can affect well-being positively or negatively in the two First Nations communities studied.¹⁰

⁷ Akee and Feir (2018) provide an example how administrative and census data can be combined to address these data gaps. Using census data and administrative data from the *Indian Register*, they develop a methodology for calculating the rate of institutionalization and homelessness of Status First Nations in Canada and discuss the implications of their estimates for the future demographic trends of this population.

⁸ The IPS, formerly called the Aboriginal Peoples Survey, was conducted in 1991, 2001, 2006, 2012, 2017, and 2022. It was designed to complement the census, with thematic focuses on health or socio-economic topics. However, a lack of participation from First Nations communities on reserve and in northern communities meant that coverage was largely limited to Métis, Inuit, and First Nations living off reserve (Steffler 2016). Starting in 2012, the survey excludes Indigenous people living on reserve and in certain First Nations communities in the territories. These communities are covered in related, but separate, surveys conducted by the FNIGC.

⁹ Government of Canada (2024) provides the First Nations Profiles.

¹⁰ The OECD (2019) also notes that there is a lack of data measuring the traditional activities that Indigenous Peoples use to supplement their income. Research by Natcher (2018) and Poppel (2006) speak to the importance

Other data gaps include measures of Indigenous household spending, business investments and exports, government revenues and expenditures, and price conditions on reserves. Few data exist to track the performance of Indigenous-owned businesses over time, although the Canadian Council for Aboriginal Business (CCAB) has been conducting periodic large-scale national surveys of Indigenous business conditions, most recently in 2021.

Despite these gaps in data, some studies have attempted to quantify the size or contributions of the Indigenous economies within Canada using different methodologies (**Table 1**). While the estimates vary considerably, they suggest that Indigenous Peoples' share of gross domestic product (GDP) is significantly less than half of their population share, which speaks to the significant economic disparity that exists between the Indigenous and non-Indigenous populations within Canada.

Efforts are being made to fill these information gaps. For example, in 2021 the Bank of Canada, CCAB, Global Affairs Canada, and Big River Analytics partnered to conduct a large-scale national survey of Indigenous-owned businesses, to include some special questions on firms' price, wage, and inflation expectations (Cheung et al. 2024). Company-level data are also available from Indigenous Service Canada's (n.d.) Indigenous Business Directory. And in 2022, Statistics Canada published two datasets aimed at better measuring the economic contribution of Indigenous Peoples to the Canadian economy:

- Preliminary data are available from Statistics Canada's Indigenous Peoples Economic Account (IPEA) pilot project, based on the Canadian System of National Accounts framework. The IPEA includes annual estimates of Indigenous nominal GDP, output and number of jobs from 2012 to 2021 by industry and by province and territory.¹¹ Estimates are also available by Indigenous identity and by residence on or off reserve, but only for the year 2015, based on 2016 Census data.
- Estimates have been released for the number of Indigenous-owned businesses within Canada from 2005 to 2018, by province, size, industry, and gender and age of the business owner.¹²

These two new datasets represent a significant step forward, but limitations remain. One is the lack of more recent disaggregated IPEA estimates (by Indigenous identity and geography) for years past 2015. While the aggregate IPEA estimates are informative of the collective contributions of Indigenous economies to the Canadian economy, updates to the disaggregated estimates would be helpful to the extent that economic development may vary considerably by Indigenous identity and geography.¹³

of these activities, not only in helping to meet the basic needs of households, but also in playing an important role in maintaining ties with the land, community, and traditional knowledge.

¹¹ Ayotte and Bridger's (2022) preliminary estimates include estimates from 2012 to 2020. An update for the IPEA was recently announced by [Statistics Canada](#). At the time of writing this, IPEA estimates are now available up to the year 2021 in Statistics Canada Tables 36-10-0695-01 and 36-10-0696-01.

¹² See Gueye, Lafrance-Cooke, and Oyarzun (2022a, 2022b).

¹³ Regarding representativity, Ayotte and Bridger (2022) note that for the purposes of their IPEA estimates they define Canada's Indigenous Peoples as including: "Individuals who self-identified as First Nations (North American Indian), Métis or Inuk (Inuit) and/or those who are Registered or Treaty Indians (that is, registered under the *Indian Act* of Canada), and/or those who have membership in a First Nation or Indian band according to the 2016 Census of population and the 2011 National Household Survey" (NHS). Thus, the IPEA estimates are more representative of the Indigenous economies than Statistics Canada surveys that exclude on-reserve First Nations communities, such as the Labour Force Survey and consumer price index. However, a limitation of Ayotte and Bridger's methodology is that the estimates do not capture the economic activity of any Indigenous community that was incompletely enumerated in the Census or 2011 NHS.

Furthermore, the IPEA does not measure Indigenous-owned physical capital, a key component of the Canadian System of National Accounts. This is an important limitation, given that a substantial literature finds that Indigenous Peoples face barriers accessing credit and financing and consequently use less capital than non-Indigenous businesses within Canada (see section 4d).

Table 1. Estimates of the aggregated contributions of Indigenous economies¹⁴

Sector/Region	Estimate of total size or contribution, year	Source	Methodology
Indigenous GDP	\$48.9 billion in 2020 (2.2% of Canadian GDP)	Statistics Canada: Indigenous Peoples Economic Accounts (Ayotte and Bridger 2022)	Estimates of Indigenous GDP are derived by applying the share of income earned by the Indigenous population to total Canadian GDP, using available data on labour income earned by Indigenous workers and the operating surplus of Indigenous-owned businesses.
Indigenous business counts	37,000 Canadian-controlled private corporations and unincorporated employer businesses, 2018	Statistics Canada (Gueye, Lafrance-Cooke, and Oyarzun 2022a, 2022b)	The number of Indigenous-owned businesses within Canada is estimated by linking the four censuses from 2001 to 2016 and other datasets containing information on Indigenous identity to the administrative Canadian Employer-Employee Dynamics Database. Imputation is made for those businesses where Indigenous identity of ownership was unavailable.
Indigenous gross national income	\$30–31 billion by 2016 (1.5% of Canadian gross national income)	TD Economics (Gulati and Burleton 2011, 2015)	The authors incorporate household, government, and business income sources and make several strong assumptions in calculating their estimates.
First Nations government revenues	\$13.6 billion for fiscal year 2018–19	First Nations Financial Management Board (2020)	Estimates are based on analysis of audited financial statements from 473 First Nations. For the fiscal year 2018–19, First Nations government revenues were composed of \$4.4 billion of “own source revenue” and \$9.2 billion in transfer revenues from various levels of government and settlements.
GDP on First Nations reserves	0.3% of Canadian GDP, 2006	Tsirounitchenko and Hazell (2011)	Estimates of GDP on First Nations reserve census subdivisions (based on Statistics Canada’s definition) are derived using average earnings and employment data for the Indigenous population on reserve. Sources are the 2006 Census and Aboriginal Population Profiles. ¹⁵
Indigenous contribution to Manitoba’s GDP	\$2.3 billion in 2016 (3.9% of Manitoba’s GDP)	Manitoba Keewatinowi Okimakanak, Southern Chiefs’ Organization, and Brandon University	Estimates of household, business, and government spending and their GDP impacts are derived through input-output multipliers.

¹⁴ Estimates of Indigenous contributions to regional economies are based on different methodologies and are thus not necessarily comparable across regions.

¹⁵ See the definition of “on reserve” for the 2021 Census of Population (Statistics Canada 2021a).

		Rural Development Institute (2019)	
Indigenous contribution to the Atlantic region's GDP	\$1.14 billion in 2015 (1% of Atlantic GDP)	Group ATN Consulting Inc. (2016)	Estimates of household, business, and government spending and their GDP impacts are derived through input-output multipliers.
First Nations contribution to Saskatchewan's GDP	First Nation government and on-reserve household spending accounted for 1.2% and 0.4% of Saskatchewan's GDP, respectively, in 2015.	Mirzaei, Natcher, and Micheels (2020)	A 2015 survey of household spending on two First Nations reserves estimates on-reserve household spending patterns and refines provincial multipliers to estimate economic impacts of First Nations households. The authors use government consolidated audits to estimate expenditures from First Nations governments.

3. Institutional barriers and developments

The economic disparities faced by many Indigenous communities are rooted in the history of colonization, dispossession of their traditional lands, and systemic barriers to economic participation and development (Royal Commission on Aboriginal Peoples 1996). Indigenous land rights play an important role in offering opportunities for sustainable economic development (OECD 2020), and these rights vary significantly across communities.

For First Nations, the National Indigenous Economic Development Board (NIEDB) points to the restrictive land regime under the *Indian Act* as the most notable systemic barrier (NIEDB 2019). The *Indian Act* assigns federal control over reserve lands. When reserves were created, they were often placed on less valuable land with few natural resources, far away from major population centres. According to the Royal Commission on Aboriginal Peoples (1996), almost 70 percent of reserves are located more than 50 kilometres from a service centre.¹⁶

Property rights restrictions under the *Indian Act* are often cited as an important hindrance to economic development within First Nations communities because they raise transaction costs and impede access to capital.¹⁷ Although bands have rights to exclusive use and occupation of their reserve lands, the legal title remains with the Crown, and thus any formal land transaction must be approved by the band council and the federal government (Aragón and Kessler 2020). Furthermore, reserve land is communal and cannot be seized by legal process, mortgaged, or pledged to non-band members. These property ownership restrictions mean that First Nations operating under the land management provisions of the *Indian Act* often lack the collateral that can facilitate accessing business loans, which may hinder firm creation and hence employment opportunities on reserve.¹⁸ The lack of businesses on reserve means a large share of

¹⁶ A service centre is defined as a community where the following are available: supplies, material, and equipment; a pool of skilled or semi-skilled labour; at least one financial institution; and provincial and federal services.
¹⁷ See Alcantara (2007), Anderson and Parker (2009) and Aragón (2015).
¹⁸ Several studies find a positive relationship between changes in housing equity or prices and business entry, consistent with a collateral channel for entrepreneurship, though some of these studies suggest the role played by this collateral channel is small when controlling for endogenous factors (Kerr, Kerr, and Nanda, 2022; Jensen, Leth-Petersen, and Nanda, 2022; Schmalz, Sraer, and Thesmar, 2017; Adelino, Schoar, and Severino, 2015). Research by Akee and Jorgensen (2014) is consistent with this latter view. They study the quasi-random privatization of

earnings leave the community because households consume goods and services off reserve, which is referred to as economic leakage (Mirzaei, Natcher, and Micheels 2020).

Removing systemic barriers to Indigenous land sovereignty is seen as necessary to achieving economic reconciliation, as outlined in the 2022 National Indigenous Economic Strategy for Canada (NIES) report developed by over 20 Indigenous organizations (Canadian Association of Native Development Officers et al. 2022). Although First Nations widely view the *Indian Act* as archaic and paternalistic, no clear consensus exists on a path to overhaul or abolish it.¹⁹ Some First Nations have opposed previous attempts to reform the act because of a lack of viable alternatives or a desire to retain some of its elements.

In recent decades, First Nations governments have developed various arrangements enabling them to opt out of certain *Indian Act* provisions and exercise jurisdiction over activities on their lands, including new legislative and institutional frameworks (see Appendix). For example, First Nations that have negotiated modern treaties, self-government agreements, constitutions, or opt-in arrangements such as the First Nations Land Management (FNL) regime or *First Nations Fiscal Management Act* are no longer governed by the *Indian Act* and can set their own laws and policies on a broad range of matters. The FMB's "RoadMap Project" proposes that further expansion of jurisdiction and fiscal powers of First Nations governments helps pave the way toward self-determination and economic reconciliation.²⁰

Since 1982, the *Constitution Act* (section 35) has recognized and protected the "existing aboriginal and treaty rights" of Indigenous Peoples.²¹ Canada has signed 26 modern treaties, or comprehensive land claim agreements (CLCAs), since 1975. Recent research has found that modern treaties are associated with lower rates of poverty and inequality (Taghizadeh Imani 2021); labour income gains for Indigenous households (Pendakur and Pendakur 2018); and an increase in mining agreements, real wages, and house prices (Aragón 2015).

Many modern treaties also include self governance agreements (SGAs), and research shows that SGAs have economic implications above and beyond those associated with CLCAs. Pendakur and Pendakur (2021) study how CLCAs, SGAs, and various opt-in arrangements pertaining to the Indian Act affect

American Indian lands of the Agua Caliente tribe in Palm Springs, CA, and find that the inability of land held in trust to be pledged as collateral is not responsible for lower levels of business investment.

¹⁹ Several [legislative attempts](#) have been made to reform or repeal the *Indian Act*. The federal government is "working with Indigenous Peoples to support them in their work to rebuild and reconstitute their nations, advance self-determination and, for First Nations, facilitate the transition away from the *Indian Act* and toward self-government." For more details, see the Crown-Indigenous Relations and Northern Affairs Canada web page on Indigenous [self-government](#).

²⁰ See Chapter 5, "[Jurisdiction and Fiscal Powers](#)."

²¹ The two main types of treaties—historic treaties signed between 1701 and 1923, and modern treaties signed after 1970—differ significantly in how they define the nature of rights and obligations. Modern treaty rights often include ownership of lands, resource revenue sharing, and self-government. Historic treaty rights often include land to be set aside for exclusive First Nations use as well as hunting and fishing rights on unoccupied Crown land. According to [Crown-Indigenous Relations and Northern Affairs Canada](#), the federal government recognizes 70 historic treaties signed over this period, forming the basis of the relationship between the Crown and 364 First Nations, representing 600,000 First Nations peoples. Research by Feir, Gillezeau, and Jones (2023) indicates that historic treaties have lowered the income of Indigenous communities in the long run relative to non-treaty Indigenous communities. They explain this finding as the result of signatories of historic treaties being locked into the less favorable arrangements, while the bargaining power of non-treaty Indigenous communities has increased over time, resulting in higher income growth.

community-level average incomes and inequality for First Nations and Inuit communities. They find that CLCAs, either as a standalone agreement or in conjunction with an SGA, have a large positive effect on average community-level income. For inequality, SGAs, either standalone or in combination with CLCAs, have the largest effect, resulting in a sizable decrease in inequality within Indigenous communities.

Yet the evidence also suggests that modern treaties and SGAs also have unintended effects. For example, Pendakur and Pendakur (2021) find that, within communities, these agreements increase income inequality between Indigenous and non-Indigenous households. In an earlier study, Pendakur and Pendakur (2018) also find that while these agreements result in income gains for Indigenous households, larger gains are realized by non-Indigenous households in affected communities. There are also other examples in the literature of policies that were intended to support Indigenous communities, but in practice bestowed greater economic benefits to neighbouring non-Indigenous households. For example, using granular data for the Little Red River Cree (LRRC) Nation, Mirzaei, Natcher, and Micheels (2021) estimate an economic leakage rate of 85.3 percent. The authors' scenario analysis suggests that if the LRRC were to fully disburse a recent \$239 million settlement to its members, nearly all the associated increases in business revenue, labour income, and employment would occur off-reserve because of the high-rate of economic leakage.

Modern treaties may not be a desirable path for all First Nations because they have often entailed the loss of both protected reserve land status and tax exemptions for property located on reserve, in return for fee simple ownership of land (Eyford 2015). While fee simple ownership provides rights to sell or transfer ownership, it is controversial due to the potential implications for loss of Indigenous land base (Boutilier 2016).²² More generally, research by Aragón and Kessler (2020) suggests that the economic development benefits from private property on First Nations lands may be limited, and in fact may benefit the non-Indigenous population more than the First Nations communities themselves.²³ For many First Nations, the FNLM regime is an attractive option because it removes the federal government's decision-making authority over their lands without altering their constitutional rights or reserve land status.

Inuit and Métis have never been subject to the *Indian Act*. The Métis did not have a distinct land base until Alberta's *Métis Population Betterment Act* (1938) established eight Métis settlements in the province of Alberta with a total population of about 5,000 people. Meanwhile, Inuit have signed modern land claims and established different forms of government in the four Inuit regions. For example, one of the largest comprehensive land claim agreements created the territory of Nunavut in 1999, granting Inuit powers of

²² Eswaran (2023) argues that Indigenous communities may be better off with reserve land converted to communal ownership rather than fee simple plots, based on analysis completed with a theoretical model where the community members' welfare depends on cultural and leisure activities and a consumption good. In Eswaran's model, culture is a pure public good that decreases under privatization, resulting in welfare losses relative to common ownership when community members have a strong preference for cultural activities.

²³ Aragón and Kessler (2020) study the effects from the narrowly defined private property rights provisions that exist in the *Indian Act* and have been used by some First Nations. They find that use of these provisions promotes higher public spending by First Nations bands, higher homeownership rates, and better housing conditions. They also find evidence of a small positive effect on household income; however, they show that this increase is driven by an inflow of the non-Indigenous population, while the income and labour market outcomes of band members are unaffected.

self-government and province-like jurisdiction similar to that of the other territories.²⁴ In Nunatsiavut, only Inuit can be elected to government, whereas Nunavut, Inuvialuit, and Nunavik have public governments that allow any resident to be elected. However, as described in the NIES report, governments under Inuit land claim agreements do not have the means to raise financing through a public finance authority such as the First Nations Finance Authority to fund infrastructure investments in the way that municipal governments can.

Legislative decisions related to Indigenous Peoples affect the economic growth and investment within Canada. Research by Key and Metcalf (2021) suggests that the recognition of Indigenous rights in six landmark Supreme Court decisions affected the market valuation of Canadian natural resource industry firms. To the extent that court decisions create uncertainty about the legality of firms' operations or expand the scope of Indigenous Peoples' claims to natural resources, the decisions decreased share prices. However, insofar as these rulings reduce uncertainty by delineating potentially competing Indigenous rights, the decisions effectively increased share prices. Research by McCreary, Mills, and St-Amand (2016) indicate that Indigenous Peoples may benefit economically from participation in regulatory aspects of natural resource industries. Using three case studies, the authors examine whether environmental assessments help Indigenous Peoples advance community employment aims. They find that participating in environmental assessments can indirectly help Indigenous Peoples to secure employment in the resource sector.

4. Characteristics of Indigenous economies

The available data suggest that Indigenous Peoples face large and persistent economic disparities relative to non-Indigenous people within Canada, despite some improvement over the past decade. Whereas Indigenous Peoples make up 5 percent of the population, they collectively accounted for roughly 2.2 percent of Canadian GDP in 2020.²⁵ Indigenous-owned businesses accounted for 1.5 percent of all private businesses within Canada in 2018, though more recent data suggest this share could be between 1.6 percent and 3.5 percent (Statistics Canada 2022i, 2022j, 2022k, 2022l, 2023c, 2023d, 2023e).²⁶

Significant gaps remain in average income levels, employment rates, housing and infrastructure conditions, and educational attainment (NIEDB 2019). Such gaps are also observed in other countries with significant Indigenous populations, such as New Zealand, Australia, the United States, and Mexico (OECD 2019). Economic conditions vary widely across Indigenous communities, however, with the largest disparities experienced by on-reserve First Nations and the smallest by Métis populations. Furthermore, levels of inequality across Indigenous communities are higher than those across non-Indigenous

²⁴ However, only 18 percent of the land in Nunavut has been transferred to Inuit ownership (through the corporation Nunavut Tunngavik Inc., which receives royalties for resource extraction on its land). The remaining land is owned by the federal government. As a result, the Nunavut government receives very little income from royalties (Hageman and Galoustian 2020).

²⁵ This calculation uses the IPEA estimate of Indigenous GDP for 2020 from Ayotte and Bridger (2022), and the 2020 estimate of the total income-based Canadian GDP from Statistics Canada Table 36-10-0221-01. Making the same calculation over time using these sources indicates that the Indigenous share of GDP was relatively unchanged at 2.3 percent–2.4 percent of Canadian GDP between 2012 and 2019.

²⁶ The calculation uses estimates of Indigenous and non-Indigenous business counts from Gueye, Lafrance-Cooke and Oyarzun (2022a), which include only Canadian-controlled private corporations and unincorporated employer businesses.

communities, based on the dispersion in CWB scores (Richards 2020) and Gini coefficients (Taghizadeh Imani 2021).

A 2016 report published by the NIEDB estimates that closing the income and employment gaps between Indigenous and non-Indigenous populations within Canada would have added \$27.7 billion to the Canadian economy in 2015 (Fiscal Realities Economists 2016).²⁷ Using a similar methodology at a more disaggregated level, a 2015 report by the Centre for the Study of Living Standards (CSLS) estimates that closing such gaps over 20 years would increase the level of GDP in Canada by 1.4 percent by 2031, adding a cumulative \$335 billion in output over the 2011–31 period (Calver 2015).

This section provides a descriptive summary of Indigenous economies within Canada, including industrial and regional composition, labour market outcomes, Indigenous-owned business characteristics, access to finance, and infrastructure deficiencies.²⁸

4.a. The composition of Indigenous economies within Canada

Based on IPEA estimates, the industrial composition of Indigenous GDP looks quite different from that of the Canadian economy. Public services—including health care, education, and public administration—as well as construction are the most important sectors of the Indigenous economies within Canada, whereas they account for smaller shares in the total Canadian economy (**Chart 4**). Meanwhile, manufacturing; mining, oil, and gas extraction; and professional, scientific, and technical services contribute less to the Indigenous economies within Canada than they do to the total Canadian economy. Regionally, Indigenous GDP is more concentrated in western provinces than is Canadian GDP. Manitoba, Saskatchewan, Alberta, and British Columbia collectively account for over half of Indigenous GDP (55.7 percent), compared with roughly one-third of Canadian GDP (34.2 percent) (**Chart 5, left panel**). In large part, the geographic distribution of Indigenous and Canadian GDP reflects the respective population distributions. The right panel of **Chart 5** provides an alternative perspective, showing GDP per Indigenous person and aggregate GDP per capita in each of the provinces and territories. From this viewpoint, there is less variation in GDP per Indigenous person across the provinces and territories as compared with GDP per capita.²⁹ Also notable in this graph is the large gap between Indigenous GDP per person and GDP per capita in each province and territory.

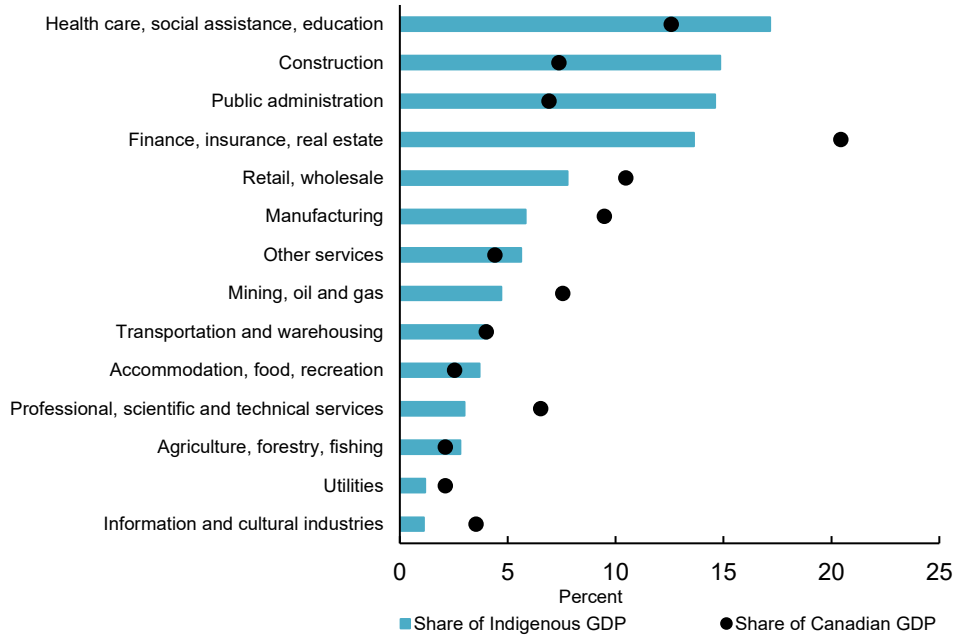
²⁷ The report calculates the additional income that would be earned by province if average labour earnings and employment rates in the Indigenous population were to match the non-Indigenous average. The impact on GDP by province is then calculated using labour income multipliers from Statistics Canada’s input-output tables.

²⁸ In large part, the statistics we present in this section use data from Canada’s Census of Population. We present statistics that are directly calculated from Statistics Canada census tables (e.g., the labour market outcomes in Section 4.b), and statistics that rely on data from the Census and 2011 NHS (e.g., the IPEA estimates of Section 4.a). As discussed in section 2, while the Census data provide better coverage of Indigenous communities than many other official sources do, Indigenous communities that are incompletely enumerated are not captured in the data (see footnote 5 for a discussion of this point and the specific challenges associated with the 2021 Census).

²⁹ The coefficient of variation for GDP per Indigenous person is 0.239 calculated across the 13 provinces and territories, and 0.301 for GDP per capita.

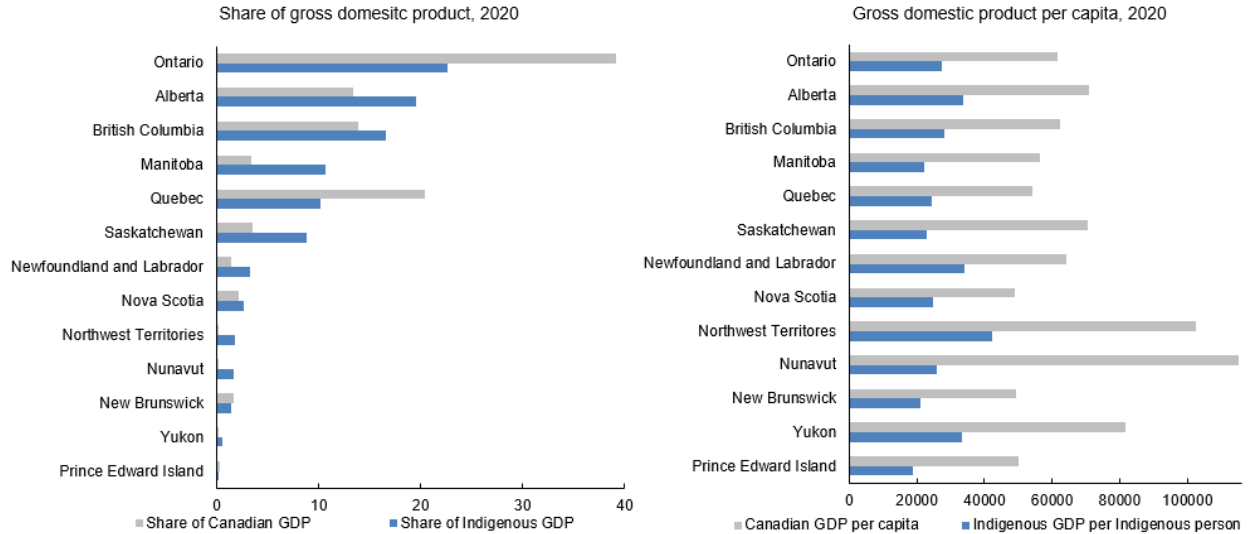
Chart 4: Industrial composition of the Indigenous gross domestic product

Share of gross domestic product, 2020



Sources: Ayotte and Bridger 2022; Statistics Canada 2023a

Chart 5: Regional distribution of Indigenous gross domestic product



Sources: Ayotte and Bridger 2022; Statistics Canada 2022a, Statistics Canada 2022d

The IPEA estimates also suggest that the Métis accounted for almost 44 percent of Indigenous GDP in 2015, a relatively high share considering they made up only 35 percent of the Indigenous population in the 2016 Census. Meanwhile, almost half of Indigenous GDP could be attributed to First Nations in 2015, and almost 4 percent to Inuit. The vast majority (86 percent) of Indigenous GDP was generated off reserve that year.

The data in **Chart 4** and **Chart 5** do not fully capture economic activity in Indigenous communities. For example, Arriagada and Bleakney (2019) find that 85 percent of Inuit aged 25–54 in Inuit Nunangat participated in at least one traditional land-based activity, and over a quarter of these reported doing so as a means to earn money or supplement their income.³⁰ Canada’s 2017 Indigenous Peoples Survey indicates that almost 60 percent of First Nations living off reserve and Métis aged 15 and older reported participating in such activities. Traditional food harvesting is especially important in northern communities, where market prices of food are significantly higher. Estimates of such food production in Nunavut have ranged from \$40 million to \$198 million, annually.³¹ Given the large range of estimates and the importance of accurately measuring all aspects of Indigenous economies within Canada, refining estimates of the non-market, cultural, and environmental values created by Indigenous communities is an important topic for future research.

4.b. Labour market outcomes

A significant gap exists in the labour market outcomes of Indigenous and non-Indigenous people within Canada. Among Indigenous groups, the Métis have had the highest employment rate, followed in descending order by off-reserve Status First Nations, Inuit, and on-reserve Status First Nations (**Chart 6**).³² These employment rate gaps widened slightly between 2006 and 2016 as the employment rate fell slightly for each of the Indigenous groups, while it remained constant for the non-Indigenous population. Although the number of employed Indigenous workers aged 25–64 grew by 45 percent during this period, the Indigenous population of the same age range grew at an even faster rate of 48 percent. The employment rate gap remained steady between 2016 and 2021, as employment rates dropped for all Indigenous groups as well as the non-Indigenous population, perhaps reflecting the labour market effects of the COVID-19 pandemic.

Drummond et al. (2017) and Kim and Sharpe (2017) predict that the Indigenous population will continue to make important contributions to labour force growth within Canada in the coming decades. A recent report by Indspire and the CSLS (2023) projects that Indigenous Peoples will account for 10 percent of the future growth in the Canadian labour force over the period 2021–2041. The authors’ estimate that this contribution would be 5 percentage points higher (15 percent) if the gap between Indigenous and non-Indigenous labour force participation rates were to be closed.

More recent insights into the employment rate of Indigenous Peoples during the pandemic can be gleaned from the Labour Force Survey, although this survey excludes on-reserve First Nations. Following the downturn from the COVID-19 pandemic, employment levels were slower to recover for Indigenous Peoples than for non-Indigenous people. However, by the summer of 2021, the employment rate for

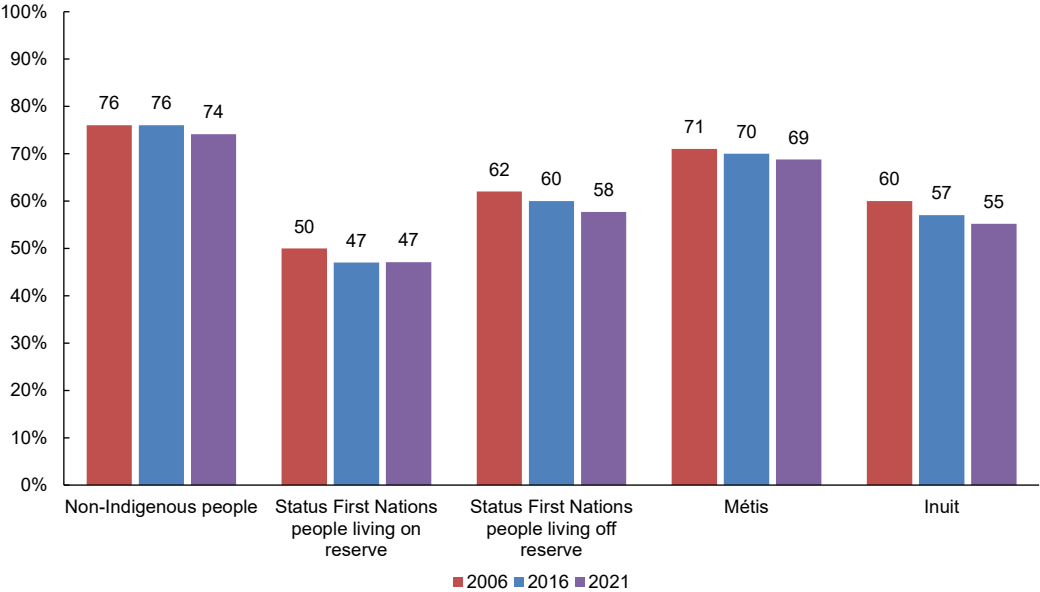
³⁰ For their study, Arriagada and Bleakney (2019) define land-based activities as hunting, fishing, trapping, and gathering wild plants as well as making clothing, footwear, handicrafts, and artwork.

³¹ The \$40 million estimate comes from a 2004 report by the Canadian Arctic Resources Committee referenced in Statistics Canada (2006a), whereas Warltier, Landry-Cuerrier, and Humphries (2021) provide an estimate of \$198 million.

³² Whereas the publicly available census table for 2021 (Statistics Canada Table 98-10-0281-01) includes income statistics by Indigenous geography (e.g., on and off reserve) and status as Registered or Treaty Indian, the tables for the 2006 and 2016 censuses do not include this level of detail. For the 2006 and 2016 years, we thus rely on Statistics Canada (2021e), which provides separate estimates for on and off reserve, but only for Status First Nations. Since this report provides statistics specific to Status First Nations, our charts in this section use statistics from the 2021 Census tables that are also for Status First Nations, to ensure that the values across different years are comparable.

Indigenous Peoples had increased to 57.7 percent, surpassing its pre-pandemic level though still below the non-Indigenous employment rate of 61.2 percent (Statistics Canada 2021b). Gangji, Jones, and Wheeler (2023) argue that existing socio-economic disparities increased the harm and risks posed by the COVID-19 pandemic to Indigenous Peoples within Canada. Other researchers have also pointed to the important link between labour market disparities and health outcomes. Hu, Hajizadeh, and Bombay (2024) find that employment status, income, and educational attainment were important determinants in explaining the worse health outcomes of First Nations adults living off-reserve relative to non-Indigenous people.

Chart 6: Employment rate among individuals aged from 25 to 64, Canada
For census years 2006, 2016, and 2021, by group



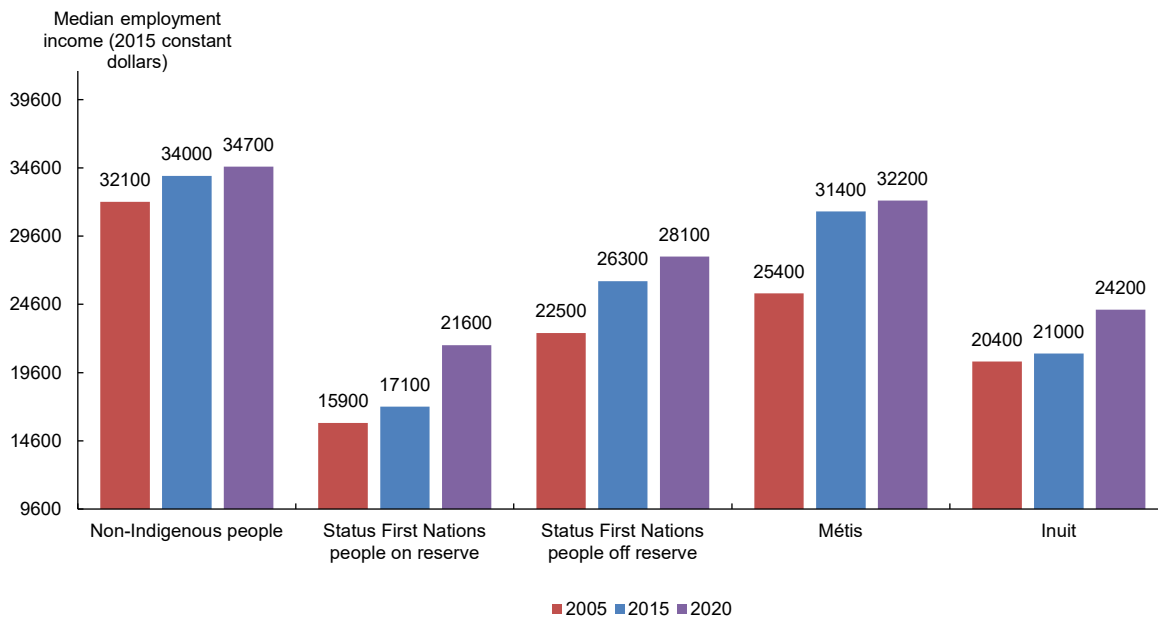
Sources: Statistics Canada 2006b; Statistics Canada 2017a; Statistics Canada 2021e; Statistics Canada 2022c

Earnings inequality between Indigenous and non-Indigenous peoples is a long-standing feature of Canadian labour markets.³³ As of the 2021 Census, the median employment earnings of the Indigenous population were 82 percent of those of the non-Indigenous population, though this is up considerably from 70 percent in 2005 (**Chart 7**). The Indigenous population enjoyed faster growth in median employment earnings between 2015 and 2020, compared with the non-Indigenous population.³⁴

³³ See Feir (2013), George and Kuhn (1994), Hossain and Lamb (2012), Lamb (2014), Pendakur and Pendakur (2011), and Wilson and Macdonald (2010).

³⁴ The rapid growth of Indigenous median employment earnings between the 2016 and 2021 Censuses is not a pandemic-related statistical anomaly. For the 2021 Census, Statistics Canada collected and released statistics for both 2019 and 2020 income years. Over this period, the growth in median employment earnings for the Indigenous population was at least twice as large as that for the non-Indigenous population, regardless of whether 2019 or 2020 is used in the calculation.

Chart 7: Median employment income, Canada
2005, 2015 and 2020, by group



Sources: Statistics Canada 2006b; Statistics Canada 2017b; Statistics Canada 2021e; Statistics Canada 2022e; Statistics Canada 2023b

Nonetheless, there is considerable heterogeneity in the median employment earnings across different Indigenous groups, with Métis earning the most, followed in descending order by Status First Nations living off reserve, Inuit, and Status First Nations living on reserve. This is consistent with a recent Statistics Canada report, which finds that in 2015, 44.0 percent of people living on reserves were in low-income households, more than three times the rate of 14.4 percent for the total population within Canada (Statistics Canada 2021c). The pattern of heterogeneity is also broadly consistent with a recent study by Feir, Foley, and Jones (2023) using data from the Aboriginal Skills and Employment Training Strategy labour market program. They find there was a large impact on wages for Metis and non-Status First Nations people who participated in the high-intensity program compared with the low-intensity program, but there was little to no impact for Status First Nations, particularly for those who were previously employed on reserve. They attribute these differences to the unique institutional environments and labour markets of each Indigenous population.

The OECD (2018) notes a persistent wage gap of roughly \$2.50 per hour between Indigenous and non-Indigenous people within Canada over the period from 2006 to 2016. The report argues that this wage gap is related to the Indigenous population working disproportionately more in occupations where educational requirements are lower and less in knowledge industries. Maslov and Zhong (2022) study skill mismatch among Indigenous and non-Indigenous adults within Canada and find that Indigenous adults are more likely to be under-skilled relative to non-Indigenous peers.³⁵ Based on this, the authors argue

³⁵ Maslov and Zhong (2022) define skill mismatch as occurring when a worker's skills do not match the requirements for their job. A worker is under-skilled if their skills are below what is required and over-skilled if

that Indigenous workers may be more vulnerable to job loss during an economic downturn. The human resources module of the IPEA shows that the fraction of Indigenous workers with a trade certificate, college diploma, university degree, or higher qualification increased by only half a percentage point between 2012 and 2019, from 47.84 percent to 48.35 percent.³⁶ Accelerating this trend would help close the wage gap, as Hu, Daley, and Warman (2019) find that the returns to skills are very similar for Indigenous and non-Indigenous peoples within Canada. They argue that higher levels of educational attainment can reduce the wage gap.

Chart 8 shows that the level of educational attainment in the Indigenous population has increased in recent decades. In 2021, 78 percent of the Indigenous population aged 25 to 64 had at least a high school diploma, compared with 91 percent of the non-Indigenous population of similar age. The Métis have the largest prime-aged population share with at least a high school diploma, followed in descending order by off-reserve Status First Nations, on-reserve Status First Nations, and Inuit. Progress between 2006 and 2021 was similar for Status First Nations and Métis, but the Inuit high school attainment rate stalled between 2016 and 2021 after a decade of strong growth.

Jones (2023) studies the effects of a large reduction in student aid for Indigenous Peoples that occurred in the 1980s and finds that increasing the cost of post-secondary education affects both post-secondary educational attainment and high school graduation rates. A recent study by Statistics Canada (2021d) finds that Indigenous women are more likely than Indigenous men to have a bachelor's degree or higher. Furthermore, this gender gap has increased over time as the fraction of the Indigenous population aged 25–64 with a bachelor's degree or higher grew faster for females than males over the period from 2006 to 2016. Indigenous women are more likely than men to enter the field of education, but otherwise Indigenous men and women have a similar ranking for major fields of study.

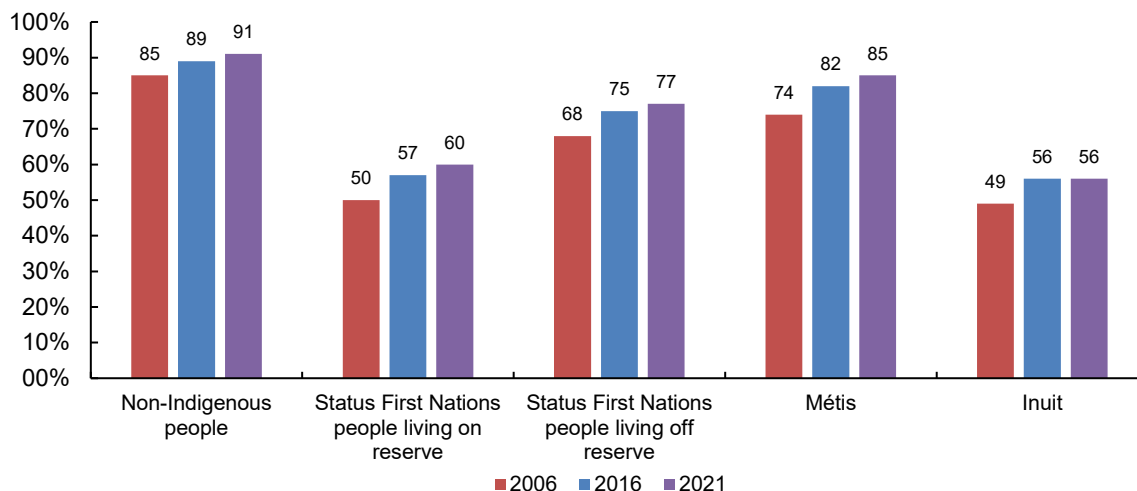
Lamb (2014) studies the determinants of high school completion for First Nations living on and off reserve and argues better outcomes could be achieved by providing better employment opportunities and a culturally sensitive learning environment and curriculum. O'Gorman and Pandey (2015) study high school graduation rates in Northern communities and argue that outcomes could be improved by greater incorporation of Indigenous history in the curriculum, increased Indigenous learning resources (i.e., textbooks written in Indigenous languages), and greater support for English as a second language for students speaking an Indigenous first language. The NIES report also stresses the importance of addressing gaps in education and labour markets. It recommends addressing these gaps through enhancements in Indigenous schooling from kindergarten through grade 12, financial literacy at all ages, entrepreneurial resources, and workforce and labour market strategies.

their skills are over what is required. Their analysis uses various empirical measures of skill mismatch using data from the Programme for the International Assessment of Adult Competencies.

³⁶ Calculated from Table T2.4-1 of Ayotte and Bridger (2022).

Chart 8: Percentage of individuals aged 25 to 64 with a high school diploma or a higher level of education, Canada

For census years 2006, 2016 and 2021, by group



Sources: Statistics Canada 2006b; Statistics Canada 2018; Statistics Canada 2021e; Statistics Canada 2022c

Researchers have also studied the effects of policies designed to support Indigenous Peoples’ participation in the labour markets. Feir and Thomas (2019) examine the impacts of the introduction of formal childcare services in 28 Inuit communities. They find little evidence for increased female labour force participation, high school graduation rates, and male childcare participation. They highlight there might be cultural reasons for this result, such as the importance of extended family and the community in raising children, meaning people may opt out of formal childcare alternatives.

4.c. Characteristics of Indigenous-owned businesses

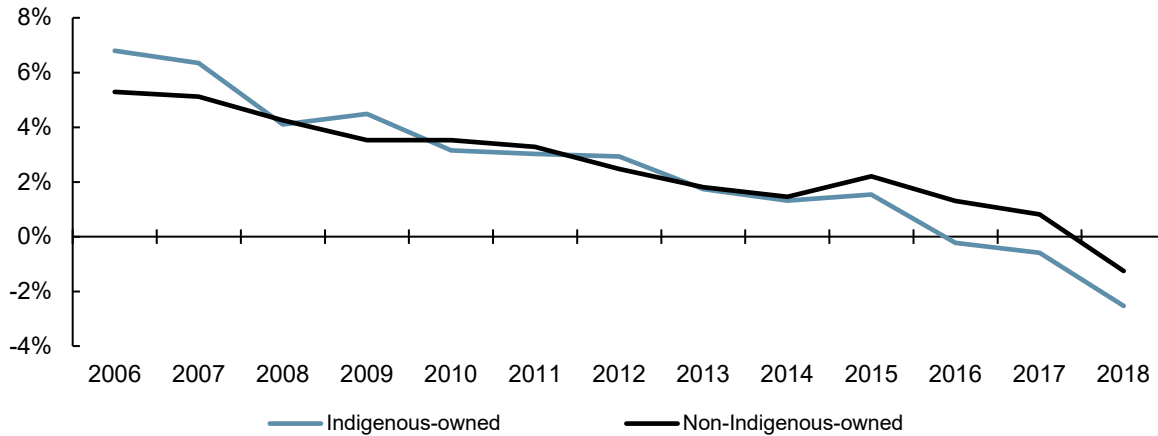
Business ownership is less prevalent in the Indigenous population within Canada than in the non-Indigenous population.³⁷ In 2018, there were approximately 39 Indigenous-owned private businesses for every thousand Indigenous persons aged 15–64 within Canada, as compared with 108 non-Indigenous businesses for every thousand non-Indigenous persons in the same age range.³⁸ As shown in **Chart 9**, annual growth in the number of both Indigenous-owned and non-Indigenous-owned private enterprises within Canada declined from 2006 to 2018. However, since 2013, the number of Indigenous-owned

³⁷ A challenge to characterizing Indigenous-owned businesses is the lack of a common definition of what constitutes an Indigenous business. As a result, estimates of Indigenous business characteristics can vary considerably from study to study. As previously noted, there is also a long history of discrimination and non-participation in government research among Indigenous communities (Steffler 2016), and this may lower survey response rates and further contribute to discrepancies across studies.

³⁸ These estimates use Statistics Canada Table 14-10-0364-01 for population estimates, and Table 33-10-0631-01 for estimates of Indigenous-owned and non-Indigenous-owned business counts from 2005 to 2018, based on Gueye, Lafrance-Cooke, and Oyarzun (2022a). The latter estimates include only Canadian-controlled private corporations and unincorporated employer businesses for which the owner’s gender, Indigenous identity, and age as well as the location (province) and size of the business can be determined. They exclude publicly traded and foreign multinational companies, unincorporated businesses without employees, and businesses in the public administration sector.

businesses has grown at a slower rate than that of non-Indigenous businesses in every year. In this section, we discuss the unique characteristics of the Indigenous-owned businesses, including strengths and barriers to growth.

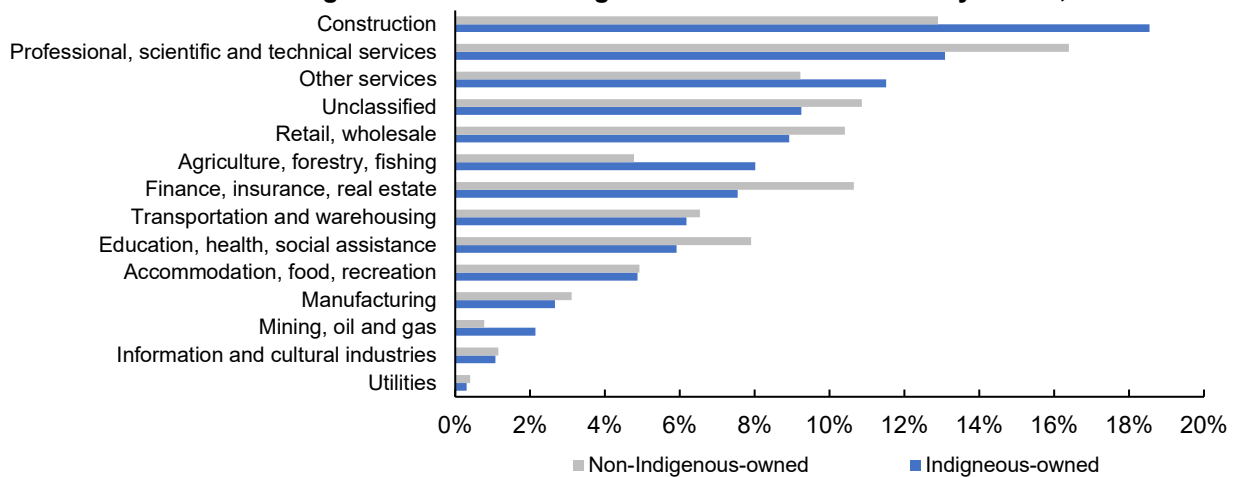
Chart 9: Slower growth in number of Indigenous-owned businesses relative to non-Indigenous businesses since 2013



Source: Statistics Canada 2022f

Compared with non-Indigenous-owned businesses, those with Indigenous owners are more concentrated in the construction, agriculture, forestry, and fishing sectors (**Chart 10**). A relatively smaller share of Indigenous-owned businesses are in professional, scientific, and technical services as well as in the finance, insurance, real estate, rental, and leasing sectors. Interestingly, the size distribution of Indigenous-owned firms is quite similar to the distribution for non-Indigenous businesses, with the majority having either no employees or only one to four employees (**Chart 11**).

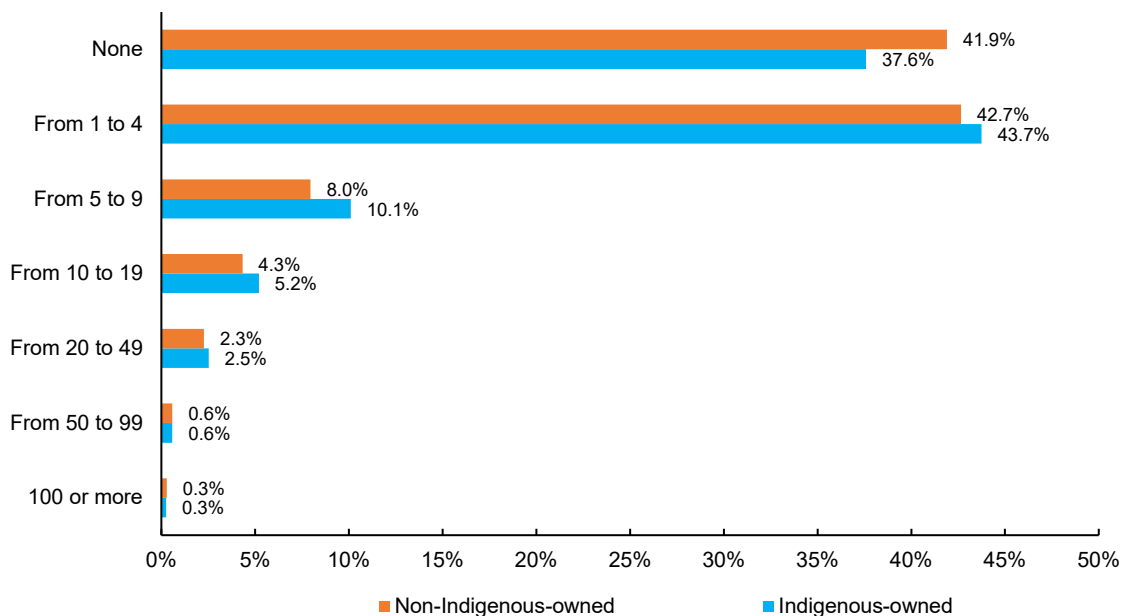
Chart 10: Share of Indigenous- and non-Indigenous-owned businesses by sector, 2018



Note: Other services includes NAICS 56 (administrative and support, waste management and remediation services) and NAICS 81 (other services (except public administration))

Source: Statistics Canada custom tabulation using data from Gueye, Lafrance-Cooke, and Oyarzun 2022a

Chart 11: Share of Indigenous- and non-Indigenous-owned business counts by employee size, 2018



Source: Statistics Canada custom tabulation using data from Gueye, Lafrance-Cooke and Oyarzun 2022a

Similar to their share in Indigenous GDP, Métis people own a disproportionately high share (47 percent) of Indigenous businesses relative to their 35 percent population share.³⁹

The export propensity of Indigenous small and medium-sized enterprises (SMEs) seems comparable to that of non-Indigenous SMEs, although estimates vary by study. In a large national survey of Indigenous-owned businesses conducted by the CCAB in 2021, almost 15 percent of all firms reported having ever exported (Cheung et al. 2024). Only about 7 percent of SMEs in the sample had exported in 2020, however, which was lower than the 12.1 percent of Canadian SMEs that year (CCAB and Global Affairs Canada 2023).⁴⁰ Bélanger Baur (2019) reports that estimates from Statistics Canada’s Survey of Financing and Growth of Small and Medium Enterprises indicate a similar range of export propensities for Indigenous SMEs (12.0 percent in 2014 and 7.9 percent in 2017).⁴¹ This is important because exporting is often associated with highly productive businesses (Melitz 2003). Consistent with this perspective, the CCAB

³⁹ The statistics in this paragraph use the 2021 Census population estimates from Statistics Canada Table 98-10-0264-01 and estimates of the number of private enterprises by Indigenous identity of ownership (as of 2018) from Statistics Canada Table 33-10-0632-01.

⁴⁰ These shares are much smaller than the 24.4 percent estimated in 2019 based on the CCAB’s 2015 Aboriginal Business Survey (Bélanger Baur 2019). As described in CCAB and Global Affairs Canada (2023), the discrepancy relative to Bélanger Baur’s (2019) estimates may reflect differences in both the question wording and the sampling frame between the 2015 and 2021 surveys.

⁴¹ By comparison, Bélanger Baur (2019) notes that the same Statistics Canada survey estimates that the export propensity of the general population of Canadian SMEs was 11.8 percent and 11.7 percent in 2014 and 2017, respectively.

(2016) finds Indigenous SMEs are highly engaged in product and process innovation, and the majority of the businesses surveyed reported a positive outlook for future revenue growth.

However, other studies point to a considerable performance gap between Indigenous and non-Indigenous businesses. Jafri and Alasia (2019) find that profits, revenues, and the count of businesses per resident all tend to be considerably lower for businesses located in Indigenous census subdivisions (CSDs) relative to businesses in non-Indigenous CSDs of similar population size.⁴² These outcomes may reflect in part the institutional barriers discussed in section 3—barriers that inhibit economic development on Indigenous land within Canada, as argued by Richard, Calla, and Le Dressay (2008). They show that the regulatory framework governing First Nations' lands increases the cost of doing business by as much as four to six times the cost on non-Indigenous lands.

The CCAB (2016) survey highlights that the lack of digital infrastructure and difficulty finding qualified Indigenous employees are obstacles to the growth of Indigenous businesses. This latter challenge is related to the gap in educational attainment between the Indigenous and non-Indigenous populations within Canada, as discussed in section 4b. In addition, difficulty accessing financing is a barrier. This is discussed in the next section.

4.d. Access to finance

A substantial literature indicates that people from Indigenous communities face greater barriers to accessing finance than do non-Indigenous people within Canada. Research conducted by the National Aboriginal Capital Corporations Association (NACCA) and the CCAB reveals that difficulty accessing financing is a major barrier to growing Indigenous businesses (Conference Board of Canada 2017; CCAB 2016). These studies also find that Indigenous businesses tend to rely on personal savings as a primary source of financing. By some estimates, First Nations and Inuit businesses accessed only 0.2 percent of the total available capital within Canada in 2013 (National Aboriginal Economic Development Board 2017, now known as the National Indigenous Economic Development Board). This report also finds that Indigenous businesses access three types of capital at much lower rates than non-Indigenous businesses do: market sources, assisted market sources, and non-market sources of finance:

- *Market sources of finance* are conventional financing instruments supplied without government support. They include bank loans, bonds, and equity. Access to market capital had improved significantly for Indigenous businesses by 2013 to account for 54 percent of total business financing, up from 39 percent in 2003. Despite this, the average First Nations and Inuit firm accessed only \$9 for every \$100 of market-sourced financing obtained by an average non-Indigenous business in 2013. Bank loans accounted for the majority of the capital raised by Indigenous businesses, with limited use of bonds, debentures, commercial paper, or other instruments commonly used by Canadian businesses (Collin and Rice 2019).
- *Assisted market sources of finance* reduce risks or related transaction costs to the provider, thereby enabling lending for investments that would normally exceed a provider's risk tolerance. These include loan guarantees, provisions for loss reserves, and tax credits. Of these sources of finance, First Nations and Inuit businesses accessed only \$11 for every \$100 obtained by non-Indigenous firms in 2013.

⁴² An important limitation of this methodology is that their definition of "Indigenous business community" does not consider ownership. For example, an Indigenous-owned business operating in a non-Indigenous CSD would be considered part of the non-Indigenous business community.

- *Non-market sources of finance* include support for investments that would not qualify for conventional loans due to unattractive risk-return metrics. Such support includes government and non-government grant funding. In this case, First Nations and Inuit businesses accessed only \$48.50 for every \$100 obtained by non-Indigenous businesses in 2013.

Numerous factors seem to impair the ability of Indigenous businesses, households, and governments to access capital efficiently. As discussed in section 3, property rights restrictions under the *Indian Act* limit access to low-cost secured loans (Pel 2020), thus raising debt service costs for First Nations businesses and preventing home ownership for many households on reserve. The Canada Mortgage and Housing Corporation (CMHC) finds that in 2016, the Indigenous home ownership rate was 49.6 percent, compared with 72.6 percent for all of Canada, and this rate has declined somewhat since 2011 (CMHC 2021). Furthermore, the poor socio-economic conditions experienced by First Nations and Inuit communities can undermine creditworthiness and make access to funding and capital more challenging. Deficient infrastructure and the limited availability of banking services in remote communities, together with low financial literacy, can also contribute to reduced financial capacity.⁴³ Finally, results from a survey on the use of fringe financial institutions reveal that many people self-identifying as Indigenous found mainstream financial institutions to be unwelcoming (Bowles et al. 2011). These barriers to financial inclusion lead to chronic underinvestment in Indigenous communities and lower the capacity to remedy the socio-economic problems they face, creating an adverse feedback loop. The barriers also hinder the transmission of monetary policy to Indigenous economies, as discussed in Schembri (2022).

Many First Nations communities are able to generate significant revenues from commercial business activity. Such activities accounted for 17 percent of First Nations revenues in 2019, according to analysis conducted by the FMB on the publicly available 2018/19 audited financial statements of 473 First Nations (FMB 2020). This analysis identified gasoline stations, the gaming industry,⁴⁴ and forestry and logging (mainly for First Nations in British Columbia) as the largest revenue-generating sectors. However, government transfers remain the most important source of funding for First Nations, accounting for over two thirds of revenues received in 2019. Federal transfers to First Nations reserves in particular increased significantly between 2015/16 and 2018/19, by almost 25 percent per person, with two-thirds of this spending going towards infrastructure and programs (Hageman and Galoustian 2020).

A number of institutions and programs have been developed to address the gaps that Indigenous communities face when attempting to obtain finance (see examples of funding programs in **Table 2**). For example, the strong track record of the First Nations Finance Authority (see Appendix) has enabled First Nations governments to borrow at rates comparable to those of municipal bonds within Canada (Schembri 2022). Members of First Nations that have enacted a land code under the First Nations Land Management regime (see Appendix) may have options to grant land leases to themselves to secure conventional financing for housing mortgages and CMHC mortgage insurance on reserve (CMHC 2019). In addition, more than 50 Indigenous financial institutions (IFIs) across Canada provide direct loans to Indigenous entrepreneurs. Created in the 1980s with federal government support, IFIs are controlled and

⁴³ For further research on Indigenous access to financial services through physical and digital channels, and Indigenous financial capability, see, for example, Buckland, McKay, and Reimer (2016); Buckland (2017); Chen et al. (2021); and Collin (2011).

⁴⁴ Research by Randall Akee and co-authors finds that in the U.S., there is heterogeneity in the impacts of the gaming industry on Indigenous communities, but that overall, the effects are positive for economic development through creating a consistent source of revenue and increasing employment opportunities. See Simeonova, Akee, and Jones (2021) and Akee, Spilde, and Taylor (2015). However, for Canada, Cyrenne, Grant, and Romanow (2023) find very limited evidence that the establishment of First Nations owned casinos increase local employment.

managed by Indigenous people and serve Indigenous businesses through developmental lending, business financing, and support services. They are part of the NACCA network.

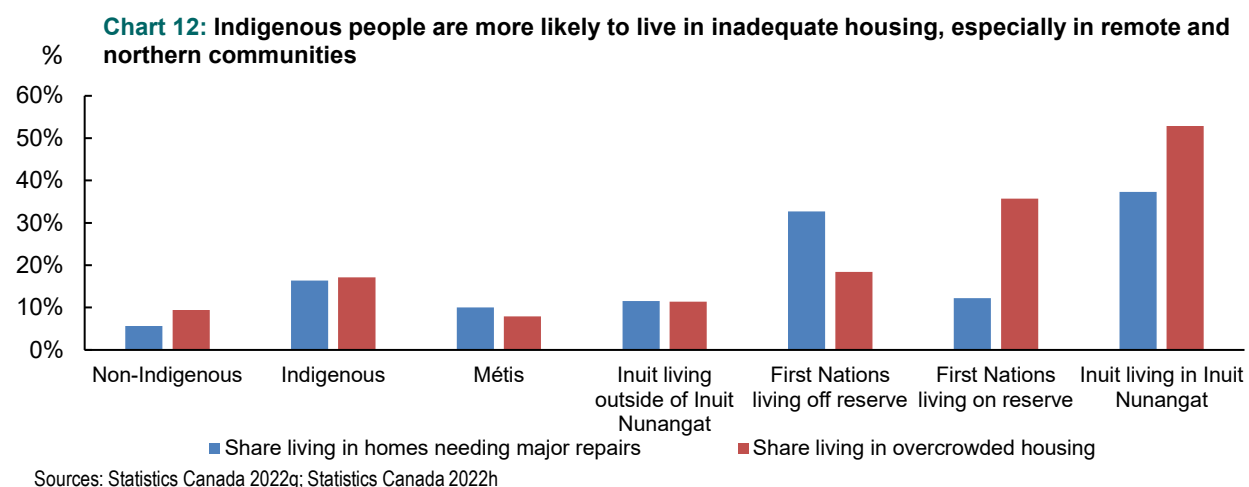
Table 2. Examples of programs that support Indigenous access to finance

Program name	Provider	Type of support	Program description
<i>Business and government financing</i>			
First Nations Finance Authority loan	First Nations Finance Authority	Loan	Provides loans to First Nations governments, funded by issuing debentures at commercial interest rates that are secured by First Nations own-source revenues.
Aboriginal Business Financing Program (ABFP) Aboriginal Developmental Lending Assistance (ADLA) Interest Rate Buy-Down (IRB)	National Aboriginal Capital Corporations Association	Grant	The ABFP program matches non-repayable federal contributions up to \$99,000 for Indigenous entrepreneurs and up to \$250,000 for community-owned Indigenous businesses. The ADLA compensates Indigenous financial institutions (IFIs) for developmental loan losses and the high cost of developmental loan administration. The IRB provides a subsidy to qualified IFIs with low liquidity ratios. This subsidy offsets the interest costs for securing additional loans from private lending institutions to increase developmental lending assistance to Indigenous businesses.
Enhanced Access Loan Fund	National Aboriginal Capital Corporations Association	Interest-free loan	Provides repayable, interest-free loans to IFIs to lend to Indigenous businesses operating in unserved regions to offset transaction costs.
Indigenous Entrepreneur Loan	Business Development Bank of Canada	Loan	Provides up to \$350,000 loans to start or grow Indigenous businesses.
Indigenous Business Grant	Canadian Council for Aboriginal Business (CCAB) and Google	Grant	Google is contributing \$1.5 million over two years to be distributed through the CCAB to Indigenous businesses to support digital development and growth opportunities.
<i>Housing financing</i>			
First Nations Market Housing Fund	First Nations Housing Market Fund	Credit enhancement facility	Provides a financial backstop to a First Nation's housing loan guarantees made to financial institutions.

Over the past three decades, IFIs have issued Indigenous businesses more than 50,000 loans, amounting to \$3 billion, with very low rates of loan losses (NACCA 2021). About 40 percent of Indigenous firms in the CCAB's 2016 Aboriginal Business Survey cited IFIs as an important source of financing, although its more recent 2021 survey suggests that very few Indigenous businesses use IFIs as a *main* source of financing (Cheung et al. 2024). According to Collin and Rice (2019), maximum loan sizes that have not changed for over 20 years combined with a long period of low interest rates have constrained the network's ability to keep up with the investment needs of Indigenous businesses. In 2021, NACCA launched a \$150 million Indigenous Growth Fund with support from the federal government; the fund allows IFIs to draw capital to provide more and larger loans to Indigenous businesses.

4.e. Infrastructure deficiencies and higher costs of living

Well-designed infrastructure is widely thought to be a key ingredient to developing a business, growing an economy, and raising living standards. But many Indigenous communities lack adequate infrastructure for basic needs. This applies especially to those living on reserves or in remote locations. For example, based on the 2021 Census, members of Indigenous communities were significantly more likely than non-Indigenous people to live in homes that either were overcrowded or needed major repairs, especially those living on reserve or in Inuit Nunangat (**Chart 12**). Furthermore, many First Nations reserves have water systems that pose medium or high health risks. As of 25 January 2024, there were 28 long-term drinking water advisories in effect in 26 communities (Indigenous Services Canada 2023b).



Remote Indigenous communities have significant infrastructure deficiencies when compared with both southern metropolitan areas and remote non-Indigenous communities of similar size, as Johnston and Sharpe (2019) show. The authors develop an index that quantifies infrastructure access across 236 communities within Canada. The gaps are smallest for Métis communities and largest for Inuit communities. Likely owing to their extreme remoteness, Inuit communities score lowest among all communities on the economic infrastructure sub-index, which incorporates access to roads, the electricity grid, and adequate broadband. In particular, Nunavut has no highways, railways, or roads connecting any of its communities, and it relies on imported diesel for all of its power generation. Nunavut residents face severe housing shortages and internet speeds eight times slower than the Canadian average (Nunavut Tunngavik Incorporated 2020).

These deficiencies can impede economic growth and business development in Indigenous communities. Based on the CCAB's 2016 Aboriginal Business Survey, 40 percent of Indigenous businesses reported unreliable or no internet connection as a key obstacle (CCAB 2016). These problems were most common for businesses located on reserve, in the north, and in the Atlantic provinces. Indeed, in 2022 only 43.3 percent of households on First Nations reserves had access to 50 Mbps download and 10 Mbps upload speeds, compared with 91.4 percent of all Canadian households (Canadian Radio-television and Telecommunications Commission 2023). These speeds are needed for online business applications and to support multiple simultaneous users.

Underdeveloped transportation infrastructure and long distances to deliver goods contribute to significantly higher costs of living in many remote Indigenous communities. A study by Robitaille et al. (2018) finds that in 2016 the average consumer spending basket cost 28.7 percent more in Nunavik than an equivalent basket in the city of Québec, with the food component costing 55 percent more. The relatively high cost of food may explain the authors' finding that Nunavik residents devote 42 percent of their expenditures to food, more than twice the share allocated by Québec residents. Similarly, a study by Food Secure Canada finds that a typical grocery basket in some northern Ontario Indigenous communities costs over 200 percent more than one in Toronto; households in those Indigenous communities spend more than half their income on groceries (Veeraraghavan et al. 2016). Finally, research by Galloway and Li (2023) indicates that government programs designed to lower the cost of living may only partially reach the intended beneficiaries. They study the Nutrition North food subsidy, which is available in remote, mainly Indigenous communities, and find that for every additional dollar of the subsidy, retail prices are only lowered by 67 cents on average.

By some estimates, First Nations face an infrastructure deficit of almost \$350 billion (Daniels 2023). As described in the FMB's "RoadMap Project," these gaps reflect a combination of regulatory restrictions arising from the *Indian Act*, which create inefficient bureaucratic processes while limiting own-source revenues and access to long-term capital, and a lack of capacity to plan, develop, and manage infrastructure assets (FMB 2022). In March 2023, the *First Nations Fiscal Management Act* was amended to enable First Nations to establish an infrastructure institute (see Appendix) to address the gap in capacity. The institute aims to advise First Nations governments on best practices in planning and implementing infrastructure projects, and its creation is one of the recommended action items included in the NIES report (Canadian Association of Native Development Officers et al. 2022).

5. Conclusion

Indigenous economies are growing, and Indigenous workers will continue to contribute significantly to the growth of both those economies and the Canadian economy. While several measures suggest Indigenous economic outcomes have improved in recent decades, significant disparities continue to hinder progress. These include institutional barriers and gaps in infrastructure and financing. However, new institutions and frameworks are helping Indigenous communities overcome some of these barriers. Continued progress is needed to improve data on Indigenous economies to enable Indigenous and Canadian policy-makers to measure progress and make informed decisions.

This paper highlights several important knowledge gaps regarding Indigenous economies within Canada. For example, more work is needed to refine estimates of the non-market, cultural, and environmental value generated by Indigenous communities. While recent work has contributed to improved measurement of these aspects of Indigenous economies, the large range of estimates in the literature points to the need for further research.

Further analysis is needed on the drivers of labour market outcomes and the pathways to reducing gaps. For example, several studies we discuss find that educational attainment reduces the wage gap between Indigenous and non-Indigenous people. Yet, further study is needed on topics such as the post-secondary choices of Indigenous youth, including the level of program and degree specialization, which may differ from the choices of earlier generations.

Another important topic for future research relates to the factors affecting mobility of Indigenous populations between on reserve and off reserve for First Nations people, to and from Inuit Nunangat for Inuit, and more generally between urban and rural locations. It is important that research on this topic recognize the social, cultural, and economic trade-offs facing many Indigenous people when considering mobility decisions. For example, Indigenous people living in rural communities are often forced to choose between the greater availability of economic opportunities in urban centres versus the potential loss of ties to community and culture in their home community. In addition, the out-migration of Indigenous youth to urban centres may also reduce the stock of human capital that is needed to support progress in governance and economic empowerment of rural Indigenous communities.

Finally, more work is needed to better understand the successes, opportunities, and barriers to growth for Métis- and Inuit-owned businesses. While the existing research has better coverage of First Nations-owned businesses, additional study of the determinants of business outcomes on and off reserve, and across different First Nations, is also needed.

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Appendix - Institutional arrangements for First Nations to opt out of Indian Act provisions

The *Indian Act* has been amended several times. Some important amendments and new legislations have been introduced to increase the capacity of First Nations to participate in the Canadian market economy, including:

- In 1988, Bill C-115 was passed to amend the *Indian Act*, and a short time later Bill 64 was introduced in British Columbia. These bills authorized First Nations to collect property taxes from non-First Nations people with property on reserves. If a First Nation opted not to implement property taxation, the provincial and local governments would continue to tax the leasehold on those lands.
- In 1996, the **Framework Agreement on First Nation Land Management** was signed by 13 First Nations and the federal government. In 1999, the Framework Agreement was implemented through the **First Nations Land Management Act**. Together, these form the **First Nations Land Management** regime. They enable First Nations to opt out of 44 land management provisions under the *Indian Act* by developing and enacting their own land laws (known as a land code), to exercise control and protection of their lands while preserving reserve status. As of July 2023, 105 First Nations within Canada have ratified a land code, and another 100 are in various stages of doing so. The Framework Agreement also established the **First Nations Lands Advisory Board** and **First Nations Land Management Resource Centre** to support First Nations in developing land laws and management systems.
- In 2005, the **First Nations Fiscal Management Act (FNFMA)** was passed. This federal legislation gives First Nations governments fiscal authority over property tax and local revenues, financial administration laws, and financing for infrastructure and economic development. The act increases First Nations local revenue-raising powers to the same level as those of municipal governments within Canada, improves First Nations access to capital markets for infrastructure financing, improves accountability and transparency, and enhances the First Nations investment climate. As of October 2023, 353 First Nations (over half) had opted into the framework or are in the process of doing so. The FNFMA established the following institutions to create a system of regulatory oversight and enforcement for First Nations that is equivalent to the provincial regulatory framework for local governments:
 - i. The **First Nations Tax Commission (FNTC)** creates the regulatory framework for First Nation local revenue and expenditure systems. The FNTC established the **Tulo Centre of Indigenous Economics** in 2008 to provide education and research to support its objectives.
 - ii. The **First Nations Financial Management Board** provides First Nations with a regulatory framework for financial management.
 - iii. The **First Nations Finance Authority (FNFA)** helps to pool First Nation borrowing requirements, and then raises financing by marketing and issuing debentures (secured from First Nation tax or other revenues) on capital markets at commercial rates. In 2011, the **Financing Secured by Other Revenues Regulations** took effect, allowing all First Nations with their own sources of revenues to secure loans from the FNFA.
 - iv. The **First Nations Infrastructure Institute** was established in 2023 through an amendment to the FNFMA. This institute will work with participating First Nations and Indigenous organizations to plan, optimize and build capacity to successfully deliver infrastructure projects.
- In 2006, the **First Nations Commercial and Industrial Development Act** took effect, allowing the federal government to adopt regulations on reserve that are compatible with those off reserve. This reduces regulatory uncertainty for major commercial and industrial development on reserve lands.