Tom Flanagan

GAINING GROUND, LOSING GROUND

First Nations' Community Well-Being in the 21st Century

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by Tom Flanagan

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Executive summary

In May 2019, the Government of Canada released the tables for the Community Well-Being Index (CWB) based on the 2016 census. This provides an opportunity to revisit the issue of First Nations' standard of living and quality of life. Some First Nations made rapid progress from 2001 to 2016, as measured by the CWB. Others lost ground, in some cases substantial ground. This report will examine both groups in a search for factors associated with First Nations' progress and regress.

The good news for First Nations reserve communities is that their average CWB increased steadily over the 35 years from 1981 to 2016. Less good is the news that the gap between First Nations and other Canadian communities, after seeming to narrow a little in the 1990s, widened again and was almost as great in 2016 (19.1 points) as it was in 1981 (19.5 points).

CWB scores are used in this paper to construct a new variable called Community Well-Being Change, 2001–2016, abbreviated as CWB-C. This new variable is calculated by subtracting the 2001 CWB score from the 2016 CWB score. CWB-C represents the cumulative change in individual First Nation CWB, whether positive or negative, over the 15-year period from 2001 to 2016. This study focuses on the tails of the CWB-C distribution, in the hope that explanatory factors will show up more clearly in extreme cases. The extremes are defined here as being at least two standard deviations from the mean. The mean of the distribution is 3.5 and the standard deviation is 5.4, so the extreme upper group consists of those with a CWB-C of 14 or greater—21 cases in all. The extreme lower group consists of 16 cases with a CWB-C of –7 or less.

The rapidly improving First Nations communities look very much like First Nations who have already achieved prosperity. These parallel results increase confidence in earlier findings that the path to a higher standard of living for First Nations involves their taking control of their own affairs; using the off ramps from the *Indian Act* (imposing their own taxes, joining the Land Management Regime, borrowing through the First Nations Financial authority); treating land and resources as a source of income; taking advantage of local opportunities to become self-supporting through own-source revenue; and developing accountable governance practices that avoid secrecy and conflict of interest while observing the rule of law.

Natural resource development has special importance for the future. Relatively few First Nations have the advantage of location in or near a city, and many of those who have that advantage are already capitalizing on it. Most First Nations are in remote locations, where development of natural resources is the only likely source of economic advancement.

A common characteristic for the First Nations that are losing ground is the low level of own-source revenue. In most cases, it is about 20% or less of total revenue in the last year for which audited returns are available. None in this group has established a tax system. Only one is working towards entering the First Nation Land Management Regime. Four are exploring borrowing through the First Nations Financial Authority, and four are also working on governance with the First Nations Financial Management Board.

Remoteness from urban locations is an obvious, though not the only, factor for the group of First Nations with the most seriously declining CWB scores. Five are in Zone 4, with no year-round road connection to a service centre, and only two are in Zone 1, less than 50 kilometres from a town or city. Remoteness, however, is clearly not the only factor. More research is needed to establish the causes of decline in CWB. Based on what is already known about improvement, leadership and community cohesion would be obvious topics for further investigation.

In May 2019, the Government of Canada released the tables for the Community Well-being Index (CWB) based on the 2016 census (ISC, 2019a). This provides an opportunity to revisit the issue of First Nations' standard of living and quality of life. The focus is on First Nations' progress and regress thus far in the 21st century. Some First Nations made rapid progress from 2001 to 2016, as measured by the CWB. Others lost ground, in some cases substantial ground. This report will examine both groups in a search for factors associated with First Nations' progress and regress.

The Community Well-Being Index

In May 2019, the Government of Canada released the tables for the Community Well-being Index (CWB) based on the 2016 census (ISC, 2019a). For methodological reasons, it also recalculated the CWB for all earlier years. A careful reader may notice differences in CWB values in this report as compared to earlier publications, but the differences are small and should not affect statistical results and interpretation.

The Community Well-being Index (CWB) is a measure of standard of living and quality of life for all Canadian communities, including First Nations. It was calculated by researchers in the Department of Aboriginal Affairs and Northern Development (now Indigenous Services Canada), based on Statistics Canada census data. The time series extends back to the 1981 census, with updates every five years except for the 1986 census, which did not include questions on housing. It is calculated from the Census of Population, except for 2011 when it was based on the voluntary National Household Survey, which was sent to every household in First Nations communities. The First Nations' response rate that year was 82%, higher than other Canadian households, so the use of a voluntary survey in 2011 is not a major problem for the time series.

The CWB aggregates four dimensions of well-being—income, education, labour force participation, and housing. Census data for income are logarithmically transformed to reduce the impact of high incomes, on the assumption that attainment of basic sufficiency is more important to well-being than very high individual income. Income data are also adjusted for inflation, so that inflationary increases over time do not create artificial improvement in the index. Each of the other three dimensions is measured by two sub-variables that are then amalgamated into a single score. Measures of all four dimensions are normalized, equally weighted, and added together to form an index varying from 0 to 100.

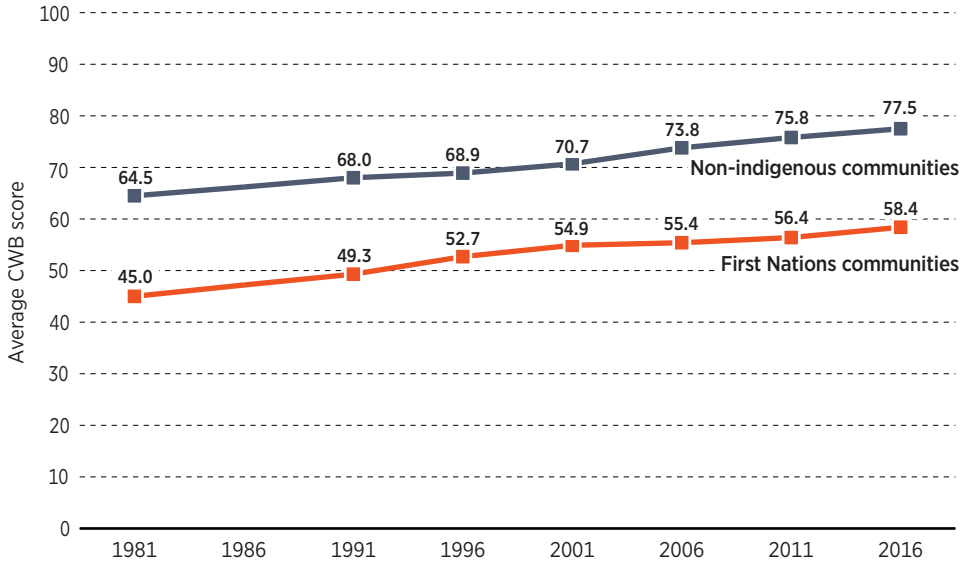
The CWB, of course, is not the last word about well-being. It does not incorporate measures of personal security, health, language retention, cultural practice, environmental integrity, religious faith, subjective happiness, or many other things that might contribute to quality of life. But it is hard to argue against the importance of income, jobs, education, and housing. Indigenous leaders frequently state that their people desire these four things and need more of them. So, even if the CWB is not the last word about well-being, it represents a good baseline or common denominator of what almost all people, including First Nations, hope to enjoy in a modern society.

Another feature of the CWB is that it measures the aggregate well-being of communities, not of individuals. The CWB provides information about the 44% of Registered Indians who live on reserves, but not about the 56% who live off reserve

(Nationtalk, 2017). It is not an indicator of the well-being of all First Nations people or of Indigenous people in general. However, it is well-known that the standard of living of First Nations people living on reserve is lower than that of other Indigenous people or of First Nations people living off reserve. This lower standard of living includes income, housing, education, health, and life expectancy (Akee and Feir, 2018), as well as other characteristics. Hence the focus on reserve communities is justified for purposes of both research and public policy because, even though there are notable exceptions, First Nations people living on reserve are on average the worst-off segment of Canadian society.

Figure 1 shows the CWB time series for First Nations and non-Indigenous communities from 1981 to 2016. The good news for First Nations reserve communities is that their average CWB increased steadily over the 35 years from 1981 to 2016. The less good news is that the gap between First Nations and other Canadian communities, after seeming to narrow a little in the 1990s, widened again and was almost as great in 2016 (19.1 points) as it was in 1981 (19.5 points). However, one must be cautious about interpreting the narrowing of the gap before 2001 and the re-widening afterwards because Statistics Canada changed its questions about educational achievement in 2006, causing a more rapid increase in that year for non-Indigenous communities. Overall, the safest conclusions are that the average CWB of First Nations has been increasing in step with that of other Canadian communities, and that the gap between the two has remained roughly constant for 35 years.

Figure 1: Community Well-Being averages over time, First Nations and non-indigenous communities, 1981–2016



Source: ISC, 2019a.

Progress and Regress

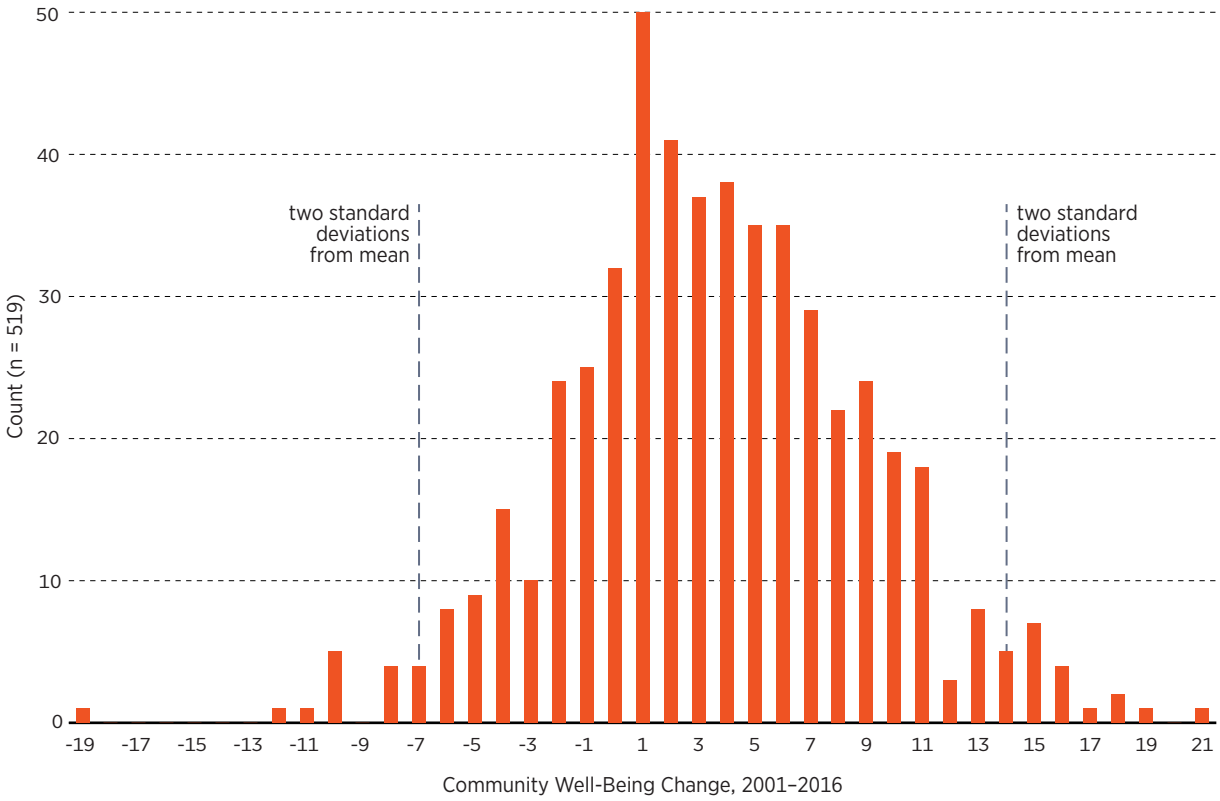
Looking at averages is not sufficient for understanding communities as numerous and diverse as Canadian First Nations. The gradually increasing averages can foster a complacent belief that things are getting better for all First Nations, steadily if not rapidly. But the truth is much more complex because there is a lot of variability in CWB scores for First Nations. In the six times that the figure has been calculated from fresh census data, 29% of First Nations have experienced a decline over the preceding period, against a corresponding figure for other Canadian communities of 18% (ISC, 2019a). The greater variability of First Nation scores is not in itself surprising, because these communities are much smaller on average than other Canadian communities and hence more susceptible to statistical flux. The real question is whether this variability is only random fluctuation around an ever-increasing trend line, as seems to be case for First Nations on average, or whether some First Nations may be experiencing cumulative and ongoing decline.

In an attempt to answer this question, CWB scores are used in this paper to construct a new variable called Community Well-Being Change, 2001–2016, abbreviated as CWB-C. This new variable is calculated by subtracting the 2001 CWB score from the 2016 CWB score. CWB-C represents the cumulative change in individual First Nation CWB, whether positive or negative, over the 15-year period from 2001 to 2016. This time span was selected for several reasons. It is subsequent to the report of the Royal Commission on Aboriginal Affairs, it lies entirely in the 21st century, and it spans periods of both Liberal and Conservative governments. Moreover, in previous research I had constructed a database of variables from this time period that I could use for correlational analysis of CWB-C.

CWB-C could be calculated for 519 Census Sub-Divisions considered to be First Nation communities. **Figure 2** shows the distribution of values. The mean of the distribution, that is, the average change in CWB-C from 2001 to 2016, is 3.5, which seems encouraging. Less encouraging, however, is that the mode (most frequent observation) is only 1. The mode was obtained by 50 First Nations, almost 10% of the total. Moreover, 107 First Nations, more than 20% of the total, had a negative CWB-C, which means that they lost ground over this 15-year period, and 32 had a static CWB-C of 0. This is far from the reassuring portrait of general progress conveyed by looking only at changes in average CWB over time.

Inspection of figure 2 shows that some First Nations on the right-hand side of the distribution are doing very well indeed, and their progress has made the mean higher than the median and the mode. Their success should be cause for celebration. But it should also be cause for concern that over the same 15 years, 139 First Nation communities, 27% of the total in this sample, showed no gain or even actual declines

Figure 2: Distribution of the values of 519 First Nation communities for Community Well-Being Change, 2001–2016 (CWB-C)



Source: Compiled by the author from Government of Canada, 2019.

in CWB. All readers know the cliché about the tide that lifts all boats. In this tableau, the Canadian economy looks like a tide that has lifted the boats of many First Nations to various heights, but has left a substantial number stranded or even sinking. It is a matter of both intellectual and practical interest to get a better understanding of why some First Nations are moving ahead while others are falling behind.

The Wealth of First Nations (Flanagan, 2019a) identified a number of factors under the control of First Nation governments that are associated with higher CWB scores. Seven of these factors for which numerical data are in the public domain and that thus can be used in statistical analysis are:

1. (+) on-reserve property taxation;
2. (+) use of Certificates of Possession;
3. (+) participation in Land Management Agreements;
4. (+) existence of self-government agreement;
5. (+) earning own-source revenue;
6. (+) avoiding fiscal deficits and default management;
7. (–) remuneration of councillors.

In repeated bivariate and multivariate regressions against 2006 and 2011 CWB scores, all of these factors were statistically associated with CWB—the first six positively, the last one negatively. An aggregate index based on these variables explained about 40% of the variance in 2011 CWB (Flanagan, 2019a: 45–51; Flanagan and Johnson, 2015)—a surprisingly robust finding for research of this type. However, the statistical approach that had successfully explained a good part of CWB does not do well in explaining CWB-C. In bivariate and multiple regressions of CWB-C against all the same variables, the associations, while statistically significant, were so small as to be practically insignificant. Another approach is obviously required to explore the issue of change over time.

This study, therefore, focuses on the tails of the CWB-C distribution, in the hope that explanatory factors will show up more clearly in extreme cases. The extremes are defined here as being at least two standard deviations from the mean. The mean of the distribution is 3.5 and the standard deviation is 5.4, so the extreme upper group consists of those with a CWB-C of 14 or greater—21 cases in all. The extreme lower group consists of 16 cases with a CWB-C of –7 or less.

In statistical research, extreme cases, or "outliers," are often excluded from analysis because their outsized values can distort correlations, regression coefficients, and estimation of population parameters. But in a more qualitative approach, extreme cases can be valuable because they dramatically illustrate the impact of important factors. Malcolm Gladwell focused on extremes in his best-selling book *Outliers* (2016). His famous conclusion about the importance of "10,000 hours of practice" in achieving high levels of individual mastery seems to have been exaggerated (Resnick, 2019), but the approach of studying outliers was enlightening in identifying factors associated with unusual results.

As an example from the realm of public affairs, comparison of the Soviet Union and its satellites against the OECD countries of Europe, Asia, and North America graphically highlights the economic failure of communism against the success of capitalism. The contrast would not be nearly as sharp in an analysis of the economies of all the world's nations, which contain many examples of blended socialist and capitalist institutions, but it stands out starkly when we focus on the extremes of the distribution.

Gaining Ground

Table 1 lists the 21 First Nations communities whose CWB increased by two standard deviations or more from 2001 to 2016. In some cases, the community may have more than one name or be part of a larger First Nation, so both designations are given. These First Nation communities come from seven provinces plus Yukon, but British Columbia has 11 out of the 21, slightly over half. This is not as surprising as it may seem, because almost one third of Canadian First Nations are in British Columbia, but it still amounts to overrepresentation. We will return later to a possible explanation of this result.

Table 1: First Nations with increase of 14 or more in CWB, 2001–2016

Census Sub-Division (CSD) 2016	First Nation	Province	Population CSD 2016	CWB 2016	CWB-C
Kitcisakik	Algonquins	QC	274	51	21
Swan Lake 7	Swan Lake	MB	347	61	19
Stony Plain 135	Enoch Cree	AB	1,690	68	18
Halfway River 168	Halfway River	BC	172	57	18
Whycocomagh 2	We'koqma'q	NS	831	65	17
Fort Mackay	Fort Mackay	AB	742	75	16
McLeod Lake 1	McLeod Lake	BC	87	74	16
Coryatsaqua (Moricetown) 2	Witset	BC	86	68	16
Nautley (Fort Fraser) 1	Nadleh Whuten	BC	192	68	16
Kamloops 1	Tk'emlúps te Secwepemc	BC	3,021	83	15
Matsqui 4	Matsqui	BC	471	79	15
Shuswap	Shuswap	BC	319	78	15
Lakahahmen 11	Leq'á:mel	BC	177	68	15
Day Star 87	Day Star	SK	148	65	15
Ittatsoo 1	Uclulet	BC	274	64	15
Blueberry River 205	Blueberry River	BC	197	55	15
Burwash Landing	Kluane	YK	72	85	14
Abitibi 70	Wagoshig	ON	144	66	14
Prophet River 4	Prophet River	BC	106	64	14
Makaoo (Part) 120	Onion Lake	SK/AB	518	59	14
Turnor Lake 193B	Birch Narrows	SK	476	58	14

Source: Government of Canada, 2019.

For further analysis, three of the communities—Kiticisakik, Day Star, and Burwash Landing—had to be removed, for several overlapping reasons, including uninformative websites, absence of public financial information, and small population. The latter renders the CWB somewhat unreliable because it can be affected by minor developments, such as the movement of a small number of people, or a housing program that improves a few dwellings.

Of the 18 remaining communities, only three (Kamloops, Shuswap, and Matsqui) started in 2001 from a relatively high level (60 or over). Several had scores in the 40s or even 30s in that year. Thus the progress exhibited in table 1 has been achieved by a broad cross-section of communities starting from very different levels 15 years ago, suggesting that progress is possible for First Nations even in difficult circumstances.

Only four of the 18 are within or close to sizable urban centres: Tk'emlúps te Secwepemc (Kamloops, BC); Enoch Cree (Edmonton, AB); Leq'á:mel (Mission, BC); and Swan Lake 7 (Brandon and Winnipeg, MB). Thirteen of the other 14 are located in what the Government of Canada calls Zone 2, that is, 50 to 350 kilometres from the nearest service centre to which they have year-round road access. These are rural locations, to be sure, but they are not desperately remote; none is in Zone 4, characterized by the absence of a year-round road connection to the outside world. Although being located in or near an urban centre had certainly been useful to many First Nations that had achieved high CWB scores as of 2011 (Flanagan and Harding, 2016), table 1 shows that it is not essential to have an urban location to make progress in the present. Again, this is good news because relatively few First Nations have that advantage.

Four of these 18 First Nations (Kamloops, Matsqui, Shuswap, and Leq'á:mel) are in a special category because three-quarters or more of the people who live on the reserve are not status Indians. These First Nations have sought prosperity by leasing land to outsiders for residential or recreational real estate. The resulting ground rents, property taxes, and development fees generate substantial revenues for the First Nation government, as well as jobs for members in real-estate development and maintenance. However, it is impossible to use CWB data to measure the well-being of members because Statistics Canada collects data on the basis of Census Sub-Divisions (CSDs). If 75% or 80% of the people living on an Indian Reserve that is also a CSD are non-members, CWB averages may be inapplicable to the members of the First Nation. Residential real-estate development can bring a higher standard of living to members, as it has done in the case of Westbank First Nation (Flanagan, 2019c), but a metric other than the CWB is required to measure the improvement.

Almost all the other 14 First Nations with high levels of improvement in CWB seem to be following the path of community capitalism, or band-owned enterprise (Flanagan, 2018). The enterprises include casino gaming (Swan Lake and Enoch Cree), oil and gas field services (Halfway River, Fort McKay, Blueberry River, Prophet River), oil production (Onion Lake), forestry (Witset, McLeod Lake), mining (Wahgoshig),

commercial fishing and fish farming (We'koqma'q), and tourism (Uclulet).[1] The two First Nations with casinos have locations near major cities; Enoch Cree is on the outskirts of Edmonton, and Swan Lake, though located near Brandon, has an urban reserve in Headingley, a suburb of Winnipeg. The other eight have much more remote locations but are prospering through the exploitation of various natural resources.

These findings are consistent with an earlier study by Flanagan and Harding (2016) that focused on 21 First Nations with the highest CWB scores in 2011. Only three of the 2016 group of 16 rapid improvers (Fort McKay, Shuswap, and Leq'á:mel) were included in the "Top 21" of the highest-scoring First Nations in 2011. Yet the behaviour of this group is similar to that of the earlier ones. They are generating high levels of own-source revenue (OSR) in the same broad mix of activities: residential and recreational real-estate; natural resource development; and tourism and hospitality, including gaming. The same activities that had led to high CWB scores by 2011 seem to have been associated with rapid improvement in a largely different group of First Nations from 2001 to 2016.

Moreover, like the 2011 group, the 2016 group of rapidly improving First Nations is making use of "off ramps" from the *Indian Act*, that is, the programs created by amendments to the *Act* as well as supplementary legislation creating new opportunities for First Nations to take control of their own affairs. Six of the 18 that have experienced rapid improvement have created on-reserve tax systems. Five have joined the First Nations Land Management Regime to get greater control over their lands and resources. Nine are exploring the possibilities of responsible borrowing through the First Nations Financial Authority, which can lead to better financing of infrastructure. And seven are trying to improve their governance by working with the First Nations Financial Management Board.

In short, these 18 rapidly improving First Nations communities look very much like the 21 First Nations who had already achieved high scores by 2011. These parallel results increase confidence in earlier findings that one path to a higher standard of living for First Nations involves taking control of their own affairs; utilizing the off ramps from the *Indian* Act (imposing their own taxes, joining the Land Management Regime, borrowing through the First Nations Financial authority); treating land and resources as a source of income; taking advantage of local opportunities to become self-supporting through OSR; and developing accountable governance practices that avoid secrecy and conflict of interest while observing the rule of law.

As discovered in earlier studies, natural resource development has special importance. Relatively few First Nations have the advantage of location in or near a city, and many of those who have that advantage are already capitalizing on it. Far more

1. Public information about one First Nation, Birch Narrows, is inadequate to determine what is happening there.

First Nations are in remote locations, where natural resource development is the only likely source of economic advancement. Many impoverished and remote First Nations would like to improve economically. If the federal and provincial governments want to help them do so, they should facilitate rather than impede the development of oil and gas, mining, forestry, fisheries, and other natural resources (Bains, 2013; Belzile, 2018; Swampy, 2019).

In that connection, it is noteworthy that five of these 13 First Nations where development of natural resources seems to be driving progress are located in northern British Columbia, where the provincial government has an elaborate program of consultations, negotiations, and revenue-sharing with First Nations for natural resource development, including forestry, pipelines, and hydrocarbon exploration (British Columbia, n.d.). The impact of these programs is too complex for a quantitative assessment here because there are many separate agreements, sometimes with multiple First Nations, and they often contain internal provisions for change depending on whether and how fast projects go forward. Also, First Nations do not usually itemize these payments in their annual budgets in enough detail for analysis.

In spite of the absence of detail, it seems that British Columbia's approach is producing beneficial results for some First Nations. I have criticized the province elsewhere for trying to block oil pipelines (Flanagan, 2019b), but its promotion of the export of liquefied natural gas, leading to large-scale exploration and pipeline construction, is helping First Nations in some locations. I have also been critical of resource-revenue-sharing if it is not tied to specific projects (Flanagan, 2015b), but British Columbia meets that test. It does not distribute resource revenue wholesale to First Nations; revenue-sharing is for those that involve themselves in specific projects, and the amount bears a rational relation to what the province derives from the project in royalties, fees, and taxes. Helping to bring First Nations into resource development not only gives them revenue from the province but encourages them to earn more through partnerships with resource companies and job opportunities for their members.

Previous literature has repeatedly reported that natural resource development is the best path forward for most First Nations (Bains, 2013: Belzile, 2018; Flanagan, 2019b). The pattern of success reported here reinforces that conclusion. Residential and recreational real estate development will work well for the First Nations with favourable urban locations, but natural resources will be the key for the hundreds more that are in rural locations.

Losing Ground

Table 2 lists 16 First Nation communities whose CWB has declined two standard deviations or more (≤–7) in the 15 years from 2001 to 2016. Bear in mind that these make up only the extreme end of the 107 First Nations that experienced negative CWB-C over the same period of time. "Losing ground" is to some degree a problem affecting almost 20% of the First Nation communities for which data are available. All cases come from Ontario and the four western provinces, and almost all are from the northern parts of these provinces. Seven are located in the pre-Cambrian Shield, where there are no hydrocarbons, so natural resources consist of forestry, hard-rock mining, or potential for tourism.

Table 2: First Nations with decrease of −7 or more in CWB, 2001–2016

Census Sub-Division (CSD) 2016	First Nation Name	Province	Population CSD 2016	CWB 2016	CWB-C
Eagle Lake 27	Eagle Lake	ON	224	64	−7
Soowahlie 14	Soowahlie	BC	247	55	−7
Northwest Angle 33B	Northwest Angle	ON	95	53	−7
Little Black Bear 84	Little Black Bear	SK	137	51	−7
Katit 1	Wuikinuxv	BC	90	62	−8
Child Lake 164A	Beaver	AB	216	54	−8
Mistawasis 103	Mistawasis	SK	681	42	−8
Crane River 51	O-Chi-Chak-Ko-Sipi	MB	444	40	−8
Boyer 164	Beaver	AB	218	45	−10
Kitchenuhmaykoosib Aaki 84	Big Trout Lake	ON	1024	43	−10
Wabaseemoong	Wabaseemoong	ON	827	41	−10
Wasagamack	Wasagamack	MB	1403	34	−10
Utikoomak Lake 155A	Whitefish Lake	AB	127	32	−10
Roseau River 2	Roseau River	MB	558	37	−11
Birdtail Creek 57	Birdtail Sioux	MB	411	38	−12
Shoal Lake 34B2	Shoal Lake	ON	151	48	−19

Source: Government of Canada, 2019.

A common characteristic for the First Nations that are losing ground is the low level of own-source revenue (OSR). In most cases it is about 20% or even less of total revenue in the last year for which audited returns are available (INAC, 2019), though a couple reach 30% or 35% through operating convenience stores. Crane River in Manitoba appears to have almost 50% OSR based on VLT gaming, but closer inspection shows that expenses to operate the business are almost as large as the revenue. The First Nation may be creating some jobs for its members but is not generating profit for further investment.

Not surprisingly, these First Nations are not making as much use of off ramps from the *Indian Act* as are the ones that are rapidly improving their CWB scores. None in this group has established a tax system. Only one (Mistawasis) is working towards entering the First Nation Land Management Regime. Four are exploring borrowing through the First Nations Financial Authority, and four are also working on governance with the First Nations Financial Management Board.

Location, Location, Location?

Remoteness from urban locations is an obvious factor for the group of First Nations with declining CWB scores. Five of the 16 are in Zone 4, with no year-round road connection to a service centre, and only two (Eagle Lake near Dryden and Soowahlie near Chilliwack) are in Zone 1, less than 50 kilometres from a town or city. The rest are in Zones 2 and 3. **Table 3** summarizes locational differences for the two subsamples in this study.

Table 3: Location of First Nations by geographical zone

	Distance from service centre	Increasing CWB-C	Decreasing CWB-C
Zone 1	<50 km	5 (28%)	2 (16%)
Zone 2	50–350 km	12 (67%)	9 (56%
Zone 3	>350 km	1 (6%)	0 (0%)
Zone 4	no year-round access	0 (0%)	5 (31%)
n =		18	16

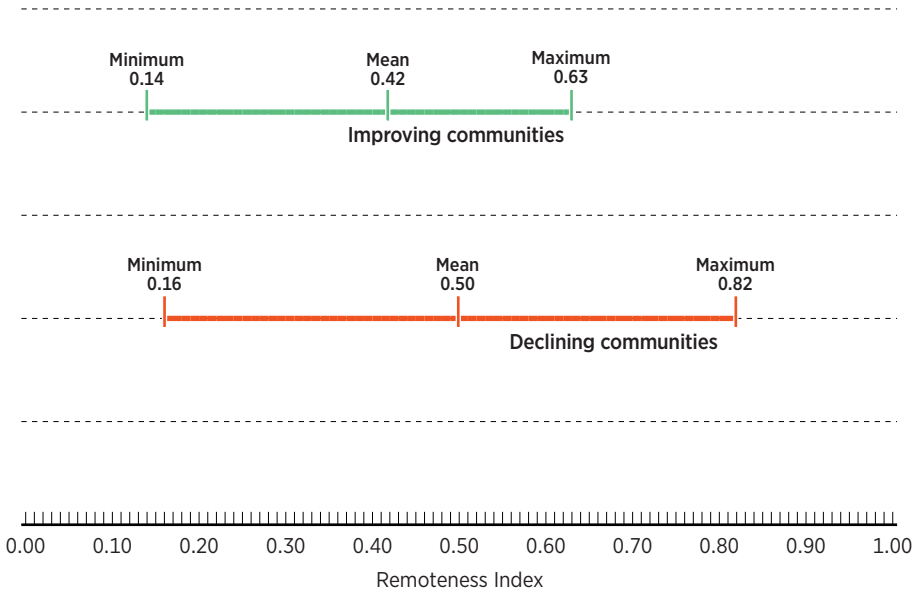
Source: Zone designations are taken from the First Nations Profiles (INAC, 2019).

Location makes up part of the difference between these two groups. Twenty-eight percent of the increasing group are in Zone 1, as compared to 16% of the decreasing group; and none of the increasing group are in Zone 4, against 31% of the decreasing group. Being in or near a city is an advantage while not having year-round road access to a service center is a disadvantage. Yet other factors must also be at work, for most of both groups lie in Zone 2. Location seems to be part, but only a part, of the story.

Further evidence on the importance of location comes from a new remoteness index used by Indigenous Services Canada in its budget allocation process (ISC, 2018). The remoteness index is analogous to gravity models of trade, which incorporate both population size and cost of transportation as variables. As developed for First Nations, the remoteness index can vary between 0.0 (very close) and 1.0 (very remote). To give a couple of real-world examples, Stony Plain, on the outskirts of Edmonton, has an index of 0.16, while Big Trout Lake, a fly-in community in northern Ontario, is measured at 0.82.

Figure 3 compares the remoteness of the improving and declining communities listed in tables 1 and 2. The mean remoteness index value for the 21 improving communities is 0.42, compared to 0.50 for the 16 declining communities. The difference is

Figure 3: Range and mean of remoteness index for improving and declining First Nation communities

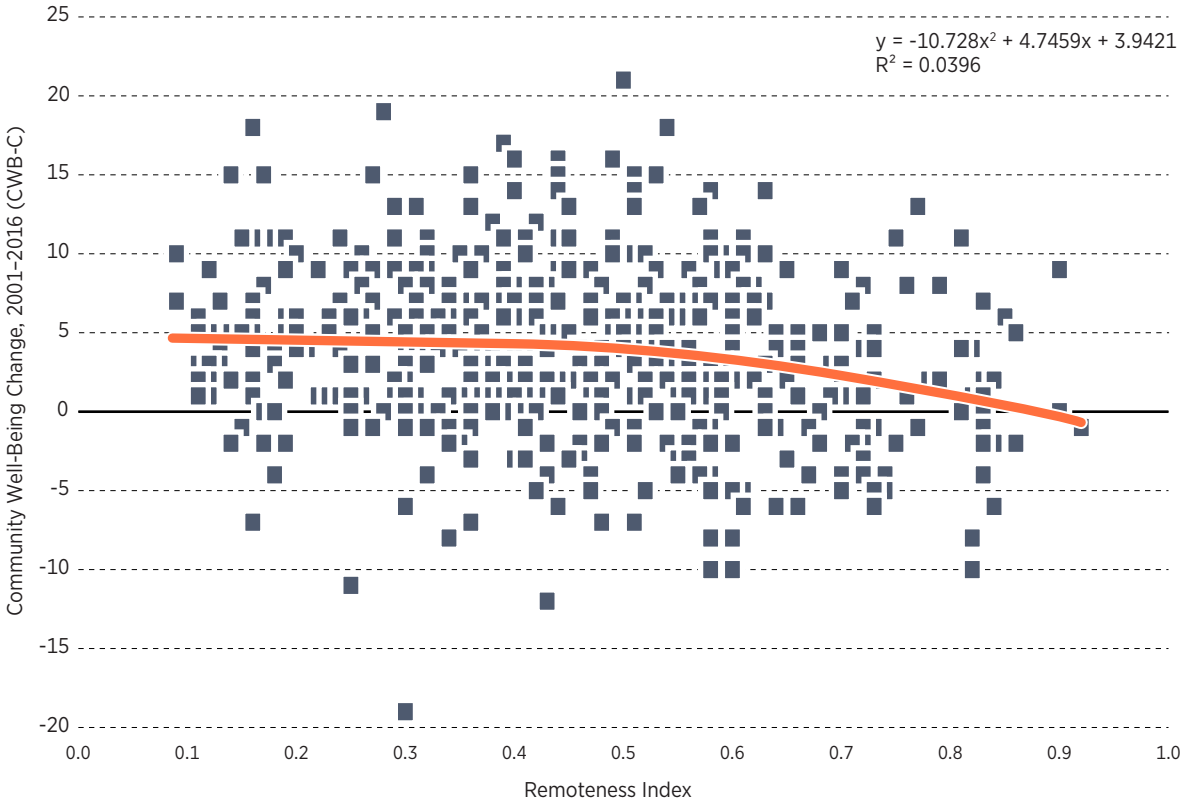


Source: Remote index data (Excel file) sent via e-mail to author by Eric McGregor, Indigenous Services Canada, September 25, 2019.

statistically significant at the .05 level (one-tailed t-test), but this is not a strong finding. Within each group there is obviously a lot of variation. As shown by the horizontal lines, the improvers range from 0.14 to 0.63, and the decliners from 0.16 to 0.82. Remoteness may be a statistical factor influencing the relative odds of improvement rather than decline, but it is far from determinative.

In a bivariate linear regression, remoteness was strongly and negatively associated with CWB (ISC, 2018), but the relationship with CWB-C is weaker and apparently curvilinear. As shown in **figure 4**, high levels of remoteness are negatively related to CWB-C, but the effect levels out toward the middle of the distribution. For example, the average remoteness index for the 37 communities with CWB-C = 3, is 0.42, virtually the same as the remoteness index of the 21 top communities whose CWB-C is 14 or higher. The regression line only starts to slope downward to the right of that point. Overall, the scattering of the data points shows that the relationship is very weak, explaining only 4% of the variance. In non-statistical language, this means that while remoteness may help somewhat to explain why First Nations have gained or lost ground over the last 15 years, it doesn't explain very much, and other factors must be involved.

Figure 4: Regression of Community Well-Being Change, 2001–2016 (CWB-C) upon Remoteness Index



Source: Remote index data (Excel file) sent via e-mail to author by Eric McGregor, Indigenous Services Canada, September 25, 2019.

Policy Implications

Critics of capitalism like to say, "The rich get richer and the poor get poorer." In fact, this saying applies more accurately to the government-dominated world of First Nations, where the absence of capitalism is associated with a deteriorating standard of living for a substantial minority of First Nation communities. Addressing this problem should be a high priority for both federal and provincial governments in Canada—not through governmental fiscal transfers, but through creating and facilitating opportunities for First Nations to improve their own well-being.

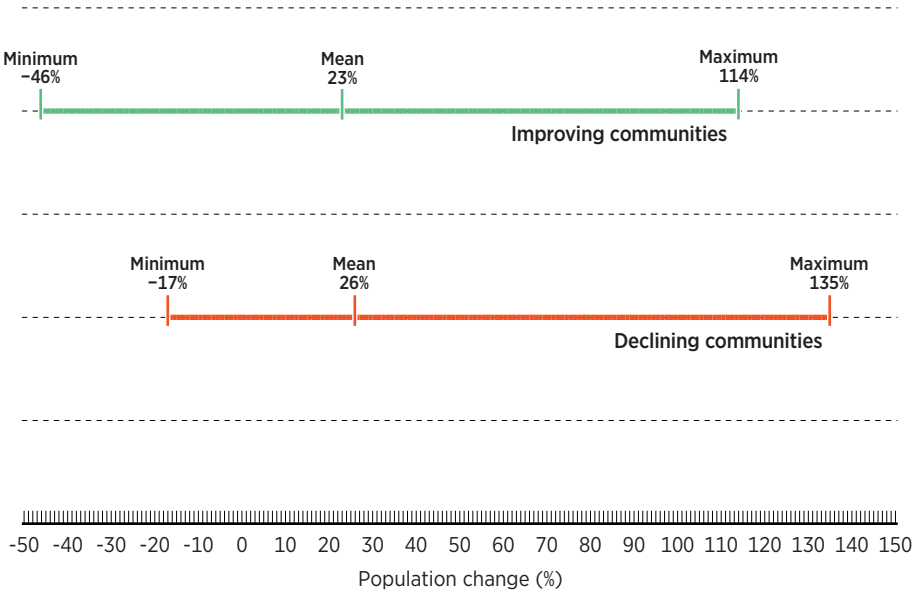
The first task is to gain a more accurate understanding of the problem, as this study has tried to do in a modest way. Governments, with their much greater resources, should identify those First Nations that are losing ground over the long term. Up till now, the manner in which the Government of Canada has published the CWB data has obscured the issue in two ways. First, it has emphasized the steady improvement in means over time. Second, it has claimed that most First Nations that experience a decline over one census period later rebound (ISC, 2019a). Neither of these claims is false, but taken together they create an impression of general improvement that overlooks the substantial number of First Nations whose standard of living is deteriorating rather than improving over a longer period of time.

One hypothesis suggested by a research colleague who is expert in human capital is that CWB-C is linked to migration patterns. If this is correct, those First Nations suffering declines in CWB would see proportionately more young members with higher earning power moving to cities, where there are more career opportunities. However, **Figure 5** seems inconsistent with that prediction. Population in the 16 First Nation communities with the greatest decline in CWB actually grew more from 2001 to 2006 than it did in the 18 First Nation communities with the greatest increase in CWB—26% compared to 23%. Moreover, there was an extraordinary range of variation in both groups: from 114% to –46% in the increasing group, and from 135% to –17% in the decreasing group. On the surface, at least, out-migration does not seem like a promising avenue for explaining the difference between and high- and low-performing groups.

Location and transportation

In contrast, even without advanced analytics, location and transportation do seem to show some importance. First Nations whose position is deteriorating tend to be in remote locations, particularly in the Canadian Shield, to be far from urban centres, and to lack year-round highway connections with the outside world. It is encouraging

Figure 5: Range and mean of population change for improving and declining First Nation communities



Source: Government of Canada, 2019.

that the so-called "Freedom Road" to the Shoal Lake reserve, whose CWB-C of –19 was the worst in our sample, is nearing completion, thanks to cooperation among the governments of Canada, Manitoba, Winnipeg, and the First Nation itself (ISC, 2019b). However, the problem of isolation is too large to be solved by one-at-a-time ventures in road construction. There are dozens of First Nations in Canada whose reserves were selected in the 19th or early 20th centuries when their people were still making a living by hunting, fishing, and trapping. Those locations, connected by poor roads or no roads at all to the outside world, may have made sense then but are often not conducive to economic advancement today.

In this connection, governments should pay particular attention to the Northern Corridor Concept (NCC). In broad terms, the NCC is a proposal for a transportation corridor from Prince Rupert, British Columbia, to the St. Lawrence River and beyond, with connections to the Mackenzie Valley, Hudson Bay, and existing facilities in southern Canada. It could include highways, railways, pipelines, power lines, and communications towers. The NCC began as an academic proposal (Sulzenko and Fellows, 2016). It received an endorsement in 2017 from the Standing Senate Committee on Banking, Trade, and Commerce (SPP, 2017). More recently, it was supported by Alberta Premier Jason Kenney and Saskatchewan Premier Scott Moe as well as national Conservative Leader Andrew Scheer (Zinchuk, 2019; Hunt, 2019).

Proponents generally defend the NCC in terms of economic advantage to Canada, but it would also bring benefits to First Nations in the Canadian north. Depending on the exact route, it would improve communication and transportation to 50 or more

First Nations that are now relatively isolated (Sulzenko and Fellows, 2016: 25, map 4). It would reduce shipping costs for necessities like food and fuel that are now costly in the North. In the longer run, it would make possible oil and gas, mining, and forestry projects that are now too expensive because of prohibitive transportation costs. These projects would enable more First Nations to benefit from consultation payments, property taxes, jobs and job training, contract set-asides, and equity shares, as is now happening where transportation is available.

Its impact would probably be similar to the Alaska Highway, built though northern British Columbia and Yukon and completed in 1942. The Alaska Highway brought new diseases to native communities and disrupted their traditional way of life, but also made consumer goods cheaper, opened up new job opportunities, and facilitated the political organization of First Nations (Yukon Archives, 1992). For the northern areas of the Canadian provinces at this point in history, the negative effects have already occurred for other reasons, so the impact of the NCC would be mainly positive.

Dozens of First Nations have already shown that their future lies in economic participation rather than dependence on government transfers. Improved transportation will help other First Nations to benefit, including especially some of the most isolated and worst off, whose standard of living has been declining rather than improving. Of course, this will not happen quickly. The NCC, if it is ever built, will be done in stages. But all 7,000 kilometres do not have to be completed to make it useful; sections could connect with existing ports, roads, railways, and pipelines, thereby facilitating economic development in previously isolated areas. No matter how the future unfolds, better transportation and communication for First Nations is an important way for governments to help those now making little progress or even losing ground economically.

Political and legal obstacles

Yet the political and legal obstacles to corridor infrastructure initiatives involving multiple First Nations are enormous in present-day Canada (Flanagan, 2015a). To take one example, Ontario announced in 2017, after years of delay, that it would build a road to facilitate the "Ring of Fire" chromite mining project for all nine First Nations that would benefit from it; but in 2019 it announced that could not reach agreement on the overall project and would build roads only to individual First Nations where agreement could be reached (Giovanetti, 2017; Canadian Press, 2019).

Better connections will be helpful, but they will be far from a total solution for the First Nations that are now losing ground. We need a more differentiated understanding of why some First Nations are losing ground. It is not enough to invoke colonialism and racism as all-purpose explanations, because that legacy is everywhere, and yet many First Nations are making remarkable progress nonetheless. We now have a reasonable understanding of First Nations that have improved or are improving their

CWB. We know that they generate substantial own-source revenue through real-estate development, tourism and hospitality (including gaming), and participation in natural resource development, while making use of those off ramps from the *Indian Act* that are useful in their particular situation. We also know that First Nations that are losing ground are not doing these things, but we lack a nuanced understanding of why.

For some, remote location may be the main problem, which can be addressed as described above. Others may be happy to exist by hunting, fishing, and trapping, as they have always done, and thus present no problem as long as their population does not grow to the point where a subsistence economy is no longer adequate. Others may suffer from factionalism and/or a lack of leadership in the community, which impedes concerted action. Leadership has been shown to be a crucial variable for First Nations that have already achieved economic success (Flanagan and Harding, 2016); lack of leadership may be equally important for those that are losing ground, though we do not yet have the detailed evidence to demonstrate the proposition. A profitable agenda for future research would to explore in detail the difficulties of First Nations that are losing ground, so they can find a way forward that fits their own circumstances, through their own unique combination of leadership and community support.

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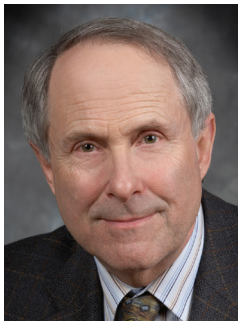

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