

Budgeting Practices in Canadian First Nations Settings: A Study of the Persistence of Arbitrary-set Social Hierarchies

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Abstract

This study examines how budgets and budgeting practices in the Canadian government's Grants and Contributions Program govern the financial transfer of money to Indigenous recipient groups. The study indicates that budgeting practices allow government agencies to reinforce a dominant-subordinate social relationship between Indigenous and non-Indigenous groups in a specific colonial setting. The budgeting structure retains characteristics of historic colonial forms, originally intended to contain, control and assimilate the Indigenous population of Canada. Two key outcomes of the study are that Indigenous populations have little choice but to cooperate with government imposed budgeting requirements, but that they retain a sense of agency through small acts of calculated resistance.

Keywords: indigenous; accounting; budgeting; government reporting; self-government

I. Introduction

Current federal government spending on Indigenous programs and services in Canada exceeds \$11 billion annually, accounting for 3.7% of the country's total annual budget.¹ Expenditures in this area are projected to increase by 27% before the end of 2022, as the cost and complexity of supporting the Indigenous population continues to rise. Despite the high costs for government and the increasing public interest, only a handful of scholars have sought to understand the current fiscal relationship between the Canadian government and Indigenous recipient organizations from an accounting perspective (Baker & Schneider, 2015; Buhr, 2011). The current study addresses this paucity in accounting scholarship by seeking an understanding of the role of budgeting within contemporary government funding models for Indigenous transfer payment recipients.

Historically, accounting has long played a significant role in the construction and implementation of government policies toward Indigenous populations in Canada (Neu & Graham, 2004). In the early 19th century, accounting techniques were used by the colonial government to manage treaty provisions, budget

¹ Department of Finance Canada (October 7, 2016). Annual Financial Report of the Government of Canada Fiscal Year 2015–2016. Accessed June 15, 2017 at: <https://www.fin.gc.ca/afr-rfa/2016/report-rapport-eng.asp>

the distribution of “presents” and advantage themselves in land transactions with Indigenous groups (Neu, 2000a). Following the Bagot Commission (1842-1844), the education, civilization and assimilation of Indigenous peoples became top priorities for British North America.² In the decades following 1844, government agents were dispatched to each Indigenous reserve community to manage local populations and to ensure government policies were being implemented as intended (Miller, 2000). The Indian Department, as it was known, directed its agents to exercise fiscal restraint, accountability and operational efficiency, as they oversaw each community’s affairs (Neu & Graham, 2004). The structures, rules and directives established by government bureaucrats of the time, can still be seen in current government funding agreements with Indigenous recipients.

Accounting research on Indigenous issues in Canada has primarily focused on the historic outcomes of the use of financial accounting on Indigenous populations (Buhr, 2011). Studies have demonstrated how accounting and accountability mechanisms allowed early colonial governments to translate abstract ideals into tangible practices in distant reserve sites (Neu, 1999; 2000a; 2000b). The existing research has also shown the language of accounting to be a means for colonial governments to know the Indigenous population, through their representations in accounting reports (Neu & Graham, 2004; 2006, Neu & Heincke, 2004). Overall, accounting and accountability mechanisms have been interpreted as tools, used by historic colonial governments to draw knowledge from distant sites and to distribute their own imperial discourses. Only a few studies have sought to understand either the historic or current role of management accounting techniques, such as budgeting, within Indigenous settings (Davie, 2005; Jayasinghe & Thomas, 2009). I was unable to find a published empirical accounting study on the role of management accounting within the context of the Canadian government’s funding approach for Indigenous populations. The lack of research on this topic is surprising to me, given the amount of annual government investment and public interest in issues relating to the Canadian Indigenous population.

² Recommendations from the Bagot Commission Report in 1844 included increased government control over the lives of reserve populations by restricting “presents” to registered Indians only and tightening controls of treaty annuity distributions. It also recommended the use of boarding schools, rather than day schools, as a more effective means for educating the Indian population. (Miller, 2000).

Indigenous and Northern Affairs Canada (INAC) is the federal department which oversees the administration of the Grants and Contributions (G&C) funding program for Indigenous populations which distributes over \$6.3 billion in transfer payments each year (AANDC, 2015).³ The G&C program provides funding for most core programs and services of administered by recipients, including education, elections, administration and infrastructure (AANDC, 2015).⁴ FN communities vary, however, according to the proportion that core funding from INAC contributes to their overall annual revenue. Northern communities have limited access to alternative sources of funding and are, therefore, more dependent on government transfer payments as a source of revenue. The greater the dependency on government funding for sustaining community operations, the more important it becomes to remain compliant with budgetary and reporting requirements (Helin, 2009).

FN communities and organizations, however, have multiple stakeholders they need to be accountable to, including their membership, business partners, banks and other levels of government (CICA, 2008). The accountability relationship with INAC is perceived as onerous and burdensome by most Indigenous communities, especially those with limited resources (Auditor General, 2002; 2011). Cultural or contextual notions of accountability and transparency also seem to be omitted from INAC's recipient performance and risk evaluations.⁵ FN recipient communities and organizations receive similar accountability treatments from INAC, regardless of differences in revenue, resources or context. Documenting the secondary effects of having standardized funding agreement policies imposed on the variations of Indigenous recipient contexts, has the potential to better the understanding we have about the overall fiscal relationship between the two groups.

The current study seeks to understand the budgeting portion of funding agreements which currently exist between INAC, as the primary government funding agency, and Indigenous recipient organizations. I

³ INAC is the primary funding source for most First Nations community programs, aside from healthcare.

⁴ The use of the term "recipient" here refers to the collective population of a First Nations community or incorporated Tribal Council which receive INAC funding.

⁵ Indigenous and Northern Affairs Canada (February 10, 2014). General Assessment. Accessed August 26, 2017 at <https://www.aadnc-aandc.gc.ca/eng/1322761862008/1322762014207>

chose to focus on budgeting because, as a management accounting process, it provides an opportunity for funders to affect the behaviours and ideologies of members of the recipient group (Covaleski & Dirsmith, 1986; 1988). Budgeting also features prominently in the formulation and monitoring of federal government funding agreements with Indigenous populations. I employ a field study approach to collect qualitative data directly from individual participants in each research site. I employ an interpretive methodology to provide insight and to build an understanding of how external budgeting processes affect Indigenous organizational contexts, at the micro level. The primary investigation takes place across four research sites; three FN communities and one Tribal Council. Each of the chosen research sites receives material amounts of core funding transfer payments from INAC each year. The funds are used to deliver local programs, cover administrative costs, hold elections and provide a variety of social services. The analytical emphasis for this study is on making sense of how individuals, within each of the recipient sites, perceive the imposition of budgeting controls and what effects those perceptions have on their subsequent ideologies and behaviours.

The theoretical lens of Social Dominance Theory (SDT) was selected as the interpretive lens for making sense of the fiscal relationship between INAC and Indigenous groups. The use of a model or framework, such as SDT, as an interpretive lens, is not a new concept in the accounting and organizational literatures (see Goddard, 1999), although it is rarely used. SDT has not been widely used in the investigation of relationships of power within organizations, such as those within the research sites, primarily due to its perceived limitation as a societal level, intergroup application (Aiello, Pratto & Pierro, 2013). Since 2006, only 16 empirical studies have employed SDT in organizational settings (Sidanius et al, 2016), and none were specifically concerned with accounting issues. Similar to the relationship between INAC and Indigenous groups I am studying, Aiello et al (2013) argue that SDT has the unique ability to integrate perspectives on intergroup relationships of power from the societal level with interpersonal authority structures from the organizational level. The ability to integrate macro and micro level intergroup relationships makes SDT uniquely positioned as a theoretical lens for this study. SDT provides a means for

understanding how societal-level relationships between Indigenous and non-Indigenous populations might manifest themselves within the organizational settings of INAC funded FN sites.

The relationship between INAC and Indigenous recipients presents similar characteristics to other funder-fundee hierarchical relationships. Indigenous recipients receive, and account for, funds in much the same ways as other publicly funded institutions, such as public hospitals and schools (CICA, 2008). They share what Hyvönen & Järvinen (2006) refer to as “ideals concerning the purpose, function and governability of tax-funded organizations” (p. 4). The Canadian government standardizes the treatment of all organizations that receive funds from it, and does not provide exceptions to the accountability requirements (Baker & Schneider, 2015). In other ways, Indigenous communities and Tribal Councils seem to resemble an extension of the higher levels of Canadian government. As in other local governments, Indigenous organizations have a representative political governance body and maintain many or the standard community programs and services one would expect in a municipality (Dickason & McNab, 2009).

Despite their similarities, the INAC-Indigenous recipient relationship differs from other organizational settings because the disciplinary structures extend well beyond the work environment, both socially and historically (CICA, 2008). Various sources have observed that the current social, political and cultural status of Indigenous groups in Canada is the result of a history of imperialism and colonial rule (Dickason & McNab, 2009; RCAP, 1999; TRCC, 2015). Indigenous funding recipients are subject to organizational authority structures established through INAC’s funding agreements (AANDC, 2013; 2015). SDT provides a means for understanding how society level relationships of power are employed within institutions to enhance existing social hierarchies (Aiello et al, 2013).

In general, the level of social inequality between any two groups results from the aggregation of hierarchy enhancing and hierarchy attenuating forces acting upon, and on behalf of, each group (Sidanius et al, 2016). At the societal, or macro level, the social position of Indigenous groups is low in the hierarchy, determined through hierarchy enhancing mechanisms which favour those groups who hold the highest

social positions (Sidanius & Pratto, 1999). At the institutional level, INAC maintains a position of power over Indigenous recipients through organizational controls which are based on funding agreements.

Among the advantages of deploying SDT as my theoretical lens is that the theory, on the surface, captures issues that are focal in the INAC-Indigenous context. SDT posits that the dominant group, in any social hierarchy, maintains or enhances its social position through the policies, rules and actions it defines (Sidanius et al, 2016). The goal of such activities being an increased level of social inequality between themselves and subordinate groups, which is also referred to as hierarchy enhancement (Pratto et al, 2006). SDT proposes, however, that the actions of the dominant group are not enough to produce and maintain long-term, stable social hierarchies on their own (Sidanius & Pratto, 1999; 2011). The SDT concept of behavioural asymmetry provides insights into the appearance of cooperation, by members of subordinate groups, with the systems and structures which oppress them (Sidanius, 1993). SDT also provides insight on how group-based social hierarchies achieve their stability for enduring over long periods of history.

In the four research settings I visited, many Indigenous participants described how they actively cooperated with government funding agencies and the requirements of their funding agreements. When questioned further, most individuals stated that the risk of losing any level of core funding was too high to challenge the authority of INAC or the rules imposed upon them by the funding agreements. Despite their reluctance, Indigenous members within each of the research sites felt they had no choice but to cooperate, or else risk funding disruptions or termination. These findings align with the SDT position that members of subordinate groups must cooperate with the systems and structures which maintain the existing social hierarchy. Within the INAC-Indigenous relationship, the cooperation of Indigenous group members is required for the existing social hierarchy to remain stable and to sustain INAC's higher position within it.

Unexpectedly, the fear of funding reprisal from INAC did not deter certain Indigenous individuals within the research sites from performing small, measured acts of defiance. Some Indigenous participants described their choice to perform small subversive acts during their interactions with INAC and the requirements of federal funding agreements. Many of Indigenous participants chose to utilize accounting techniques to demonstrate their individual agency. Unlike other accounting research on Indigenous settings,

this paper answers calls by Buhr (2011) for accounting research which demonstrates the individual agency of Indigenous actors. This paper also extends the accounting literature on the emancipatory potential of accounting practices for subordinated groups (Alawattage & Wickramasinghe, 2009a; 2009b; Neu & Heincke, 2004), by demonstrating the use of accounting for acts of subversion and resistance among individual members of the Indigenous recipient groups.

The paper begins with a review of the management accounting literature focusing on budgeting in the public-sector areas of healthcare, education and local government. Next, an overview of the theoretical lens, Social Dominance Theory (SDT), is provided, followed by a section describing the research setting and methods employed. Then, an analysis section provides an initial interpretation of the empirical information gathered. A discussion section further interprets and contextualizes the information before the paper is concluded with several remarks about the potential expansion of this research study.

II. Literature Review: Budgeting in the Public Sector

The literature review begins with studies of budgeting processes within organizations in the public healthcare, education, and local government sectors. Since many Indigenous organizations in Canada are primarily funded through government transfer payments, they are also part of the mosaic of public-sector institutions (CICA, 2008). Budgeting is central to the effective planning, controlling and holding to account of all public-sector organizations and their employees (Johansson & Siverbo, 2014). Put another way, the three primary roles of budgeting processes within the public-sector are allocative, managerial and external accountability (Schick, 2009). The allocative role sets spending amounts prior to each fiscal period, breaking expenditure limits down into specific objectives for the end user (i.e. recipient). Budgeting's managerial role assesses the performance of public-sector managers by comparing their actual expenditures with benchmarks set by the funding agency. Finally, budgeting also plays an external accountability role by providing the necessary information for external stakeholders to hold public administrations accountable for spending decisions. When effective, the three roles of budgeting can ensure that public-sector organizations are operating efficiently, providing quality services to the public and producing value for the

taxpayer's dollar (Simonet, 2015).⁶ Hospitals, public and post-secondary schools, municipal governments, FN governments and Tribal Councils are all examples of Canadian organizations that receive public funds.

Organizations that rely on government funding for revenue are subject to specific fiscal constraints and obligations that are associated with accepting those funds (van Helden, 2005). Hence, budgeting studies in public-sector organizations, such as those in healthcare (Hyvönen & Järvinen, 2006; Macinati, 2010; Preston, Chua, & Neu, 1997), education (Bourn, 1994; Covaleski & Dirsmith, 1986; 1988; Moll & Hoque, 2011) and local government (Alam, 2015; Goddard, 1999; Jönsson, 1982), have the potential to inform the current study and are included in the following review of the literature.

2.1 Budgeting in the Public Healthcare Sector

Accounting and control in the public healthcare sector has been the subject of several peer-reviewed articles, practice publications and book chapters. Public healthcare budgeting research primarily originates from European countries where not-for-profit hospitals are prevalent and reforms to healthcare delivery have been well-documented (Abernethy et al, 2006). The European healthcare sector was one of the first public-sector service areas to receive reforms associated with New Public Management (NPM), beginning in the 1980s (Simonet, 2008). Reviews of the NPM literature have shown that the implementation of NPM approaches in the European healthcare sector has had mixed results in terms of the quality of service delivery (Simonet, 2008). When negative outcomes were observed, NPM ideologies tended to clash with the healthcare sector's prominent non-profit and social welfare motivations (Järvinen, 2009; Simonet, 2008).

In one Italian study, Macinati (2010) found that budgeting reforms in public hospitals led to increases in clinician commitment to new organizational objectives related to NPM reforms. Incentive schemes, based on evaluations and rewards, were effective in modifying existing clinician behaviours and

⁶ Public-sector reforms occurred in the United States and United Kingdom in the 1980s where public service organizations began to be managed differently. The reforms were designed to improve the operating efficiency of public service organizations by implementing private-sector management tools. Academics referred to the approach as New Public Management (Simonet, 2008).

attitudes in Italian hospitals. In similar study, Hyvönen & Järvinen (2006) investigate European hospitals operating under managed care systems and find that newly implemented budgeting systems were able to incorporate a combination of new economic ideals and pre-existing contextual habits, thoughts and actions.

⁷ Both Macinati (2010) and Hyvönen & Järvinen (2006) show that pre-existing social norms and ideologies can persist, and are not, necessarily, disruptive to new budgeting practices and reforms. They also provide evidence that externally imposed budgeting reforms have the potential to be adopted by local actors, providing the right incentive schemes are employed by the funding agencies.

In the UK, the National Health Service (NHS) is a public healthcare system that has been the setting of many budgeting studies. For instance, Preston et al (1997) investigate the process by which management driven budgeting initiatives become embedded in the social spaces of public hospitals. They find that first iterations of management budgeting initiatives are not smoothly designed not implemented effectively. Preston et al (1997) describe the newly implemented budgeting and control systems as fragile and dynamic. Over time, however, they grow increasingly robust as they import new economic logics and discourses into the public setting. Jones & Dewing (1997) also focus on the NHS, showing how the decentralization of responsibility from a central authority to local hospital managers can result in the emergence of new forms of management accounting controls. They find that the devolution of responsibility resulted in central authorities gaining more control over the organizational lives of local hospital managers. Expectations were that central managers would relinquish some their control through the devolution process, however the opposite occurred. Jones & Dewing (1997) attribute the surprising increase in central control over the network of NHS hospitals to the strict budgeting requirements that the new system imposed.

Overall, the budgeting literature in public healthcare contexts shows the importance of the social setting where management controls are implemented. Each of the cited studies contains elements that inform the study of budgeting in Indigenous settings. For instance, Macinati (2010) showed how local ideologies, that contradict those of the external funding agency, can be overcome with the right evaluation

⁷ A managed care system is where public municipalities pay hospitals for providing healthcare services according to the amount of care provided.

and reward systems. Also, Preston et al (1997) demonstrated how budgeting systems, when implemented in settings that don't align with them, may not be formidable at first. However, as time passes, the logics and discourses of the external funding agency are gradually embedded in social fabric of the space. Budgeting systems implemented by INAC, have had approximately 150 years to incubate their logics and discourses within Indigenous settings. Finally, Jones & Dewing (1997) showed how devolution programs do not always have their intended outcomes. Devolution programs, implemented by the federal government over the past four decades, were intended to shift the responsibility for program delivery to FN communities. As in Jones & Dewing, however, the devolution of responsibility resulted in more control over local operations, for the central authority (Baker & Schneider, 2015).

2.2 Budgeting in the Public Education Sector

Government funding agencies have also had a great deal of control over the policies and outcomes of public institutions of higher education (Bourn & Ezzamel, 1987). As in the public healthcare sector, the relationship between governments and public education institutions share similar funding dynamics and organizational hierarchies as governments do with FN organizations. For instance, Covalski and Dirsmith (1988) find that state funding agencies attempt to impose their vested interests onto universities through the budgeting process. The budgeting process becomes a means of setting expectations and maintaining positions of power for the government funder. Their study demonstrates how budgeting dialogue between a university and a state funder, during budgetary negotiations, sets the organizational and societal expectations for the recipients. In a different area of the public education sector, Boland & Pondy (1983; 1986) investigate the attitudes and perceptions of public school board administrators by observing several of their budgeting meetings. In their two studies, the authors provide a common language for describing individual attitudes toward budgeting, within the public education sector. The budgeting meetings they attended shed light on contextual perceptions about budgeting that were not solely instrumental or symbolic,

but a combination of the two.⁸ The findings demonstrate how individuals draw on both natural (symbolic) and rational (instrumental) perspectives in discussing budget cuts and funding scarcity (Boland & Pondy, 1983).

Focusing the actions of local leaders, Moll & Hoque (2011) find that a university's central leadership attempts to legitimize the university, in the eyes of government funding agencies, by imposing broadly reaching budgeting systems. They hope that by demonstrating sound management abilities and fiscal responsibility to state funders, they will receive recognition and favourable funding agreements in the future. As a result, the desire to meet the financial and management expectations of government funding agencies greatly influences the behaviours and attitudes of the local university leaders. Similarly, Bourn (1994) shows how funders of higher education in the UK use budgeting processes to control the internal support staff employed by the university. Bourn (1994) finds that cooperation by local actors is critical when implementing new budgeting systems and controls. Internal staff members acted as legitimating agents for the implementation of budgeting control systems. Both Moll & Hoque (2011) and Bourn (1994) demonstrate that local actors act to support the budgeting practices of funding agencies, if they feel it would benefit the whole organization.

2.3 Budgeting in Local Government

The relationship between government funding agencies and public education institutions has funding and organizational hierarchies, similar to that which exists between governments and FN organizations. As a result, the findings of the research studies on budgeting in public institutions contain key takeaways that may inform Indigenous settings. First, the budgeting literature in the public education sector shows that budgetary decisions are often made by central, high-level bureaucrats who use opaque, formula-based financial models to distribute funding (Covaleski & Dirsmith, 1988). Findings also

⁸ Instrumental approaches align with rational perspectives which focus on analysis, evaluation, data collection and the testing of solutions in a scientific way. Symbolic discussions were associated with natural perspectives and focused on values, personal reflection, outward projections and meanings (Boland & Pondy, 1986).

demonstrate the potential for local, internal actors to undermine and disrupt budgeting initiatives, if they choose not to cooperate with funding agencies (Bourn, 1994). Finally, the literature also shows that the behaviours and ideologies of local leaders shift to meet the expectations of funding agencies when the incentives for doing so are high enough (Moll & Hoque, 2011).

In recent years, public institutions in healthcare and higher education have begun to limit the ability of centralized government agencies to intervene in their operations (Broadbent & Guthrie, 2008). Publicly funded hospitals and schools have been able to increase their autonomy through the diversification of funding sources (Abernethy et al, 2006). Local municipal governments, on the other hand, are extensions of the larger government structure and do not have as many options for exerting their independence. Compared with other publicly funded institutions, FN organizational settings share the most structural similarities with local municipal governments. Local municipal governments are a key element of the overall public-sector service delivery system in any country (Alam, 2015). Local municipalities receive funds from central governments for providing various public services and programs to their populations. They are an important space for the research of budgeting practices because they are the sites where local practices, based on passed down government policies, are first implemented and seen (Alam, 2015).

In a comprehensive review of the alternative Management Accounting research, Broadbent & Guthrie (2008) located 50 articles within the existing literature which focused on local level governments. The results show that political hierarchy between different levels of government allows central governments to maintain control over the budgets, policy implementation and service delivery at the local level. Accounting research on the effects of tight budgetary controls on local organizational members find there to be detrimental effects on employee motivation and managerial performance (Goddard, 2010). Others, however, have found a positive relationship between increasing budgetary control and organizational outcomes (Johansson & Siverbo, 2014; Marginson & Ogden, 2005). For instance, Johansson & Siverbo (2014) find tight budgetary controls to have a positive effect on budgetary compliance in local governments

where budgetary turbulence is prevalent.⁹ However, in times of moderate or low turbulence, tight budgetary controls were found to have no effect on performance.

From a political perspective, allocated funds are intended to be used to improve the social welfare of citizens and to ensure government policies are enacted (Johansson & Siverbo, 2014). In terms of budgeting, local governments represent a unique context where both over and underspending of budgeted amounts are equally frowned upon. A budgeting variance of any kind implies a failure to adequately plan, allocate or control the funding they received (Johansson & Siverbo, 2014). The combination of trust and power are important in influencing individual perceptions about budgeting practices, along with personal and socially constructed dispositions relating to the local context (Goddard, 2004). In turn, the organizational culture of local governments plays a significant role in how budgeting and management controls are received (Goddard, 2010). The influence of the local organizational context is especially high when new budgeting initiatives are first implemented. Jönsson (1982) finds that, in their attempt to solve financial deficiencies, central government agents ignored the presence of irrational contextual behaviours and beliefs. The budgeting relationship between central and local actors became confrontational and contentious, negatively impacting the implementation. When actors in the local setting feel disconnected from the creation of expectations by central authorities it leads to resistance, disillusionment and a refusal to take responsibility.

To summarize, budgeting research in the publicly funded contexts of healthcare, education and local government inform my current study of Indigenous settings in at least three ways. First, the budgeting literature in public healthcare contexts have produced many results that have the potential to inform the study of budgeting in Indigenous settings. Each study showed valuable insights, such as how time affects the incubation of budgetary system logics, how devolution programs do not always have the intended outcome and how systemic incentives can overcome the ideological objectives of local members. Second, the budgeting literature in the public education sector demonstrates that contextual perceptions about budgeting

⁹ Johansson & Siverbo (2014) define budgetary turbulence as significant change in the amount of available resources from one year to the next for the local government.

are not solely instrumental or symbolic, but a combination of the two (Boland & Pondy, 1983). Other key insights include how local budgetary decisions are often made by central bureaucrats, that internal actors have some power to affect budgeting initiatives, and that local leaders shift their own belief systems to meet the expectations of funding agencies. Third, the governance structure and political agenda of municipal governments are very similar to those imposed on FN communities, making many of the research findings applicable to both settings. Some of the key takeaways include how the organizational culture of local governments plays a significant role in how budgeting and management controls are received (Goddard, 2010) and how distant central government agents overlook the importance of contextual behaviours and beliefs (Jönsson, 1982).

Overall, the Indigenous organizational context in Canada, presents a unique contextual power relationship between local populations and the federal government. A significant and clear imbalance of power exists between the two groups, which is historically documented and presently observable (Neu & Heincke, 2004). According to the Supreme Court of Canada, the relationship between Indigenous populations and the government entity now known as Canada is *sui generis*, or special and unique (CICA, 2008). Thus, in considering the theoretical framework I adopt, I need to privilege theories that inform me about the nature of societal level power based on historical relationships and its interactions with local considerations.

III. Theoretical Framework

Attempting to understand the relationship between Indigenous groups and the federal government presents unique problems when selecting a theoretical perspective. Most theories which attempt to understand relations of power within organizations are focused on the interpersonal relationship between two or more individuals (Aiello et al, 2013). Such theories attempt to explain relationships of power in organizations. These organizational level power theories such that power bases within organizations are categorized into five forms; coercive, referent, expert, reward and legitimate (French, Raven & Cartwright, 1959). However, once individuals step outside the organizational setting, the bases of power are no longer

relevant because they are specific to the organizational work environment. That is, traditional theories on organizational power do not extend beyond the work environment to account for the effects of broader macro-level societal power relationships that are based on historical inequities.

Hierarchies of power at the societal level extend beyond those which exist within organizational settings (Aiello et al, 2013). Countless groups throughout history have been pushed to the bottom of the social hierarchy based on their physical, behavioural or cultural differences (Sidanius & Pratto, 2004). The Indigenous population in Canada is a group which has endured racism, prejudice, assimilation and cultural genocide at the hands of dominant groups (Neu & Graham, 2004). Any theoretical lens selected to interpret the perceptions of individuals who are part of a subordinated minority group must account for the influence of such positionality.¹⁰ The influence of societal level relations of power between Indigenous and non-Indigenous groups in Canada make it necessary to select a theoretical perspective which integrates both macro and micro social hierarchies.

Certainly, at the organizational level the five bases of power outlined by French et al (1959), may exist within the Indigenous settings in this study. Observations suggest that INAC possesses the power to coerce and reward Indigenous groups through their shared funding agreements. INAC potentially has both referent and positionality power, along with the ability to gain more power through the gathering and utilization of knowledge about the Indigenous settings. However, these organizational power bases would exist in a context with over 175 years of societal-based racism and countless attempts at assimilation that have only eased in the last 20 to 40 years (TRCC, 2015). Hence, Social Dominance Theory (SDT) was chosen as an interpretive tool to understand the relations of power between Indigenous groups and government funding agencies. As such, SDT integrates societal level intergroup power relationships with the local interpersonal relationships found at organizational level (Aiello et al, 2013). It provides a succinct structure for organizing and interpreting recipient perceptions about the complex and lengthy fiscal

¹⁰ Positionality refers to the space that a person occupies within a social hierarchy and is a product of their identities. Positionality is determined by a grand mosaic of identities and it affects how they perceive their status in the world (James, 2003).

relationship between the federal government of Canada and its Indigenous population. The goal is not to test the empirical information for the presence of a social hierarchy, instead, SDT provides a lens, through which inter-group interactions can be better understood.

As a theoretical construction, SDT is a synthesis of previous psychological and sociological theories which explain the nature and dynamics of inter-group relationships within human societies (Sidanius, 1993). The theories which provide the foundation for SDT include perspectives from personality psychology, social psychology and political sociology. SDT focuses on group level interactions, as a way to bridge individual level psychological attitudes and personalities with societal or institutional level structures (Sidanius & Pratto, 1999). The primary focus of SDT is to understand the mechanisms which produce and maintain group-based social hierarchies and how they interact with one another. Sidanius et al (2016, p. 152) describe SDT as “a multileveled theory that argues that group-based social hierarchy and its hydra-headed manifestations are the result of interactions among several processes operating at different levels of analysis.” The manifestations of group-based social hierarchies mentioned above include items such as intergroup conflict, stereotyping and oppression. The processes which interact to produce and sustain social hierarchies include aggregated individual and institutional discrimination, as well as between-group behavioural asymmetries.

SDT is based upon three primary assumptions about the ways in which societies are structured. The most fundamental of these assumptions is that human societies have a predisposition toward group-based social hierarchies. Socially constructed hierarchies (i.e. based on an arbitrary set of group characteristics) often manifest themselves through conflict and oppression between groups (Sidanius & Pratto, 2012). Hegemonic or dominant groups are positioned at the top of the social hierarchy, while subordinated groups are at the bottom. The second assumption is that arbitrarily defined group systems of social hierarchy are always present in advanced human societies. The third assumption of SDT is that hierarchy attenuating and hierarchy enhancing forces are constantly influencing the magnitude of social inequality between social groups.

Social groups within SDT are separated according to three categories; age, gender, and, what is referred to as, arbitrary-set. Arbitrary-set groups are based on socially constructed characteristics such as ethnicity, race or cultural identity. These groups are the primary focus of SDT because social hierarchies based on arbitrary-set differences tend to produce the most instances of stereotyping and oppression. As Sidanius & Pratto (1999, p. 33) explain, “arbitrary-set groups are socially constructed and highly salient groups based on characteristics such as clan, ethnicity, estate...or any other socially relevant group distinction that the human imagination is capable of constructing.” Affiliation of an individual to a group may be their own choice or may be assigned by others, based on appearance or behaviour. One’s group affiliation has a profound effect on their lives, “...the achieved component of social status is, to a very significant degree, dependent on the social status and power of one’s ascribed group membership” (Sidanius & Pratto, 1999, p. 33). The distribution of positive and negative social value determines a group’s position in the social hierarchy. Dominant groups receive a disproportionate share of the material and symbolic items which members of society strive to possess (Sidanius et al, 1994). Examples of items which provided positive social value include fame, fortune, power, etc. Subordinate groups receive a greater share of “items” which provide negative social value, such as poverty, addiction, disease, etc. Individuals in subordinated groups have a difficult time gaining positive social value through their own merit and are less likely to be accepted by the dominant group.

Group-based social hierarchies are produced through three processes; aggregated individual discrimination, aggregated institutional discrimination and behavioural asymmetry (Sidanius & Pratto, 1999). Aggregated individual discrimination involves the accumulation of small, singular acts of discrimination by one individual against another, eventually leading to social inequality through the accumulation of negative social value over time. Aggregated institutional discrimination is similar and refers to the policies, procedures and actions of social institutions, which act to disproportionately distribute negative social value to members of a particular group. Behavioural asymmetry refers to the differences in the ways in which members of two different groups behave. Behavioural differences may be based on social structure, ideology, cultural practices or political systems and are used to legitimize a group’s position in

the social hierarchy (Sidanius & Pratto, 1999). The effectiveness of these three processes in producing a group-based social hierarchy, however, is dependent upon the function and potency of legitimizing myths.

Myths encompass the attributes and characteristics that people in a society believe to be true about members of a specific group. These myths act to legitimate the policies and behaviours which distribute positive or negative social value to societal groups. Sidanius & Pratto, (1999) define these legitimating myths as the “values, attitudes, beliefs, causal attributions, and ideologies that provide moral and intellectual justification for social practices that either increase, maintain or decrease the level of social inequality among social groups” (p. 104). These socially constructed legitimating myths are measured by their function and potency (Sidanius et al, 2004). The function of a legitimizing myth refers to the direction in which it affects the social hierarchy. Myths may produce hierarchy enhancing (increase in inequality) or hierarchy attenuating (decrease in inequality) outcomes. Legitimizing myths which function to produce greater social inequality include racist, sexist and ethnocentric myths. Additionally, examples of legitimizing myths which attenuate social inequality include socialist and communist political ideologies or the notion of “the veil of ignorance” in social justice (Rawls, 1971).

The potency of legitimizing myths refers to the degree to which they increase or reduce the inequalities of existing social hierarchies. Their potency is a function of four factors; consensuality, embeddedness, certainty and mediational strength (Pratto, Sidanius & Levin, 2006). Consensuality refers to the degree to which legitimizing myths are shared by all members of a social system, in both dominant and subordinate groups. Sidanius & Pratto (1999, p. 52) describe hierarchical consensuality as, “the degree of consensus within the social system as to which groups are dominant and which subordinate.” The more the members of a society accept the dominant group’s myths about a particular social group, the higher the consensus and the more potent the myth. Embeddedness refers to the degree to which a legitimizing myth is ingrained in other aspects of an overall society’s culture. Sidanius & Pratto (1999) provide the example of how the term “black” has negative connotations, while “white” is has positive connotations in other areas of the culture. Broad, negative cultural associations with the term “black” allows negative legitimizing myths to be more easily accepted. Certainty of a legitimizing myth describes the level to which one group

believes that the myth is based in fact. The higher the level of certainty that a myth is true, the more potency it has in influencing social hierarchies. Finally, the mediational strength of a myth refers to how well it links individual desires about group-based social hierarchies with the actual policies that support those hierarchies. For example, members of a dominant group tend to promote and endorse policies which enhance or maintain their own group's social advantages (Sidanius et al, 2016). Overall, the factors which determine that potency of legitimizing myths are based on the aggregation of individual-level socially constructed beliefs about group-based social hierarchies.

Within systems of social domination, stratification is attained when one group has significantly more symbolic and material power than the other (Bourdieu, 2001). However, the inequality of power alone does not explain how stability within stratified social systems persists over long periods of time. SDT theorizes that two sets of forces affect the magnitude of inequality between groups at any given time; hierarchy enhancing and hierarchy attenuating forces (Sidanius & Pratto, 1999). Hierarchy-enhancing forces favour the dominant group by justifying the unequal distribution of social value. Examples of inequality justifying forces include legitimizing myths about a group or the actions of institutions like banks, legal systems, schools and corporations. Hierarchy-attenuating forces reduce the level of inequality between groups. They are also based legitimizing myths and institutions (e.g. civil rights groups) except that they either favour the subordinate group or work to destabilize the dominant group.

Behavioural asymmetry is one of the three primary processes which influence the entrenchment group-based social hierarchies (Sidanius et al, 2016). It is based on the notion that the behaviour of members of different groups is markedly different, at the various levels of the societal power structure. SDT suggests that four main differences in behaviour exist and that they are great enough to be the basis for policies and actions which enhance social inequality (Pratto et al, 2006). The first type of behavioural asymmetry is referred to as asymmetrical ingroup bias and describes how individuals tend to favour their own group over other groups (Sidanius & Pratto, 2011). In the second type, referred to as outgroup favouritism, individuals in the outgroup display preference toward the dominant group, despite being subordinated to them. Outgroup favouritism occurs when the level of positive social value possessed by the dominant group is

much greater than that of the subordinate group. The third type of behavioural asymmetry is referred to as self-debilitating behaviour and describes how members of subordinate groups tend to partake in self-destructive behaviours that are associated with legitimizing myths. Finally, ideological asymmetry describes how individual orientation toward social hierarchy, combined with the social ideologies of their ascribed group, leads to the development of policies which establish and reinforce group-based social hierarchies.

According to SDT, control over ideology and the content of legitimate social discourse is one of the primary modes by which dominant groups maintain their social advantage (Sidanius & Pratto, 1999; 2012). The exercise of power over ideology and discourse has been a topic of study and theory in the past, although it has gone by many names, including the Marxist notion of the production of ideology or false consciousness, Mosca's notion of the political formula and Gramsci's idea of political hegemony (Sidanius & Pratto, 1999). All these theorizations share the notion that the manipulation of ideology and discourse can influence the social attitudes of members of both the dominant and subordinate groups. Members of both groups become convinced that the hierarchical relationship between the two groups is correct and proper. Members of the dominant group accept legitimizing ideologies about the structure of society because it benefits their own group. What is surprising, however, is that the legitimizing ideologies also become accepted by a significant portion of the subordinate group as well. SDT differs slightly from previous theories on ideology and discourse in that it suggests that the legitimizing myths for social structures do not have to be true, they only have to be perceived as being true. An example is the idea of a meritocracy where a legitimizing ideology is that those who have earned wealth are somehow better people than those who have not. It is not important that this legitimizing myth is not true, it is only important that society perceives it as being true.

Recent studies on group-based social hierarchies have shown that members of subordinate groups tend to engage in behaviours which are detrimental to their own social mobility and, therefore, act to reinforce existing social inequalities. Studies have shown how members of outgroups (i.e. subordinated groups) have aversions to engaging with institutions that they associate with members of ingroups, such as

opening bank accounts (Bertrand, Mullainathan & Shafir, 2006) or applying for social assistance (Currie, 2004). Hall (2012) names other detrimental economic activities engaged in by outgroups, such as signing rent-to-own contracts, frequent lottery ticket purchases and excessive gambling. SDT posits that the behavioural patterns of members of subordinated groups is the product of being part of an oppressed group at the bottom of the social hierarchy. In fact, recent evidence suggests that even short periods of membership in a subordinated group would increase the likelihood of an individual engaging in behaviours that enhance their own subordination (Sidanius et al, 2016).

This section has provided an overview of the concepts contained within SDT that appear likely to inform my analysis. The overarching aim of SDT is to understand what mechanisms are involved in the production and maintenance of group-based social hierarchies, and in which ways they interact with one another (Sidanius, 1993). One of the critical attributes to understand about group-based social inequalities is that they tend to persist over long periods of time while also maintaining high levels of stability (Pratto et al, 2006). The actions and policies of dominant groups are a major component for the persistence of social hierarchies, including individual and institutional forms of discrimination and the exercise of power over ideology through legitimizing myths. However, SDT proposes that the perceptions and behaviours of members within the subordinate group also play a role in producing and maintaining group-based social hierarchies. In a sense, the subordinate group ‘buys into’ the discourse originating from the dominant group. The legitimizing myths become consensual or shared between members of both groups. The notion that members of the subordinate group begin to believe that their place in the hierarchy is justified, although controversial, is important for explaining how social inequalities persist over long periods of time. The fundamental notion is that, in stable social hierarchy systems, the orientation of members of the dominant group to maintain their position in the social hierarchy is greater than the orientation of members of the subordinate group to challenge the status quo (Sidanius et al, 2016).

IV. The Research Sites

Sites were selected based on a pilot study conducted in 2013. The initial recruitment of participants consisted of personal contacts and members of the research site A (Site A). Between 2013 and 2016, communication with the pilot study participants was maintained and they became the first interviews when field work for the current study began in 2016. The same participants assisted in making connections with additional participants through their contacts in other sites. From there, a snowball technique was employed to gain additional referrals to other research sites; Site B, Site C and Site D.¹¹

The three community sites are comparable in size, population and annual government transfer payments. They are also comparable to the average FN community in Canada and Ontario in terms of registered population and distribution of membership. Each of these communities is large enough in population and annual budget to require dedicated band administrations and political leadership. Two of the communities in this study, Site A and Site B, are members of a Tribal Council which performs advisory services and takes on some of the administrative burden, especially for Health Canada funding. The third community, Site C, is an independent FN community and does not belong to a Tribal Council. The communities are also relatively geographically isolated from neighbouring communities which increases the possibility that traditional cultural norms might still be present and observable. Site D is a Tribal Council, which represents six communities and nearly 2500 registered members. All four sites have historic relationships with one another through common treaty signings, language, cultural heritage and family lineages.

4.1 The Budgeting Context

¹¹ These are not the actual names of the research sites. Pseudonyms are used to identify the three FN communities and the RO organization to protect the confidentiality and anonymity of individuals where the research was conducted.

Each of the research sites in this study receives funds from multiple federal agencies, however, this section concentrates on the funds they receive from INAC. INAC provides the bulk of the core funding which allows the sites to continue to operate and has had a long and tumultuous relationship with the country's Indigenous population in terms of funding distribution and community management (Miller, 2000). The section begins with an overview of the General Assessment (GA), a tool used by INAC to determine the level of financial risk of a recipient group (e.g. a First Nations Band). The funding system is then discussed in terms of its budgeting practices, incorporating perceptions about the budgeting process from the study's participants. The section concludes by advancing a summary of the reasons why the SDT based theoretical lens is appropriate for interpreting budgeting practices in Indigenous contexts.

4.2 The General Assessment

INAC implemented a tool they refer to as the General Assessment (GA) in the fall of 2010. The objective of the GA is to aid in the management of funding agreements and ensure compliance with the Treasury Board Policy on Transfer Payments (AANDC, 2015). The GA is an annual assessment of a recipient's past financial performance to identify their strengths and emerging risks, which then determines INAC's funding approach. The GA determines the duration, monitoring and flexibility of funding agreements based on the GA results. Each recipient body works with INAC officials to complete a GA workbook, which includes information on risk factors that INAC determines are important. The workbook contains risk factors based on governance, planning, financial management and program management. The information collected during the assessment is then compiled by INAC employees and compared with pre-determined benchmarks before assigning recipient bodies a risk level score of "low", "medium", or "high" (AANDC, 2015). The GA is an important tool in shaping what overall funding relationships look like and which budgetary controls are used, including core and non-core funding.

4.3 Core INAC Funding

Core funding is governed by the National Funding Agreement Model (NFAM) for FN communities and Tribal Councils.¹² Although, FN communities receive funding from a variety of government sources, core annual funding is primarily delivered through INAC and Health Canada. Within INAC core funding amounts are formula driven and calculated using membership population, gender, employment, age and birth and death statistics (INAC, 2017). As a result, recipient bodies have very little input into how budgeted amounts for core funding are calculated. Delivery and monitoring of core funds are determined through a combination of GA based assessed risk and INAC manager discretion (AANDC, 2015). INAC officials, however, may choose to ignore the results of the GA to use the funding approach they deem most appropriate. Core funding arrangements have four categories; set contributions, fixed contributions, flexible contributions or block funding (INAC, 2017).¹³ Table 3 summaries the key elements of each of these approaches and Table 4 provides a sample of how much funding is provided through each approach at the total federal funding level to FN entities.

Normally, the GA determines how agreements are administered between INAC and its recipient bodies for core funding transfers. The GA risk assessment may affect “the duration of funding agreements, the frequency and type of departmental monitoring activities (and related reporting requirements), the flexibility of the funding arrangement and a recipient's eligibility for certain funding approaches” (AANDC, 2015, p. 1). The better the score on the GA, the longer the funding agreement, the lower the reporting requirements and the higher the flexibility for moving funds between programs. Block funding agreements have a maximum duration of five years, which allows recipients to formulate their own budgets each year, take actions to adjust program expenditures according to budgeted amounts and to reduce the frequency of required reporting. However, INAC still has the final approval for recipient body budgets, can modify the

¹² Indigenous and Northern Affairs Canada. (December 15, 2016). National Funding Agreement Models. Retrieved July 23, 2017 from <https://www.aadnc-aandc.gc.ca/eng/1322746231896/1322746482555>

¹³ Grants are also a form of funding arrangement but are used for proposal-based transfers only.

reporting frequency at any time and can even refuse to allow recipients to move funds within or between programs despite being in a block funding agreement.¹⁴

One of the stipulations of the funding agreement model is that FN recipient bodies must produce a budget for each fiscal year of their agreements and that each budget must be made available to all members of the community.¹⁵ The budget for each upcoming fiscal year is assembled by the body's Executive Director, with the aid of the Finance Manager, who gathers financial information for each program's previous funding and expenditure reports. The annual budget is presented to local political leaders and community members by the Executive Directory during a scheduled band Council meeting for approval. For Tribal Councils, the annual budget is presented to the Board of Directors, who are normally the Chiefs of the member communities. Once the budget has been approved by the local leadership, it is forwarded to INAC as proof that the recipient group has met the stipulations in the funding agreement.

The funding arrangement between Site A and INAC was a fixed contribution arrangement, which limits the ability of the recipient to move funds between programs and that funds are transferred more frequently. Funds for Site A seemed to remain similar over the period that I had access to the detailed records. Three of the research sites were under a multi-year funding arrangement with INAC (Sites B, C and D). Multi-year, or block funding approaches allow the recipient more flexibility with how money is utilized and reduces the overall number of transfer payments required by INAC. Figure 2 displays the annual amount of core INAC funding received by Site C and indicates an increase of funding each year. Overall, the amount of annual core funds transferred to the three block funded sites rose relatively consistently, the nature of the core revenue stream received from INAC is displayed in the financial reporting Sites A and C but not in Site B. Annual audited statements showed that total INAC funding represented between a quarter and a third of the overall annual revenue of these two sites. For Site A, INAC

¹⁴ Indigenous and Northern Affairs Canada. (2016, December 15). First Nations and Tribal Councils National Funding Agreement Model for 2017-2018. Retrieved May 10, 2017, from: <https://www.aadnc-aandc.gc.ca/eng/1479906883955/1479906933697>

¹⁵ Indigenous and Northern Affairs Canada. (2016, December 15). First Nations and Tribal Councils National Funding Agreement Model for 2017-2018. Retrieved May 10, 2017, from: <https://www.aadnc-aandc.gc.ca/eng/1479906883955/1479906933697>

transfers represented a slightly lower percentage of revenues, approximately 25 per cent over the same period. For Site C, INAC funding represented 30 to 35 per cent of their overall revenue between 2002 and 2016. INAC funding as a percentage of overall revenue was not reported for Sites B and D.¹⁶

Figure 1 shows the level of INAC funding for 2002 through to 2016 for Site A. Two large spikes in funding occurred in 2004 and 2012. The nature of Site A's funding agreement means that they would have to spend those funds within a specified timeframe, or be forced to return the funds. In contrast, a block funded recipient community, however, would be able to keep any unexpended funds and roll them into different programs in subsequent years. INAC's funding agreement approach for core funding has the potential to play a major role in the financial management of recipient sites.

4.4 Non-Core INAC Funding

Non-core funding is community proposal-based and is targeted toward specific INAC priority initiatives. Proposals require the creation of detailed work plans and budgets with each application for funding. Successful proposal applications for non-core funding are governed by the Treasury Board's Policy on Transfer Payments and its Directive on Transfer Payments (AANDC, 2013). Proposal-based (also known as "targeted funding") represents a variable revenue source for each FN recipient group due to the nature of the competitive application process and the limited annual INAC budget about for such programs. As the funding is proposal based, communities find it difficult to adequately plan for its variability including the variability of when the proposal is approved.

For proposal-based funding, the approved budget becomes a binding agreement between the applicant body and the government funding department. INAC funding agreements for each proposal specify what types expenditures are eligible to be included in the applicant's budget. Any expenditure may be reviewed by INAC, who reserve the right to deem an expense ineligible, even if it was previously listed

¹⁶ Audited financial reports were available for three of the research sites for the periods 2001-02 to 2012-13 from the INAC web site, however, only two communities separated INAC funding from other revenue sources. Financial information from 2013 on was collected from the research site Finance Managers.

as eligible (AANDC, 2013). Proposal agreements contain their own binding terms and conditions, which are based on the Department of Indian Affairs and Northern Development Act (DIAND) Act of 1985.¹⁷ The work plan and budget created for the proposal application are used by INAC, as benchmarks for recipient performance measurement and compliance. Successful proposal applications mean additional accountability reporting through periodic financial statements as determined by INAC. The community becomes responsible for financial and non-financial reporting for any proposal expenditures they make. According to INAC, the frequency of reporting may increase according to the risk level they assign to the recipient (AANDC, 2013).

Only Site C reported a breakdown of core versus non-core funding in their publicly available annual reporting. According to their financial statements, funding from INAC between 2008 and 2016 was, on average, 75% core funding and 25% non-core, ranking from 73% to 81% of total INAC funding (See Figure 2). To illustrate the variable nature of non-core funding, Figure 3 shows the volatility of non-core funding during the reported period for Site C. As a comparison, Figure 2 shows the levels for core funding over the same period.

The level of non-core funding received depends on the number of successful proposal applications awarded to the recipient. Since proposal applications are often unsuccessful, uncertainty about the budgeted annual revenue is created. In fact, communities often budget proposal-based revenues well below what they eventually receive. Figure 3 displays the budgeted versus actual amounts for core and non-core INAC funding for Site C between 2011 and 2016.¹⁸ As indicated, errors in budgeting for non-core funding amounts leads the recipient to under-budget by more than \$300,000 between 2014 and 2016. Proposal-based funding represents an unpredictable variable for FN financial managers responsible for compiling the annual budgets. As seen in Site C, recipients do not assume the success of proposal applications and must, therefore, budget their expenditures based on conservative revenue estimates. Anecdotal evidence and

¹⁷ Department of Indian Affairs and Northern Development Act, R.S.C., 1985, c. I-6. Available at: <http://laws-lois.justice.gc.ca/eng/acts/I-6/index.html>

¹⁸ Financial budgets between 2011 and 2016 from Site C were the only documents to include core versus non-core budgeted amounts for any of the sites.

observations from at the other three research sites indicate similar ratios for core versus non-core INAC funding.

This section has provided an overview of the current funding relationship between INAC and its FN recipients. INAC creates the rules and policies and acts like a funding agency in the education, health care, and municipal contexts discussed in the literature review. It appears that INAC solicits very little input from recipient bodies in formulating the funding model. Recipient bodies perform the tasks necessary to meet the requirements of the funding agency in order keep the funds flowing.

V. Research Methods

The current study utilizes an interpretive methodology, which according to Goddard (1999), allows an understanding of the object under study to emerge from the research process. Goddard also states that frameworks have the potential to be useful when conducting interpretive studies of specific contexts, especially for studies relating to culture. Pre-conceived frameworks provide a means for building understanding by providing the researcher a vocabulary and structure for organizing observations. Indigenous organizations represent complex cultural settings where the use of a pre-constructed theoretical framework may be effective in the organization of and the interpretation of gathered information.

Prior to the beginning of each interview the participant was asked to read and sign a combined letter of information and consent. The document outlined the purpose and objectives of the study as well as the rights of the individual as a participant in the study. Questions about the document and the study were fielded prior to the start of the interview. To instill trust, the anonymity and confidentiality of the interview process was reiterated for the participant and they were told that only the researcher would be transcribing the interview recordings or reviewing the resulting transcripts. Also, it was stressed that no one would be identifiable in the transcripts and that the research was bound by the University's General Research Ethics Board (GREB) and its policies.

Prior to recording, individuals were asked again if they were comfortable with the interview being recorded, in addition to being stated in the informed consent document. Some interviewees expressed

concerns about comments being attributed to them based on the size of the community and closeness of their social relationship with others, therefore, three of the thirty-four interviewees requested to not be recorded. Two interviewees explained that they did not wish to have any of their statements recorded because of potential political backlash the statements were somehow traced back to them. One participant was concerned that their comments could be potentially harmful to their career and their relationship with others in the office, despite the reassurances of anonymity and confidentiality.

Each interview began with questions about the individual's background and upbringing. Subsequent questioning was reactive to participant responses which largely dictated the line of questioning that followed. Interview questions were gradually directed toward budgeting relationships with government funding agencies. The objective of each interview was to allow interviewees to speak freely about each topic and to only guide the conversation when it was necessary to bring the participant back from a tangential response. Table 1 summarizes the general approach to questioning that was used for each interview and Table 2 provides a summary of the interviewees and includes information on the primary role, gender, where they were raised, where they currently live, education level, parental heritage and the length of each interview. Interviewees are grouped by site, while additional interviews not associated with the four main sites are placed under a separate heading in Table 2.

A total of 8 weeks was spent immersed in the field where I spent a great deal of time with administrators, Councillors and members of the community. Site A provided an office to work from on most days but I also worked from the boardroom or lunch room when a space was unavailable. Site B also provided an office within their main administrative building from which to work. During my time in Site C, I used the community's library as a base of operations. At Site D, I collected observations while I worked in a central and open boardroom. Beyond observations in the office setting, I also participated in additional meetings and events to garner insight into the social space and to build trust with participants.

Internal documents were only requested from the individuals with whom I interviewed and in most cases I waited for them to volunteer access to them. Rarely, and only if I felt the document would be very valuable for the research project did I specifically request a copy of an offered document. I created field

notes each day and summarized them each night. This summarizing included times of critical reflexivity to explore how my worldviews and lived experiences might affect my interpretations of the interview responses and observations I made each day. While SDT framework was consistently used as a lens of interpretation, the bulk of the theoretical analysis for this paper was performed after returning from the field.

The goal in this study is not to prove the existence of a social inequalities between FN groups and the Canadian government, which has already been established many times over in other studies and historical examinations (Miller, 2000, RCAP, 1999; TRCC, 2015). The goal here, instead, is to provide a means for organizing and understanding the perceptions of Indigenous group members about funding agreements, budgeting and their relationship with government funding agencies. Hence, the next section reviews specific examples of participants' perceptions about budgeting and their communities' relationship with INAC.

VI. Analysis: The Role of Budgets and Budgeting in a Group-based Social Hierarchy

Qualitative evidence is explored as the means for building an understanding of the current funding relationship between INAC and Indigenous groups, from the perspective of a group-based social hierarchy. The theoretical lens of SDT is used to understand the role of budgeting practices within INAC's current Grants and Contributions funding program. The funding relationship is positioned in the analysis as a tool which translates macro-level historic group-based social hierarchies to the local, micro-level. The interpretive analysis draws on the perspectives of members of the subordinated population (i.e. Indigenous groups) to provide their unique understanding on the budgeting relationship between themselves and government, as represented through one major funding agency; INAC. The analysis begins with an account of participant experiences with discrimination, which establishes their positionality and perspective, as members of the subordinated group. Next, descriptions of budgeting practices in the Indigenous setting are interpreted through SDT's group-based social hierarchy lens. Finally, I attempt to make sense of the behaviours and attitudes described by the participants in response to the budgeting process.

According to SDT, institutional forms of discrimination are defined as the rules and procedures of social institutions which distribute negative social value to non-dominant groups and positive social values to dominant groups (Sidanius et al, 1994). Schools, hospitals and municipal governments are all examples of social institutions where discriminatory rules, procedures and practices may exist. Instances of institutional discrimination are described by the Indigenous participants and are included here to sensitize the reader to those factors which may have shaped their worldviews. Experiences with institutional discrimination also function to assert the interviewee's membership to the subordinate social group. Their personal accounts about discrimination act as sensitizing mechanisms for subsequent descriptions of their contextualized experiences within the settings and with INAC's budgeting process. The aim is to build understanding by making sense of the influences that institutional discrimination has had on the beliefs, perceptions and worldviews of participants.

6.1 Educational Experiences with Discrimination

One area of our lives where individual values, beliefs and worldviews are either formed or solidified, is through the interactions we have within the education system (Miller, 2000; TRCC, 2015). Many Indigenous children have a difficult time succeeding in the Canadian public-school system, especially when compared to the experiences of non-Indigenous children (RCAP, 1996; TRCC, 2015). Participants described numerous times when they either witnessed or were targeted by acts of discrimination or racism, many times these acts were carried out by a school administrator or teacher. In the following passage, the interviewee compares the experiences of his two children and how they are treated differently in the public school they both attend, one child is visibly Indigenous while the other is not:

“We had one [child] who is very brown, my other [child] is blond haired and blue eyed and you can see how this one gets treated and how this one gets treated. We could see it from the minute they went into the same school, little black-haired kid with brown skin, little blond-haired kid with white skin... disciplined differently, treated differently, assessed differently, called names differently.” [Interviewee 23 - Site D]

SDT posits that individuals are treated differently because of their perceived group affiliation. At the societal level, a specific group may be subject to racism, discrimination and prejudice based on characteristics that are arbitrarily chosen by another, more materially and/or politically dominant group (Pratto, Sidanius & Levin, 2006). In the above case, the interviewee attributes the difference in treatment of the “Indigenous” child to their difference in physical appearance (ironically, both children are Indigenous). Physical characteristics are enough for each child to be associated with a different social group; Indigenous or non-Indigenous (e.g. Caucasian). These observations make sense when we consider that, by their nature, arbitrary-set group-based social hierarchies are socially constructed and the “salient arbitrary-set ingroup-outgroup boundaries” are highly subjective (Sidanius & Pratto, 1999, p. 33).

The aggregation discriminatory experiences, for members of subordinate social groups, can profound, life altering effects on their life choices, perceptions and self-worth. The lasting effects of such experiences may not be confined to those who experienced them, as secondary effects of discrimination can last for generations and affect entire social groups (Sidanius & Pratto, 2012). One interviewee explains his father’s experiences of institutionalized discrimination as an Indigenous child within the Canadian public-school system:

“I never was really immersed in our culture. My dad, who's 78 years old now, he did not attend residential school but his culture was still beaten out of him and so he didn't pass it on to us for the same reasons that residential school survivors don't pass it on to their children. He went to day school, he was ridiculed, beaten for being who he was and for trying to speak his language. When he left the community as a teenager he vowed that he would not let his children go through the same thing. He didn't teach us the language, he didn't teach us about the culture and he was embarrassed to be who he was just like every other Indigenous person back in those days.” [Interviewee 10 - Site D]

The excerpt describes multiple characteristics that affiliated the interviewee’s father with the Indigenous population, including trying to speak his language. The aggregation of racist experiences led the father to become embarrassed of who he was, seeming to blame himself and his culture for what he had to endure. The feeling of shame toward one’s own social group is an example of *deference* or *outgroup bias*. Deference occurs when ingroup favouritism of the dominant group is so strong that members of subordinated groups

begin to adopt the same biases as the dominant group (Sidanius & Pratto, 1999). In the above case, the father developed strong negative feelings toward his own social group, so much so that he shielded his own children from being exposed to it.

SDT posits that the discriminatory and racist treatment of members of subordinate groups are fed by, what is referred to as, *legitimizing myths*. These myths consist of the attitudes, values and ideologies of members of a given society, to provide the moral justification for how social value is distributed in their social system (Sidanius & Pratto, 1999). Dominant groups use ideologies, such as those based on racist, sexist, and classist myths, to legitimize the treatment of subordinate groups and to justify their own position in the group-based social hierarchy (Pratto et al, 2006). The preceding quotations provided two accounts of experiences with institutional discrimination; the former occurring in a contemporary public-school setting and the latter in the early 1950s.

Participants also described the effects of institutional discrimination embedded within those government policies which negatively affected the Indigenous population. In most cases, the policies were based on the Indian Act and were administered by INAC. Interviewees spoke about the experiences of their parents and relatives, who had been pushed out of their communities and lost their official status, as Indigenous people.¹⁹ For example:

“When my mom married my dad she lost her status at that time because it was before the certain date so she gave up all her rights. I actually have the card at home. It's a little white card that says that she gives up her rights as an Indian. When I turned 16, that's when I finally got status and my mom got her status back. Of course it affected my children now, I have two girls and they just received their status a couple of years ago. I know I am a Bill C-31, I forget what they are.” [Interviewee 21 - Site B]²⁰

The Indian Act policy to disenfranchise (i.e. remove Indian Status) individuals who married non-Indigenous partners, is an example of just one assimilationist policy, legislated by the Canadian government and

¹⁹ Individuals who are officially recognized as Indigenous, by the government of Canada, receive a registry number and a card which identifies them as such (Dickason & McNab, 2009).

²⁰ The Indian Act was amended in 1985, through Bill C-31, to reinstate Indian Status to women who had lost it due to marriage with non-Status individuals (TRCC, 2015).

enforced by INAC (Miller, 2000; RCAP, 1996; TRCC, 2015). The broad removal of Indian Status would have positive outcomes for the government, such as eliminating many historic treaty obligations, shifting responsibility away from the government for the well-being of Indigenous people and reducing the administrative costs associated with INAC (Miller, 2000).²¹ However, the Indigenous population would lose the many of the legal rights that have been afforded them by historic agreements and treaties with the government of Canada.

Other interviewees described feelings of shame and embarrassment about their Indigenous heritage, especially during their childhood. Incredibly, for some, their culture was kept a secret from them until they were old enough to discover it for themselves:

“I was born and raised in [town name] but visited the reserve every weekend. I had no culture at home and not much culture on the reserve, other than fishing and hunting. My grandparents were against traditional ceremony because they were [Roman Catholic], that’s why I was baptized. My grandfather, especially, was against it, in particular, the "shaking tent", he was against. I’m not sure if it was the [Catholic] church’s influence or not but they would say things like "don't go near that, it's evil".”
[Interviewee 03 - Site A]

The excerpt demonstrates another case of outgroup favouritism on behalf of the interviewee’s grandparents. Here, the interviewee is able to recount some of the legitimizing myths that their grandparents drew upon to justify their discrimination.

In addition to the instances of institutional discrimination described through participant accounts, an analysis of INAC documents relating to their risk assessment process revealed instances of discrimination performed by INAC employees (AANDC, 2013). During an internal audit of General Assessment (GA) Process in 2013, auditors found that INAC employees, specifically Financial Services Officers (FSO), did not adjust funding approaches for recipients who had scored well on the GA and continued to use funding approaches designed for higher-risk groups:

“...the level of recipient risk is not always adequately considered in the establishment and selection of funding approaches and compliance

²¹ A previous attempt to broadly remove Indian Status in 1969 was met with a wave of activism, academic work and favourable court decisions for Indigenous people (Miller, 2000).

activities within the Department... the opportunity to embed additional flexibility into program management through the introduction of the flexible funding approach, and consideration of block funding for low risk recipients can be better leveraged by the Department.” [AANDC, 2013, pp. 4]

Recipients who had achieved scores on the GA that warranted more flexible funding approaches were not adjusted due to the discretionary choices made by INAC employees. In the above case, the auditor recommended changes to INAC’s policies which would encourage the use of more flexible funding approaches by FSO’s, as warranted. To their credit, the level of subjectivity involved in responding to GA results was reduced in subsequent audits (AANDC, 2015). I claim, like others (Sidanius et al, 1994; 2004; 2016) that the aggregation of these experiences of institutional discrimination provide the backdrop for understanding why participants describe their experiences with governmental funding models and the budgeting process in the ways they do.

6.2 Hierarchy Enhancing Policies and Practices

According to SDT, every group-based social hierarchy is influenced by both hierarchy enhancing and hierarchy attenuating forces acting upon it. A hierarchy enhancing force consists of any behaviour, value, ideology, or myth that causes the unequal distribution of positive or negative social value to one group over another within a social system (Sidanius & Pratto, 1999). In stable social hierarchies, the two forces are said to have reached an equilibrium where dominant and subordinate groups become entrenched in their positions on the social power spectrum (Sidanius et al, 2016). Analysis of the collected interviews identifies what potential hierarchy enhancing mechanisms are employed by INAC from the perspectives of members of the FN recipient groups and through review of relevant documentary evidence from public sources, as noted. Hierarchy enhancing mechanisms observed include INAC policies and directives designed to exert control over Indigenous recipients through funding agreements.

INAC defines local priorities for its recipients and performs continuous monitoring and compliance reviews of recipient groups to identify financial variances and risk of potential default (AANDC, 2015). Public documents show that INAC reserves the right to intervene in the management of a FN recipient’s

organization if the priorities and expected outcomes, defined by the federal government, are perceived as not being met (INAC, 2017). In effect, INAC retains the power to veto any budgets that emerge from the process of local recipient budgetary approvals. In terms of actions, INAC may list the community publicly, as a means of “shaming and naming” them, or they can withhold funds, cancel funding agreements or assign third-party financial managers (INAC, 2017). In summary, INAC enforces funding agreement compliance using the application of various financial policies and rules on recipients, which are effective because most recipients are fiscally dependent on INAC sourced revenue for sustaining their core day-to-day operations (Helin, 2009; Baker & Schneider, 2015). Due to high inequalities of political, economic and social power, INAC can be said to receive a disproportionate share positive social value (Sidanius & Pratto, 1999), allowing it to maintain a dominant hierarchical position over Indigenous groups.

Financial sanctions that can be imposed by INAC include reductions in future funding or the requested return of funds already received. Table 3 shows the various approaches, according to published documents (INAC, 2017), INAC may take to recover funds from recipients who fall out of budgetary or reporting compliance. One of the primary ways INAC enforces its rules and policies is through the control of FN spending, which is communicated to members of the recipient site through the budgeting process. For example, the criteria for members of an Indigenous recipient site to receive INAC funds for the repair their home is described by the program manager at the FN, as follows:

“I received applications but there's certain criteria...you're supposed to live in your home for the first five years, you're supposed to live there for the next five years. If you don't, you're required to pay back the money, because it's a grant. You're only supposed to make so much money, there are different things like, you can't be gone away to school. Last year was the first one I did, they completed last summer, I had people contacting Chief and Council saying "hey, it's not fair" but I'm trying to follow policy.” [Interviewee 21 - Site B]

In research Site B, the criteria are so strict that only one home had qualified for funding in the prior five years. Members of the community had turned to their band government to complain about the unfair nature of the funding criteria. Unfortunately, there is little the Band Chief and Council can do to influence INAC’s policies or to otherwise, rectify the situation. If the members wanted to satisfy the criteria for funding, it

would require significant restrictions on their lifestyle and limit their opportunities for personal advancement. For instance, the Indigenous individual would be required to stay in the home for a minimum of five years and would not be allowed to leave the community to attend school. When we consider positive social value to encompass “all those material and symbolic things for which people strive” (Sidanius & Pratto, 1999), the restrictions on home improvement funding noted above, would actually lead to a lower net distribution of positive social value. According to SDT, a net reduction in positive social value would only increase social inequality by enhancing the existing group-based social hierarchy.

INAC also demonstrates a tendency to intervene in the internal operations of Indigenous sites. In one case, an INAC official observed that the communities landfill was reaching its capacity:

For our landfill site, INAC wanted us to do a study and it was going to cost \$25,000. I actually called and spoke to the guy and told him that I didn't feel we should be doing that test and wasting \$25,000. We know our landfill is almost at capacity, we were already looking into avenues of actually transporting our garbage off reserve. INAC said "ok, make sure you mark it and we know now." They wanted to see that I was doing that study, and I thought "why do that?", we don't need it, we already know it's almost at capacity. [Interviewee 21 - Site B]

The interviewee was told that the funds for conducting the study had to come out of their existing budget. We cannot know, for sure, the motivations for why the INAC official would insist on the study without ever speaking to the person responsible for managing the landfill. However, several facts and safe assumptions can be drawn from the quotation. First, no face-to-face consultation occurred between the INAC official and the interviewee, even after the official must have become concerned about the landfill's level. Second, instead of conferring with the interviewee, or any other member of the community's leadership, the official left the site to issue their judgement about the need for a study to be conducted. Third, it is safe to assume that the official believed that the community was either unaware or unwilling to rectify the issues with the landfill. Finally, the official informs the interviewee that the community must pay for the unnecessary landfill study with their own funds. When the actions of the INAC official are analyzed through the SDT idea of legitimizing myths, we can begin to interpret what types of attitudes, values and beliefs may have motivated their behaviour.

Similar to the previous excerpt, INAC also demonstrates a tendency not accept financial reporting from Indigenous sites on their word. As with other public-sector organizations, when funding for Indigenous recipient organizations are subject to a budgetary process involving allocation, monitoring and accountability reporting. In the research sites, monitoring and reporting activities tended to be cumbersome and many were redundant and overlapped with one another. In the following quote, INAC performs its own verification of recipient performance, despite already receiving proof from the site's managers that they were compliant with the budget:

“Money gets transferred kind of line by line so we use that as our guideline. They take our financial statements to try to reconcile how much... for instance, how much economic development [the statements] are saying so that's how much we should have got. We actually already show that amount in the report but they still have to try to reconcile this.”
[Interviewee 26 - Site C]

According to the interviewee, their community was in a block funding agreement with INAC and had demonstrated high levels of fiscal responsibility for many years. Yet, INAC still enacted a policy for the Indigenous recipient that treated them as if they were financially untrustworthy. The inaccurate belief that Indigenous people cannot be trusted to manage their own affairs (Helin, 2009; Spielmann, 2009), has been used as a legitimizing myth to justify such policies in the past (Brownlie, 2003).

Further elaborating on the theme of legitimizing myths, the participant speaks about the General Assessment (GA) process that their organization must complete each year. The GA is a tool that has been implemented by INAC to assess the financial viability and risk of FN recipient groups (AANDC, 2015):

“I'm responsible for something called the General Assessment, it's almost like a report card for the community. [INAC officials] go through the package and they'll measure everything; finances, if we do our reports on time, do we have a strategic plan for the community? How are our employees treated? How well do we communicate? The questions go on for almost a day...you actually get a numeric value. I don't know, not to get too political or whatever, but I don't know if the city of [city name] has to do something like that, it's very paternalistic.” [Interviewee 12 - Site B]

The interviewee seems to express a concern that their organization was being unfairly scrutinized, when comparing other, non-Indigenous local governments. He directly compares the treatment of their finances

with those of another community, which they believe is not subject to similar risk assessments and oversight by the provincial government.²² Whether this is true or not, the perception of being treated differently and unfairly is clear in their response, both in their words and their tone, as seen in observations in the settings and during the interviews. The undertone of their comparison between the neighbouring city and themselves implied that they perceived a higher level of scrutiny and paternalism over their finances.

Reinforcing the notion that FN communities are lower on the social hierarchy, INAC policy states that FN recipients must return funds when a program or proposal's spending is below what was budgeted.²³ As a result, FN recipients strive to get expenditures to be greater than or equal to what is budgeted. Thus, the budgeting process also represents what SDT would denote as hierarchy enhancing force due to its influence on the level and direction of recipient expenditures. Most Indigenous recipient organizations do not have the financial capacity or flexibility to overspend, therefore, they struggle to match expenditures with budgeted amounts. One interviewee described how the INAC budgeting policy affected their behaviour:

“With INAC, if it's a set funding amount then you have to spend that, that has to be spent. If not then you're repaying that at the end of year. If they say you've got \$35,000 for hiring students for the summer, you'll get the whole \$35,000 dollars but if you don't spend it then you're sending back whatever you didn't spend after they've done the reports.” [Interviewee 05 - Site A]

The interviewee is commenting on a proposal-based fund that provides work experience for youth. The program is an example of what SDT would denote as hierarchy attenuating, since it increases the distribution of the positive social value of employment for members of the group (Pratto, Sidanius & Levin, 2006). Regardless of the potential benefits, the recipient community's employees shifted their attention

²² The Municipal Act for Ontario does not contain any reference to assessments of municipal financial risk performed by representatives of the Province of Ontario. Retrieved on October 6, 2017, from: <https://www.ontario.ca/laws/statute/01m25#regulations>

²³ Indigenous and Northern Affairs Canada. (December 15, 2016). 2017-18 Financial Reporting Requirements. Retrieved July 15, 2017 from <http://www.aadnc-aandc.gc.ca/eng/1481719494487/1481719612116>

toward not underspending the budgeted amounts rather than on the outcomes. The incentive was to avoid being forced to return unused funds or worse, have subsequent budgets reduced in a formulaic manner.

Seeking permission from INAC to re-allocate funds from one department or program to another is a complex and time-consuming process depending on the nature of the funding agreement which depends, at least in part, on the GA score. For core funding, only recipients in “block funding” or “flexible contribution” agreements are permitted to re-allocate unspent funds. Any proposal based on non-core funds not spent by the end of a proposal’s timeframe are almost always returned to INAC. The effects of such rigidity in funding are described by one interviewee as they discussed one of their community’s most important assets, the water treatment facility:²⁴

“There's never enough. INAC sends us 80% of the money that it would actually cost to run the plant. Immediately, the community has to somehow come up with that shortfall. Sometimes they grab from the programming money unless they're lucky to have some of their own cash kicking around. But, if you're in the far north you're going to grab from different pockets and then, how do you report that now?” [Interviewee 23 - Site D]

Borrowing from other core program funds can be problematic if the FN recipient’s employees are unable to account for the use of funds. If reporting does not meet INAC’s expectations, a lower GA score may result, leading to even less budgetary flexibility in future years. The flexibility needed in the funding agreement, for the reallocation of funds between programs is only granted if the Indigenous organization’s GA score is consistently high enough to qualify them for a block funding agreement. Performing well for the GA does not always guarantee an improved financial relationship with INAC, however, institutional discrimination and legitimizing myths can interfere. As noted in AANDC (2013), an audit of the Grants and Contribution Program’s incorporation of the GA for risk assessment found that INAC employees were not granting Indigenous groups the more flexible funding agreements that their GA scores called for.

Similarly, interviewees also described financial shortfalls in other programs and service areas, such as infrastructure and physical asset management:

²⁴ The availability of safe drinking water is an issue that is frequently the focal point of the wider public discourse and frequently showcased in the media, see Minsky (2017).

“I’ve got my papers down there, ACRS projects, health and safety and what we need to do. Those [pointing at a whiteboard full of dollar figures] are the amounts INAC gives us and even some of those amounts that they give us will not cover what they want us to do. How do they expect us...I even spoke to someone at INAC and I said, ‘I don’t know how they expect us to do this with that much money?’ There is now way we can fix that part of the road for \$500, there’s no way.” [Interviewee 21 - Site B]

Each year, Site B is visited by an official from INAC who compiles reports on what community projects need to be completed by the local Public Works department. The road repair referred to by the interviewee, was a 500-foot section that INAC allocated \$500 to the community to repair it. According to the interviewee, \$500 would not be enough to repair a 100-foot section of the community’s road. The quotation illustrates a disconnect between what INAC perceives about the community and what the reality is.

Overall, this section has shown how INAC policies, rules and practices can be said to be hierarchy enhancing, according to how they are perceived by members of the FN funding recipients. Using an SDT lens, the effects of such mechanisms on the behaviours, beliefs and social attitudes of members of the subordinate and dominant groups are further explored in the discussion sections. Drawing on SDT allows the organizing of recipient perceptions into specific categories, providing a better understanding of the funding relationship between government agencies and FN groups. As a result, instances of hierarchy enhancing effects can be identified and analyzed by which ways they act to increase the inequality of group-based social hierarchies.

6.3 Hierarchy Attenuating Forces

Revisiting one of the basic assumptions of SDT, group-based inequality is often the result of the unequal distribution of positive or negative social value to various groups within a social system (Sidanius & Pratto, 2012). Most social institutions work to justify and maintain the unequal distribution of social values to enhance the level of social hierarchy. Other institutions, however, may work to reduce, or attenuate, the level of inequality in any given society (Sidanius & Pratto, 2012). The discussion of institutional discrimination resulting from the rules, procedures and actions of societal institutions would be amiss not to include instances where institutional policies intended to attenuate inequality, resulted in

higher levels of discrimination. The outcome is noted in Sidanius and Pratto (1999, p. 41), “sometimes this institutional discrimination is conscious, deliberate, and overt and sometimes it is unconscious, unintended, and covert.”

Public sentiment of the federal government seems to point toward an attempt to reconcile relationships and forge new partnerships with the Indigenous population in this country. In fact, INAC’s mandate affirms its support of Indigenous people in their efforts to improve their lives socially, politically and economically as they “participate more fully in Canada's political, social and economic development — to the benefit of all Canadians.”²⁵ Despite their mandate to improve the relationship with Indigenous groups, INAC policies have resulted in further deterioration:

“Although some progress has been made, significant barriers to reconciliation remain. The relationship between the federal government and Aboriginal peoples is deteriorating. Instead of moving towards reconciliation, there have been divisive conflicts over Aboriginal education, child welfare, and justice.” [TRCC, 2015, p. 8]

The excerpt highlights a disconnect which seems to exist between INAC’s intentions and the observed outcomes within the Indigenous population. Similarly, Indigenous participants in the research sites described local initiatives that resulted in negative, rather than positive, experiences with INAC.

The process of economic development encompasses many activities, including the development of small businesses, partnerships with larger enterprises or employment training and education (Anderson, 1999; Helin, 2009). Training and employment programs, such as these, have the potential to provide valuable skills and employment options for those who take part. For members of an Indigenous community, benefits might include full-time employment and an improvement in overall socio-economic status. Indigenous participants described INAC economic development programs that seemed to be beneficial, at first, but quickly became repetitive and ineffective. For example:

“We had some successes around projects coming down the pipe from government. For example, a training and employment program for carpenters? This is something we did over and over and over again because

²⁵ Indigenous and Northern Affairs Canada. (March 9, 2017). About Indigenous and Northern Affairs Canada. Accessed September 30, 2017 from: <https://www.aadnc-aandc.gc.ca/eng/1100100010023/1100100010027>

that was the only money that would come into the reserves. A very dependent economic development system.” [Interviewee 10 - Site D]

The interviewee describes the initial success of the training and employment program, which indicates that it may have provided a distribution of positive social value to community members. The sustained distribution of positive social value to groups that are lower in the social hierarchy would produce attenuating forces on levels of inequality (Sidanius & Pratto, 1999). In this case, the intention of INAC’s training and employment appears to stay true to their mandate of supporting economic development initiatives. Unfortunately, the initial success of the program could not be sustained and it was eventually discontinued. The interviewee indicated that INAC was reluctant to allow the community to direct the funds where they felt they were needed (i.e. deviate from the INAC budget). The interviewee was noticeably irritated when referring to the dependency the community had on INAC funding and having no choice but to apply the funding to training that had become ineffective.

The living conditions in many FN reserve communities has been cited as a major barrier to their social advancement (Dickason & McNab, 2009; Helin, 2009). The national media has consistently drawn our attention to the lack of housing, serviceable access and safe drinking water (Minsky, 2017). An initiative designed to improve such issues is the Capital Facilities and Maintenance Program (CFMP), which is administered by INAC and is described as the main pillar for supporting the infrastructure needs of Indigenous people living on reserves.²⁶ The total national budget for CFMP exceeds \$1.1 billion annually and funding is distributed to regions through formula-based (approximately 75%) and proposal-based approaches.²⁷ Formula-based funding is directed to the procurement of new capital assets and the operation and maintenance (O&M) of existing assets.

The intent of the CFMP is to provide funding for infrastructure projects that improve the living conditions for members of FN communities, such as roads, housing, water treatment, and sewage.²⁸ In fact,

²⁶ Indigenous and Northern Affairs Canada (2015, March 23). Capital Facilities and Maintenance Program. Retrieved July 20, 2017, from <https://www.aadnc-aandc.gc.ca/eng/1100100016395/1100100016396>

²⁷ Indigenous and Northern Affairs Canada (2015, March 23). Capital Facilities and Maintenance Program. Retrieved July 23, 2017, from <https://www.aadnc-aandc.gc.ca/eng/1100100016395/1100100016396>

²⁸ Ibid.

improving the health and safety of residents of FN communities is stated as the primary directive of the CFMP.²⁹ Despite the apparent intentions of the program, which would distribute positive social value unto FN communities, the perception of the program among the Indigenous population is much different:

“[Rising O&M costs] was identified years and years ago and we've been arguing that we're creating O&M, operation and maintenance costs as we develop infrastructure; schools, water plants, roads, bridges, etc. We've got to look after that stuff now but it's coming out of the same pot of [money] that actually built it. So, as you increase the infrastructure, you're increasing the O&M responsibilities and decreasing [money] to build new infrastructure. The communities are growing, the capital pot is shrinking, there's almost none left.” [Interviewee 23 - Site D]

The CFMP is a highly visible and important INAC program, especially considering the prevalence of media coverage on the lack of clean drinking water, inadequate housing and shortfalls in schooling facilities on reserves (TRCC, 2015). Despite the scrutiny, the calculation which determines formula-based funding amounts has remained unchanged for years, according to the interviewee. Recipient groups have also continually made CFMP administrators aware of the increasing O&M costs and its effect on new infrastructure projects:

“We've been arguing that there needs to be set aside capital, exclusive of O&M. O&M is a different pot whose needs correspond to the existing capital infrastructure and it's not hard to calculate. We know it's there, we report on what's there. That needs to be a different line item so it doesn't get pulled out of new capital. The region's budget is still, I think, \$300 million, it's been that way since a long, long, long, long time ago. I think we're up to \$200 and some odd million dollars of O&M.” [Interviewee 23 - Site D]

As a result, many communities turn to the proposal-based funding process to support their infrastructure projects. Communities compete against one other for access to proposal-based funds. The CFMP distributes approximately 25% of program funding through the proposal process. The number of proposals has increased dramatically and the amount of available infrastructure funds has decreased dramatically. Only a handful of infrastructure proposals can receive funding each year and, as O&M costs continue to rise, a higher proportion of projects go unfunded:

²⁹ Ibid.

“We've got no chance. But that's what you're up against, where AANDC [INAC] has put us. Now it's every man for himself and whoever's got the best proposal and need, that [wheel] gets the grease. I'm not saying that's wrong, I'm just saying it's not getting any easier for our community to access that pot.” [Interviewee 23 - Site D]

The essential and important infrastructure projects that were previously funded through formula-based funding, are now having to rely on proposal-based funding. As a result, increasing numbers of FN communities are not able to complete necessary infrastructure improvements or are not being adequately supported for the operation and maintenance of their existing assets.

One of the central tenets of SDT is that group-based inequality is the result of the unequal distributions of positive and negative social value to specific groups within a social system (Sidanius & Pratto, 2012). Up to this point, INAC had been discussed as an institution that works to justify and maintain the unequal distribution of social value, enhancing the level of social inequality. Examples were provided, however, which show how INAC attempts to reduce, or attenuate, the level of inequality for Indigenous groups. Unfortunately, INAC's programs and policies, which intended to attenuate inequality, resulted in negative experiences for Indigenous groups.

6.4 Behavioural Asymmetry in Social Hierarchies

An important concept within SDT for explaining the production and maintenance of group-based social hierarchies is the notion of *behavioural asymmetry*. This mechanism highlights the behavioural differences between members of the different groups along the social hierarchy spectrum. As stated in Sidanius & Pratto (1999, p. 43): “these behavioural differences will both contribute to and be reinforced by group-based hierarchical relationships within the social system.” Two important points need to be refreshed about SDT and the behaviours of the different group members. First, members of dominant groups tend to engage in the active oppression, control and manipulation of people in subordinate groups. Second, and more importantly, many members of subordinate groups choose to actively participate and cooperate in the processes and activities which oppress them (Sidanius, 1993). According to SDT, the latter point is crucial to the stability of groups-based social hierarchies over the long-term.

Consistent with the SDT notion of behavioural asymmetry, the Canadian government legislated the Indian Act (1876) into law to identify, contain and control the Indigenous population (Miller, 2000). The Indian Act continues to govern many of the organizational policies within Indigenous organizational settings who receive INAC funds (Baker & Schneider, 2015). In one example, the Indian Act caps the salaries for INAC funded core programs to a maximum of 10% of the program's funding.³⁰ For instance, if a program receives \$500,000 per year in funding from INAC, the salaries of any managers and employees working under that program would be capped at \$50,000 per year. In research Site A, one of the program managers had, for a number of years, been receiving a salary that exceeded 10% of the program's funds:

“When I went to INAC about a month ago I talked with one of the Senior Directors. She said the overall budget for [the core program in question] is [dollar amount], and we can use a maximum of 10% for administration. So, all that money that didn't go to the [program] was funding their salary, it was fully misused.” [Interviewee 16 - Site A]

The interviewee describes their active participation and cooperation in the Indian Act policy that limits the salary that program managers can make. The actions described also resemble that specific case of behavioural asymmetry referred to as *outgroup favouritism*. Also known as deference, outgroup favouritism occurs when members of the subordinate group show prefer dominant groups over their own (Sidanius, 1993). Despite the interviewee's membership in the subordinated Indigenous group, they prefer to side with the policies and rules of the dominant group to rectify the issue.

In a similar way, members of the FN recipient organization were being paid higher salaries than INAC budgetary policies allowed:

“When we looked at the budgets, the money coming in, and how much people were getting paid. There were people getting paid, in certain lines, well over the actual budgeted amount. In that particular department, there was an accumulating deficit and by the end of ten years it would be significant.” [Interviewee 20 - Site B]

³⁰ Indigenous and Northern Affairs Canada. (December 15, 2016). 2017-18 Financial Reporting Requirements. Retrieved July 15, 2017 from <http://www.aadnc-aandc.gc.ca/eng/1481719494487/1481719612116>

The Indian Act and INAC were referred to as the basis for the validity of salary amounts. Again, the interviewee is demonstrating behavioural asymmetry through their cooperation with the rules and policies imposed by the dominant group. In the preceding case, the interviewee went directly to INAC as the means for rectifying the issue, whereas, in the second case the budgetary non-compliance did not involve asking for the aid of INAC officials. The second case indicates the interviewee's cooperation with the policies of the dominant group, however, their actions do not indicate a high level of outgroup favouritism.

For the most part, the cooperation of Indigenous participants with INAC policies and rules did not involve an indication of any outgroup favouritism toward the dominant group. However, consistent with SDT, most of the activities between members of the subordinate group and the systems of the dominant group, were cooperative in nature. Interviewees provided an assortment of rationales for participating and cooperating with the INAC funding system and INAC policies:

“The incentive is that the better we do on our General Assessment, the longer our funding agreement will be, to a maximum of 5 years. So, let's say we have a bad score, they'll fund us for one year then they'll re-assess at the end of that year. Or, it'll be a two-year, three-year, four-year... Right now, we're at the five year which is the best you can get.” [Interviewee 12 - Site B]

The interviewee assigns a great deal of value to the achievement of a five-year, block funding arrangement with INAC. Incentives are placed within the dominant group's systems to manipulate and control the behaviours of the members of the subordinate group (Sidanius & Pratto, 1999). In a similar way, INAC places incentives for participation and cooperation into funding agreement approaches which provide perceived benefits to the community:

“The idea of the five-year funding is that you've got more flexibility, because you can manage your own affairs. We ended up getting formula adjustments year-to-year and it increased our amount of funding by going to block funding. There is a bit of a bonus for us for managing our own money.” [Interviewee 26 - Site C]

Greater control over the management and control of their own funds, along with the promise of higher levels of funding, are the motivators for remaining compliant with INAC policy. SDT suggests that it is the high levels of both active and passive cooperation with the systems of the dominant group that give

group-based social hierarchies such resiliency and stability (Sidanius & Pratto, 1999; 2011). Carrying on that theme, a certain level of prestige was associated with the achievement of a block funding agreement, as an incentive for participation:

“INAC doesn't allow every First Nations to do [block funding] but because we're fiscally responsible here, that's why we were allowed to do it, to go into that type of agreement. You have to have unqualified audits and you have to have had a history of that and not been in third party management. We've never had those kinds of things. We've always been good at that.”
[Interviewee 27 - Site C]

Interviewees continuously described block funding agreements as achievements and goals they wished to work toward. They are associated with the status of being financially responsible and deserving of recognition from INAC. Recognition was also sought through GA scores and the positive social values which were associated with them:

“Our band's [GA] score has gone up and down, our worst was almost -40 in the 2012 fiscal year and last year we were at only -10 or so. The whole office was so happy when we got that score. We are pushing to be on the plus side in the next few years.” [Interviewee 02 - Site A]

Higher GA scores result in more flexible funding agreements with INAC, but can also lead to better financing terms with banks and other lending institutions (AANDC, 2015). Members within the FN recipient site work hard to operate within the structure of the funding model and to remain compliant to receive positive recognition from INAC.

The preceding examples illustrate two important points about SDT and the behaviours of members of the subordinated group. First, members of the subordinate group get subjected to oppression, control and manipulation by members of the dominant group. In the case of Indigenous populations in Canada, historic studies on the use of accounting as a tool of the colonial government, provide evidence for how one group can control and contain another (see Neu, 2000a; 2000b; Neu & Graham, 2004; 2006). Second, members of subordinate groups choose to actively participate and cooperate in the processes and activities which oppress them (Sidanius, 1993). Consistent with SDT, most of the Indigenous participants in the research

sites chose to cooperate in the INAC funding system, however, most did not indicate an outgroup favouritism toward INAC, over their own group.

6.5 Exercising Agency in a Group-based Social Hierarchy

One of the important assertions of SDT is that members of subordinated groups actively choose to participate and cooperate in the systems and structures which oppress them and is described as behavioural asymmetry (Sidanius & Pratto, 1999). In fact, SDT posits that when stable group-based social hierarchies are analyzed, the majority of the members within the subordinated group will be observed cooperating with the systems that oppress them. Despite high levels of cooperation, SDT contends that resistance and acts of subversion still occur among subordinates. In some cases, subordinate group resistance can grow to the level of rebellion or social revolution (Sidanius et al, 2016). SDT recognizes that there will always be some level of resistance and resentment within subordinate groups. However, the comparative levels of cooperative behaviour versus acts of resistance and subversion always favour the former, within stable group-based social hierarchies (Sidanius & Pratto, 1999). The first set of quotations focus on moments of resistance among interviewees, where an event has triggered their reaction toward INAC.

Consistent with SDT assertions about the scale of cooperative behavioural asymmetry among subordinate groups, the majority of Indigenous participants in this study chose to cooperate with the INAC funding system. Interviewees indicated that they chose to participate in the INAC funding system, primarily, to improve the interests of their own Indigenous group. They described how they followed the rules and policies imposed by INAC most of the time, however, they also described moments of resistance. The level of resistance they performed was tempered, however, by the level of risk they were willing to expose themselves or the organization to.

When describing moments of resistance, interviewees seemed to know how hard they could push back against government rules on prescribed budgets and programming:

“Sometimes they'll come back and they'll try to say “no, you're not supposed to be doing that.” But then, if you challenge them back and you

say “no, I’m a transfer community, this is the purpose of me being a transfer community so that I am able to develop programs that actually meet the needs of our community and not just the mandatory programs that we have to be able to deliver.” [Interviewee 06 - Site D]

The interviewee resists when INAC attempts to influence program delivery at the local level even after mandated programs had been accounted for. The interviewee’s knowledge of the transfer agreement and mandatory programming requirements provides them a basis for challenging what additional local programs they would implement. The interviewee demonstrates that they are willing to consent to the delivery of mandatory programs up to a point, but resist when INAC attempts to impose rules that had previously not existed.

Many Indigenous communities maintain traditions annual schedules where Elders, Chiefs and other leaders gather with other communities. In some case, traditional annual schedules do not align with INAC’s timeline for annual reporting:

“The officer at INAC says ‘it’s always late and I say ‘yes, our Chief’s annual meeting is usually in August, September, October. You want this by May 31st, I haven’t submitted it to the Chiefs, we haven’t finished our audit so how can I tell you what numbers are? You’re not getting it until the audit is at least finished.’” [Interviewee 14 - Site D]

Unable to meet INAC’s reporting deadlines, Site D is consistently categorized as delinquent and has their core funding withheld until reporting is submitted. The interviewee’s 20 years of experience working with INAC allowed them to be clear and direct in their opposition to INAC, they had learned what a responsible level of resistance entailed.

FN recipients have had to adapt because government funding agencies are constantly making changes to their existing programs, monitoring and reporting requirements. Most of the changes are completed without consultation with recipient communities and organizations (Auditor General, 2002). Members of recipient groups who are responsible for meeting INAC requirements may struggle when policies and rules undergo substantial administrative changes:

“With the new program that was put in three years ago under Harper’s government, he decreased funding to [Tribal Councils] and changed the

pillars of what they were intended to do. So, we actually opposed it and said, 'you can't do that'." [Interviewee 14 - Site D]

The interviewee noted that the funding cuts called for the removal of funding for advisory services performed by Tribal Councils for member FN communities. These funding cuts were troubling to her because they contradicted the fundamental advisory rationale that was the original reasoning behind the establishment of Tribal Councils. The excerpt indicates that the interviewee had did not have an issue with her organization being funded by INAC, as long as there was a positive benefit for communities. Their consent to the relationship changed, however, when positive benefits for Indigenous groups were scaled back. At that point, the interviewee was able to use their knowledge and experience to resist the changes being implemented and to find a different way to provide the advisory services they deemed to be so important:

“Other [Tribal Councils] don't provide the advisory services that we do. When this whole new structure came about we decided that we were still keeping the advisory component of it because that was what was needed in our communities and that's what the Chiefs wanted.” [Interviewee 14 - Site D]

The interviewee's opposition to the de-funding of advisory services had no effect on INAC's policies, however, despite receiving no INAC funding, Site D continues to provide advisory services to their Indigenous members.

The moments of resistance described by participants above were usually reactions to changes or additional demands from INAC. In a slightly different form of resistance, interviewees described other subversive activities that also required intimate knowledge of the funding system but, involved more planning and deliberation. SDT contends that any act of resistance, regardless of its scope, is evidence that members of the subordinate group are demonstrating that they are not just the objects of oppression. The following set of quotations accentuates certain subversive acts, performed by the participants, against INAC's funding approach. For instance, INAC budgets are highly influential on the decision-making process and behaviours of members of FN community recipients. Despite their highly structured nature, interviewees are able to adapt to constraints imposed by INAC budgets to achieve different objectives:

“Because I have so many departments, what I find I've gotten very good at is adjusting numbers among the departments. Say for example with, [our Chief] does a lot of travel, if I'm anticipating any kind of surplus in [Program B] for travel, I'll allocate some from [Program A] to [Program B]. As long as the philosophy of the project fits then I can juggle and that brings things up to budget.” [Interviewee 09 - Site A]

The funding arrangement between INAC and the interviewee's organization prohibits the transfer for any funds between programs, without INAC pre-approval. The interviewee is circumventing the rules of their Indigenous organization's core funding agreement with INAC and putting the community at risk of admonishment or sanction. However, even though the interviewee is performing a subversive act of budgetary defiance, they demonstrate an awareness of their level of risk from INAC. Although their act of subversion may not seem dramatic on the surface, it is being performed without INAC's knowledge and it is stripping INAC of its power to approve all anomalous budget transfers. In these ways, the interviewee is demonstrating that they have retained some level of agency by circumventing authority and not simply following the rules.

An additional INAC policy that seems to trigger subversive activities is that funding must be fully spent by the end of each fiscal period, or be returned to the funding source. Additionally, funds must be spent on the intended program, or can be used for a similar program within the organization with pre-approval from INAC. As in the previous case, some participants did not seek pre-approval for the redistribution of budgeted funds. Instead, they chose to distribute surplus funds amongst any other departments that demonstrated a financial need:

“[Departments] have this budget, they know how to spend it, they know how to allocate it themselves. Sometimes they have an additional amount of money in their budgets. If they don't need it, where can they go? For some of budgets, if they don't spend it, they lose it. I want to ensure they're spending it so they don't lose it.” [Interviewee 02 - Site A]

The interviewee perceives that having to return money to INAC means never seeing those funds again. Consequently, they do everything in their power to avoid budgetary underspending, requiring much planning and deliberation, because budgeted and actual expenditures for each program must match INAC's figures, even when they are spent elsewhere.

Subversive acts against budgets carry significant risk for each Indigenous recipient site. As a result, interviewees are careful to make sure that their local leaders are aware of their activities:

I've made pots, I'm making pots. I told [finance] that they are going to see under this section that we're putting away so much money because I'm forecasting for three to five years ahead, I want that much left so I can re-do the roof at the school. It's going to cost this much so I'm putting away. I'm curious to see how that's going to work because this is the first year I'm doing that." [Interviewee 21 - Site B]

The interviewee is shielding certain “pots” of funding from the view of INAC but makes sure to inform the local Finance Manager of their activities. Acts of subversion which benefit the community, as a whole, are generally ignored by local leaders as long as the risk to future funding is not too high.

Many subversive acts against INAC are rationalized by the benefit they have for the community. For example, the following interviewee had been looking for ways to provide a little extra money to fixed income families over the holiday season. At first, they asked for approval from INAC to distribute money to those families:

“INAC told us we couldn't give out money. But, when Christmas comes and you have a family on social assistance and she or he is spending a huge amount of money on one meal they have no money left for January. So, we started buying gift certificates to help out with Christmas shopping. We would buy Walmart gift cards because they could buy groceries and other stuff there. Then, I would have to find other expenses in our GL to use in the report because [INAC] wouldn't be happy if they found out we gave families money. But, it's not a horrible thing, is it?” [Interviewee 12 - Site C]

The interviewee had intended to continue the practice of gift card distribution as long as they were able, however, the manner by which they accounted for the funds raised red flags with INAC:

“And actually, to go further in that, that specific pot of money, how I would report... well, last year [INAC] said ‘we're going to accept the 2014-15 report that you sent in but for 2015-16 we want to see exactly what you spent the money on.’ So, I did it, I showed that I bought gift cards. We'll see what they say. I just did that when we were doing the audit and I did the report so we'll see what happens.” [Interviewee 12 - Site C]

The interviewee's subversive act of resistance quickly turned into an overt act of defiance when their efforts were detected by INAC. Actively resisting INAC comes with risk but it appears that the interviewee and the community are prepared for the potential backlash.

SDT contends that a high level of cooperation by members of subordinate groups is required for group-based social hierarchies to remain stable over time. However, SDT also posits that resistance and acts of subversion will always exist at some level within subordinate groups. Overall, the interviewees described cooperation with the rules and policies imposed by INAC, however, they also provided accounts of their resistance. Two types of resistance were documented; first, interviewees described where a specific circumstance had triggered a contrarian reaction toward INAC. Second, subversive acts that had a longer-term focus and required high levels of planning and knowledge of the funding system, were demonstrated. Both types of resistance demonstrate an active choice being made by members of the Indigenous group to stand up for what they felt was right. By doing so, the interviewees demonstrate that their knowledge and experience have allowed them to demonstrate that they have retained some level of agency and that they should not be viewed as simply the objects of oppression.

VII. Discussion and Conclusion

As a representative of the Canadian government, INAC holds a socially dominant position over Indigenous populations in the current group-based social hierarchy. The nature of the group-based social hierarchy, in question, has resulted in a significant imbalance of power between the two groups, in favour of INAC. The racially motivated treatment of the Indigenous populations throughout Canada's history has led to the current imbalance of power (Neu & Heincke, 2004). The structure of the fiscal relationship between INAC and FN recipients does resemble other public-sector funding arrangements. Similar funding structures and relationships exist within public hospitals, schools and local governments. However, the institutional structures, processes, rules and norms which govern all publicly funded organizations hold different implications within Indigenous settings. In fact, the very act of imposing homogenous 'Canadian' financial policies and rules on Indigenous groups is at the heart of the difference. Settler governments and

Indigenous groups once shared an equal social and political standing in North America (Miller, 2000). Without acknowledging the degradation of the historical relationship between colonial governments and colonized FN populations, we cannot hope to appreciate why their treatment as any other level of Canadian government, is so offensive.

Resemblance between the organizational reality of Indigenous groups and other public funding recipients diverge when analyzed more deeply. Comparing FN organizations and other publicly funded organizations, through the eyes of federal government funding agencies, leave the groups nearly indistinguishable. Historically, socially, culturally and psychologically, Indigenous groups vary significantly from other publicly funded settings (Baker & Schneider, 2015). For this reason, an organizational theoretical lens which focuses on the power imbalance between funders and recipients or managers and employees alone, does not capture the unique history of a race of people who were relegated to wards of the state after thousands of years of independence and self-determination. Indigenous populations had, first, been turned into wards of the state and then into just another extension of the bureaucracy which governs so many other non-Indigenous settings (CICA, 2008). A theory which accounts for the underlying reasons for incorporating Indigenous populations into the governmental fold was needed if an understanding of the relationship was to be garnered. The policies and practices employed to control and contain the Indigenous population in this country were based on socially constructed, arbitrary biases fed by racism, imperialism and European superiority (Miller, 2000; Neu & Heincke, 2004). The current relationship does not outwardly project this but, according to many commentators, contemporary Indigenous social positions are the result of historical acts of racism and injustice which can only be reconciled through a recognition of their original motivations (TRCC, 2015).

Drawing on Social Dominance Theory (SDT), the perspectives of participants, observed in this study, were interpreted through their categorization as a subordinated group within a broader group-based social hierarchy, where the Canadian government represents the dominant group. Understanding of the fiscal relationship between the Canadian government and Indigenous groups is enhanced when viewed through the SDT lens. The fiscal relationship was interpreted as a group-based social hierarchy where

government funding agencies represent the dominant group and Indigenous funding recipients are positioned as the subordinate group. The production and maintenance of social hierarchies are the result of hierarchy enhancing and hierarchy attenuating forces acting upon each group (Sidanius et al, 2016). However, an abundance of hierarchy enhancing mechanisms act to support the Canadian government's higher social position in relation to the Indigenous population. Holding the dominant position in any social hierarchy, garners power to influence the social attitudes and behaviours of members of the subordinate group (Sidanius & Pratto, 2011). In the case of practices directed toward Indigenous groups, the Canadian government has capitalized on budgeting as a means of institutional control.

Accounts from members of the subordinate group described experiences of institutional discrimination. The experiences contained various hierarchy enhancing forces that had been acted upon them and their families. Aiello et al (2013) argue that SDT has a unique ability to integrate perspectives about intergroup relationships of power at the societal level with interpersonal authority structures at the organizational level. These attributes make SDT uniquely positioned to analyse the manifestation of societal-level intergroup relationships of power within organizational settings. SDT becomes a valuable lens for understanding Indigenous organizations as microcosms of well-defined, societal intergroup relationships with dominant groups in the Canadian context.

SDT is useful because the organizational relationship between INAC and its recipients is representative of a larger, societal level, group-based social hierarchy. Indigenous funding recipients are subject to organizational authority structures established through INAC's funding agreements. The relationship differs from other organizational settings because disciplinary structures extend well beyond the work environment. SDT provides a means for understanding how society level relationships of power are employed within institutions to enhance existing social hierarchies (Aiello et al, 2013). The level of social inequality between groups is the result of the aggregation of hierarchy enhancing and hierarchy attenuating forces acting upon each group (Sidanius et al, 2016). At the societal level, the social position of Indigenous groups is mostly determined through hierarchy enhancing mechanisms, leading to their lower position in the social hierarchy. At the institutional level, INAC maintains power over Indigenous recipients

through structures which are based on societal relationships, but are applied at the individual level. Authority structures include incentives and other coercive acts which lead to acts of cooperation and resistance by individual members of the subordinate group (Sidanius et al, 2016).

The study's findings focus on the role of government funding systems for Indigenous groups in producing and maintaining social hierarchies. An influential activity performed by INAC to legitimize their control over the funds that are distributed to Indigenous groups, is the General Assessment (GA). As described earlier in this study, the GA assigns a level of perceived financial risk to recipient groups to determine how the funding relationships are approached and what type of agreements are used. INAC recipients must submit to the GA process each year to receive their funding payments. In this instance, INAC is exercising power through the policies they create and enforce regarding GA process. Control over GA discourse and criteria affect the social priorities of members of the subordinate group. The public listing of delinquent communities has hierarchy enhancing effects because it reinforces negative legitimizing myths about the subordinate group. As a result, budgeting controls and monitoring have become important tools for managing relationships with recipient organizations with low GA scores.

Specifically, budgets appear to be tools of the government funding agency that allow them to maintain control over ideologies and behaviours. The inequality of power between the dominant group and the subordinate group is based on fiscal dependency (Helin, 2009). Dependency on funding leaves little choice for FN groups but to participate and cooperate in the funding system. Discourses about the subordinate social group are controlled by funding agencies to construct and perpetuate negative social attitudes toward them. The budgeting process also represents a hierarchy enhancing force due to its influence on the level and direction of recipient expenditures. For instance, INAC policy states that FN recipients must return funds when a program or proposal's spending is below what was budgeted.³¹ As a result, FN recipients strive to get expenditures to be greater than or equal to what is budgeted. However,

³¹ Indigenous and Northern Affairs Canada. (December 15, 2016). 2017-18 Financial Reporting Requirements. Retrieved July 15, 2017 from <http://www.aadnc-aandc.gc.ca/eng/1481719494487/1481719612116>

many FN recipients do not have the financial capacity or flexibility to overspend, therefore, they prefer to match expenditures to budgeted amounts.

The funding relationship between Indigenous groups and the federal government has remained largely unchanged for many decades (Auditor General, 2002; 2011; Baker & Schneider, 2015; Helin, 2009; Neu & Graham, 2004; 2006). To help understand how their relationship has persisted for so long, the analysis draws on the SDT notion of behavioural asymmetry. Behavioural asymmetry provides a means for understanding why cooperation occurs and how the current INAC funding system has endured for so long. Usually, individuals demonstrate favouritism toward their own group, however, in cases where the ingroup bias of the dominant group is especially high, members of the subordinate group adopt the social attitudes of the dominant group (Sidanius et al, 2016). Referred to as *deference*, or *outgroup favouritism*, SDT suggests that members of a subordinate group engage in and cooperate with the social systems, structures and norms which act to maintain or enhance the social hierarchy they belong to. Outgroup favouritism provides insight into the seemingly counterproductive behaviours described by members within the research sites. Conversely, behavioural asymmetry induces paternalistic attitudes and behaviours by the dominant group toward their subordinates (Sidanius, 1993). Policies and rules imposed upon funding recipients by INAC possess the characteristics of a paternalistic relationship. The paternalistic treatment of recipient groups is evident in participant descriptions and INAC documentation. The benefit of such an unequal relationship of power, for funding agencies, is that they can implement the government's desired outcomes for the Indigenous population, more easily, from the top of the social hierarchy.

Participants described the lack of consultation INAC performs with their organization, effectively discounting traditional or contextual Indigenous approaches to accountability or fiscal management. Ignoring the cultural traditions of subordinated groups represents an instance of institutional discrimination that has hierarchy enhancing effects. The delinquency list influences the social attitudes of members of the dominant group, as well as other recipients in the subordinate group, toward those who are labelled as delinquent. The behaviours of members within the recipient group are also affected because required actions must be undertaken to avoid being added to the delinquency list or to be removed from it. The publicity of

being on the delinquent list also serves as a mechanism which distributes negative social value to the named recipient groups, which is one of the ways a dominant group can maintain a social hierarchy (Sidanius, 1993).

The dominant group, in any social hierarchy, attempts to maintain or enhance its position through policies, rules and actions. The goal of such activities is to increase the level of social inequality between themselves and subordinate groups (Pratto et al, 2006). SDT proposes, however, that the activities of the dominant group are not enough to produce long-term, stable social hierarchies (Sidanius & Pratto, 1999). The active participation and cooperation of members of the subordinate group are required. Many participant responses described their active participation in the government funding system, albeit reluctantly in some cases. INAC builds incentives for participation and cooperation into the funding system which provide perceived benefits to the community that outweigh ideological objections. SDT states that individuals from the subordinated social group are exercising agency when they choose to participate and cooperate in systems which act to oppress them (Sidanius et al, 1994). To many participants, core funding was too important to risk losing it by challenging the authority of INAC.

Another instance of exercising agency is to choose to resist the system of oppression. In the research sites, many of the study's participants described their participation in the funding system, however, participation did not always equal full cooperation. Individuals described how they had little choice but to follow the rules and policies of the dominant group. Despite this, members of FN communities describe performing measured acts of resistance. The acts are small and carefully orchestrated to avoid substantial risk to the community. For instance, recipient employees are skilled at filling budgetary shortfalls by distributing funds from one program to another but still appearing compliant. Shortfalls in spending are avoided because they lead to lower funding levels in subsequent periods, which is problematic when Indigenous populations are growing. As a result, recipient members are left to scramble for additional funds and, in the absence of own-sourced revenue, many FN recipients are forced to borrow from other programs. Acts of subversion indicate the agency of local Indigenous members and how they are becoming more aware of their position within the social hierarchy. Although these small acts may not have the power to

disrupt the funding system on their own in the short term, it is not possible to predict the aggregated, long term effect of such acts over time.

Overall, the balance of power between INAC and FN recipients is highly unequal (RCAP, 1996). In SDT terms, the sum of hierarchy enhancing forces could be said to vastly outweigh the amount of hierarchy attenuating forces in their social hierarchy. Policies, rules and actions of dominant group institutions are based on individual behavioural differences, legitimizing myths and social attitudes about the subordinated group. Both societal level social hierarchies and institutional level, interpersonal beliefs are important for the production and persistence of group-based social hierarchies.

Table 1: General Line of Interview Questioning

Number	Type	Open-ended Question	Follow-up Questions
1	General	Tell me about your background.	<ul style="list-style-type: none"> • Where were you born? • Where did you live growing up? • How was family life while living at home? • How do you self-identify? • What is your educational background? • What is your work history? • What is your current family life like?
2	General	Describe your role here in the community.	<ul style="list-style-type: none"> • What specific tasks do you perform in your role? • Describe how you got this role? • What responsibilities do you have and to whom? • Who do you provide reports to? • How is accounting used in your role?
3	General	Tell me about the role culture plays in this community.	<ul style="list-style-type: none"> • How does culture influence you? • How does it influence on day-to-day lives of individuals? • What cultural norms are followed most? • What influence does culture have on the actions of the community government? • What role does culture play in business interactions with external stakeholders?
4	General	Tell me what you think of when you hear the terms “indigenous”, “native” or “aboriginal”.	<ul style="list-style-type: none"> • Where do you feel these views have come from? • Where else have you heard these terms? • How do you feel indigenous people are perceived in Canada? • What are the indigenous beliefs or attributes you value most?
5	General	Talk about the relationship between the government of Canada and this community.	<ul style="list-style-type: none"> • How does the funding and reporting system work? • Do you feel communities need more independence? • What influence do funding agencies have on decision-making locally? • How do you feel about the government of Canada? • What perceptions does the government of Canada have about Indigenous communities?
6	General	What does the phrase “giving an account” mean to you?	<ul style="list-style-type: none"> • What about when you personally give an account? • What about when the band office gives an account? • Who does the band office give accounts to? • Is it possible to give a full account? Why or why not?
7	General	Is there anything else that I haven’t asked you about that you feel I should know?	Examples: “That’s very interesting, tell me more.” and “What would be an example of that?”

Table 2: Summary of Interviews by Research Site

Interview #	Primary Role	Gender	Raised on Reserve?	Lives on Reserve?	Education	Parents	Length (min)
Site A							
01	Other	F	OFF	OFF	HS	M	59
02	Manager	F	OFF	OFF	BA	M	68
03	Manager	F	OFF	OFF	CD	M	39
04	Other	F	ON	ON	HS	F	49
05	Manager	F	OFF	OFF	CD	M	70
07	Political Leader	F	OFF	ON	CD	M	45
08	Dual	F	ON	ON	CD	F	60
16	Political Leader	M	ON	ON	HS	F	60
17	Dual	F	ON	ON	BA	F	75
18	Political Leader	M	ON	ON	HS	M	130
28	Manager	F	OFF	OFF	BA	M	60
29	Political Leader	F	OFF	ON	BA	M	140
Site B							
09	Manager	F	ON	ON	CD	F	84
11	Manager	F	OFF	ON	BA	M	70
12	Manager	F	OFF	ON	BA	M	72
13	Other	F	OFF	ON	HS	M	72
19	Political Leader	M	ON	ON	HS	F	33
20	Dual	F	OFF	ON	BA	M	139
21	Manager	F	OFF	ON	CD	M	77
34-1	Political Leader	M	ON	OFF	CD	F	72
34-2	Political Leader	F	ON	OFF	HS	F	72
Site C							
14	Manager	F	ON	OFF	BA	M	96
15	Manager	F	ON	ON	CD	M	95
23	Manager	F	ON	ON	BA	F	83
22	Political Leader	F	ON	ON	CD	M	112
24	Political Leader	F	ON	ON	HS	F	79
Site D							
26	Manager	M	OFF	OFF	BA	M	74
27	Dual	F	ON	OFF	BA	F	78
30	Manager	F	OFF	OFF	BA	M	44
31	Manager	F	OFF	OFF	CD	M	62
32	Manager	M	OFF	OFF	BA	M	65
Non-Site Specific							
06	Manager	F	OFF	OFF	CD	N	53
10	Manager	F	OFF	OFF	CD	N	65
25	Other	M	ON	OFF	CD	F	55
33	Other	M	OFF	OFF	BA	N	141

Table Error! No text of specified style in document.: Summary of Limitations for INAC Funding Approaches

Funding Approach	Treatment of Unspent Funds	Redirection of Funding To Other Programs or Projects During Agreement	Criteria for INAC's Recovery of Funding
Grant	Can be retained by the recipient	Grant is to be used for any expenditure related to the purpose, activity or initiative being funded.	Recipient becomes ineligible
Set Contribution	Returned at end of each year	Funds are to be expended as identified in the funding agreement. Cannot be redirected to other programs or projects.	Funding is unspent or spent on ineligible items
Fixed Contribution Indigenous recipients only	Returned annually unless used in the next year in the same program. Can also be kept and used in other areas if a plan outlining the activities to be undertaken with the unspent funds is approved by the department prior to use.	Funds are to be expended as identified in the funding agreement. Cannot be redirected to other programs or projects.	A plan is not provided/not approved where required, or Funding is not spent within timeline, or is spent on ineligible items
Flexible Contribution Indigenous recipients only	Carried forward each fiscal year during the agreement or the project; and returned at end of agreement or project whichever comes first	Funds are to be expended as identified in the funding agreement and cannot be redirected to other programs or projects. Funds may be redirected between cost categories in the project as defined in the funding agreement.	Funding is unspent at the end of project or agreement or is spent on ineligible items
Block Contribution Indigenous recipients only	Can be kept if used for activities in the block. Can also be kept for other activities outside the block if a plan outlining the activities to be undertaken with the unspent funds is approved by the department prior to use	Redirection of funding is allowed among any and all programs included in the block during the life of the agreement, subject to delivery standards being met.	A plan is not provided/not approved where required, or Funding is not spent within timeline, or is spent on ineligible items

Table 3: Overall INAC Funding According to Approach 2011-2013

INAC Funding Approach	Fiscal 2011-2012	% of (1)	% of (2)	Fiscal 2012-2013	% of (1)	% of (2)
Grants						
Proposal-Based Grants	\$ 1,042,575,395	-	16%	\$ 1,273,998,557	-	19%
Subtotal - Grants	\$ 1,042,575,395	-	16%	\$ 1,273,998,557	-	19%
Inflexible FN Transfers						
Set Contribution	\$ 2,448,920,299	45%	38%	\$ 2,264,553,337	42%	34%
Fixed Contribution	\$ 1,783,862,492	33%	28%	\$ 1,903,707,116	35%	28%
Subtotal - Inflexible	\$ 4,232,782,791	78%	65%	\$ 4,168,260,453	76%	62%
Flexible FN Transfers						
Flexible Contribution	\$ 74,120,258	1%	1%	\$ 152,559,447	3%	2%
Block Funding	\$ 1,133,700,825	21%	17%	\$ 1,132,672,190	21%	17%
Subtotal - Inflexible	\$ 1,207,821,083	22%	19%	\$ 1,285,231,637	24%	19%
Total FN Transfers (1)	\$ 5,440,603,874	100%	84%	\$ 5,453,492,090	100%	81%
Total Expenditures (2)	\$ 6,483,179,269	-	100%	\$ 6,727,490,647	-	100%

Figure 1: Site A - INAC Funding Transfers

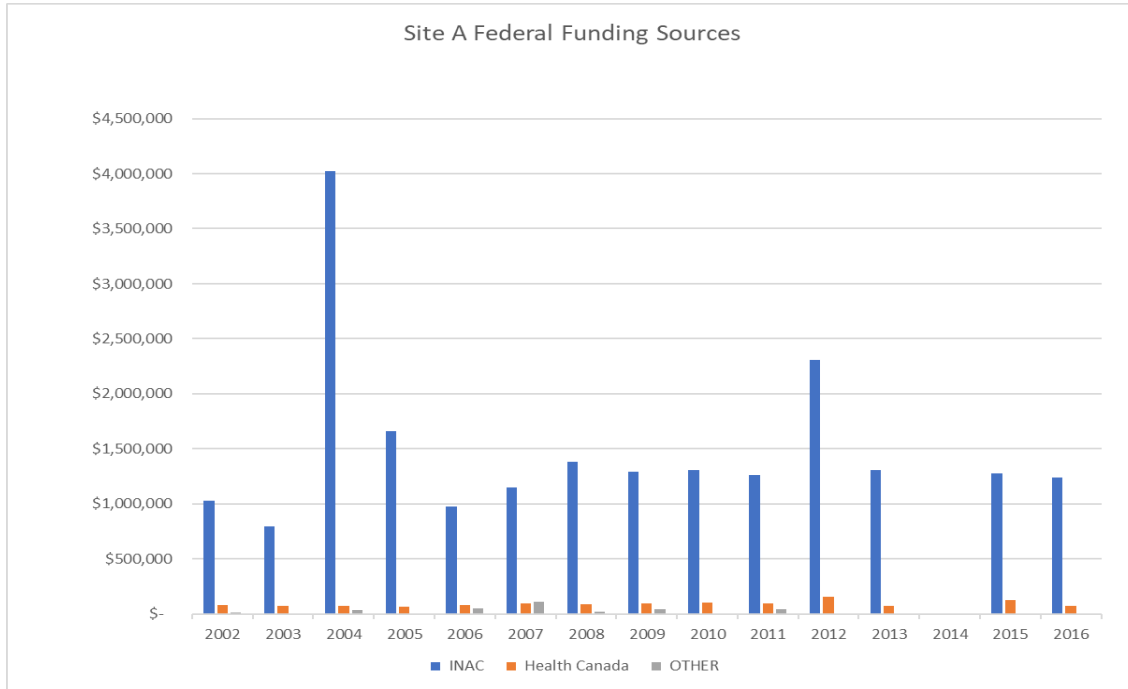


Figure 2: Site C - INAC Funding Transfers

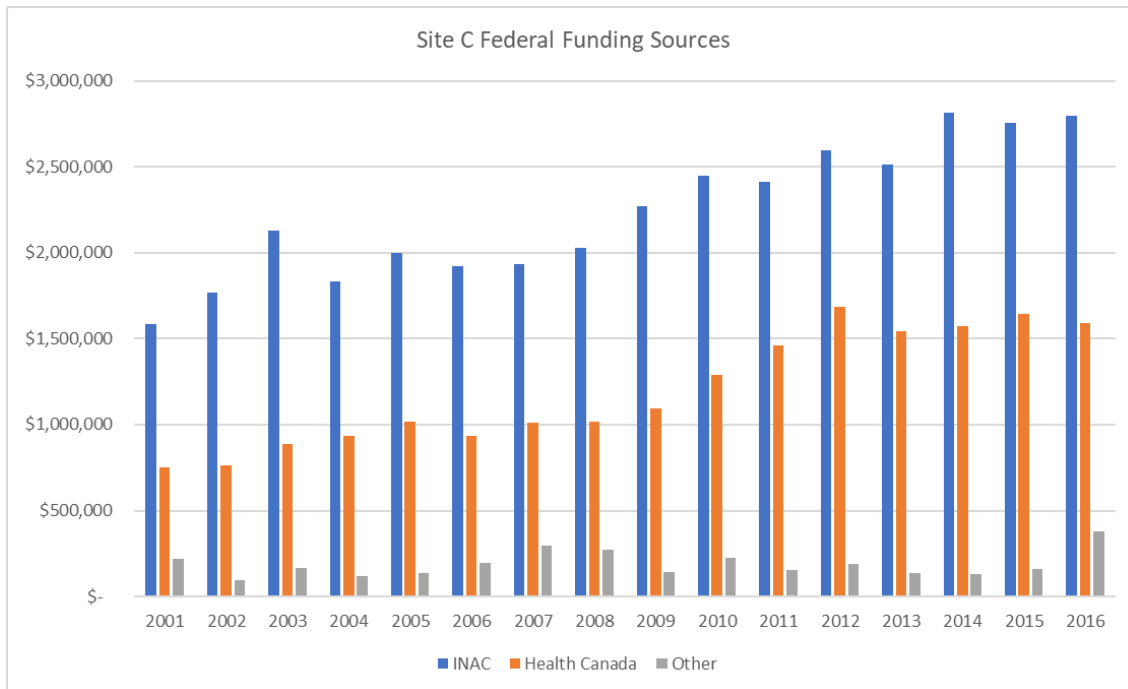
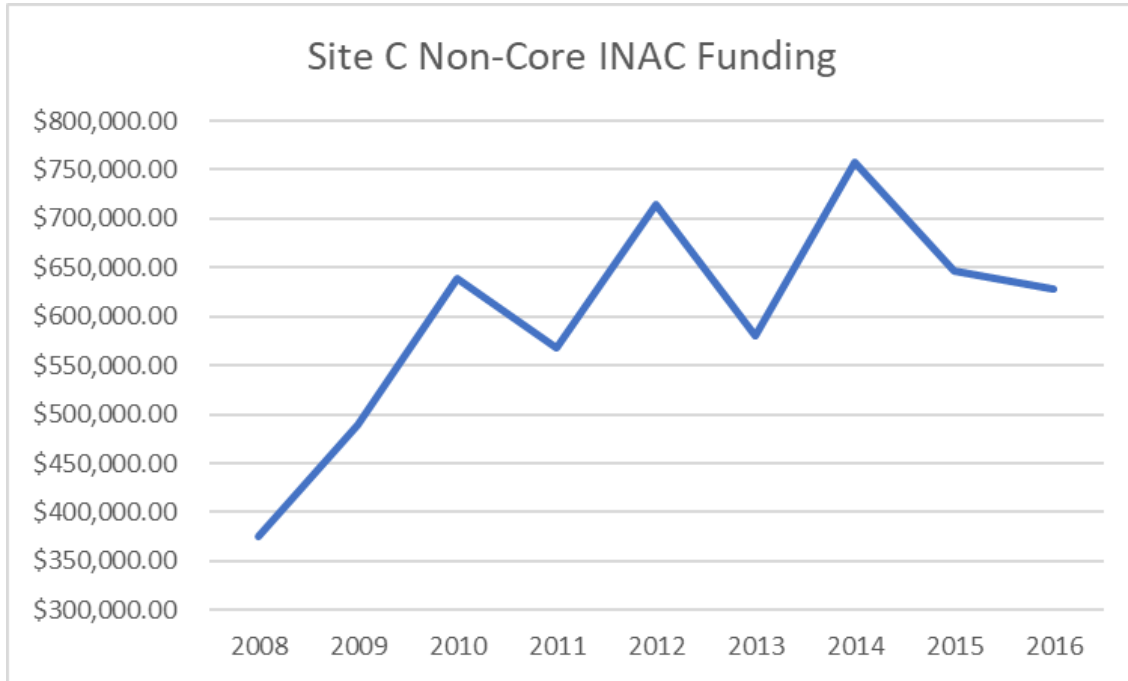


Figure 3: Site C - Non-Core INAC Funding



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