



Indigenous  
Institutes  
Consortium

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## **Core Funding for Indigenous Post-Secondary Institutes in Ontario: Business Case**

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## Executive Summary

There are increasingly well-documented concerns about labour and skills shortages in Canada. The most recent census has highlighted the pressures that will be placed upon younger generations due to population aging. These demographic pressures are a real concern, but likewise, there are clear paths forward for governments in Canada.

Because the Indigenous population in Canada is younger and growing, improving its labour market participation has been consistently identified as one part of the answer to impending labour shortages. A foundational pre-condition for increasing labour market participation for Indigenous people in Canada is increased participation in Post-Secondary Education.

As is well-documented, Indigenous people in Canada graduate from high school and PSE and work full-time in the labour market at lower rates than non-Indigenous people in Canada. The Labour Force Survey in 2021 reports employment rates and labour market participation rates of 7-9 percentage points higher among non-Indigenous people in Canada between the ages of 25 and 54. The 2016 Census reports significant gaps in PSE completion across all age cohorts. For example, 43.3% of Indigenous people in Ontario between the ages of 25 and 29 have a college or university certificate or diploma, while 66.4% of non-Indigenous Ontarians in the same age cohort do.

These gaps are long-standing and are the result of deeply embedded colonial structures and institutions. These colonial practices produced historic inequities and are on-going today. Closing these gaps will require new strategies.

Indigenous Post-Secondary Education Institutions are part of the solution. Indigenous Institutes have operated for over thirty years and have an established record of higher student completion rates than other PSE institutions.<sup>1</sup> The higher completion rates are attributable to Indigenous Institutes' trauma-informed programs, curriculum and services that are consistent with Indigenous ways of knowing and being and respond to community needs.

If Indigenous PSE Institutions had more capacity, they could significantly increase labour market supply at a time when Canada faces real and growing skills shortages. These labour supply issues are a major contributor to economic growth concerns.

Core funding for Indigenous PSE institutions will help many Indigenous learners opt to pursue PSE who otherwise might not succeed in non-Indigenous institutions or who might opt out of PSE altogether.

As has been well-documented, improved PSE outcomes for Indigenous people in Canada will have significant and positive impacts across many dimensions. These include higher incomes, economic growth, favorable impacts on governments' fiscal position, and positive impacts on the social determinants of health.

Indigenous PSE Institutions have not been funded in an equitable manner and do not have the resources to offer PSE options to the growing population of Indigenous learners who would like to pursue educational options at an institution mandated by their First Nation community. The Government of Canada is in a position to rectify this.

Non-Indigenous institutions have been funded over centuries. They have provided generations of students with educational programming imbued with colonial assumptions and practices. The federal obligation is to now fund Indigenous institutions in an equitable manner that provides Indigenous learners with properly funded options.

Core institutional funding to Indigenous PSE Institutions would be an expression of the policy goals of the Department of Indigenous Services and the commitments of the Government of Canada. As Indigenous Services Canada outlined in its report to Parliament in 2020:

“The department has been working with Indigenous partners to advance the complex process of transferring control over services to Indigenous peoples. In fulfilling its legislated priority to implement the ‘gradual transfer of departmental responsibilities to Indigenous organizations,’ Indigenous Services Canada is working towards a fundamental change in how the rights and needs of Indigenous peoples and communities are addressed by the Government of Canada.”

This business case estimates the returns on core funding of Indigenous PSE institutions in Ontario. Based on current data, increasing PSE success for Indigenous people in Canada through gradual increases in funding and enrollment at the seven-member Indigenous Institutes of Ontario would lead to over 40,000 new skilled workers, at least \$4.5 Billion in additional GDP, and a more than \$30 Billion positive impact on federal balance sheets over the next twenty years. This economic growth aligns with the federal government’s commitment to ‘inclusive growth’ as it would bring new Indigenous workers into the skilled workforce.

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Indigenous post-secondary education institutions in Ontario (IIs) are seeking core, predictable operating funds from the federal government, delivered in a manner consistent with Self-Government and inherent and Treaty rights.

This business case, developed on behalf of the seven Members of the Indigenous Institutes Consortium (IIC)<sup>2</sup>, assesses the IIC’s proposal for core operating funds to support Ontario’s regional model of Indigenous PSE. Indigenous Institutes in Ontario are mandate by First Nations communities and exist within a structure of First Nation governance.

The business case considers the evidence and rationale for the proposed investment in IIs and examines the link between core operating funds and expected outcomes for Indigenous learners, communities, the Canadian economy and the government’s fiscal position. This analysis concludes that the overall economic impact of stable, core investments in Indigenous PSE in a manner consistent with the IIC Proposal<sup>3</sup> likely produces a return of at least 3-1 per dollar invested over the next two decades. This return is likely significantly higher for a variety of reasons explained below, will continue to grow exponentially in the future, and is aligned with the government’s goal of inclusive growth that supports historically disadvantaged communities.

This business case builds its analysis on a broad understanding of economic and social returns over time rather than one focused on narrow and short-term fiscal returns. Such an approach makes the already-strong case for core funding for IIs even stronger.

Beyond the economic and social returns that will accrue from investing in strong equitably funded Indigenous PSE Institutions, this business case notes that the Government of Canada's existing approach to funding Indigenous post-secondary education is contrary to its stated policy goal of transferring control of programs from the Government of Canada to Indigenous organizations, and is in violation of federal legislative and human rights commitments. In particular, the Government has committed itself to "take all measures necessary to ensure the laws of Canada are consistent with the [United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)]," which affirms the inherent jurisdiction of Indigenous people to exercise control over their own education systems.

This business case highlights that the status quo is untenable and poses significant fiscal and political risk for the Government of Canada.

## I. Introduction

This Business case assesses the case for core funding of Indigenous PSE Institutions in Ontario through the broad goals of economic development, inclusive economic growth, strong Indigenous communities and progress on reconciliation and Self-Government. Particular outcomes examined include:

- Indigenous participation and success in PSE,
- labour market participation,
- income growth,
- impact on the Canadian economy, and
- impact on the federal government's fiscal position.

The analysis acknowledges that Canada will face significant labour market shortages and that the Indigenous population is younger and is growing at almost twice the rate of the non-Indigenous population [i.e. 9.4% compared to 5.3% between 2016 and 2021, according to Statistics Canada]. Population projections for First Nations people, Métis and Inuit suggest that the Indigenous population could reach between 2.5 million and 3.2 million over the next 20 years.

Increasing Indigenous labour market participation at a time of Indigenous population growth must be a key strategic goal of the Government of Canada. Investing in Indigenous labour supply, Indigenous skills, and Indigenous institutional infrastructure is consistent with the Government's overall economic direction articulated in Budget 2022.

The business case reviews and builds upon previous research and findings to support our conclusion that the evidence is overwhelming that the increasing Indigenous post-secondary educational success delivers returns across multiple dimensions.

While it is well-documented that eliminating educational and labour market success gaps will deliver significant positive outcomes, this business case adds to previous studies by identifying core funding of Indigenous-controlled PSE institutions as a key enabling condition to achieve improved educational and labour market success. This business case adds to existing knowledge by identifying IIs as key pieces of social and economic infrastructure that can help Indigenous learners and communities succeed in education and the economy.

Equitably-funded IIs will provide Indigenous learners in Ontario with additional PSE choices and culturally-informed curriculum, programs and services that will increase their participation and graduation rates, increasing the likelihood that these gaps can be closed. Many Indigenous learners who opt against participation in non-Indigenous institutions will find success at an Indigenous PSE Institution mandated and run by First Nations. The expected returns of moving to core institutional funding based on agreed to formulae are overwhelmingly positive.

This analysis also considers the timing of the IIC's proposed investments and highlights why now is the time to move towards a funding mechanism for IIs consistent with the principles of self-government. Further delay exposes the Government to increased risk that their current approach will be found to be in violation of their own obligations. Given that the Government



and First Nations have completed the three-year engagement process in March 2022, that IIs in Ontario are ready to move forward, that Ontario legislation and governance are in place and working, and that labour market and demographic pressures are real and growing, there is no justification for further delay.

This analysis is undertaken using a modern approach to business case development and economic analysis, which looks at:

- multiple bottom lines,
- social as well as economic returns, and
- medium and long-impacts.

This approach to business case development and analysis of economic and social impact reflects a more appropriate approach to public policy decision-making than simply considering fiscal costs over the next 3-5 fiscal years.

The business case also notes the progress being made by the Government of Ontario to fund Indigenous Institutions in a manner consistent with Self-Government. Federal failure to match the actions of the Ontario Government will do significant reputational damage to the Government of Canada's stated goals to advance reconciliation, economic development in Indigenous communities and Self-Government.

This business case does not focus extensively on the Government of Canada's constitutional and Treaty-obligations to equitably fund Indigenous PSE Institutions. However, we do note that on-going failure to meet its obligations comes with significant political, reputational and financial risks, and rejecting core funding of IIs comes with administrative, political and financial costs.

The analysis concludes that the status quo is neither advisable nor viable. Failure to shift to a more stable and sustainable funding framework for Indigenous PSE and properly fund the Ontario regional model of Indigenous PSE presents cascading risks to the Government of Canada and is not in the medium- or long-term interests of First Nations, communities, or the broader Canadian economy. On the basis of all relevant variables and potential outcomes, the analysis concludes that core institutional funding to Indigenous Post-Secondary Institutions in Ontario is by the far the best option, and moving forward this fiscal year to implement the option in a manner consistent with Self-Government will deliver significant economic and social returns.

## II. Strategic Context – Where are we now?

### ***A) Skills, economic development, labour market shortages and Indigenous people in Canada***

It is in the Canadian interest to increase post-secondary education graduation rates for Indigenous people in Canada and improve their labour market outcomes. In a variety of sectors, including health human resources, the broader care economy and skilled trades, labour shortages are acute and growing.

Energy and green transition in natural resources in particular require skilled labour. Many of the sectors essential to Canada's wealth, including primary industries, project huge labour shortages. Achieving Net Zero is technologically possible, but there are often shortages of the skilled workers necessary to fill the jobs that will implement the transition to a cleaner economy. Many of the sectors and projects in need of skilled labour are on Indigenous land and a "Just Transition" cannot take place without Indigenous workers and without wealth creation in Indigenous communities.

The most recent census release has painted a challenging demographic picture, with an ageing population placing more pressure on younger generations. It is a national priority to increase the number of younger Canadians who acquire the skills they need to succeed in the labour market. The latest census numbers point to the pressing need to increase PSE success for Indigenous people in particular, who account for a growing percentage of the working age population.

The Government is investing significant resources in various skills strategies, including those focused on youth and Indigenous people in Canada. Through Indigenous Skills and Employment Training Program (ISET), Post-Secondary Partnership Program (PSPP) and other investments, the Government recognizes the need to support Indigenous success in PSE and training. Improving educational attainment for Indigenous people in Canada is crucial for the Canadian economy and for a green transition.

For example, in Budget 2022-23, the federal government recognized: "As stewards and rights-holders of land and resources—and with a young, dynamic, and growing population—Indigenous communities play a vital role in our shared economic recovery...This path to shared prosperity, however, must be founded on a recognition of Indigenous peoples' inherent right to self-determination."

Budget 2022-23 also states that: "A strong and prosperous economy requires a diverse, talented, and constantly growing workforce. And yet too many Canadians—women with young children, new graduates, newcomers, Black and racialized Canadians, Indigenous peoples, and persons with disabilities among them—are facing barriers to finding meaningful and well-paid work."

Indigenous Institutions should be recognized as an important piece of the PSE, labour market and skills landscape that can respond to the challenges that the federal government identifies. They are embedded within communities, connected to local employers, and offer programs that respond to local labour market needs.

## **B) Federal Commitments to Self-Government and Education**

In addition to the clear need to improve skills and educational attainment to support economic growth, the Government has made clear commitments to Indigenous people in Canada.

The Government of Canada has passed legislation to support the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), which affirms the inherent jurisdiction of Indigenous people to exercise control over their own education systems. Canadian legislation now commits the Government of Canada to “take all measures necessary to ensure the laws of Canada are consistent with the Declaration.” The Government of Canada’s current approach to funding First Nations’ post-secondary education in Ontario falls short of this obligation, which creates political, reputational and financial risks that are currently not being mitigated.

The legislative requirements through UNDRIP build on previous commitments of the federal government, including those to self-government, Treaty rights and inherent rights; and those to implement the Truth and Reconciliation Commission’s (TRC) Calls to Action (CTAs), which call on the government to support Indigenous-controlled post-secondary education models.

These commitments have been repeated on multiple occasions by the Prime Minister and Ministers. The strategic objective of the Government, oft-repeated, is to move away from the burdensome delivery of programs by federal departments and a transfer of responsibilities to Indigenous organizations and institutions.

In 2019-20, the Government of Canada communicated that it was ready to honour these commitments with respect to self-government and PSE. The Government funded a three-year engagement process to define and cost regional Indigenous PSE models. During this process, Ontario Indigenous post-secondary institutions (specifically, Member Institutes of the Indigenous Institutes Consortium) outlined clearly their model and the resources necessary to deliver PSE in an equitable way that meets the needs of learners, communities and First Nations institutions.

The IIC prepared a report in 2021 on Ontario’s Regional Model of Indigenous PSE and estimated the investment necessary to achieve equity.

The Report, *Indigenous Institutes Consortium Regional Model for First Nations Post-Secondary Education: Engagement Report and Proposal*, recommended the establishment of a tripartite table between the federal and provincial government and First Nations to determine with more specificity the allocation formulae to be used to distribute funds to Indigenous PSE institutions. The report suggested this technical work could be completed this fiscal year, and core institutional funding could be phased in over three years to allow institutions time to plan, build new programs, recruit staff, and attract learners.

The report described what was heard during the IIC’s PSE engagement process and proposed that the federal government fund Ontario’s First Nations regional post-secondary education model in a manner that was consistent with self-government, Treaty rights and inherent rights. The report noted that this was necessary so that Ontario First Nations could exercise control over post-secondary education and so that Indigenous learners had the option to attend equitably funded PSE institutions governed by their own communities and delivering curriculum and

services in ways that were informed by Indigenous experiences.

As currently delivered, the federal government's funding of IIs in Ontario is not equitable nor in keeping with its obligations to enable First Nations control over their own PSE. As stated by Indigenous Services Canada's guidelines to the Post-Secondary Partnership Program:

"First Nations are seeking strengthened Government of Canada support for First Nations post-secondary education through treaty-based, self-government and/or regional models that enable First Nations control of First Nations education. Building on current best practices, the implementation of regional models will enable First Nations to holistically consider, design and implement a suite of integrated programs and services to comprehensively support post-secondary education attainment and success. Models must respect local control, honouring the autonomy of First Nations to dictate their own models that will not minimize flexibilities that First Nations communities currently have. These models, once created, must be First Nations directed and managed."

Ontario Indigenous Institutes and their partners in the Ontario Ministry of Colleges and Universities are moving forward with a regional model based on the principles outlined publicly by the Government of Canada. Both would welcome federal engagement and support that lives up to the Government of Canada's commitments.

### ***C) Ontario's Unique Position***

Ontario's Indigenous PSE sector is unique in Canada. Through The Indigenous Institutes Act 2017 ["the II Act"], the Ontario Government has recognized Indigenous post-secondary Institutes as a third pillar of the Ontario PSE system, along with universities and colleges. These IIs are operated and governed by First Nations and receive their mandates from their First Nations. In 2021-22 the seven member institutes of the IIC received about \$22 Million in on-going operating funds from the Province of Ontario, with established escalators to facilitate and accommodate growth, and these seven served over 3300 students, about 75% of whom are full-time. The Government of Ontario reports graduation rates from IIs of 82%.

The II Act also recognizes a mechanism for independent quality assurance through the creation of the Indigenous Advanced Education and Skills Council (IAESC). IAESC provides this by overseeing accreditation and certification. IAESC assess the institutional capacity and program quality of Indigenous Institutes using appropriate standards and ensures that the interests of students and funders [i.e. governments] are adequately protected.

The IIC's regional model for Indigenous post-secondary education is designed to achieve three goals: student success, community impact and strong Indigenous institutions. The Indigenous model for PSE is unique in that it focuses on supporting learners throughout their lives and within their communities. To help learners succeed, many services, programs and curricula are delivered in community, through approaches informed by Indigenous ways of knowing, and in modes that provide trauma-informed services to individuals and their families even before they begin post-secondary education. The role that Indigenous institutions play in supporting learners is more engaged than in non-Indigenous colleges and universities.

Indigenous PSE Institutions in Ontario have benefited from a sustained collaboration with the provincial government leading to a comprehensive legislative and regulatory structure. There is

an emerging Nation-to-Nation dialogue between the Government of Ontario and First Nations – both of whom are ready to expand that table to include a federal partner in a meaningful way.

The Ontario 2022-23 Budget increased core operating funds to IIs and established for the first time a capital budget for infrastructure investments for IIs. The Government of Canada is falling behind the Government of Ontario in terms of living up to its Treaty and constitutional obligations and is failing to mitigate the political and financial risks that come with failure to live up to its own commitments.

#### ***D) The Need for Change***

The manner by which the federal government funds IIs in Ontario is not consistent with its obligations. The funding structures and mechanisms create vulnerability and precarity for IIs in Ontario, preventing them from fully fulfilling their mandates, and depriving many Indigenous learners from the opportunity to pursue PSE at Indigenous controlled PSE Institutions.

First Nations in Ontario have long asked for predictable and stable funding, rather than application-based funding through the PSPP. Non-Indigenous institutions have benefited from core operating funds for decades, while First Nations institutions and communities must participate in a cycle of application-based processes that undermines their ability to plan and deliver programming and services to their students. In reality, this means they are prevented from fully exercising their rights to self-government with respect to education. Elsewhere in Canada, First Nations University of Canada in Saskatchewan has been provided with a core operating grant and does not face the same vulnerability as do the IIs in Ontario.

In recent years, Canadians and the Government have begun to recognize the historical injustices and colonial practices imposed on Indigenous people in the guise of education, which continue to have an impact today. The Government has acknowledged its responsibility for the incredible harms and intergenerational legacy of Residential Schools and has committed itself to the long journey to repair damage.

The path to reconciliation and restoration of the relationship between Indigenous people and Canada is one that must be charted by Indigenous People. Even as many Canadians learn for the first time about lost children buried in unmarked graves, Indigenous people have known of these harms for generations, and it is Indigenous people who are best equipped to define the way forward.

In the areas of child welfare and K-12 education, the Government has made way for this critical Indigenous leadership and, together with First Nations, has made progress towards achieving equity and implementing Self-Government in education. The Regional Education Agreements, The Indigenous Languages Act and An Act Respecting First Nations, Inuit and Métis Children, Youth and Families are all significant steps.

Progress on PSE has been slower. The legacy and ongoing impacts of colonialism and discrimination in post-secondary education have not been as prominent in the public conversation in recent years, but they are no less real. Indigenous students face racism in non-Indigenous PSE institutions and are less likely to graduate than their non-Indigenous peers.<sup>4</sup>

Equally importantly for the present business case, non-Indigenous colleges and universities have benefited from investments over decades, building assets that allow them to serve non-Indigenous populations. These institutions built their wealth in part through colonialism and their assets are part of a legacy of colonial practices which continue today to deliver inter-generational benefits to non-Indigenous students. Although many Indigenous students succeed and thrive in these institutions, many face obstacles and many do not. They have a right to have access to Indigenous-controlled PSE options.

In Ontario, for example, the expansion of the college system in the 1960s was part of an explicit commitment to create new community-serving institutions across the province, even before there was clearly a demand. But governments understood the expected impact of the Baby Boom and built the institutional infrastructure to accommodate population growth. The government created a supply of PSE options in anticipation of demand. Today, investing in strong Indigenous PSE institutions will create a range of programs that can respond to what will be rising demand from Indigenous learners and respond to the demands of employers as well.

Inequities must be addressed in the near term. If the Government fails to act, courts and tribunals might. They could find systemic inequities and a government that is not fulfilling its legal responsibilities under UNDRIP or its obligations under the Canadian Human Rights Act. The costs and risks – financial and political – to the Government of not acting to address inequities, fulfill commitments to self-government and keep pace with the steps being taken by the provincial government are significant.

There is no justifiable reason for further delay. Equitable investments, delivered to institutions in a manner consistent with the principles of Self-Government will help improve economic and social outcomes by providing more options for Indigenous learners at a time when the Indigenous population is younger and growing, and whose success in the labour market is crucial to the Canadian economy.

### ***E) Why Invest in Indigenous Institutions?***

The case for investing specifically in IIs as one part of the strategy to increase PSE success is supported by a wide variety of research. There is strong evidence that some Indigenous students perform better in Indigenous PSE institutions and that these institutions help many students overcome barriers that they face.

Research is clear that Indigenous students are more likely to leave prior to graduation than non-Indigenous students. In a [Finnie et al study \[2010\]](#), about 30% of low income Indigenous students left PSE in their first two years, compared to only 13% of low income non-Indigenous students, although this is sample data with high margins of error. Closing that gap must be a focus of the Government if Canada is to reap the potential economic benefits outlined earlier. IIs help close this gap by offering and delivering post-secondary education in ways that are more likely to lead to student success for many learners.

[Statistics Canada \[2011\]](#) documented the barriers faced by Indigenous learners in non-Indigenous institutions. These include issues like geographical distance for many students, fewer family financial resources, insufficient academic preparation, and psychological challenges

encountered in being away from community in non-Indigenous institutions. More significantly, on-going racism in non-Indigenous institutions, an absence of Indigenous approaches to learning, and concerns regarding physical, cultural and psychological safety all contribute to lower success rates for Indigenous students in non-Indigenous institutions.

At a practical level, [Statistics Canada](#) suggested a need for more transition programs, culturally-informed services, Indigenous control over curriculum and pedagogy, and support for childcare.

In 2013, [Shankar et al](#) also documented the barriers faced by Indigenous students in non-Indigenous institutions, including racism, all of which had a negative impact on the mental health of Indigenous students, leading them to abandon their studies, producing additional negative downstream impacts and costs for learners, communities and governments. Surveys of Indigenous students in non-Indigenous PSE institutions find a significant number report racism, isolation and the marginalization of Indigenous knowledge. Although non-Indigenous PSE institutions are taking steps in line with the TRC's CTAs, Indigenous institutions will remain the preferred option for many learners.

All of these barriers are addressed by the IIs and lived by them on a daily basis. The recommendations from [Statistics Canada](#) highlighted above are aligned with the approach of IIs. They provide community-based transition programs, culturally-informed services, curriculum consistent with Indigenous ways of knowing, and provide necessary psychological, spiritual and academic counselling and trauma-informed services. IIs also provide the pre-conditions for PSE success, like homework support, preparatory programs and transition counselling for high school students that create support pathways to PSE.

Put simply, the obstacles to closing the gaps in Indigenous PSE outcomes identified by Statistics Canada are the ones that the II model is designed to address.

As documented in [2010 by IAHLA](#), Indigenous-controlled PSE Institutions provide what is needed for success for many Indigenous learners who face obstacles in non-Indigenous PSE institutions. By providing culturally-relevant curriculum, mentoring, and wraparound student services, IIs lead to higher employment rates, healthier communities and improved outcomes on a range of variables, including health outcomes. The same conclusion was reached by KPMG in their [2018](#) study of AIME in Australia: Indigenous leadership and delivery of programs and services has positive returns across a wide range of measures.

It should also be noted that IIs have a very good understanding of local labour market needs. They have close relationships with local employers and community leadership. Potential Indigenous learners understand that the programs offered by IIs respond to real community need and provide pathways to meaningful employment within the community.

Indigenous Institutions enable successful transitions to PSE for many Indigenous students who would not find success in other PSE institutions. The Canada Millennium Scholarship Foundation's survey and research found significant barriers and difficult pathways to PSE and success for some Indigenous learners. IIs are an important part of the answer to closing gaps in labour market performance, employment and income for Indigenous people in Canada, with all of the downstream positive economic and social benefits for communities, First Nations and Canada.

## **F) Desired Outcomes - where do we want to be?**

As Budget 2022-23 affirms: “Building strong Indigenous nations requires strong Indigenous governments and Indigenous-led institutions.” This is an important strategic choice made by the federal government that must now be realized in practice. The recognition by the Government to invest in institutions rather than inherently vulnerable programs and a yearly cycle of application-based funding was an important choice. It will lead to healthier, more prosperous communities over the medium term.

Canada and the world are currently living through a period of historical disruption. Strong institutions, anchored in community, are more important than ever. Governments have an interest in investing in place-based institutions with a deep appreciation of the educational, social, psychological and spiritual needs of community.

The goals of the Ontario Regional Model are simple:

- strong Indigenous PSE institutions,
- healthy communities, and
- student success.

Together, these three goals lead to inclusive and sustainable prosperity for Indigenous communities and Canada as a whole.

As discussed below in more detail, positive economic and social returns over the medium and long term are to be expected through investments in Indigenous PSE institutions. More specific goals include:

- higher graduation rates,
- increased labour market participation,
- positive impacts on growth and GDP, and
- decreased reliance on other government programs and increased contribution to federal tax revenues.

Since 2016, the Government has taken a more sophisticated approach to estimating the costs and benefits of spending. The commitment to GBA+ and climate finance are the government’s two most visible commitments to understand economic and social impacts in a holistic way. Gender-based and climate-based budgeting look to the life cycle of spending and its impact on multiple bottom lines, not simply how much an initiative costs in the immediate fiscal year.

Likewise, the Department of Finance’s Task Force on Women and the Economy recognized that some kinds of spending, like funds for early childhood education, are investments that deliver outsized returns over the medium and long term. Investments in IIs should be evaluated in the same way.

This Business case builds its analysis on a more modern approach to understanding economic and social returns over time. Such an approach makes the already-strong case for core funding for IIs even stronger.



## III. Analysis

### A) Options and Overview

We have identified three options the Government could pursue.

1. *Status quo/do nothing* – The Government could abandon the process it began three years ago to fund regional models. This would be inconsistent with its commitments and obligations. It would represent a significant step backwards in the relationship, and would prevent Indigenous people in Canada from building their own institutions, exercising self-government over education, and realizing the economic and social benefits from improved PSE results. It would leave it to courts and tribunals to compel the Government to honour its legal obligations. This is not a realistic option.
2. *New funding delivered to non-Indigenous PSE institutions* – the Government of Canada could increase funding through the PSPP to support Indigenous offerings and services at non-Indigenous universities. Such an option would be helpful for many Indigenous learners. However, failing to support the equitable funding of Indigenous institutions would deprive many Indigenous learners of the ability to pursue post-secondary education in an institution mandated by their community and committed to delivering curriculum and services in a manner informed by Indigenous experiences and culture. The social and economic returns discussed below would not be fully realized because many learners will have more success in institutions mandated by First Nations.
3. *Core funding based on agreed-to formulae delivered to Indigenous Institutions in Ontario* – Under this option, the current Ontario Government formulae would be used as a starting point for technical discussions at a tripartite table with any II that chose to participate. This option is consistent with Treaty and inherent rights and is outlined and costed in more detail in the report *Ontario Regional First Nations Post-Secondary Education Model: Engagement Report and Proposal Developed for the Indigenous Institutes Consortium*. As described below, moving forward with this option would allow the Government to achieve its goals and realize social and economic returns, while mitigating the political, legal and financial risks of continuing to deliver inequitable funding in a manner inconsistent with federal law and commitments. The option is consistent with the publicly stated objectives of the Government and of ISC and would allow cost certainty for both the Government and IIs. By ramping up funding over a three-year window, implementation risks would be minimized by ensuring the infusion of new funds takes place gradually and allows institutions to prepare, plan and hire appropriately.

### B) What we already know about the returns on investment from Indigenous Post-Secondary Education

We know investments in Indigenous PSE pay for themselves many times over. As stated by Sharpe and Arsenault in 2010: “If actions are taken to raise the participation and employment rates [of Aboriginal people], the benefits to the Canadian economy could be considerable, with the contribution of Aboriginal Canadians to labour force and employment growth almost doubling.”

**Table 1: Summary of Research Findings on Economic Impact of Indigenous Post-Secondary Education**

Area of Focus	Target of Study	Researcher	Summary Results
<b>Labour Force Participation</b>	PSE attainment	Hull (2005)	For Indigenous Canadians, PSE participation increases reliance on employment income. In contrast, lack of high school completion increases reliance on government transfers.
	Closing the Indigenous education gap	Sharpe et al. (2007)	Increase in labour force of 7.39%; Annual increase in labour productivity of .37%; Employment growth of 7.64%
		Sharpe et al. (2009)	Increase in labour force of 19.9% Annual increase in labour productivity of .27%; Employment growth of 22.1%
		Calver (2015)	Increase in labour force of 20%; Annual increase in labour productivity of .3%; Employment growth of 15.6%
		Spielauer (2014)	Increase in Indigenous labour force between the ages of 25-64 of between 46 – 64% by 2056, depending on assumptions.
<b>Earnings and Employment</b>	ASETS program	ESDC (2020)	\$10,920 in earnings over 3 years for active EI recipients; \$4,000 in earnings for former EI recipients; \$2400 in earnings for Non-EI recipients
			3.9% point increase in employment for active EI recipients; 2.7% point increase in employment for former EI recipients; 2.1% point increase in employment for Non-EI recipients
	Closing the Indigenous education gap	Calver (2015)	\$11,236 per worker in additional income
	Indigenous returns to education	Goldmann and Racine (2021)	Over \$20,000 in additional yearly income
		Howe (2004)	1/3 higher for men; 4 times higher for women
Indigenous PSI's in BC	IAHLA (2010)	Average of 2 to 3 times higher	
<b>Impact on GDP</b>	Closing the Indigenous education gap	Sharpe et al. (2007)	\$71 Billion in additional GDP; .36% yearly growth rate; \$160 Billion under different assumptions
		Sharpe et al. (2009)	\$179 Billion in additional GDP over a longer time horizon; .30% yearly growth rate; \$401 Billion under different assumptions
		Calver (2015)	\$261 Billion in additional GDP; \$335 Billion under different assumptions
		Sharpe et al. (2009)	\$39 Billion in increased tax revenues

<b>Overall Returns and Impact on Government Balance Sheet</b>	Closing the Indigenous education gap	Sharpe et al. (2009)	\$77 Billion savings over 25 years, or \$3B of savings per year
	AIME program	KPMG (2018)	\$40 Million in savings over 20 years, or \$2M per year
	ASETS program	ESDC (2020)	\$180 decrease in Social Assistance used for active EI recipients; \$830 decrease for former EI recipients; \$390 decrease for Non-EI recipients
	Indigenous PSI's in BC	IAHLA (2010)	Range of \$10,000 to \$15,000 per FTE [full-time equivalent]
	Indigenous PSI's in Canada	AFN (2018)	Range of \$22,000 to \$67,600 per FTE
	ASETS program	ESDC (2020)	ASETS: \$2.43 Billion, S&P Fund: \$325 Million
	AIME program	KPMG (2018)	Costs: \$147.8 Million, Benefits: \$1,120 Million, Net benefit: \$1,170 Million
		KPMG (2013)	Costs: \$21 Million, Benefits: 58 Million, Net benefit: \$38 Million
	ASETS program	ESDC (2020)	Active EI recipients: Individual net benefit of \$10,425, Government cost of \$6,906, Total net benefit of \$3,519
			Former EI recipients: Individual net benefit of \$16,159, Government cost of \$6,646, Total net benefit of \$9513
			Non-EI recipients: Individual net benefit of \$6,734, Government cost of \$5,103, Total net benefit of \$1,631
AIME program	KPMG (2013; 2018)	ROI of between \$7.00 and \$8.90	
ASETS program	ESDC (2020)	ROI of 45% for active EI recipients; 119% for former EI recipients; 20% for Non-EI recipients	
<b>Role of Indigenous Institutions</b>	PSE experiences	Finnie et al. (2010)	30.8% of Aboriginal students leave PSE without graduating; versus 13% non-Aboriginal students
			55% of Aboriginal students are first-generation; versus 38% for non-Aboriginal students
			32.9% of Aboriginal students with family savings; versus 43.1% for non-Aboriginal students
		Statistics Canada (2011)	Barriers to success for Indigenous students include geographical distance, finances, lack of academic preparation, psychological challenges, racism, absence of Indigenous learning styles, and concerns over well-being.
		Shankar et al. (2013)	Aboriginal students faced challenges with funding, racism, and culture learning gaps, leading to negative health consequences.
	Indigenous PSI's in BC	IAHLA (2010)	Aboriginal PSI's led to education, employment, personal sustainability, income, healthy communities, quality of life, and lifelong learning.
AIME program	KPMG (2018)	Recipients experienced improvements in education, employment, behaviour, social engagement, justice system exposure, and health.	

This section will not attempt to summarize the many studies that have all addressed these issues, but highlight the overall consensus and direction of findings. A number of studies are summarized in Table 1. The business case for providing significant core funding to IIs is overwhelming.

### ***Labour Force Participation***

At a general level, it is clear from Hull's study [2005] that Indigenous people in Canada who have participated in post-secondary education are more reliant on employment income, while those who have not finished high school are more reliant on government transfers.

The comprehensive studies undertaken by Sharpe et al [2007 and 2009] estimate that closing all education gaps would increase the size of the labour force by 19.9% over two decades, by 2031. This is an enormous number, and even if one challenges some of the assumptions or the extent of the growth, the fact is that any scenario where education gaps are closing leads to a significant increase in the labour force. According to Calver's 2015 study, closing the education gap would increase Indigenous employment in Canada by 90,000 workers.

A different study, by Martin Spielauer [2014], which used Statistics Canada's Demosim population simulation model to estimate various scenarios up to the year 2056, arrive at somewhat smaller numbers than those of Sharpe et al. However, regardless of the study or methodology used, improved PSE is an important part of the answer to increasing the supply of skilled workers in Canada, and IIs are a part of a comprehensive solution to impending skills and labour shortages.

### ***Employment and Earnings***

The returns on PSE investments have been documented to be very high in study after study. In 2004, [Howe] found that Indigenous men in Saskatchewan who finish high school earned only 62% of the income of those who had attended a post-secondary institution, while the percentage was a mere 23% for women.

More recent studies, using different methodologies and populations quantify the returns differently. Calver [2015] concludes PSE contributes an additional \$11,236 in yearly income, while Goldmann and Racine [2021] conclude that the boost is about \$20,000 per year.

ESDC and ISC know that ISET delivers very high returns. The Government's review found an increase of \$10,920 in earnings over 3 years for active recipients of Employment Insurance and \$4,000 in earnings for former EI recipients. The study even found an increase of \$2400 in earnings for non-EI recipients, who would normally be those not in the labour market and more difficult to reach.

In Australia, the KPMG review of the Australian Indigenous Mentoring Experience [AIME] in 2013 and 2018 concluded that the program delivered a return of between \$7.00 and 8.90 over a participant's working life for every dollar invested in the program.

### ***Overall Economic Impact on GDP***

In Canada today, there is a real concern about slow economic growth. It is a major focus of the 2022-23 budget and current policy discussions. The analysis performed for this business

case, including reviews of previous studies, suggests that investments in IIs are 'low hanging fruit' to provide a boost to economic growth because they will quickly stimulate increased PSE participation in programs that fill community labour market needs.

In Sharpe et al's comprehensive study (2007), closing the PSE education gap for Indigenous people in Canada would add an additional \$71 Billion to the Canadian GDP over a 16-year period, with a later, updated study using a longer time horizon placing the impact at \$160 Billion when considering the education, employment and income gains. More recent work by Calver (2015) placed the impact over a 20-year period at \$261 Billion.

### ***Contributions To Federal Balance Sheet***

In Sharpe et al's study, the researchers concluded that tax revenues would increase by \$39 Billion from 2001 to 2026 if Indigenous people in Canada achieved the same educational outcomes as non-Indigenous people. As well, it is estimated that there would be a net savings of \$3 Billion annually in government program spending.

At a time of some concern about deficits in the wake of the pandemic, it is important to understand the broad consensus across multiple research studies: investments in Indigenous PSE are not a cost but an investment that pays returns, increases the supply of labour and contributes to economic growth.

### ***Summary***

The goal of this business case is not to assess the methodological differences between these studies. This summary is intended to highlight that every study we found – using a variety of different models, methods and data, with different populations and different time horizons – all reach the same overall conclusion: increasing Indigenous success in post-secondary education pays for itself many times over in terms of earnings, labour market participation, impact on growth and GDP, impact on tax revenues and decreased reliance on other government spending. The case for making upstream investments rather than downstream interventions and supports is overwhelming.

Many Indigenous students attend non-Indigenous PSE institutions and succeed within them. It is important to continue to provide Indigenous students with opportunities to attend these institutions, through on-going and increased support to various programs, including the Post-Secondary Student Support Program and the Post-Secondary Partnerships Program. Continued efforts to de-colonize non-Indigenous PSE institutions and offer Indigenous curriculum at these institutions is important and will contribute to Indigenous student success. Colleges and universities in Canada are taking meaningful steps towards truth and reconciliation.

But Indigenous students have a right to attend their own institutions and the Government has made a commitment to them that they can exercise this choice. However, these institutions are not equitably funded, making it difficult for many Indigenous learners to exercise their right to a post-secondary education at an institution mandated by their First Nation.

## IV. Model and Estimates

### **A. Increase core funding to Indigenous PSE Institutions in Ontario**

For core operating funds, we allocate \$20M in year one, growing to \$40M in year three, adding 5% escalators to accommodate student growth ongoing.<sup>5</sup>

In addition to core institutional funding, the IIC's Report on the Regional Model recommends the creation of a dedicated capital budget. Classrooms, labs, equipment and housing will all be necessary to accommodate student population growth. We allocate \$25M per year for the capital budget, phased in over 3 years.<sup>6</sup>

These allocations total \$1.2B in core operational funding and \$465M in capital investments over twenty years, for a total investment of \$1.65 Billion over twenty years.

### **B. Data and Considerations**

We have built models to estimate the impact of providing equitable core institutional funding to IIs in Ontario. The models are based on the most recently available province-wide demographic data and trends and use previous findings to make estimates. We rely on data from Statistics Canada 2016 Census and the Department of Indigenous Services' annual report to Parliament [2020], as well as some original analyses of PSE performance for Indigenous and non-Indigenous students in Canada undertaken by Statistics Canada at our request.

The approach used for model-building rests on simplicity and the findings in previous studies. As is well-known, there is a great deal of messiness and debate around all of the inputs in this model [e.g. population of individual First Nations, graduation rates for Indigenous students, population growth projections well into the future, etc.]. ISC has outlined some of these challenges in its [annual report to Parliament](#). But projections, models, and assumptions are important tools for planning and estimating impact, even though they contain inevitable uncertainty and error.

Even on non-Indigenous population data, and even with all of the resources of the Ontario government, recent analysis shows that the Province's Growth Plan significantly underestimated population growth between 2016-2021. The model we specify makes simple, clear choices based on precedent and previous findings and can be refined as new data become available.<sup>7</sup>

The models mask a great deal of variation that likely occurs across communities and individuals based on their sociodemographic status or geographic location, and different returns based on the nature of the program and the institution [e.g. university, college, certificate, etc]. As well, returns on PSE depend on many contextual factors, such as the labour market for graduates compared to the labour market for less skilled workers at the time of graduation. More granular analyses could be undertaken on sub-populations, but this business case assesses the likely overall impact of gradually increasing graduation rates across all sectors, programs and populations, so the conclusions are likely to be robust.

We undertake two different estimations. For both – the first one where IIs gradually increase their enrollment over 20 years, and the second where education gaps close gradually across

the province – we presume core operational funding for IIs is delivered by the Government of Canada, along with capital funding to accommodate growth.

The first model simply compares the current base case to a scenario in which the IIs gradually grow their student populations over time at reasonable rates that would accommodate growing First Nations populations.

The second compares the current base case to an alternative where the graduation rates for Indigenous people in Ontario match the graduation rates for non-Indigenous people in Ontario. Both of these approaches assume gradual increases in students and graduation over the next twenty years. Under this second model, much of the growth in graduates would come from increased success at non-Indigenous institutions.

Our intent was to use Ontario college and university graduation data as a key input into the model. However, Ontario colleges failed to accurately report data in the early 2010s, making the data far less reliable than national data. We therefore use the national graduation data, and extrapolate its trends to Ontario. Table 2 reports simple graduation data for Canada for Indigenous and non-Indigenous students who enrolled in 2012 or 2013.

**Table 2: Percentage of students who graduate after five years, Indigenous and non-Indigenous**

	<b>College Certificate</b>	<b>College Diploma</b>	<b>University Bachelor's Degree</b>
Indigenous	56	54	46
Non-Indigenous	65	61	64
Census 2016; and Post Secondary Student Information System [2009, 2018]			

The data indicate graduation rates of between 61 and 65% for non-Indigenous students, and between 46 and 56% for Indigenous students, with some variations based on program and type of degree. Given the incomplete nature of some data, particularly from Ontario, we use 50% as a simple estimate of Indigenous graduation rates from non-Indigenous PSE institutions.

As far as we know, this is new analysis and has not been presented in this way previously. The differences in national graduation rates between Indigenous and non-Indigenous students, based on the most recently available data that combine Census and Post-Secondary Student Information System data, are significant. These differences are even more pronounced for university graduation rather than for colleges and trades. They reflect significant on-going inequities in how PSE is delivered in Canada and require a federal response.

For each of these models, we estimate the impact on income, GDP and government balance sheets. These models are specified using the findings from previous studies.

Ontario's Ministry of Colleges and Universities reports graduation rates in 2020-21 of 82% for students attending IIs across the province. This compares favourably to PSE graduation rates for non-Indigenous learners, which stood below 65% for non-Indigenous students in Canada.

It should also be noted that many of these data are not perfectly comparable. The IIs measure student counts in somewhat different ways. Whether the IIs will be able to maintain a graduation rate of 82% as they scale and offer a wider variety of programming is uncertain. Nonetheless, we will use the publicly reported numbers from the Government of Ontario and there is good reason to believe that the IIs will be able to maintain their graduation rates as they grow.

### ***C. Why expect graduation rates to remain high?***

The high success rates in Indigenous PSE institutions are not surprising given what we know about the factors that lead to success in PSE. Ontario IIs deliver PSE in a manner that is more fully-engaged and supportive of learners. They build student wellness into their strategic plans in the context of the challenges faced by Indigenous students. IIs gather data from their students on issues such as mental health, access to childcare, family support systems, financial security, access to cultural resources, and access to IT (internet, computer, etc.), and develop individualized plans to help students succeed.

IIs deliver curriculum in ways that are informed by Indigenous knowledge and deliver services and supports for Indigenous learners. IIs possess cultural awareness that non-Indigenous institutions do not, leading to more success. They are institutions that are mobilized around helping Indigenous learners succeed and Indigenous communities thrive.

If all Indigenous learners had access to PSE delivered through an II, the gap in attainment between Indigenous and non-Indigenous students would close over time. It is a conservative and realistic assumption to expect that these gaps can close over the next two decades, provided that IIs are a viable and equitably funded choice available to all Indigenous learners.

The gaps can be expected to close over the course of a generation given recent progress towards equitable funding and self-government in the some of the pre-conditions for success in PSE, namely K-12 education, child and family services, Indigenous languages, and other areas of recent progress towards self-government.

### ***D. Results***

#### *i. Model One*

The seven Member Indigenous PSE Institutions in Ontario currently serve 3500 learners. We assume that IIs can accommodate growth of 5% in 2023-24, growing to 10% in 2024-25, and then continuing to grow at 10% annually for ten years, given stable core institutional funding. We then assume steady-state growth of 5% for the remaining nine years of our estimates. This would result in a projected student population at the seven Members of the IIC of 9,176 students in the year 2042-43.<sup>8</sup>

We make modelling assumptions that half of the growth in the student population at IIs will come from students who would have attended non-II PSE, and assume half of the new students



will be those who have chosen not to attend PSE.<sup>9</sup> In discussions with the leaders of IIs, they note that most of their students are drawn from amongst students who would not attend any PSE if an II was not available. It is therefore possible that a higher percentage than 50% of new students will be drawn from amongst those who would not attend PSE at all. However, we choose to use the conservative estimate of 50%. If it is in fact higher, the economic returns from investments in Indigenous PSE institutions would be even higher.<sup>10</sup>

Based on these assumptions concerning growth in student population and current publicly reported graduation rates, this would result in 107 net new graduates in 2023-24, rising to 3,450 net new graduates in the year 2042-43 from the seven IIC members, or 40,555 additional net new graduates over a twenty-year period. Even using our conservative estimates, this is a significant addition to the Canadian labour force.

Based on previous studies, PSE success will translate into additional earnings of \$11,236 per graduate per year, or 14,509 in 2022 (in constant 2010 dollars). This is a more conservative estimate, as calculated by Calver in his careful study in 2015. For example, Goldmann and Racine calculated the earning premium from a Bachelor's degree for Indigenous learners at over \$20,000, but we use the more conservative estimate.

An additional 107 PSE graduates would have an impact of \$1.6 Million on GDP, growing to \$58M in 2042-43. The cumulative impact of 40,555 net new Indigenous graduates over two decades would be \$4.4 Billion.

#### *ii. Model Two*

The second model and approach would be to consider Indigenous population growth in Ontario, presume that PSE success will equalize over the next two decades, and estimate what the impact of that would be. In Ontario in 2016, there were 153,035 Indigenous people under the age of 25. If gaps in success rate were to close over time, that would represent an additional 41,139 graduates in Ontario.

These estimates will be more accurately undertaken when new Census data is released in the fall of 2022, which will more accurately count and estimate Indigenous population growth in Ontario. However, using earlier data, we can estimate that closing the education gap over 20 years would produce 41,139 net new Indigenous graduates by the year 2042-43 in Ontario. Although all of these new graduates would not have gone through the IIs, based on the qualitative analysis summarized above concerning the obstacles faced by some Indigenous students in non-Indigenous institutions, there is no way to achieve these positive results without an expanded role for IIs.

Using the second model, the impact of significantly closing the Indigenous post-secondary education success gap in Ontario produces even stronger returns, delivering an additional \$513 Million GDP annually in 2042-43, or over \$5.2 Billion cumulatively over twenty years.

This model also produces improved federal government balance sheets of \$3.1 Billion annually by 2042-43, or over \$32 Billion cumulative positive impact over two decades.

For a total investment of \$1.65B over twenty years, the government can expect a net return of:

- New skilled workers of over 41,000;
- Positive impact on the Canadian GDP of between \$4.4 and 5.2 Billion; and
- Improved federal balance sheets of \$32 Billion.

In addition, on-going funding, and the on-going growth of the Indigenous labour force, would continue to deliver continuing and exponential growth in returns in subsequent decades.

### ***E. Additional Unmeasured Returns***

There are additional benefits to core institutional funding that are not accounted for in the models but should be noted. These include a variety of indirect impacts that would result from improved PSE success and institutions in Indigenous communities in Ontario.

For example, positive social, psychological and health benefits are not quantified in the model. We know that education is a strong social determinant of health and higher PSE success rates will have a positive impact on health care spending over time.

Other unmeasured benefits include the positive impact on communities that stem from stable anchor institutions, including safe spaces for the delivery of other services, skills training, community programming and public gathering or shared work spaces for entrepreneurial activity.

Community-based PSE institutions are important pieces of institutional architecture and a source of capacity in communities. Because they do some local hiring and procurement, they produce additional benefits. Indirect job creation and small business formation in communities that arise from public investment in institutions are additional benefits that have not been measured in this business case.

In addition, IIs, much like other PSE institutions, are currently considering how they deliver micro-credentials and upskilling programs. Having stable funding will provide the capacity to IIs to undertake the work of developing new programming and offerings to Indigenous people interested in improving their skills. As other PSE institutions and learning facilities offer more opportunities for upskilling, and as governments make a variety of investments to help Canadians upgrade their skills, failing to ensure that IIs have the same opportunity to develop these kinds of programs would represent a new structural inequity. Indigenous people in Canada should have equitable opportunities to pursue micro-credentials in Indigenous institutions.

Our model has not examined productivity improvements, an important preoccupation of governments and the business community, given that many studies have highlighted concerns with Canada's low productivity. Increased PSE has a positive impact on productivity and this is another unmeasured benefit of investing in Indigenous PSE institutions.

## V. Conclusion

The way the federal government supports Indigenous PSE in Ontario is not consistent with its own commitments, legislation and stated objectives.

The case for continued waiting does not exist. The Government of Canada should establish tripartite technical tables with the Government of Ontario and First Nations in Ontario to determine precise methodologies, allocation formulae and agreements on data.

The federal government has an interest in improving graduation rates and labour market success for Indigenous people in Canada. The delivery mechanism to achieve these goals already exists in the form of established Indigenous PSE Institutions. Improving labour market performance and increasing the supply of skilled Indigenous workers can be achieved in a relatively straightforward manner by providing core institutional funding to the existing Indigenous Institutes in Ontario.

There is a growing demand from Indigenous people in Canada for post-secondary options that deliver curriculum, programming and services in ways consistent with Indigenous experiences and ways of knowing and being. Equitably funding Indigenous post-secondary Institutions in a manner consistent with Self-Government will respond to this demand and give learners choices.

The Government has a pressing interest in increasing PSE and labour market success of Indigenous people in Canada and has articulated a coherent economic vision around increasing labour supply as part of the path to long-term inclusive economic growth. IIs are part of the answer.

This analysis assessed the business case for core funding of Indigenous PSE Institutions in Ontario through the broad goals of economic development and inclusive economic growth, with a particular focus on PSE success, labour market participation, income, Canadian GDP, and the federal government's long-term fiscal position.

It is the conclusion of this business case that there are multiple benefits that will arise from equitably funding the Ontario Regional Model of Indigenous PSE in a manner consistent with Self-Government. These benefits are summarized in Table 3.

We specified models using inputs from previous research, recent Statistics Canada and Government of Ontario data, and conservative assumptions. We conclude that core institutional support of Indigenous post-secondary education Institutions in Ontario has a return of at least 3-1 and likely much higher in the form of a larger supply of skilled labour, higher incomes and positive impacts on GDP and government finances.

**Table 3: Summary of the Business Case**

<p><b>Rationale for the proposals and risks Associated with the Status Quo</b></p>	<p><b>Benefits of Core Funding</b></p>
<p>The Government has made a commitment to self-government in education. Moving forward is a legal obligation.</p> <p>The Government has an explicit policy of preferring to fund self-governing First Nations institutions and organizations rather than ad hoc program funding.</p> <p>Budget 2022 reaffirmed the government’s commitment to address barriers to labour market participation for Indigenous people.</p> <p>Increasing Indigenous success within Post-Secondary Education is a key solution to increasing the supply of skilled workers. Currently Indigenous people are less likely to have completed a degree, certificate or diploma than non-Indigenous Canadians.</p> <p>The most recent census data confirms that Indigenous people are less likely to be successful in non-Indigenous colonial PSE institutions than non-Indigenous people (graduation rates of 46-56% compared to 61-65% for non-Indigenous students).</p> <p>Indigenous Post-Secondary Education Institutions provide curriculum, services and supports to Indigenous learners that lead to higher success rates, higher graduation rates and more success in the labour market.</p> <p>Indigenous PSE Institutions in Ontario receive core funding from the Ontario Government in a manner consistent with an evolving Nation-to-Nation relationship and in keeping with the principles of Self-Government. The federal government does not.</p> <p>There is economic, political, reputational and financial risk in not fulfilling commitments to equitable funding, delivered in a manner consistent with Treaty and inherent rights, the principles of Self-Government, the commitments to the TRC’s CTAs, and the legislative obligations through UNDRIP.</p>	<p>Closing PSE success gaps could contribute upwards of \$300 Billion to Canadian GDP.</p> <p>Curriculum, services and programs delivered by First Nations mandated institutions in a manner consistent with Indigenous ways of knowing and informed by Indigenous culture and experiences are an important part of the strategy to close these gaps. They lead to more success for Indigenous learners in PSE in a variety of ways.</p> <p>Benefits include:</p> <ul style="list-style-type: none"> <li>• Increased PSE graduation rates.</li> <li>• Increased labour market participation.</li> <li>• More skilled workers for communities and the Canadian economy.</li> <li>• Over 40,000 new workers, more than \$4.4 Billion in additional GDP, and over \$30 Billion positive impact on the federal balance sheet.</li> </ul> <p>Economic returns on investment of over 3-1 are to be expected. These returns grow over time, have more significant impacts over the medium and long term, and are ‘inclusive’ in that they benefit Indigenous people and communities.</p> <p>A variety of additional social, health and economic returns are not accounted for in the models, making the already strong business case for core funding even stronger. These include:</p> <ul style="list-style-type: none"> <li>• Strong anchor institutions serving as community hubs that can deliver other services and supports, and initiate new upskilling and microcredential programs</li> <li>• Positive impacts on social determinants of health</li> <li>• Indirect job creation and business formation through local hiring, procurement and service delivery.</li> </ul> <p>Core funding to Indigenous Institutions is an investment that contributes to multiple bottom lines.</p>

We did not attempt to replicate or improve upon the work undertaken by previous scholars on PSE education gaps. Instead, we used their findings, built models using their results and then added Indigenous-led PSE institutions as the missing, necessary piece to improve PSE success for Indigenous people. There is strong quantitative and qualitative evidence that:

- many Indigenous learners who wouldn't otherwise attend PSE will go to an Indigenous institution, and
- the approach to PSE delivered by IIs will lead to higher success rates.

In addition, anchor institutions play an important role in community success and well-being. Multiple spillover effects derive from investing in stable anchor institutions that serve as community hubs for services and activities and are not fully quantified in this analysis, but should not be under-estimated. These additional, unquantified impacts and the longer term social return on investment add to the strength of the business case.

The Government is currently not fulfilling its constitutional, legal and treaty obligations, nor its political commitments. Further delay deprives First Nations communities, learners and Canada of PSE options that will increase labour market participation, fill skills gaps, and respond to community need. Every additional day of delay prevents IIs from planning for future growth and creates more financial and political risk for the government.

### ***Additional Research***

There remain many additional questions that require additional research and deliberation. These include:

- Better understanding the various regional models across Canada, including the best approaches and the real costs of developing and delivering curriculum, providing services to support Indigenous learners, and the delivery of curriculum in community.
- The role Indigenous Post-Secondary Education Institutions can play in the skills and re-training landscape, including their role in delivering microcredentials.
- The role of Indigenous Post-Secondary Institutions as community infrastructure, and the role they play in supporting community economic and social development.
- Improved data collection, organization and analysis so that allocation formulae are equitable, student journeys are better understood, and outcomes are being measured and reported in comparable ways.

- <sup>1</sup> The Indigenous Education Branch at Ontario's Ministry of Colleges and Universities reports completion rates of 82% for II learners.
- <sup>2</sup> Given the importance of building Indigenous-controlled institutions, and the recognition of this strategic goal by the Government of Canada and Indigenous peoples, we use the word 'institution' throughout this report, rather than 'institute,' which is the term used in Ontario legislation.
- <sup>3</sup> Following the allocation of federal funds for a three-year engagement process, Indigenous post-secondary institutions in Ontario engaged across the province and articulated the kind of resources and support that they require to deliver post-secondary education in a manner that meets the needs of learners, communities and First Nations institutions. That model was outlined in the report: Indigenous Institutes Consortium Regional Model for First Nations Post-Secondary Education: Engagement Report and Proposal, submitted to the Minister of Indigenous Services in December 2021 [the IIC Proposal].
- <sup>4</sup> Janki Shankar, Eugene Ip, Ernest Khalema, Jennifer Couture, Shawn Tan, Rosslynn T. Zulla, and Gavin Lam. "Education as a Social Determinant of Health: Issues Facing Indigenous and Visible Minority Students in Postsecondary Education in Western Canada," *International Journal of Environmental Research and Public Health*, 2013.
- <sup>5</sup> These allocations differ from those in the IIC Report because they phase in funding more slowly but accommodate more growth in the student population in out-years.
- <sup>6</sup> In practice, these funds could be a dedicated top up to the Indigenous Community Infrastructure Fund.
- <sup>7</sup> We did not apply discount rates to the estimated impacts, although we recognize that applying different discount rates would impact the findings.
- <sup>8</sup> These estimates are based on growth rates from the current base, not cumulative.
- <sup>9</sup> For modelling purposes, it is assumed that half of all new II students graduate at a rate of 82% rather than 0, and half of new II students graduate at a rate of 82% rather than 50% [estimated national graduation rate for Indigenous students]. We acknowledge that there are unmeasured selection biases in these assumptions and the student populations at Indigenous and non-Indigenous institutions are not identical, but we are not in a position to measure these differences.
- <sup>10</sup> For the purposes of our estimations, these assumptions result in a conclusion that of the student population at IIs, just under 62% would end up being net new graduates [i.e. graduating at a rate of 82%, half of whom would have had graduation rates of 0 because they would not have attended PSE, and half of whom would have had graduation rates of 50% at a non-II PSE institution].

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