

COVID-19 Magnifies Socio-Economic Challenges Facing Atlantic Indigenous Communities and Businesses

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The serious economic effects caused by COVID-19 are a key concern for Atlantic Indigenous businesses and communities because of pre-existing risks, vulnerabilities and challenges.¹ APEC's research has already highlighted how Atlantic employment has fallen 15% with total hours worked down 26% between February and April 2020. APEC expects total economic output (GDP) in the region to decline about 20% in the second quarter of 2020 relative to the same period in the prior year, with annual economic output in 2020 about 11% lower than last year.²

Community Economic and Financial Risks

The Atlantic Policy Congress of First Nation Chiefs predicts Nova Scotia First Nations could lose as much as \$100 million in income or 44% of own-source revenues due to COVID-19.³ Own-source revenues account for a significant share of Indigenous community revenues in some provinces. For example, APEC estimates Indigenous own-source revenues totaled \$228 million in Nova Scotia in 2018/2019 or 55% of total First Nation government revenues.

Community-owned businesses are a major source of Indigenous own-source revenues. Two major sectors are the fisheries and tourism-related industries. Both have been hard hit by COVID-19.

The Atlantic Indigenous fisheries created \$140 million in annual sales in 2019⁴ and 1,840 jobs in 2018.⁵ The pandemic resulted in the closure of restaurants in many countries, decreasing demand for seafood

¹ Bergman, Fred (2020). Current COVID-19 Support Programs are Inadequate for Atlantic Indigenous Communities and Businesses, *APEC Commentary*, May 26, 2020. Halifax: APEC. <https://www.apec-econ.ca/publications/view/?do-load=1&publication.id=397>

² <https://www.apec-econ.ca/covid/>

³ Coates, Ken and Paul, John (2020). Commentary: *First Nations, business development and the coronavirus crisis*. Halifax: Chronicle-Herald. April 29, 2020. <https://www.thechronicleherald.ca/opinion/local-perspectives/commentary-first-nations-business-development-and-the-coronavirus-crisis-443541/>

⁴ TriNav Fisheries Consultants Inc. (2020). *COVID-19 and the Seafood Industry June 11th Update*. Dartmouth: TriNav Fisheries Consultants Inc. Developed for: Atlantic Policy Congress of First Nation Chiefs Secretariat.

⁵ Bergman, Fred (2019). *Highlighting Successful Atlantic Indigenous Businesses*. Halifax: APEC. <https://www.apec-econ.ca/research/view/?do-load=1&publication.id=381&site.page.id=50002>

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products. For example, Atlantic seafood exports declined 35% or \$95 million in April 2020.⁶ Lower demand for seafood has led to lower prices for many fish products, including shellfish, groundfish and finfish. Lobster prices, for example, are down about 40% this Spring.⁷ With an oversupply in the current market, there is likely to be a reduction in fishing activity, with a two-week delay in the opening of the Spring lobster fishery. Even if the shrimp fishery is active this year, the northern shrimp quota has been reduced by 23%.⁸

Reduced demand, lower prices and smaller catches will all have a negative impact on revenues for the Indigenous fishery. For example, revenues in the Atlantic Indigenous shrimp fishery are expected to be as much as \$14 million lower.⁹ In total, Atlantic Indigenous fisheries revenues for lobster, crab and shrimp are forecast to be only one-third of 2019 revenues, with an estimated loss of \$93 million in 2020.¹⁰

Many community-owned Indigenous businesses are linked to the tourism sector, including gas stations and convenience stores, restaurants, hotels, gaming, transportation, tobacco and cannabis stores, arts and crafts, cultural centres and guided tours. Atlantic Indigenous tourism revenues totaled \$225 million in 2017 and resulted in almost 2,900 direct jobs.¹¹ International and provincial border restrictions on travel and the closure of the large cruise ship season will substantially reduce Atlantic Indigenous tourism revenues. While restaurants are starting to reopen, they are limited to 50% capacity to ensure social distancing. Gaming facilities, including casinos, video lottery terminals and bingo halls, remain closed. In some Atlantic Indigenous communities, gaming revenue accounts for 10% of total revenues.¹²

Indigenous Business Risks

In 2015, the economic impact of Atlantic Indigenous businesses, community governments and households was \$1.14 billion.¹³ APEC estimates there are approximately 850 private sector Atlantic Indigenous businesses, which supply non-Indigenous firms inside and outside Atlantic Canada. APEC also estimates there were approximately 11,700 paid employees at Atlantic Indigenous businesses in 2016. Approximately 40% of these paid employees were non-Indigenous persons, highlighting that

⁶ <https://www.apec-econ.ca/covid/economicimpacts/exports/>

⁷ Fish, Food and Allied Workers Union (2020). Lobster Prices 2020 – NL. <https://ffaw.ca/our-fish-prices/lobster-prices-2020-nl/>

⁸ Department of Fisheries and Oceans Canada (2020). Management Decision for 2020/21 - Northern Shrimp Fishing Areas (SFAs) 4, 5, 6. <https://www.dfo-mpo.gc.ca/fisheries-peches/decisions/fm-2020-gp/atl-10-eng.html>

⁹ TriNav Fisheries Consultants Inc. (2020).

¹⁰ TriNav Fisheries Consultants Inc. (2020).

¹¹ Conference Board of Canada (2018). *Canada's Indigenous Tourism Sector: Insights and Economic Impacts*. Prepared for Indigenous Tourism Association of Canada. Ottawa: Conference Board of Canada.

¹² Indigenous Services Canada (2020). First Nations Financial Transparency Act (FNFTA) Search. <https://fnp-ppn.aadnc-aandc.gc.ca/fnp/Main/Search/SearchFF.aspx?lang=eng>

¹³ Group ATN Consulting Inc. (2016). *Promoting Atlantic Indigenous Economic Performance and Business Partnerships. \$1.14 Billion Strong: Indigenous Economic Performance in Atlantic Canada*. March 2016. Halifax: The Atlantic Aboriginal Economic Development Integrated Research Program.

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these businesses contribute to the broader regional economy. By 2016, Atlantic Indigenous business revenues reached \$1.6 billion.¹⁴

As a result of COVID-19, many Indigenous companies have closed or are operating at reduced hours. Even businesses able to remain open face lower demand and reduced sales.¹⁵ Prior to the pandemic, over one-half of Atlantic Indigenous businesses identified economic conditions and access to equity or capital as obstacles to their business.¹⁶ Economic conditions have deteriorated as a result of COVID-19, while lower sales and hence cash flow will inhibit First Nation businesses' ability to meet existing debt obligations and access additional credit to weather the economic storm.

Atlantic Indigenous businesses often have difficulty accessing financing through traditional channels, especially start-ups. Aboriginal Financial Institutions such as Ulnooweg Development Group help address that funding gap, along with other organizations like Community Business Development Corporations. The details respecting eligibility for Ulnooweg Development Group's COVID-19 emergency funding are now available.¹⁷ It is important for Indigenous business support programs to incorporate the unique circumstances of on-reserve businesses. Recent changes to the Canada Emergency Business Account funding for small businesses will exclude some small Indigenous businesses. For instance, the requirement for small businesses with a payroll less than \$20,000 to have a Canada Revenue Agency business number and a 2018 or 2019 income tax return¹⁸ would negate eligibility for many small Indigenous businesses located on-reserve, including the self-employed.¹⁹

While Atlantic Indigenous businesses can access government support programs and private sector financing, COVID-19 has magnified the issues raised in APEC's 2019 report. Roughly 78% of Indigenous businesses anticipate a moderate to high negative impact due to COVID-19, including its effect on travel, supply chain, labour, production and business interruption.²⁰

The First Nations Finance Authority estimates that if physical distancing requirements remain for six months, Indigenous business revenues will decline by 40%.²¹ For example, Membertou's own-source

¹⁴ Bergman, Fred (2019). *Highlighting Successful Atlantic Indigenous Businesses*. Halifax: APEC. <https://www.apec-econ.ca/research/view/?do-load=1&publication.id=381&site.page.id=50002>

¹⁵ Canadian Council for Aboriginal Businesses (2020). *Special Report: COVID-19 Pandemic*. Ottawa: Canadian Council for Aboriginal Businesses. April 20, 2020.

https://www.ccab.com/wp-content/uploads/2020/05/Special-Report-V2-APR20-COVID-response_CCAB-temp.pdf

¹⁶ Bergman, Fred (2019).

¹⁷ Ulnooweg Development Group (2020). *Ulnooweg Emergency Loan Program*.

http://www.ulnooweg.ca/wp-content/uploads/2020/06/Ulnooweg_EmergencyLoan_Promo2June1.pdf

¹⁸ Department of Finance Canada (2020). News release: *More small businesses can soon access the Canada Emergency Business Account*. June 15, 2020.

<https://www.canada.ca/en/department-finance/news/2020/06/more-small-businesses-can-soon-access-the-canada-emergency-business-account.html>

¹⁹ Most businesses that have less than \$30,000 in annual taxable sales are considered a small supplier and are not required to register their business with the Canada Revenue Agency, so many small Indigenous businesses would not have a business number. A small Indigenous business located on-reserve may not have filed an income tax return in the last two years because they are exempt from taxation under Section 87 of the federal *Income Tax Act*, if actual income-earning activities of the business takes place on-reserve. Canada Revenue Agency (2020). *Information on the tax exemption under section 87 of the Indian Act*. See Business income.

<https://www.canada.ca/en/revenue-agency/services/aboriginal-peoples/information-indians.html#hdng5>

²⁰ Canadian Council for Aboriginal Businesses (2020). *Special Report: COVID-19 Pandemic*. Ottawa: Canadian Council for Aboriginal Businesses. March 23, 2020. https://www.ccab.com/wp-content/uploads/2020/03/Special-Report-MAR23-COVID-impact_CCAB.pdf

²¹ Meloney, Nic (2020). *First Nations businesses sought financial aid weeks prior to \$306 million COVID-19 fund*. CBC News. April 17, 2020.

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revenues were almost \$47 million or 69% of their total revenues in 2018/2019.²² Membertou expects to lose \$14 million in revenues this year due to COVID-19. That community laid off 240 employees in April or nearly one-half of its staff.²³

Community and Individual Socio-Economic Vulnerabilities

The Atlantic Indigenous economy faces many challenges that affect the socio-economic well-being of Indigenous persons, even prior to COVID-19. One broad measure of socio-economic well-being is the Community Well-Being index.²⁴ Based on the 2016 census, Atlantic Indigenous communities had a Community Well-Being index of 65, below the score of 75 for Atlantic non-Indigenous communities.²⁵ This means Atlantic Indigenous communities had a lower standard of living prior to the pandemic.²⁶ The economic shock of COVID-19 is therefore a particular concern for these communities.

Indigenous persons also have higher unemployment rates²⁷, less education²⁸ and lower incomes. For example, average weekly earnings for Atlantic Indigenous employees were 5% lower in 2019 than for non-Indigenous workers, although this is about half the gap that existed in 2010.²⁹

Indigenous youth living off-reserve are more likely to not be in education, employment or training. The proportion of national Aboriginal youth living off-reserve aged 20 to 24 and not in education, employment or training fell from 31% in 2010/2011 to 23% in 2018/2019. However, the 2018/2019 share is almost double the 12% rate for the national youth population aged 20 to 24.³⁰ Due to COVID-19, employment of all Atlantic youth aged 20 to 24 declined by 28% between February and April 2020.³¹ The proportion of Indigenous youth not in education, employment or training is likely to increase again

<https://www.cbc.ca/news/indigenous/first-nations-membertou-economy-coronavirus-1.5534859>

²² Membertou First Nation. *Consolidated Financial Statements, Membertou Reserve Band Council*. March 31, 2019.

<http://www.membertou.ca/wp-content/uploads/2019/08/FS-Membertou-Consolidated-2019-with-signature.pdf>

²³ Meloney (2020).

²⁴ The Community Well-Being (CWB) index score is a single number that can range from a low of 0 to a high of 100. It includes data on education, labour force activity, income and housing conditions.

²⁵ Indigenous Services Canada (2019). *Report on trends in First Nations communities, 1981 to 2016*. Ottawa: Indigenous Services Canada. May 22, 2019.

https://www.sac-isc.gc.ca/DAM/DAM-ISC-SAC/DAM-STSCRD/STAGING/texte-text/report-trends-FN-Comm-1981-2016_1578933771435_eng.pdf

²⁶ University of Waterloo (2016). *Canadian Index of Wellbeing: Living Standards*. Faculty of Applied Health Sciences. Waterloo: University of Waterloo. See the Conclusion.

<https://uwaterloo.ca/canadian-index-wellbeing/reports/2016-canadian-index-wellbeing-national-report/living-standards>

²⁷ In 2016, the unemployment rate for Atlantic Indigenous persons living off-reserve was 17%, approximately 6 percentage points higher than for non-Indigenous people; for those on-reserve, the unemployment rate exceeded 29%.

APEC (2018). Atlantic Indigenous Economic Outcomes and Opportunities. *Report Card*, July. Halifax: APEC.

<https://www.apec-econ.ca/publications/view/?do-load=1&publication.id=365&site.page.id=51001>

²⁸ In 2016, only 11% of Atlantic Canada's Indigenous persons had a university degree, compared with 18% of non-Indigenous persons. Similarly, 27% of Atlantic Canada's Indigenous persons did not have a high school diploma versus 21% for non-Indigenous persons. APEC (2018).

<https://www.apec-econ.ca/publications/view/?do-load=1&publication.id=365&site.page.id=51001>

²⁹ Statistics Canada. Average hourly and weekly wages and average usual weekly hours by Aboriginal group. Table: 14-10-0370-01.

³⁰ Brunet, Sylvie (2019). *The transition from school to work: the NEET (not in employment, education or training) indicator for 20- to 24-year olds in Canada*. July 5, 2019. Catalogue no. 81-599-X – No. 14. Ottawa: Statistics Canada. See p. 18

<https://www150.statcan.gc.ca/n1/en/pub/81-599-x/81-599-x2019001-eng.pdf?st=nBFWQgA6>

³¹ Statistics Canada. Labour force characteristics, monthly, seasonally adjusted and trend-cycle, last 5 months. Table: 14-10-0287-01.

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as it did after the previous recession. Ensuring the continued operation of First Nation businesses during and after COVID-19 is one way to help sustain labour market opportunities for Indigenous youth.

The Indigenous Community Support Fund includes funding for those living off-reserve. The federal government provided \$90 million to organizations supporting Indigenous persons in urban centres and those living off-reserve.³² The New Brunswick Aboriginal Peoples Council is concerned they may not receive sufficient funding to provide supports for over 28,000 Indigenous persons living off-reserve. The Council was offered \$25,000 in funding by the federal government or \$88 per person.³³ Some Atlantic Indigenous communities are providing additional supports to band members living on and off-reserve, using their own funds to supplement federal and provincial programming.

Community Health Risks

Beyond the risk of contracting COVID-19, poverty, a lack of food security, pre-existing health conditions, less access to health care, and poor housing conditions are some of the factors that heighten the health risks for Indigenous persons during this pandemic. Lack of access to healthy food choices raises COVID-19 health risks for Indigenous persons. Only one-quarter of First Nation income assistance clients believe the on-reserve income assistance program allows them to obtain an adequate food supply.³⁴ According to Statistics Canada, almost one-quarter of Indigenous persons living in urban areas are in poverty.³⁵ First Nations people living off-reserve tend to have higher rates of pre-existing health conditions than all Canadians, which places them at a larger health risk due to complications from contracting COVID-19.³⁶ Nationally, over 20% of First Nation adults do not have a primary health care provider versus 16% for the general population, highlighting lower access to health care in Indigenous communities.³⁷

Housing conditions also contribute to the risks posed by COVID-19 to First Nations people living on-reserve. In Canada, about one-quarter of First Nations adults living on-reserve and in Northern communities are residing in overcrowded households and lack access to clean drinking water year-round for proper hygiene and sanitation. The prevalence of mold or mildew in Indigenous homes is

³² Government of Canada (2020). Prime Minister announces additional support for Indigenous peoples living in urban centres and off reserve. Ottawa: Prime Minister's Office. News release. May 21, 2020.

<https://pm.gc.ca/en/news/news-releases/2020/05/21/prime-minister-announces-additional-support-indigenous-peoples-living>

³³ Cox, Aidan (2020). *More Funding needed to aid off-reserve members: Indigenous leader*. The Daily Gleaner. May 25, 2020.

New Brunswick Aboriginal Peoples Council. About NBAPC. <https://nbapc.org/about-us/>

³⁴ Indigenous Services Canada (2018). *Evaluation of the On-Reserve Income Assistance Program*. Ottawa: Indigenous Services Canada.

October 2018. https://www.sac-isc.gc.ca/DAM/DAM-ISC-SAC/DAM-AEV/STAGING/texte-text/ev_oria_1557320422981_eng.pdf

³⁵ Arriagada, Paula, Hahmann, Tara and O'Donnell, Vivian (2020). *Indigenous people in urban areas:*

Vulnerabilities to the socioeconomic impacts of COVID-19. Ottawa: Statistics Canada. Catalogue no. 45280001. May 26, 2020.

<https://www150.statcan.gc.ca/n1/en/pub/45-28-0001/2020001/article/00023-eng.pdf?st=zQru5NPu>

³⁶ For example, First Nation persons 50 years of age and older living off-reserve have a greater prevalence of high blood pressure and diabetes, while 10% reported chronic bronchitis, emphysema or COPD.

Statistics Canada (2020). *First Nations people, Métis and Inuit and COVID-19: Health and social characteristics*. Ottawa: Statistics Canada.

The Daily. April 17, 2020. <https://www150.statcan.gc.ca/n1/en/daily-quotidien/200417/dq200417b-eng.pdf?st=g-3vNgcT>

³⁷ First Nations Information Governance Centre (2020). *RHS Statistics for Shaping a Response to COVID-19 in First Nations*

Communities. Ottawa: First Nations Information Governance Centre. May 2020.

Statistics Canada. (2017). Primary health care providers, 2016. Catalogue no. 82-625-X. Ottawa: Statistics Canada.

<https://www150.statcan.gc.ca/n1/pub/82-625-x/2017001/article/54863-eng.htm>

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three times the rate for the general Canadian population, which can result in allergic or respiratory problems.³⁸

Conclusions

As a result of COVID-19, Atlantic First Nations' economic well-being will deteriorate. Atlantic Indigenous communities will experience a dramatic reduction in own-source revenues, including the First Nations fisheries and tourism sectors. These two sectors account for about 40% of Atlantic Indigenous employment.

APEC estimates national COVID-19 funding available for Indigenous communities and businesses amounts to \$1.58 billion³⁹, which is almost \$950 per capita for First Nations people across the country. This support is likely insufficient even though Indigenous persons and businesses can access other support programs under Canada's COVID-19 Economic Response Plan.⁴⁰

There are additional ways to help. For example, governments could help increase the liquidity of Indigenous governments, just as the Bank of Canada is providing liquidity for provincial government borrowing,⁴¹ Department of Finance Canada is for the three territories⁴² and some provincial governments are for municipalities.⁴³ This could be especially important for communities that are not borrowing members of the First Nations Finance Authority. Some Atlantic Indigenous communities are also seeking principal loan payment deferrals or interest rate relief from lending agencies, including chartered banks, the Canada Mortgage and Housing Corporation, the Atlantic Canada Opportunities Agency and the First Nations Finance Authority.

³⁸ First Nations Information Governance Centre (2020).

³⁹ Excludes \$130 million in COVID-19 funding for Northern communities and businesses in the three territories, which would benefit Indigenous and non-Indigenous persons and businesses. Based on a breakdown of the three territories' population by Aboriginal-identity from Statistics Canada's 2016 Census, APEC estimates about \$69 million of the funding for Northern communities and businesses would benefit Indigenous persons and businesses.

Government of Canada (2020). Prime Minister announces health and social support for northern communities. Ottawa: Prime Minister's Office. News release. April 14, 2020.

<https://pm.gc.ca/en/news/news-releases/2020/04/14/prime-minister-announces-health-and-social-support-northern>

⁴⁰ Bergman (2020).

⁴¹ Bank of Canada. *COVID-19: Actions to Support the Economy and Financial System*. See the Provincial Money Market Purchase Program and the Provincial Bond Purchase Program.

<https://www.bankofcanada.ca/markets/market-operations-liquidity-provision/covid-19-actions-support-economy-financial-system/>

⁴² Department of Finance Canada (2020). News release: *Government of Canada announces increase to Yukon's borrowing limit*. June 12, 2020.

<https://www.canada.ca/en/department-finance/news/2020/06/government-of-canada-announces-increase-to-yukons-borrowing-limit.html>

⁴³ Nova Scotia introduced a \$380 million loan program to help municipalities with financial losses due to COVID-19.

Government of Nova Scotia (2020). News release: *Loan Program Available to Municipalities*. Nova Scotia Department of Municipal Affairs and Housing. April 28, 2020.

<https://novascotia.ca/news/release/?id=20200428004>

Nova Scotia Municipal Finance Corporation. Deferral of Government Loans.

<https://www.nsmfc.ca/deferral-of-governemnt-loans.html>