



Remoteness of First Nations Communities: *How to Measure Its Impact in order to improve socio- economic outcomes?*



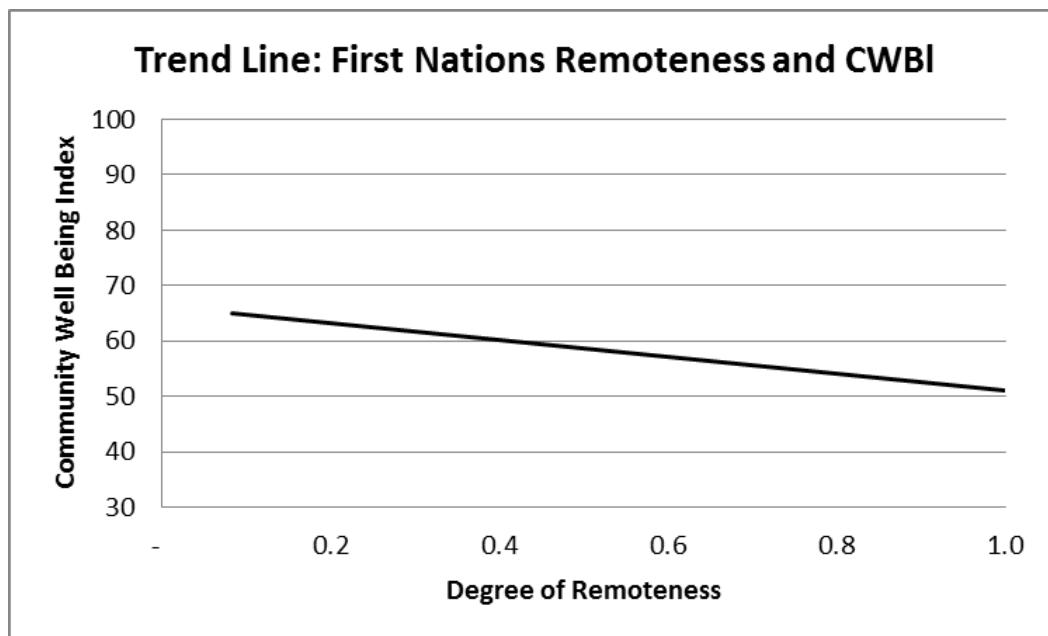
Canadian Economics Association,
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Why Is Remoteness An Issue?

- As seen below, there is a link between lower socio-economic outcomes in First Nations communities (as measured by the Community Well Being Index (CWBI)) and a higher degree of remoteness (as measured by the Statistics Canada Community Remoteness Index).



- Indigenous Services Canada (ISC) intends to examine options to offset the impacts of remoteness for First Nations communities in order for them to improve their socio-economic outcomes.



ISC, New Fiscal Relationship, and Remoteness

- The Government of Canada has committed to co-developing a NFR with Indigenous peoples based on:
 - sufficient and predictable funding;
 - mutual accountability; and,
 - Indigenous-led programs and services.
- As part of the NFR, ISC with the Assembly of First Nations and Finance Canada are reviewing the concept of remoteness and its impact on First Nation communities.
- Currently, ISC factors remoteness adjustments into some program funding, but a coherent and consistent departmental level approach is needed to target the most dis-advantaged communities.



Costs and Impacts of Remoteness

Direct Costs

At a minimum, remoteness increases direct costs of services in First Nation communities, including:

- Operating costs (e.g. rent, utilities, insurance);
- Travel costs;
- Transportation and delivery costs (e.g. food, supplies, fuel);
- Salaries and benefits (e.g. premiums to work in remote areas);
- Construction costs (e.g. availability of materials and trades people); and,
- Seasonality (e.g. short construction season, narrow windows to ship in material / truck over ice roads – all impacted by climate change).

Other Costs

Beyond an increase in certain operating costs, remoteness can create other significant challenges for First Nation communities:

- Limited or no access to certain services;
- Limited access to markets;
- Human capital challenges – hiring and retaining staff, meeting training needs;
- Limited governance capacity;
- Reduced useful life of infrastructure;
- Limited economic development opportunities; and,
- Inability to leverage economies of scale.



Assessing the Cost of Remoteness – Data Needs

- To adjust funding for higher costs in remote communities, data is needed to determine cost differentials.
- Some potential data sources that can be used as indicators include:
 - Statistics Canada prices data e.g. CPI, Producer Price Index, GDP deflator;
 - The National Joint Council Directives on isolated posts allowances;
 - ISC financial data;
 - First Nations financial statements;
 - Nutrition North Canada data on transportation, insurance and overhead costs; and
 - Industry Standards.
- However, limited detailed information is available on the actual cost structure of programs and services in remote First Nations.



Assessing the Cost of Remoteness – Benchmarks

There are several possible approaches to determining the relationship between remoteness and funding requirements including the following:

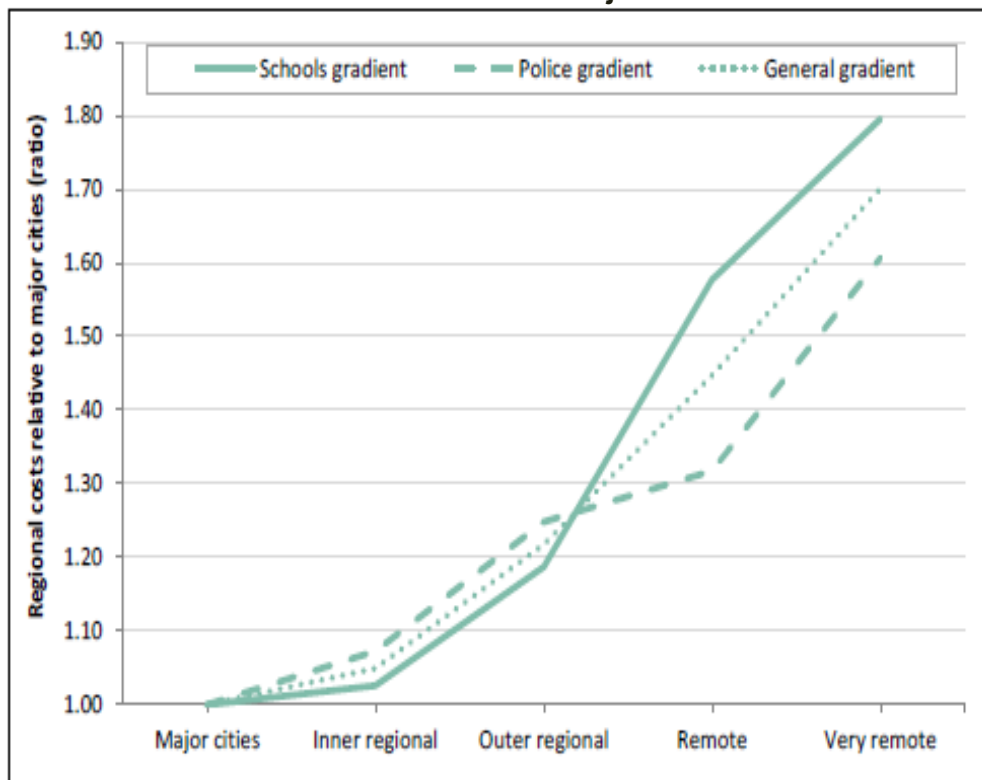
- Some provinces (and some ISC programs) adjust for remoteness with factors (often based on subject matter expert opinion), ISC could develop similar factors, but based on empirical evidence on cost relationships;
- National Joint Council Directives isolated posts allowances are based on Statistics Canada survey data. ISC could apply these factors to similar cost items (e.g. food, fuel, salaries), however relevance of these factors to other costs (e.g. infrastructure, health, education) would have to be assessed; and,
- Australia applies historical actual expenditures to determine future funding requirements, ISC could use this approach but would have to be careful not to perpetuate past underfunding of remote communities.



Assessing the Cost of Remoteness – Benchmarks

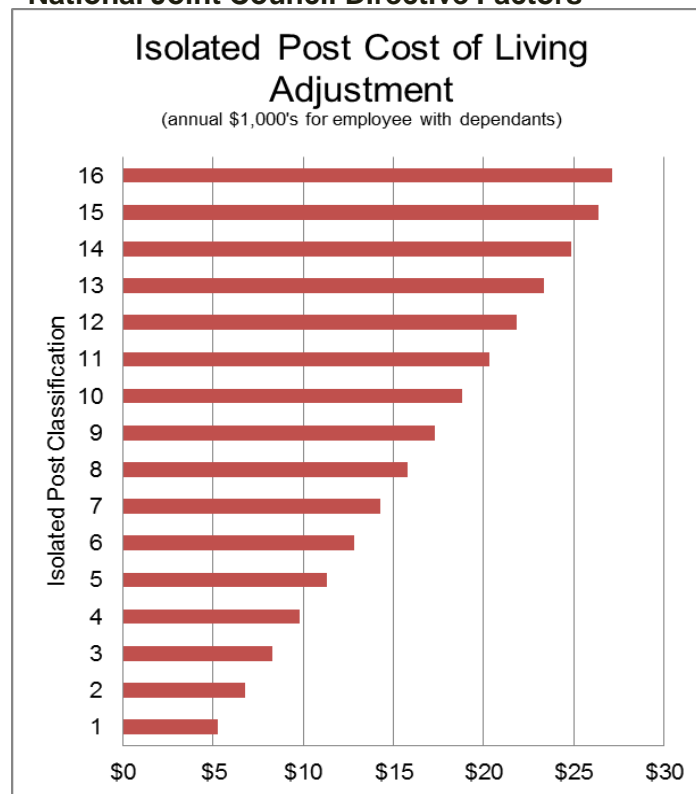
Below are examples of adjustment factors developed by National Joint Council Directives and the Australian Government:

Australia Government Remoteness Cost Adjustment Factors



Source: Australia Government Commonwealth Grants Commission 2015 GST Review

National Joint Council Directive Factors



Source: <https://www.njc-cnm.gc.ca/directive/d4/v237/s626/en>

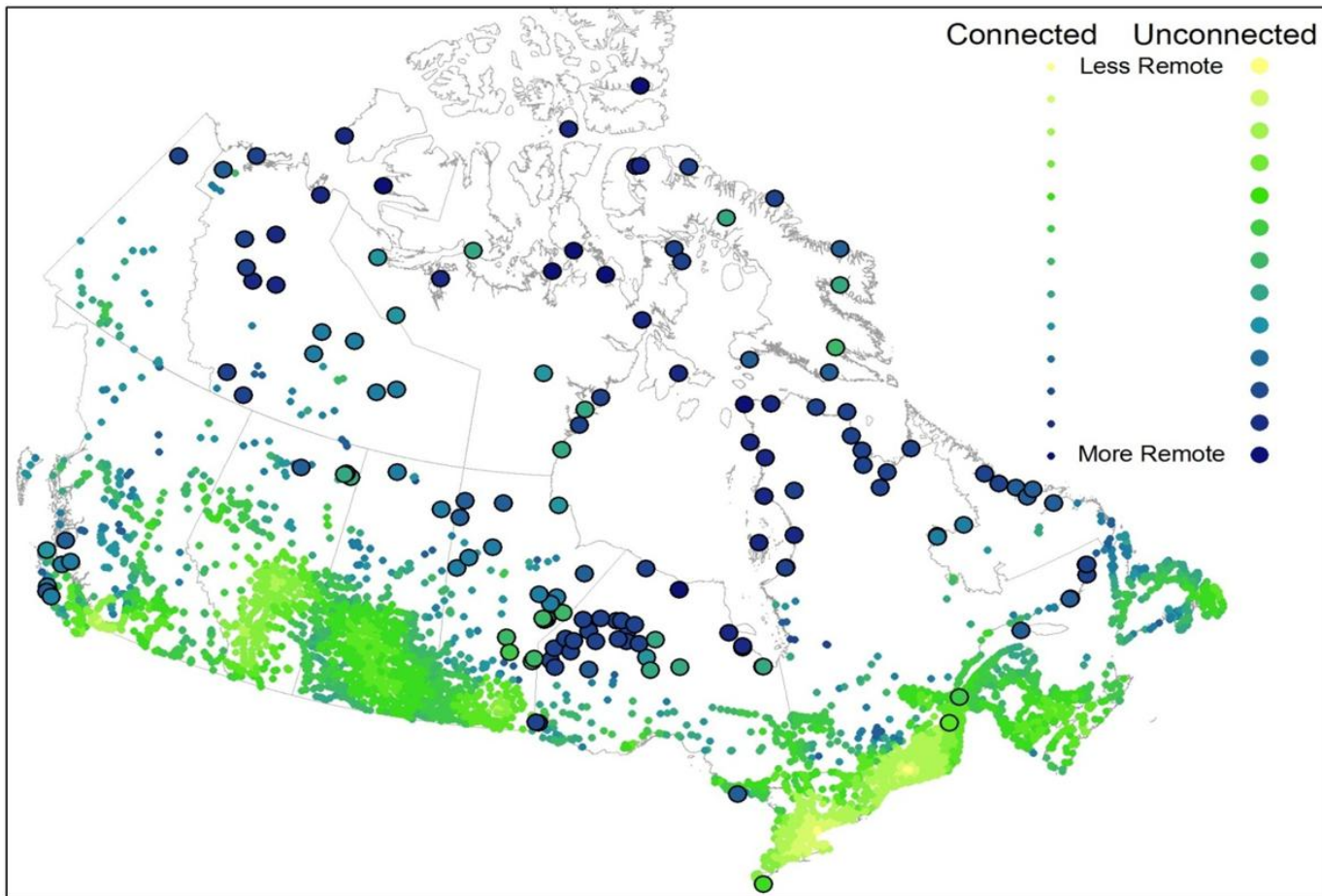


Statistics Canada's Remoteness Index

- The relative degree of remoteness of one community to another is critical information for calculating adjustments to funding for individual First Nations.
- The Statistics Canada's remoteness index addresses both the size and distance aspects of First Nations communities by incorporating linear proximity and mass (population size) into a gravity model index, where:
 - Population size and cost of travel within a commuting radius is used to produce a weighted score of relative remoteness from 0 to 1 for every community in Canada; and,
 - Commuting distances are normalized to dollars with commuting cost metrics.
- A major advantage of the Statistics Canada remoteness index is the ability to directly compare it to their other data sets, such as:
 - The Community Well-Being index;
 - The National Household Survey;
 - The Aboriginal Peoples Survey; and,
 - Many other community-based (Census sub-division) indicators.



Statistics Canada's Remoteness Index



- The chart shows the remoteness of all communities (including First Nations) in Canada based on the cost of travel.
- The small dots represent communities that are connected by year-round access to the road network.
- The colouring represents the relative costs for each community to reach a population center normalized by population size of the commuting radius.
- As expected most remote communities are in Northern areas of the country.



Measuring Remoteness

- We are looking at remoteness in order to understand how it influences costs.
- To answer the question: What are the most significant cost drivers in operating in remote communities? i.e. cost of living, materials, utilities, insurance, etc. These are impacted by environmental influences and relative remoteness, but the Statistics Canada remoteness index itself does not translate directly to a cost (especially not across all programs consistently).
- Every program has different cost drivers related to what is labeled remoteness (distance, shipping, travel, cost of living, wage disparity, higher reliance on programs, etc.). We need to examine the varied cost drivers in order to develop a framework:
 - 1) to ensure these drivers are systematically considered and applied when programs are designed and re-designed by all federal funders;
 - 2) so credible organizations are systematically gathering and analyzing data to develop and update indices;
 - 3) to ensure that funding formulas of all federal funders are systematically and consistently applied, ensuring sufficient funding levels at the global, regional and recipient levels.



Key Considerations for ISC Going Forward

- Each measure identified has advantages and challenges. Can a single indicator be selected that measures the relative remoteness of one community compared to another? Do multiple indicators need to be used for different types of costs?
- What programs and costs are most impacted by remoteness? How can this be determined?
- Data will be needed to test relationships and build adjustment factors. Can data identified so far yield robust information on patterns? How else can cost factors be determined to adjust funding?
- Can funding be adjusted for all First Nations programs and services?
- Adjusting funding to reflect remoteness may not address disparities in services, for example some services may simply not be possible to provide even with more funding e.g. assisted home care may not be practical in very remote communities.
- ISC will need to work with the Assembly of First Nations to develop an approach that best addresses the issue of remoteness, this could include focusing on only the most remote small communities.



Implementation Options

| Option | Pros | Cons |
|---|--|--|
| Continue with the current program by program approach using the new StatCan index | <ul style="list-style-type: none">Likely easy to implement and calculate | <ul style="list-style-type: none">Will perpetuate the existing challenges and likely not lead to gap closing |
| Determine an adjustment factor similar to the Australian index | <ul style="list-style-type: none">Likely easy to implement and calculateCan be applied to a funding envelope | <ul style="list-style-type: none">Estimate may not be sufficiently reliable |
| Establish a gap closing / remoteness fund | <ul style="list-style-type: none">Will target communities in most need (fly-ins, small population)Can be used by remote communities based on their identified needs | <ul style="list-style-type: none">Estimate may not be sufficiently reliable |



Questions?



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