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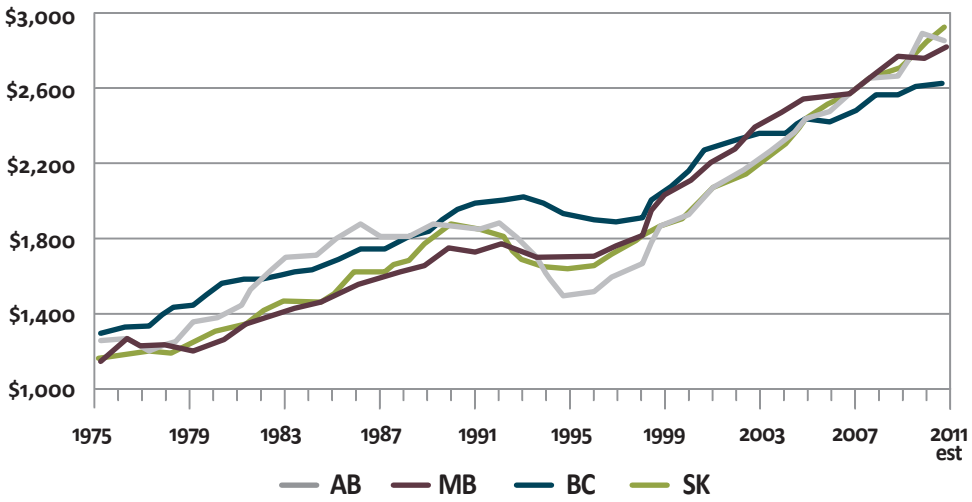
Health Care Spending and Fiscal Sustainability

By Gregory P. Marchildon, Canada Research Chair (Tier 1) and Professor, Johnson-Shoyama Graduate School of Public Policy

There has been considerable discussion in recent years about provincial spending on health care. The rapid growth in government health expenditures, whether measured in per capita spending or as a share of the provincial budget, has raised concerns about the fiscal sustainability of public health care in Canada. This article reviews both long-term and short-term trends in provincial government health spending in western Canada. An examination of the underlying cost drivers in the four western provinces will appear in the next quarterly issue of the *Western Policy Analyst.*

Figure 1: Provincial Government Real Health Spending per Capita (constant 1997 dollars), 1975 to 2011



Long-Term Trends

The four provincial governments in western Canada have followed a very similar trajectory in terms of health spending. Even when adjusted for inflation, as done in Figure 1, government spending on a per capita basis saw two major phases of sustained growth, one from 1975 until 1990 and a second from 1997 to present. If anything, the second phase marks a period of even more rapid growth than what the western provinces experienced in the earlier phase.

The major exception to this trend of rapid growth was the short but intense period of budgetary cutbacks during the early to mid-1990s. For approximately five to six years, government health spending actually declined in real terms. In response to dangerously high levels of public debt accumulated during the 1970s and 1980s, most provincial governments in Canada slammed the brakes on program spending in order to pay down the accumulated interest on the debt. Since public health care constituted the single largest program in each province, austerity measures were imposed and regionalization was introduced in each province to find new efficiencies and consolidate an overbuilt hospital sector. Alberta made the deepest cuts, followed by Saskatchewan, with much more moderate declines, comparatively speaking, in B.C. and Manitoba.

It is also interesting to note that starting in 1975, B.C. had the highest real per capita health spending. However, the provincial government had altered course by 2003, and by 2005 had become the lowest provincial spender in the West, a position it continues to enjoy. Indeed, the gap between B.C. and the rest of the western provinces has only widened since the mid-decade.

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Health Expenditures as a Share of Total Provincial Expenditures

From a public finance perspective, one aspect of fiscal sustainability involves the ability of provincial governments to allocate adequate resources among competing priorities within a given revenue stream. Health is one public funding envelope among many others, including education, social assistance, transportation infrastructure, environmental protection and regulation, as well as interest payments on government debt.

Since growth in provincial health spending began accelerating in the late 1990s, there has been some concern that health spending would crowd out other necessary spending as it began to grow relative to other parts of the provincial budget. As can be seen in Figure 2, health spending has indeed grown relative to other budgetary items, particularly in the early 2000s. Although the share taken by health in public budgets continued to grow in Alberta and Manitoba, this share had stabilized and even declined for B.C. and Saskatchewan by the mid-2000s.

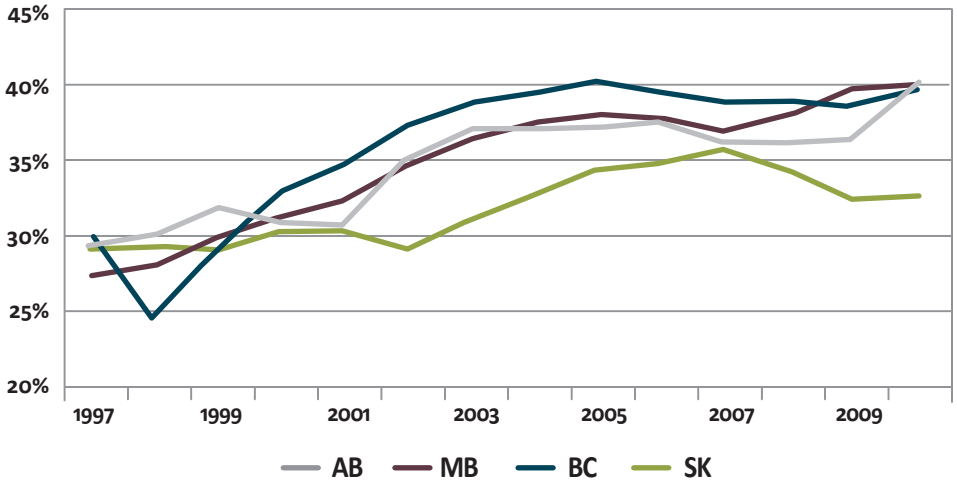
Figure 2 also illustrates the convergence of B.C., Alberta and Manitoba, all three of which were devoting 40% of all provincial spending, including debt repayment, to health by 2010. Saskatchewan is an outlier among the western provinces, devoting "only" 33% to health spending relative to all other government expenditures including interest repayment in 2010.

This is a large gap – one that cannot simply be explained by Saskatchewan's relatively low debt level, and therefore low annual interest payments, in recent years. Figure 3 removes debt charges from provincial program spending. As can be seen, the share of health spending relative to other program spending goes up significantly in all provinces except Alberta, which has enjoyed much lower debt and a larger fiscal dividend than the other provinces. Nonetheless, Saskatchewan was able to constrain its health expenditures to a greater extent than Alberta for most of the period since the turn of the century. Moreover, while Saskatchewan had the highest share of program spending devoted to health (37%) in 1997, it was the only province that registered a lower share (34%) by 2010.

Who is the Fairest of Them All?

Of course, there are numerous reasons why one provincial government's health spending may exceed another government's expenditures. All provincial governments are required to provide universal coverage for medically necessary hospital and medical services as stipulated under the *Canada Health Act*. At the same

Figure 2: Provincial Government Spending on Health Care as a Percentage of Total Government Spending, 1997 to 2010



time, every province has a different age and sex profile that can result in differences in public expenditure even when per capita expenditures are almost identical for each age and sex group.

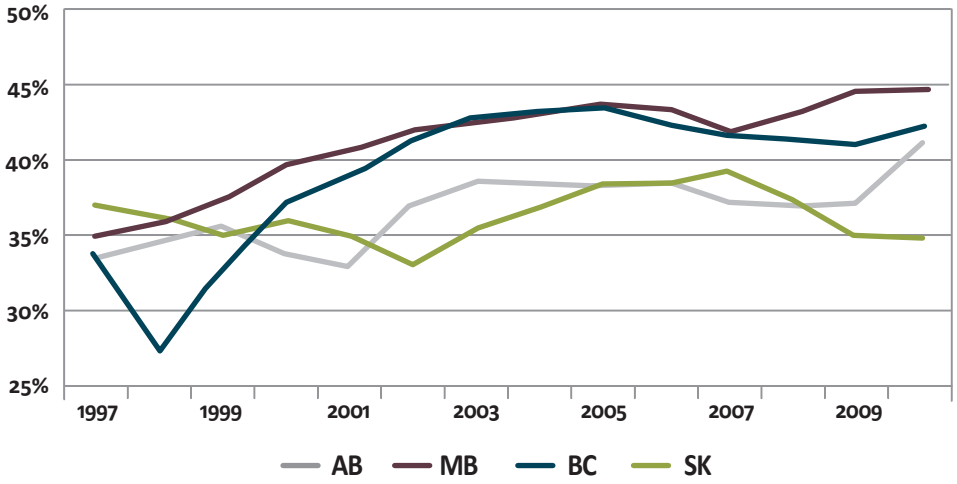
In order to measure differences produced by variability in prices (inflation) and utilization (volume), the Canadian Institute for Health Information standardizes expenditure to a common population distribution. This is done by multiplying the male and female populations of Canada (in each of 19 age groups) by the spending per capita for each age group in each province and then dividing the result by the population of Canada. This allows us to see how the provinces are performing in terms of increases in price and utilization irrespective of their demographic profile.

As illustrated in Figure 4, there is considerable variability among the four provinces. In 2009, the last year for which actual (as opposed to forecast) data were available, Alberta spent $1,100 more per resident than B.C., the lowest per capita spender. Moreover, the gap between these two provincial governments, already large in 2006, has only grown. This result mirrors what was seen Figure 1, where B.C.'s transition from the highest government spender on health to the lowest was first displayed. This is a disturbing result for Alberta and was likely one of the key factors that motivated the 2008 decision to eliminate Alberta's health regions in favour of a single, centralized administration tasked with finding new economies of scale and scope.

Exhibiting a very similar trend from 2006 to 2009, Manitoba and Saskatchewan lie between the two extremes. This result should not be surprising. Less urbanized than B.C., these provinces have higher cost health systems by virtue of having to serve relatively larger rural and remote populations. Despite this challenge, both provinces have managed to keep per capita health costs well below those in Alberta.

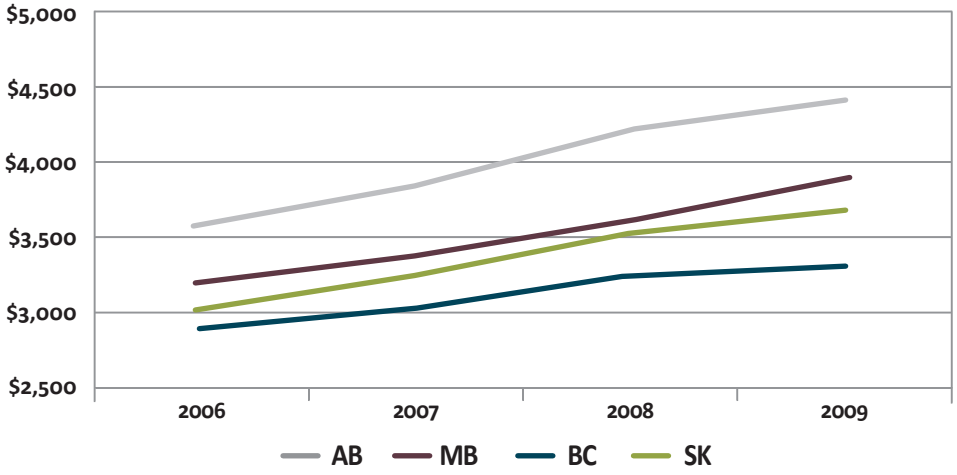
Sources: Canadian Institute for Health Information (2011), National Health Expenditure Trends, 1975 to 2011. Please note that all figures for 2010 and 2011 are forecasts only.

Figure 3: Provincial Government Spending on Health Care as a Percentage of Total Government Spending (less debt charges), 1997 to 2010



In 2009, Alberta spent $1,100 more per resident on health care than B.C., the lowest per capita spender.

Figure 4: Provincial Government Health Spending per Capita (standardized for age and sex in norminal dollars), 2006 to 2009



Western Workers More Productive

By Jim Marshall, Senior Policy Fellow, Johnson-Shoyama Graduate School of Public Policy

The November release of provincial economic accounts by Statistics Canada was followed up with calculations for the growth in labour productivity. These data are, unfortunately, almost a year old but they show that in 2010 there was tremendous growth in labour productivity in the western provinces.

Real Gross Domestic Product

Real Gross Domestic Product (real GDP) measures the volume of economic output after adjusting for price changes in the economy. Real GDP measures the rate of growth in overall economic production. In 2010, the Canadian economy increased its output by 3.7% over the 2009 level. The provincial data reveal that three of the four western provinces experienced overall growth near or above the national average (see Figure 1).

Among western provinces, Manitoba, with a growth in real GDP of 2.1%, was below the national average. B.C. and Alberta, with growth rates of 3.5% and 3.7%, respectively, were near the average. Saskatchewan exceeded the national growth rate with an increase of 4.5%.

Economic output will increase with extra hours worked or an increase in labour or capital productivity. The first two of these changes were part of the recent release and are examined below.

Hours Worked

In Canada, about half of the higher economic output (1.9% of the 3.7%) was the result of an increase in the aggregate hours worked as illustrated in Figure 2. Although B.C. was an exception, hours of work accounted for a much smaller portion of the increase in the western provinces.

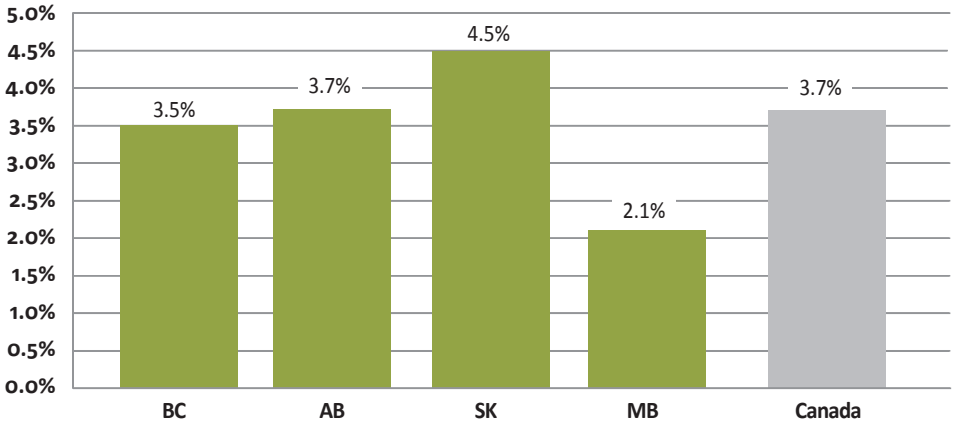
Three of the four western provinces had a lower than average growth in hours worked with only B.C. exceeding the national average. Saskatchewan had the lowest increase in hours worked at only 0.6%, with Alberta at 0.7% and Manitoba at 1.0%.

Labour Productivity

The good news is that these data imply there was a significant increase in labour productivity in the western provinces in 2010.

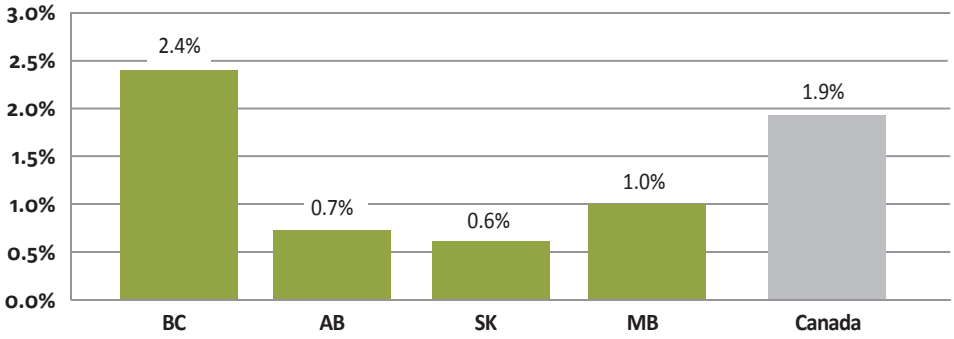
Figure 3 illustrates that output per hour worked increased strongly in Saskatchewan, with a

Figure 1: Growth in Real GDP, 2009 to 2010



There was tremendous growth in labour productivity in 2010.

Figure 2: Growth in Aggregate Hours Worked, 2009 to 2010



remarkable growth rate of 3.7% – more than twice the national average. Alberta, with a 2.9% increase, grew more than half again as quickly as Canada as a whole. Manitoba and B.C. experienced more anaemic growth in labour productivity at 0.9% and 1.2%, respectively.

Hourly Compensation

Much of this gain in productivity translated into higher wage rates, as illustrated in Figure 4.

Nationally, wage rates[1] grew by an average of 2.1% in 2010. This was exceeded in three of the western provinces with increased labour costs of 2.6% in Manitoba, 4.1% in Alberta and 5.2% in Saskatchewan. Labour costs in B.C. were much more constrained, growing by a mere 1.1%, just more than half the national growth rate.

Unit Labour Costs

These factors add up to a growth in unit labour costs in western Canada far in excess of the national average. Unit labour costs measure the cost of producing a single unit of output and are often taken as indicative of trends in competitive position. A relative increase in unit labour costs will signal a loss in competitiveness while a relative decline (or lower growth rate) in unit labour costs will signal improved competitiveness.

Manitoba had a below-average increase in output per hour and an above average increase in compensation levels, resulting in a growth in unit labour costs of 1.5%, nearly four times the growth rate at the national level.

Saskatchewan and Alberta both had growth in unit labour costs at more than three times the national pace, growing by 1.3% and 1.2%, respectively, in 2010.

Only B.C., with an increase of 0.1%, had a growth in unit labour costs below the national average (compared to Canada's growth of 0.4%) as compensation levels grew even more slowly than the below-average growth in labour productivity.

Conclusion

The growth in output in the western provinces for 2010 was generally far above the national average. This may be indicative of a significant improvement in labour productivity in the western provinces. Unfortunately, an even more vigorous growth in compensation levels for western workers has translated into unit labour costs rising at three to four times the national rate of growth and may signal lost ground in terms of productive competitiveness for western provinces.

Figure 3: Growth in Labour Productivity, 2009 to 2010

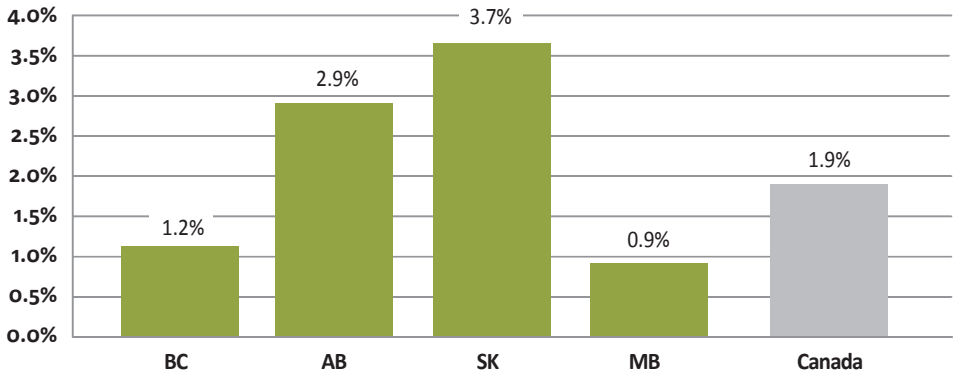


Figure 4: Growth in Hourly Compensation, 2009 to 2010

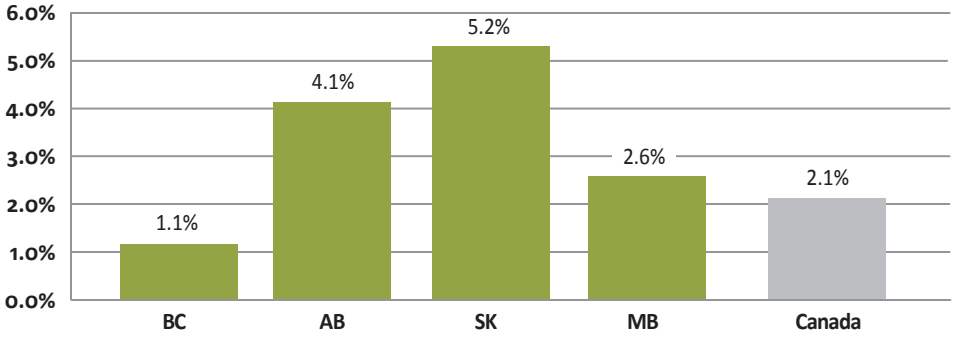
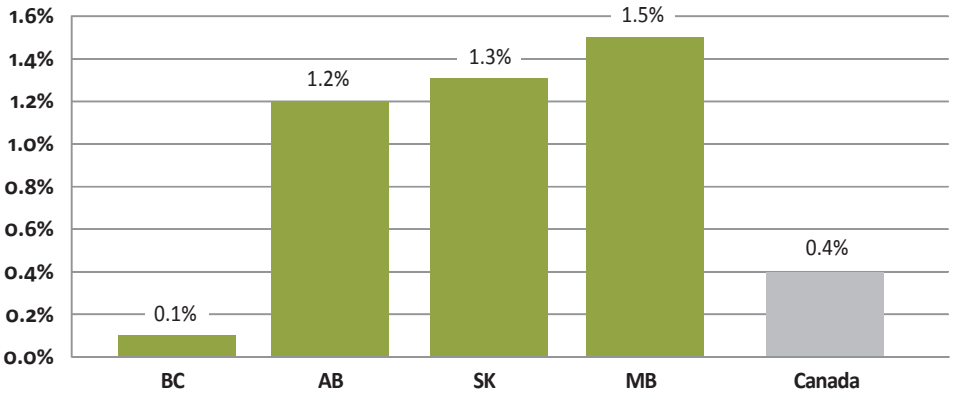


Figure 5: Growth in Unit Labour Costs, 2009 to 2010



[1] *Wage rates are measured by total compensation costs per hour including the costs of non-wage benefits.*

Should We Sound the Alarm on Western Canadian Debt?

By Cody Gieni,
MPA Candidate,
Johnson-Shoyama Graduate School of Public Policy

One can hardly read or listen to the news without hearing word of an impending debt crisis. Discussions on the American debt crises, as well as European bailouts and austerity measures, have western Canadians asking themselves: Where do our governments stand? Will debt place constraints on our governments' planning and directives? Are we doomed for a debt showdown? Before we signal the alarms, let us take a look at our international debt standing.

In Figure 1, the total central government debt is 'standardized' to each country's GDP to take into consideration the size of the local economy and thus the ability of that country to cope with the debt. Both Italy and Greece are battling high levels of debt. Since 2009, both countries have seen their debt-to-GDP ratios exceed 100%. At the same time, the 2010 ratio in the United States and the United Kingdom was 61% and 86%, respectively. Canada has the lowest debt-to-GDP ratio of these selected countries at 36%.

Within the prairie provinces, the picture looks considerably different. Figure 2 shows levels of western Canadian gross debt. Gross debt is a summation of all government liabilities[1]. In the ten-year period beginning in 1998, Manitoba and B.C. averaged an annual growth rate in gross debt of 3.3% and 4.5%, respectively[2]. Saskatchewan and Alberta averaged an annual 0.3% increase in gross debt growth within the same period. As of 2008, Manitoba, Saskatchewan, Alberta and B.C. held gross debt amounting to $29.9, $19.2, $30.1 and $112.3 billion.

Figure 1: Total Central Government Debt (percentage of GDP), Selected Countries

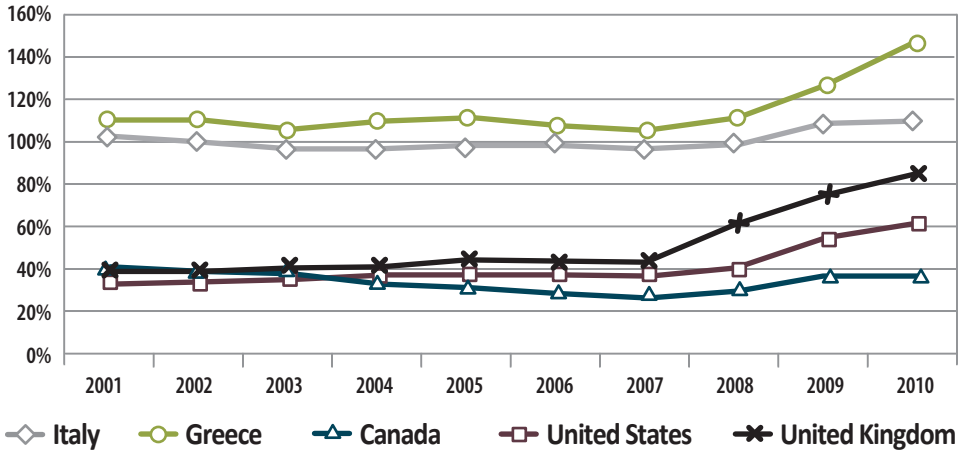
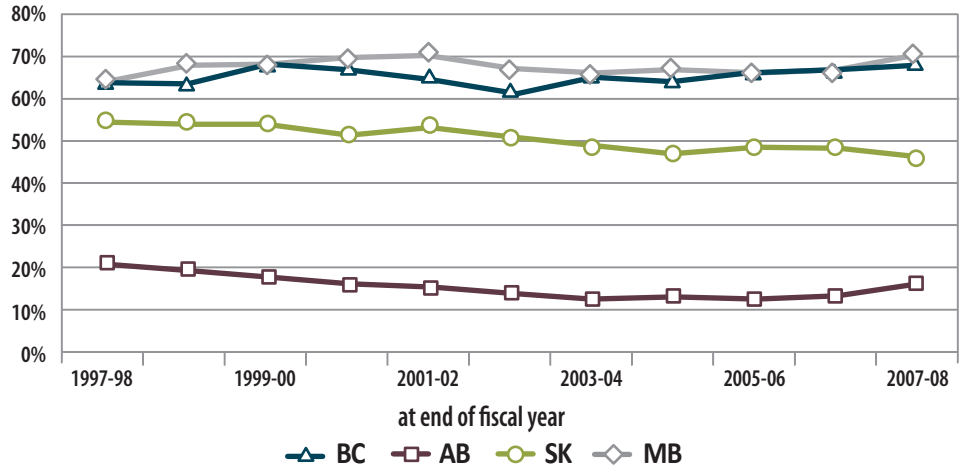


Figure 2: Gross Provincial Debt (percentage of GDP), Western Provinces



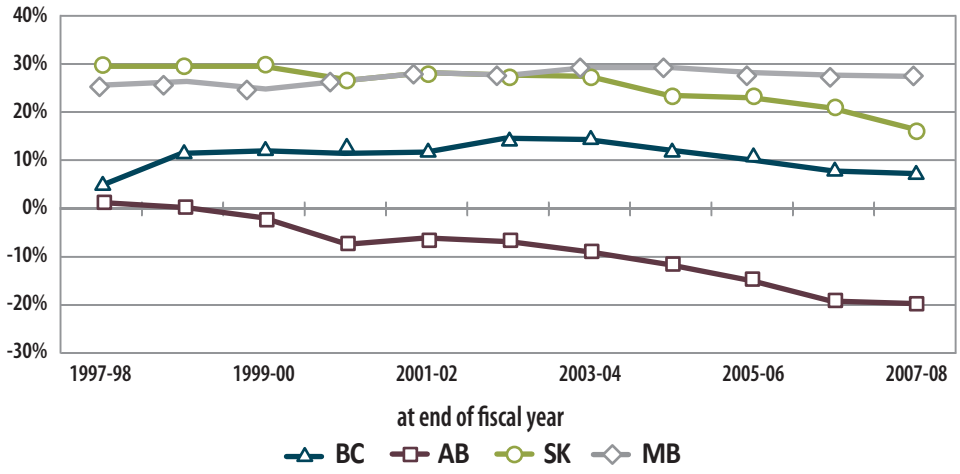
[1] *Provincial government debt figures are not strictly comparable to those for countries like Greece and Italy because they do not include the share of the federal (Canada) debt.*

[2] *Unfortunately, 2008 is the most recent year for which provincial government debt figures are published.*

Figure 2 expresses these debts relative to GDP for a rough comparison with Figure 1. Here we see that even Manitoba and B.C., the provinces with the highest gross debt, have debt levels below 75% of GDP.

Gross debt is, however, only half the story and the portrait looks quite different when we look at levels of western Canadian net debt[3]. Alberta eliminated their debt in 2000 thanks to a strong oil and gas sector. However, Manitoba, Saskatchewan and B.C. are still rallying to pay down their province's individual debts. In the ten-year period beginning in 1998, Manitoba and B.C. experienced an average annual growth rate in net debt of 3.0% and 9.6%, respectively.

Figure 3: Net Provincial Debt (percentage of GDP), Western Provinces



Even Manitoba and B.C., the provinces with the highest gross debt, have provincial government debt levels below 75% of GDP.

Saskatchewan, on the other hand, has seen an average decrease in its net debt of 3.0% per year.

Expressed as a percentage of GDP, provincial government net debt is less than 30% in each of the western provinces. Alberta has more assets than debt so its net provincial debt is negative.

The western provinces are seeing slow growth and, at times, a decline in their government's net debt. However, the issues associated with government debt continue to be topics of discussion among citizen groups, legislatures and within the very recent provincial elections.

There are, of course, obligations to service the debt, and these re-payments will come out of current government revenues. Particularly, there are the opportunity costs of debt servicing. Money spent on servicing the debt could be spent in other areas. Those other areas include expenditures on post-secondary education or public health, research and development and other public services. Using government revenues for paying interest on the debt (and reducing the principal) means less revenue available for other areas. Also, high levels of government debt can make citizens anxious about their provinces' economic stability. Fiscal uncertainty can manifest in a desire to save rather than spend money on goods and investments which are perceived as increasingly risky. The obligations associated with high levels of debt can also hamper economic growth, further compounding these issues.

Some level of government debt is generally accepted as governments conduct their activities through times of peaks and troughs in the business cycle. However, it is important to remember that if left unchecked persistent high levels of debt can critically impact a government. The ability to conduct its main business and to gain confidence and support from citizens can be seriously hindered when a government cannot allocate resources to the areas which most directly affect its citizens' lives.

Sources: OECD Central Government Debt MetaData; Statistics Canada CANSIM Matrices 385-0014 and 384-0001

[3] *Net debt is gross debt less liquid assets such as accounts receivable, cash, bonds or equity. Public sector infrastructure such as roads and buildings are not considered as assets.*

Farm Income

By Doug Elliott, Editor

A successful year for grain farmers involves getting a lot of things right. Farmers must choose the right crop, get it into the ground without spending too much money on inputs, get rain when it is growing and not during harvest, keep the equipment running and out of the mud, and get a decent price when it comes time to sell the crop.

In agriculture, as in other economic sectors, there are some who do well financially in any given year and others who do not. In 2010, livestock producers were not doing nearly as well as grain farmers and many grain growers in Saskatchewan and Manitoba struggled with wet harvest conditions. Nevertheless, grain farming has rarely been as profitable as it has been from 2007 to 2010.

Farm Prices

Statistics Canada tracks commodity prices using an index system with 1997 as the base year. The index measures the price at the farm gate for the mix of livestock, livestock products, grains, fruits, and vegetables that are typically produced in each province.

Figure 1 shows that the prices for both crops and livestock products has cycled within 10% to 15% of the 1997 values throughout most of the 1990s and the early 2000s. This remains the case for livestock prices, but the crop price index, on the other hand, increased by 82% between 2006 and 2008. Crop prices have subsequently fallen back but are still well above the long-term average.

The spike in prices was only evident for the mix of field crops grown in the prairie provinces. B.C. market gardeners and fruit growers have not done nearly as well. From 2006 to 2008, the farm product price index increased by:

- 118% in Saskatchewan;
- 83% in Alberta;
- 69% in Manitoba; and
- 5% in B.C.

Figure 1: Farm Product Price Index, 1997=100, Western Canada

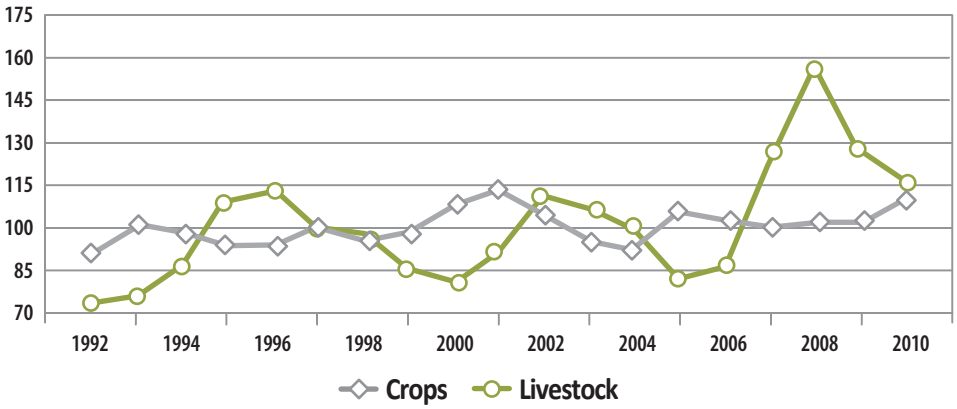
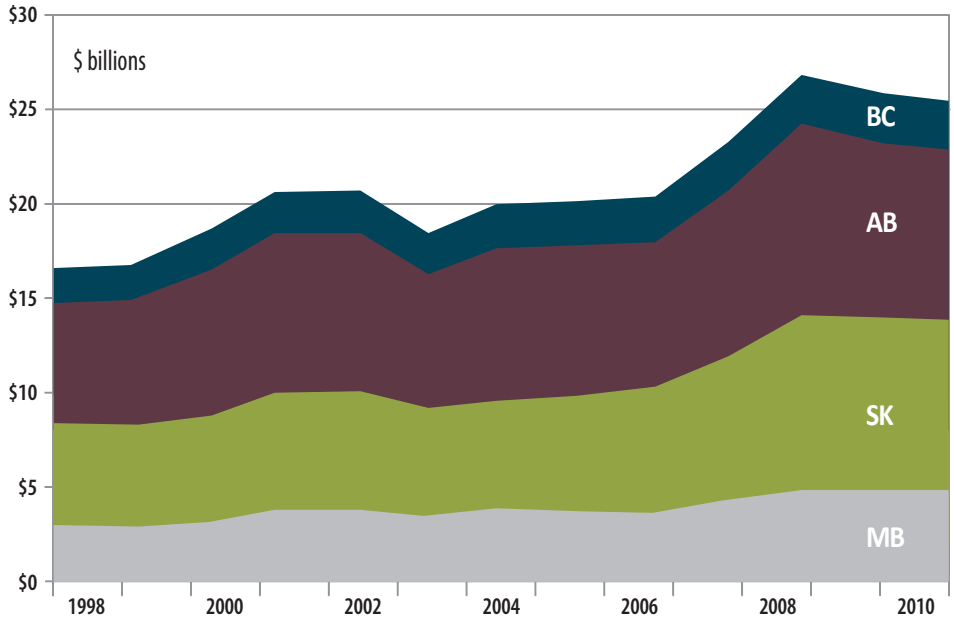


Figure 2: Farm Cash Receipts, Western Canada



The increase in grain prices has had a predictable effect on gross receipts for farmers.

Farm Cash Receipts

Farm cash receipts measure gross income from the sale of grain, livestock, and livestock products. Receipts are measured on a cash basis and include payments from government support programs such as crop insurance and beef stabilization payments.

Gross receipts aggregated across the four western provinces were typically in the $20 billion range in the 1990s and early 2000s. From 1998 to 2006 the average was $19.2 billion. Then in 2008, a spike in prices and reasonably good yields increased the total to $27 billion, an all-time high for the West. With a heavier concentration on field crops, receipts increased the most in Saskatchewan – the increase from 2006 to 2008 was 41% compared with 30% in Manitoba, 32% in Alberta, and 7% in B.C.

When commodity prices dropped in 2009 and 2010, western farmers were still able to maintain high levels of gross receipts. This was partly because crop insurance payments increased for those whose land was flooded and partly because farmers were able to draw down the grain inventories they had built up in earlier years.

Net Income

From a farmer's point of view, there seems to be a never-ending increase in the input costs regardless of what happens to revenues, a phenomenon which they refer to as the cost-price squeeze and what others call a declining margin. This was true from 2006 to 2008 when expenses were also increasing (see Figure 3).

The trio of fuel, fertilizer, and pesticide accounts for a quarter of cash expenses. Spending on these inputs increased by 40% between 2006 and 2008, eating up some of the increased revenues. But expenses overall were growing less quickly than receipts resulting in a growth of net cash income from $3.1 billion in 2006 to $5.6 billion in 2008. Lower spending and price reductions in 2009 and 2010 kept net cash income above $5 billion in these years, in spite of the decline in receipts.

Realized net income takes depreciation on equipment into account. Figure 4 shows this measure of profitability is also at record levels, but only in Saskatchewan and Manitoba. In Alberta, where ranching is more common, and in B.C., where fruit and vegetable farming dominate, realized net income was negative in 2010.

The final income measure, total net income, adjusts the other income measures from a cash to an accrual basis by taking into account changes in inventory – mainly changes in the amount of unsold grain stored on the farm.

Aggregated across the West, total net income fell quite dramatically from 2008 to 2010 as farmers used their inventories to maintain the

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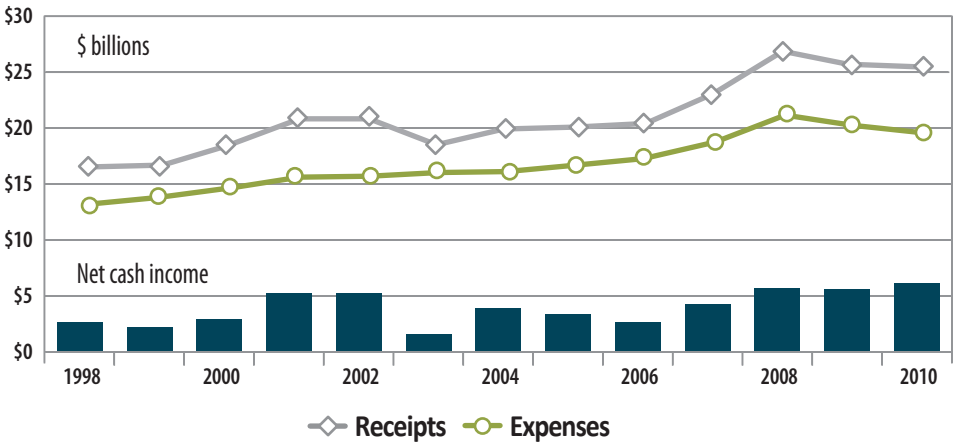
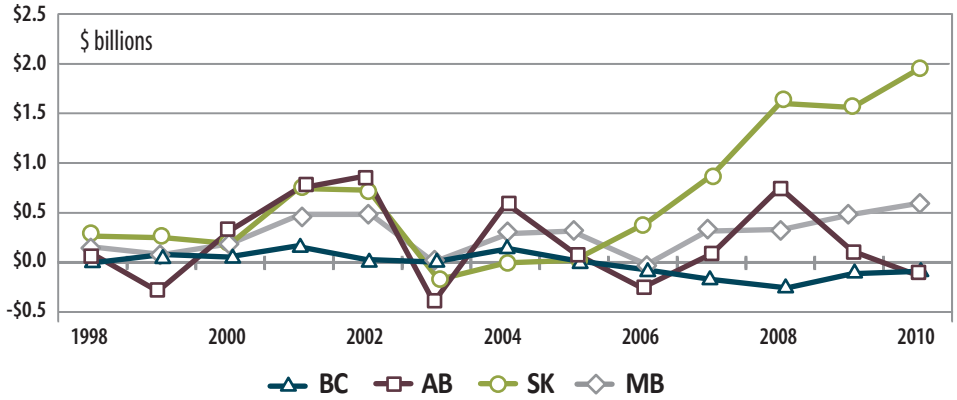
Figure 3: Farm Cash Receipts and Cash Expenditures (net of rebates), Western Canada



There are three measures of farm income used by Statistics Canada. ***Net cash income*** is farm cash receipts less expenses and measures net cash flow. ***Realized net income*** subtracts depreciation from net cash income and is a better measure of overall profitability. ***Total net income*** adjusts for changes in inventory and measures agriculture's contribution to the economy.

Figure 4: Realized Net Farm Income, Western Canada



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high level of sales shown in Figure 2. Figure 5 shows this was mainly a Saskatchewan phenomenon, although it occurred to some extent in Alberta as well.

Grain farming has rarely been as profitable as it has been in the years from 2007 to 2010.

Employment

No matter what the economics of farming are, the number of farmers never seems to stop declining for long. In fact, the good years tend to accelerate the decline as older farmers choose periods when crop prices (and therefore land prices) are high to retire and sell their farms.

Figure 6 shows the number of westerners who reported their "main job" was in agriculture fell below 150,000 for the first time in 2010. A decade ago, the number was near 200,000.

Outlook

Cash receipts have remained high in the first part of 2011, but the use of inventory during 2010 is an ominous indicator for the future. The stocks of grain on farms will not be able to provide the cushion for a poor crop like they did in 2009 and 2010. In other words, better crop yields will be needed to maintain these levels of net cash income.

The outlook for net farm income in 2011 and 2012 is nevertheless positive. Preliminary estimates of crop production show, in spite of the flooding in parts of Manitoba and Saskatchewan, an increase in canola and wheat harvested this year. Prices for wheat, canola, and pulse crops are still high and input costs are not rising as quickly as in the past. The positive economic news may even spread to cattle farmers because beef and hog prices are also increasing.

The federal government's dismantling of the Canadian Wheat Board's marketing monopoly will not have an immediate impact on net farm incomes but it promises to keep the sector on the front pages of the newspapers for the next year.

Sources: OECD Central Government Debt MetaData; Statistics Canada CANSIM Matrices 385-0014 and 384-0001

Figure 5: Total Net Income, Western Canada

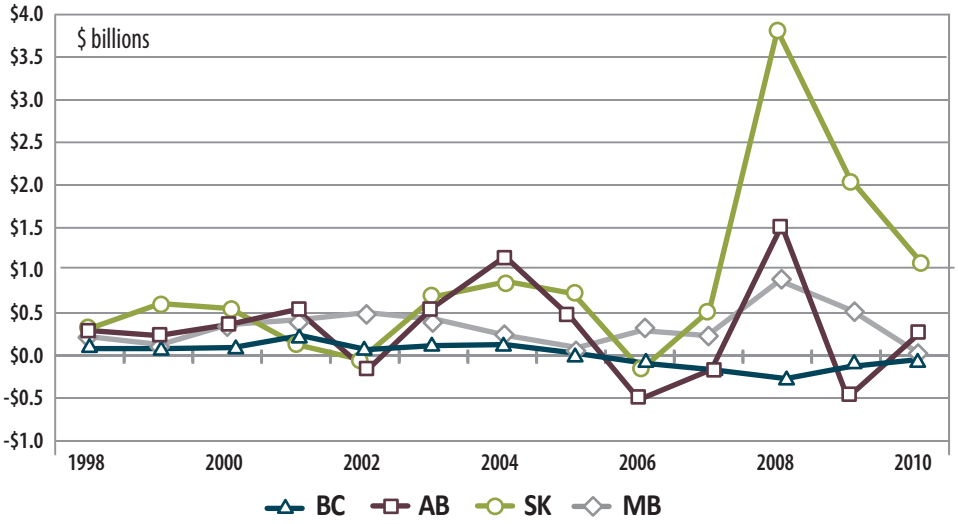
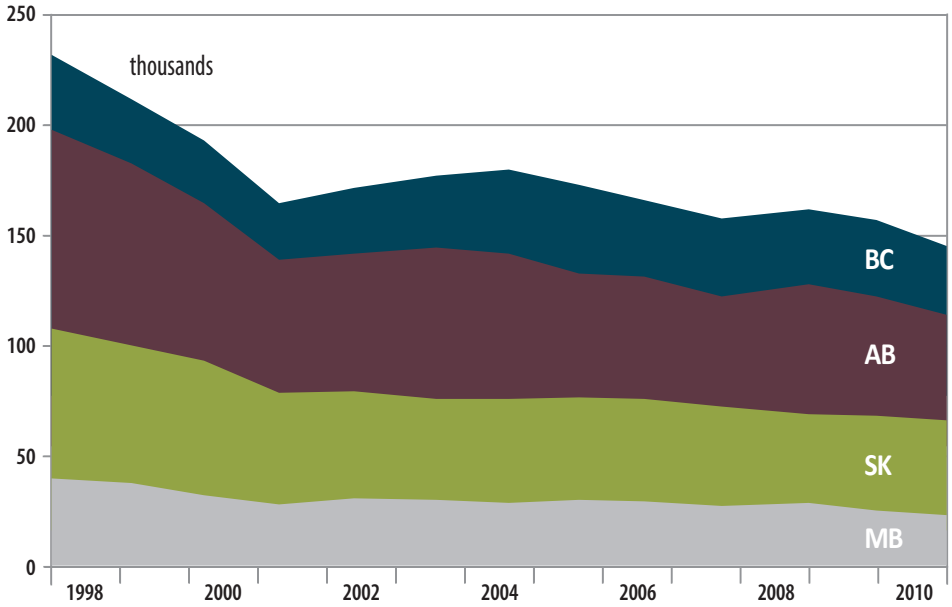


Figure 6: Employment in Agriculture (main job), Western Canada



Aboriginal Communities and the Rating Game

By Tom Allen, Associate Professor and CIBC Chair in Entrepreneurship, Indigenous Land Management Institute, University of Saskatchewan and

David Natcher, Associate Professor and Director, Indigenous Land Management Institute, University of Saskatchewan

Increasingly, governments and non-governmental organizations are using qualitative and quantitative measurements to evaluate and compare the socio-economic performance of Aboriginal communities in Canada. Unfortunately, the concept of relative socio-economic disadvantage is difficult to measure because of the complexity and multi-dimensionality of the indices used and because there is limited availability of reliable and comparable data. In addition, when comparable data do exist, those performance indicators tend to be summarized with little attention to causal relationships. These limitations have made it difficult to interpret the results of these analyses and in some cases have sent misleading messages to Aboriginal communities and those responsible for setting public policy. For example, two rating systems have been developed to measure community well-being, governance, and economic performance among First Nations communities. We will examine both rating systems below.

Community Well-Being Index

The First Nations Community Well-Being Index (CWB) was created by researchers at Indian and Northern Affairs Canada (INAC) and was developed to measure social and economic well-being in Canadian and First Nations communities. The index is designed to serve four purposes.

- It identifies prosperous First Nations communities which could serve as role models and sources of best practices for less developed communities.
- It identifies those communities whose particularly serious socio-economic difficulties demand immediate attention.
- The system of scores can be used in myriad other research projects to expeditiously and cost-effectively assess the determinants and correlates of well-being in First Nations communities.
- The index allow comparisons to be made between the well-being in First Nations communities relative to other Canadian communities.

The CWB is based on the four indicators factored into the Human Development Index used by the United Nations Development Programme, including education, labour force activity, income per capita, and housing.

Figure 1: Comparison of Indicators

DESCRIPTIONS	COMMUNITY WELL-BEING	FRONTIER CENTRE
data-based	Y	
survey-based		Y
with an income-based indicator	Y	
with an education-based indicator	Y	
with a housing-based indicator	Y	
with a governance-based indicator		Y
weighted indicators	Y	Y

Frontier Centre for Public Policy – Aboriginal Governance Index

Beginning in 2006, the Frontier Centre for Public Policy began publishing an Aboriginal Governance Index for First Nations in the prairie provinces. Data is collected through in-person surveys of First Nation members living on Reserves. The questions in the survey attempt to assess whether the characteristics that define good governance (as identified in the 2003 Harvard Project on American Indian Economic Development) exist in each communities' governance.

Each ranking is based on a weighted composite of scores that evaluate five broad areas of good governance. The subdivided categories for good governance are:

- Elections - How fair and impartial are votes for leaders?
- Administration - How effectively is the band's business conducted?
- Human Rights - How much regard is given to basic rights?
- Transparency - How well are citizens informed about government?
- Economy - How good is the community at providing economic development?

Comparing Indices

One would expect similar rankings to be reported by both indices if the ratings were doing an effective job of accurately depicting socio-economic status. However, this is not the case, at least for the Saskatchewan First Nations examined here.

Only one First Nation (Muskoday First Nation) appears in the top ten rankings for both the CWB index and the Frontier Centre index. The top ranked First Nation in the Frontier index (Beardy's and Okemasis) is ranked 42nd out of 67 in the CWB index.

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[1] *O'Sullivan, Erin and Mindy McHardy, 2004. The Community Well-Being (CWB) Index: Disparity in Well-Being Between First Nations and Other Canadian Communities Over Time. Strategic Research and Analysis Directorate INAC.*

[2] *Interventions include recipient intervention, co-management and third party management.*

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Figure 2: Comparison of Indices, Top Ten Ranked Saskatchewan First Nations, 2009

RANKING	CWB	FRONTIER
1	Whitecap Dakota	Beardy's and Okemasis
2	Cowesses	Muskoday
3	Ocean Man	Ochapowace
4	Muskoday	Okanese
5	White Bear	Saulteaux
6	Sakimay	Pasqual
7	Little Black Bear	Wahpeton
8	Flying Dust	Cote
9	Standing Buffalo	Island Lake
10	Canoe Lake	Waterhen

Further, five of the top ten First Nations in the Frontier Centre's evaluation are in some form of intervention by INAC[2], including their top 2009 performer (Beardy's and Okemasis), who is under co-management. In the CWB's evaluation, the second ranked First Nation (Cowessess) has, since 1989, held eight elections with a change of leadership five times.

Summary and Implications

The disconnect between the two indices could arise for several reasons. Perhaps the two are attempting to measure the same phenomenon and one or the other (or both) is not doing so accurately. The other, more likely, possibility is that the the two are measuring different characteristics. In particular, the CWB index is attempting to measure the socio-economic status of First Nation members and the Frontier index is attempting to measure the rather more subjective concept of "good governance" for First Nations governments. If the latter is the case, and if these indicies are accurate, then the data would seem to suggest that good governance and socio-economic status are not related in spite of a good deal of literature which suggests that they should be.

Aside from the $50,000 cash prize that the Frontier Centre awards to the number one ranked First Nation, these rankings may have other more far reaching implications. First, these rankings can be used internally to challenge the standing of leadership or they can be used by existing leadership as an indication of success. Second, the rankings can be used by First Nations to negotiate contracts with industry in efforts to leverage economic opportunities. Conversely, poor rankings can essentially eliminate any opportunity for a First Nation to negotiate similar economic arrangements. Rankings can be a valuable tool for comparing attributes for which they are intended. However if used inappropriately they can prove disadvantageous to Aboriginal communities and serve to mislead effective and informed policy formation.

[2] *Interventions include recipient intervention, co-management and third party management.*

STATISTICALLY SPEAKING...

CONSUMER PRICE INDEX (CPI)

(NOVEMBER 2010 TO NOVEMBER 2011)

Higher grocery and gasoline prices continue to keep the rate of inflation near 3%.

EMPLOYMENT GROWTH

(NOVEMBER 2010 TO NOVEMBER 2011)

Employment growth in Alberta is well above increases in other western provinces.