

**ASSEMBLY OF FIRST NATIONS  
FIRST NATIONS LABOUR MARKET STRATEGY  
DRAFT FOR DISCUSSION – NOT FOR DISTRIBUTION  
ISSUE PAPER 9 – The Envelope**

**DESCRIPTION:** To provide the rationale for the financial “ask” for FNLMs and mechanisms for predictability and long term funding based on estimates of inflation and population growth.

**This requires two steps:**

- 1. Establish the First Nations share of the total AHRDS/ASETS envelope, and**
- 2. Provide a rationale for re-establishing the envelope and making new investments**

**This issue overlaps with the Urban Issue Paper (07), since in several provinces First Nations agreement holders take on service to a wider group.**

**OPTIONS:**

1. First Nations share:
  - a. Status Quo: First Nations keep the current share going to agreement holders in an enhanced envelope
  - b. Population based: First Nations work with ESDC and other indigenous groups to establish a new sharing of the envelope based on the most recent population estimates
  - c. Needs based: Based on First Nations socio-economic indicators and historic (ASETS evaluation, ESDC DPR) and comparative (ASETS and LMDA performance) unit costs, build a First Nations request
2. New Investments:
  - a. Review and bring forward the work done by the First Nations Human Resources Development Commission of Quebec (FNHRDCQ) to “re-establish” the envelope eroded by inflation and population growth since 1999
  - b. Include new investments for instruments of self-governance: the Commission and Secretarial and capacity building at the agreement holder level
  - c. Include new investments for incremental activity especially for persons with disabilities. (the core ESDC program for persons with disabilities is the LMAPwD with provinces and territories, to verify that no Aboriginal share was ever calculated and included in the envelope)
  - d. Incremental costs for remote and Northern areas should be included in the envelope calculation and not taken out of the base allocation
  - e. Child care should remain in the Strategy until the conclusion of the AFN policy review and ASETS holders should be engaged in this review (IP 18).

**RATIONALE:**

Inflation and population growth have eroded the original budget allocated to the strategy. The original budget for agreement holders labour market programming in 1999 was

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\$275 million. In constant dollars (1999), the purchasing power of the allocation is now only \$202 million in 2015-16. Secondly, population growth has further eroded the amount available per person, from \$491/person to \$188/person, a reduction of 61.7%. This has impacted both the administrative, operational and program budgets of agreement holders. An immediate increase of \$175 million would be required to re-establish the envelope to its 1999 value.

The need for the strategy is continuing and the benefit to First Nations and Canada is important. The employment rate\* of Indigenous people is at 55.2% in 2015 compared to 61.3% for Canada. This gap is relatively stable at about 6%. Using 2006 census data for which First Nations numbers are available, the employment rate is 48% versus 62% for Canada, a gap of 14%. If the gap could be closed, this would mean a contribution from earned employment of \$1.37 billion annually to the Canadian economy and if First Nations had the same median income as Canadians, \$1.84 billion. There would be corresponding savings to social programs with reduced dependency and increase health and well-being. The potential benefit is enormous.

ESDC evaluations have confirmed that the strategies have been effective, are relevant and represent the best approach versus other alternatives.

**CONSIDERATIONS:**

While Indigenous Canadians experience the fastest population growth in Canada, political/judicial changes have caused major shifts to the statistics changing the balance between First Nations, Inuit, Métis and non-status Indians with many people self-identifying as Métis and non-status. However, the profiles (employment, education, literacy and skills qualifications) of these populations are very different with First Nations and Inuit experiencing much greater disadvantage in the labour market than Métis or non-status Indians. An evidence-based approach would provide First Nations (and Inuit) with a fair share but the work will be more complex and arduous than a simple population based approach.

In the context of government deficits and stimulus funding, labour market programming is an investment in a modern, skills-based economy. Moreover, as the skills levels required for sustainable employment and earnings increase, young people leaving the education system and people displaced from traditional work will continue to need remedial assistance.

To be able to enter into “joint work” with ESDC, AFN will need to have a position on sub-national allocations. If there are new investments, the same tools used to establish the First Nations share of an indigenous envelope could be used to make adjustment to the First Nations envelope to allocate between provinces and territories with the provision of “no losers”.

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Going forward, the new envelope should be protected against inflation and population growth through parameters set in legislation and the mechanism of an annual Five Year Spending Plan (IP 05, First Nations Statutory Authority)

Over the next 10 years, 600,000 Indigenous youth are expected to enter the labour market. Many will leave school with low literacy and few credentials to make a transition to sustainable employment and earnings and will need the FNLMS. The Annex, Budget Analysis, shows that agreement holders have been performing well at costs per participant and cost per successful outcome well below those of provinces and territories.

It can be hypothesized that the erosion of the budget has led to smaller investments per participant in spite of the bigger level of employment disadvantage of First Nations peoples and that re-establishing the budget would allow greater investments per participant.

A budget for the Commission is calculated in the Annex and this should be added to the FNLMS budget so as not to take away from program funds.

Ceilings on administrative costs (15%) are arbitrary and have been applied inconsistently. They should be removed and new principles applied allowing FNLMA's to operate effectively with professional staff for managerial, administrative, program and service functions. The Secretariat could work on guidelines as well as researching wage rates and conditions to provide confidence in the system.

**RECOMMENDED OPTION:**

Engaging with ESDC to implement an evidence-based approach to establishing a First Nations fair share of an enhanced envelope, apply the same approach to provincial-territorial level allocations and finalize an “ask” for increased investments.

**DECISION:**

**DATE AND VERSION:**

Draft 4, November 23, 2016

Based on “Indexation of Funding: Federal employment and training strategy for Indigenous People Working Document v.160606b | Revised 160719a © FNHRDCQ, 2016”

\*Employment Rate is used here as the most meaningful figure to judge a society (as opposed to unemployment or participation rates).

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**Annex 1: Budget Profile and Needs-based Approach**

To be developed rapidly by technical officials

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**Annex 2: Commission Budget**

<b>First Nations Labour Market Commission Budget</b>	
Wages and Benefits	\$ 795,000
Rent	\$ 100,000
Board Costs	\$ 170,000
Audit	\$ 10,000
Legal	\$ 10,000
Insurance	\$ 10,000
Travel	\$ 65,000
Supplies	\$ 5,000
IT	\$ 10,000
Comms	\$ 25,000
research and consulting	\$ 500,000
Outreach	\$ 300,000
	<b>\$ 2,000,000</b>

<b>Wages</b>	Comparative GoC level	Salary	Benefits	Total
Executive Director	EX2	140000	0.15	\$ 161,000
Office Manager	AS 05	80000	0.15	\$ 92,000
Research	ES 06	100000	0.15	\$ 115,000
	ES 04	70000	0.15	\$ 80,500
Program Development	PM 06	100000	0.15	\$ 115,000
	PM 04	66000	0.15	\$ 75,900
IT Support	CS 02	75000	0.15	\$ 86,600
Intern	PM 03	60000	0.15	\$ 69,000
				<b>\$ 795,000</b>

<b>Commission</b>		
Members	5	
Honoraria	800	\$ 98,000
days	12	
Travel	12000	\$ 68,000
Meetings	4	\$ 4,000
		<b>\$ 170,000</b>

<b>Staff Travel</b>		
staff	8	
Trips	4	
Air	1000	\$ 32,000
lodgings	200	\$ 19,200
board	150	\$ 13,800
		<b>\$ 65,000</b>

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**Annex: Budget Analysis**

In a given year under the ASETS program, over 50,000 (54,751 in 2014-15) clients were supported in “training-to-employment” interventions). In 2014-15, 9,767 participants returned to school following their intervention and 20,274 found employment. This equates to approximately \$5,000 per participant and \$10,700 per successful outcome. At this level of performance, the FNLMS can be expected to serve nearly 75,000 participants in each year of operations and achieve nearly 35,000 positive outcomes.

However, comparative numbers for Labour Market Development Agreements with provinces and territories serving Employment Insurance claimants and former claimants show \$12,400 cost per participant in a year and \$21,000 cost per successful outcome. EI claimants and former claimants have a stronger attachment to the labour force than First Nations people (Employment Rate of 64% for all Canadians and 48% for First Nations).

An expected impact of re-establishing and enhancing the budget for FNLMS will be increased investments per participant to overcome greater barriers to employment and with greater investments, fewer participants in longer and/or more enriched programs and fewer successful outcomes but with stronger labour market attachment and larger impact on earnings. In fact, it can be assumed that the constant deterioration of the budget situation is a cause of the low cost per participant as agreement holders tried to meet strong demand with limited resources.

If FNLMA's operated with LMDA levels of performance (\$12,400 cost per participant and \$21,000 cost per successful outcome), FNLMS could be expected to serve 30,000 participants per year and achieve 18,000 successful outcomes. The out-of-work, out-of-school First Nations population is estimated at 245,000 (Statistics Canada, 2006 Census), a penetration rate of approximately 12%.