

The Effect of Eliminating Aboriginal Economic and Social Gaps on the Fiscal Position

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Abstract

Investing in disadvantaged young people is one of the rare public policies with no equity-efficiency tradeoff. Building on the methodology developed for the Royal Commission on Aboriginal People (RCAP), we estimate the effect on tax revenues and government expenditures of eliminating the economic and social gaps between Aboriginal and non-Aboriginal Canadians. Five program areas are examined: family and child services, health, crime prevention and rehabilitation, social housing and transfer payments. In 2006, excess expenditure by all levels of the Canadian government on the five program areas under analysis was \$6.2 billion. If the Aboriginal/non-Aboriginal program expenditure gap is closed at a constant rate, the cumulative savings to all levels of Canadian government will be \$77 billion from 2006 to 2026.