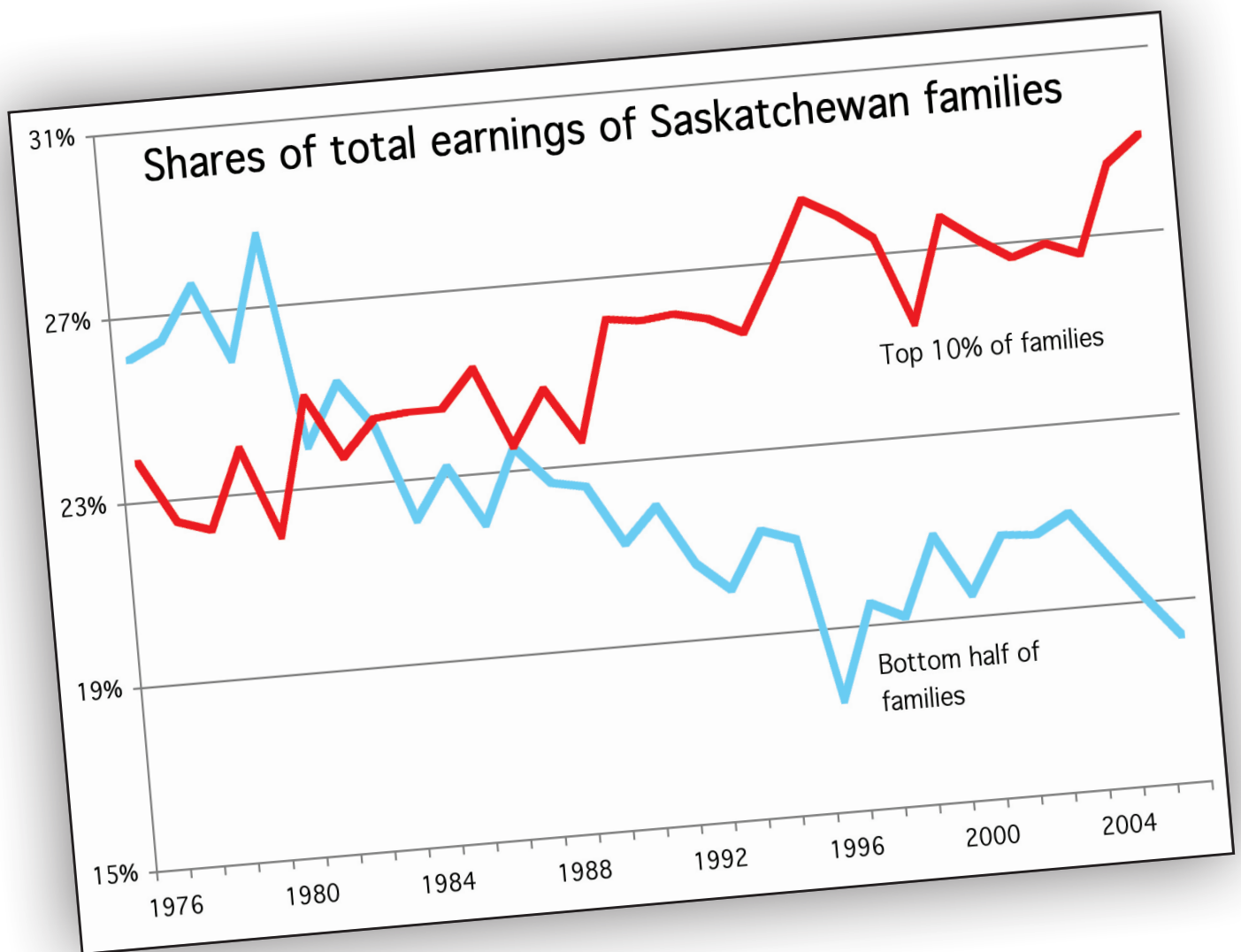


Boom and Bust: The Growing Income Gap in Saskatchewan

By Paul Gingrich



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By Paul Gingrich

September 2009

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The analysis, conclusions, and any errors in this report are those of the author and do not necessarily reflect the views of the Canadian Centre for Policy Alternatives.

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More than anything, it is that sense — that despite great differences in wealth, we rise and fall together — that we can't afford to lose. As the pace of change accelerates, with some rising and many falling, that sense of common kinship becomes harder to maintain.

Barack Obama
The Audacity of Hope

Preface

President Obama's observation that in the economic system 'some rising and many falling' aptly applies to Saskatchewan over the past 30 years today. The growing incomes gap was starkly pointed out in two stories in the June 3 edition, Regina Leader Post. The first story reported 344 residential homes were sold in May 2009 for an average price of \$266,743, up nine per cent from 2008. The second story described the plight of 9000 people in the same month who required the assistance of the Regina Food Bank. Nine thousand people struggle to put food on the table every month, an increase of 1,000 from only a year ago.

The Canadian Centre for Policy Alternatives (CCPA) has been documenting income inequality in Canada since the publication of *The Rich and the Rest of Us*. This study showed that since the advent of neoliberal economic policies most family incomes have failed to keep pace with the growing cost of living because of the implementation of a series of low wage policies. Even though the economic pie has been growing, the slices for most families have remained the same, or even worse have decreased in size. The

benefits of growth have been largely enjoyed by high income families, especially the top ten per cent.

CCPA Saskatchewan Office has now completed a thorough analysis of changes in the distribution of Saskatchewan family earnings from 1976 to 2006. This study provides solid evidence that thousands of low and middle income families have failed to thrive, despite the hollow promises made by our economic and political elites.

So why does income inequality matter and why should we care inequality is increasing?

Several arguments based on economic, social and political considerations can be made to demonstrate the need to reverse the growing incomes gap.

1. The economic costs of poverty are staggering. The intergenerational, opportunity and remedial costs of supporting the poor are huge. In 2008 the Ontario Association of Food Banks published a groundbreaking report, *The*

Cost of Poverty, which documented poverty's extremely high price tag for taxpaying households, for governments and the provincial economy.

- In real terms poverty costs every household in Ontario from \$2,299 to \$2,895 every year.
- The federal and Ontario governments are losing at least \$10.4 billion to \$13.1 billion a year due to poverty, a loss equal to between 10.8 to 16.6 per cent of the provincial budget.
- When both private and public (or social) costs are combined, the total cost of poverty in Ontario is equal to 5.5 to 6.6 per cent of Ontario's GDP. (Laurie, 2008 p. 4)

The remedial costs of poverty are defined as those incurred by the province in "treating its symptoms: the incremental costs to the health system that result from the lower health status of those who are poor; the cost of fighting crime etc. committed by those who see themselves as excluded from the mainstream; and the cost of social assistance and related remedial programs." (Laurie p.7) Intergenerational costs are those payments resulting from society's inability to prevent the children of today's poor from escaping poverty. Opportunity costs arise from our failure to address the root causes of poverty — the productivity and tax revenues we forego as a society by not capitalizing on the potential economic contributions the poor could make. The report estimates that there are 1,948,850 Canadian households in the lowest income quintile who are unable to contribute to governments' tax base. (Laurie, p. 8) Undoubtedly, the costs of poverty to Saskatchewan are proportionally just as high as Ontario's.

2. Growing income inequality creates social exclusion and isolation which in turn damages social cohesion and reduces social capital. Societies that produce greater equality also produce higher levels of trust and lower levels of stress among its citizens. Societies that allow their social capital to decline face growing incidence of social dysfunctions. When such conditions become endemic, breaking the cycle is extremely difficult, which in turn discourages new capital investment, perpetuating a negative cycle. The latest international research based on United Nations data sources conducted by Richard Wilkinson and Kate Pickett demonstrate that social problems are related to the distribution of wealth in a society not to its overall wealth.

In the 20 countries with the greatest Gross National Product, the bigger the income gap, the worse the rates of mental illness, substance abuse, teen pregnancy, male violence, homicide, incarceration, and short life expectancy. The United Kingdom, the United States and Portugal had the greatest income disparities and the highest incidence of social and health problems. (Latta, p. 17)

3. Gross income inequalities stand in the way of a vibrant democratic system. Frank Cunningham, professor of philosophy and political science at the University of Toronto, sees three attitudinal trends emerging from the growing gap:
 - Inequalities foster elitism and resentment. The well off resist progressive change and exert disproportionate influence in the political system.
 - As the most well off continue to succeed, they are encouraged 'to leave the boat'. They isolate themselves from the rest of society physically and psychologically and resist economic measures that are fundamentally redistributive.

- Poor families are threatened with becoming dependent on the charity of the well off and of government transfers. These conditions lead to disillusionment, despair, cynicism and low participation in the political system among those at the bottom of the social ladder. (CCPA, pp. 22-24)

4. Inequality reduces the life chances and opportunities for many. Too many of our children are trapped; their full potential to contribute economically and civically is lost.

As Barack Obama has written, we rise and fall together — we must maintain our societal bonds and common kinship. To do so, Saskatchewan

must face up to its income distribution challenge.

CCPA's story of the evolution of family incomes over the past 30 years presents some important lessons regarding our economic system and its failure to produce more equitable income shares. We encourage readers to study our report and critically think about the implications that long term income disparities will have on the future of our province.

Canadian Centre for Policy Alternatives
Saskatchewan Office
August 2009

Section 1

Introduction and Overview

Income inequality among Saskatchewan families has increased rapidly since 2000. As the Saskatchewan economy has become more prosperous, upper income families have benefited most from economic expansion. The share of after-tax income received by the twenty per cent of families with the highest incomes was over forty per cent in 2006, the largest share in thirty years. In contrast, the share of after-tax income for the twenty per cent of families with the least income declined to just over six per cent (6.2%), their smallest share in thirty years.

The trend toward a growing gap between the richest and poorest families is not unique to Saskatchewan; similar trends have occurred in all Canadian provinces from the early 1990s through the middle of this decade. Economic expansion in Canada has primarily benefited families in the top twenty per cent of the income distribution, while families with the least income have found their share of after-tax income declining. Now that economic expansion has stopped and Canada enters a long period of high unemployment, families with the least income will encounter serious economic difficulties. Poor families in Saskatchewan will be negatively affected as the province's economy and labour market face difficult economic times.

This report examines and analyzes the growing gap between those who have benefited most from economic expansion and those who have benefited little or not at all. The focus of the report is on Saskatchewan, with comparisons to other provinces and Canada as a whole.

Why We Should be Concerned About Income Inequality

Growing income inequality represents a new development in Canadian society, one that raises serious concerns about where Canadian society is headed. There have always been rich and poor in Canada, but emerging from the Great Depression of the 1930s and World War II, economic expansion was associated with improved economic conditions for most individuals and families. As young people found employment, most found that their living conditions improved relative to those of their parents. While these changes took place slowly, with great uncertainty, and often stalled by periods of high unemployment, there was progress for individuals and families across the country and at all income levels.

Social programs, such as pensions and old age security, employment insurance, and workers' compensation were slow to develop but generally expanded as the Canadian economy grew. While major gaps in social programs remained (less than comprehensive health care and limited child care), health care programs and post-secondary education both expanded and became more available and accessible.

Through the 1980s and 1990s, the situation changed, so that economic expansion no longer benefited all. According to Lars Osberg, "Over the 1981 to 2006 period, the life experience of most Canadian families changed—the 'new normal' has been that entering cohorts of young workers earned less in real terms than

their parents' generally did at a comparable age" (Osberg, 2008, p. 34). Economic growth, which had led to growing incomes for those at low and middle incomes, has more recently benefited the well-off, leaving those at low and middle incomes with stagnant or declining incomes. And many individuals and families who are Aboriginal, are recent immigrants, have disabilities, or live in rural areas, inner cities, or racialized communities have been left out.

This new development of increasing income inequality threatens the democratic institutions that Canadians have built. Growing inequality makes it difficult for those who experience declining income shares to participate in Canadian society. For those at the lower end of the income distribution financial resources are insufficient to obtain adequate housing and food; planning for the future, in terms of education and pensions, becomes impossible. And children growing up in these circumstances face a grim and difficult future. In extreme cases, for the bottom ten or twenty per cent, there may be severe poverty, homelessness, or ill health. This lack of financial resources makes it difficult for the less well off to participate as equals with the better off.

Many of those above the poverty level, but with stagnant or declining incomes, are likely to question the justice and fairness of a wealthy society that cannot help improve the lot of those who get by but see no improvement in their lives.

As will be seen later in this report, much of the growing income inequality originates in the labour market, where earnings have stagnated or declined for the bottom half of earners and improving dramatically only for the top twenty per cent. John Myles describes this market failure as follows:

Market economies have proved quite effective at *producing* wealth. And while markets are not very good at *distributing* wealth, democratic political institutions have shown they can compensate. That's why we have

public health care, old age pensions, unemployment insurance, and income support for families. Markets aren't very good at that sort of thing.

Markets need democracy to make market economies viable for people. Quite reasonably, more economic growth isn't of much interest to the bottom half of the electorate if all the gains are going to the top half. (CCPA, 2007, p. 18).

Government taxation and transfers have not been up to the task of reducing the growing income inequality that has emerged from increased earnings disparity. If this situation continues, the means and will to have democratic institutions intervene on the distribution side will be lessened and the growing gap will worsen.

Inequality is associated with problems in many areas of society—some of the major problems are as follows.

- **Health.** Researchers have demonstrated that health of individuals and families is directly related to income—larger proportions of those at low income have poor health while those at higher income tend to have fewer health problems. A recent study of income disparity and health in Saskatoon found that low income is associated with greater risk of diabetes, heart disease, suicide, smoking, and youth depression and drug and alcohol abuse (Lemstra and Neudorf, p. 17).
- **Housing.** Increases in inequality create a lack of affordable housing for less well off individuals and families. Those with high and growing incomes bid up the price of housing, making rental housing less affordable and homeownership impossible for those at low income levels. In the last five years, Saskatchewan has experienced housing price increases that vastly exceed income growth, consequently "housing affordability is becoming an increasing challenge for many individuals

and families across the province” (Task Force on Housing Affordability, p. 3). Governments at all levels have reduced or limited their commitment to social housing. And increasing numbers across the country are not able to find shelter, meaning, as Osberg notes, “the implied message of homelessness is that Canada very clearly does not care what happens to some of its citizens” (CCPA, p. 26).

- **Poverty.** For the least well off in Canada, incomes are insufficient to afford minimally adequate food, housing, clothing, and other necessities of life. Saskatchewan is no exception and continues to have a high child poverty rate. An economic downturn will make it difficult to reduce the poverty rate in the province.
- **Education.** As compared with lower income groups, a greater proportion of young people from higher income groups complete each successively higher level of education—more complete secondary school, more go on to post-secondary education, and more complete degrees. Having completed their education, the more successful of these then have improved earnings, often joining the top ten or twenty per cent. Together, the mutually reinforcing effects of low income and limited education result in reduced economic and social mobility from generation to generation. In the absence of improved educational assistance to the less well off, increasing income inequality will further limit social mobility.
- **Children.** Income inequality is especially unfortunate for children who grow up in less well off families. While many of these children do well in youth and later life, they begin with many disadvantages. For the very poor, nutrition and housing may be inadequate, leading to poor health for children, with possible lifetime consequences of health problems.

While public primary and secondary education attempt to create equal education for all, in fact, those from lower income backgrounds often have difficulties in developing their ability and potential, hurting not only themselves but society as a whole. Unequal opportunities among children run counter to the promise of a democratic society, where all are to have the opportunity to participate fully on an equal basis.

Current levels of inequality and poverty create inequalities in opportunities and participation in Canadian society. As the gap between the less well off and the very well off widens and, as many at middle incomes see little chance for improving or even maintaining their living standards, the possibility of making Canadian society better is threatened. Even economic growth could be threatened, as the next generation has greater difficulty obtaining the education and training that leads to improved economic productivity.

One of the aims of this report is to document the increasing inequality that has occurred in Saskatchewan and Canada, with a view toward drawing greater attention to this problem. At the conclusion of the report, some recommendations are provided concerning directions that citizens, politicians, policy-makers, trade unionists, and business people might look to reverse the trend toward increasing inequality.

Growing Gap Project

In 2007, the Canadian Centre for Policy Alternatives (CCPA) published two reports by Armine Yalnizyan providing a detailed analysis of the growing gap between rich and poor in Canada and in Ontario. The major finding of *The Rich and the Rest of Us: the Changing Face of Canada's Growing Gap* (Yalnizyan, 2007a) was that the income gap between rich and poor grew between 1976 and 2004 and reached a thirty year high in 2004. Better off Canadians

benefited from economic gains in this period so that “the rich are breaking away from the rest of society” (p. 4). Over this period the poorest Canadians lost massive ground in terms of earnings. And this occurred even though members of these poorer families were employed for more weeks and hours. While “Canada’s tax and transfer system made an important difference” (p. 4), especially the Canada Child Tax Benefit, in preventing the poorest Canadians from experiencing severe declines in income, government programs did not offset earnings inequalities, so there was an increased polarization of after-tax family income.

A second study, *Ontario’s Growing Gap* (Yalnizyan, 2007b), focused on Ontario and demonstrated very similar results for the period 1976 to 2004. Yalnizyan found that the gap between the richest and poorest ten per cent of Ontario families with children was greater than for Canada as a whole, and by 2004 the gap was again at a thirty year high. While there were major income gains for better off families, “fully 40% of Ontario’s families have seen almost no income gains or, worse, actual income losses compared to their predecessors 30 years ago” (p. 4). Yet the Ontario economy practically doubled in size over these thirty years.

In 2008, a similar study analyzing income inequalities in Manitoba was published by CCPA – Manitoba (Hudson and Pickles). In *Stuck in Neutral: Manitoba families working harder to just to stay in place*, Ian Hudson and Andrew Pickles demonstrated that earnings for forty per cent of Manitoba families with children declined or remained unchanged from the late 1970s through 2004. Yet members of these families were employed more weeks of the years so that “poorer families are earning less per hour of work” (p. 12). Earnings increased at the top end of the income spectrum, although Hudson and Pickles found that “there has not been as large a shift in income toward the rich in Manitoba as there has been in the rest of the country” (p. 15).

Government transfer and taxation helped so that “the real after-tax income gains for the poorest Manitobans were higher than in the rest of the country” (p. 13).

In early 2009, a parallel study for British Columbia was published by the CCPA (Ivanova). The study, by Iglia Ivanova, covered 1976 to 2006, years of expansion in the British Columbia economy, with the size of the provincial economy doubling and the labour force expanding by over sixty per cent. Yet “the only substantial gains were made by families at the very top” and “despite record-low unemployment rates in the mid-2000s, 70 per cent of families with children earned less than what their counterparts had in the late 1970s” (p. 27). Ivanova demonstrates that “government taxes and transfers reduced labour market inequality somewhat, but not nearly as well as they used to” (p. 6). The widening gap in British Columbia is similar to that of other provinces but “BC saw some of the steepest declines at the low end of the income distribution compared to other provinces” (p. 6).

The above reports and other studies and resources related to the issue of inequality are available on the CCPA web site at <http://www.growinggap.ca/>. As an organization, the CCPA has devoted attention to the issue of the growing gap between rich and poor in Canada and various policy recommendations are outlined on the web site.

Income Inequality in Canada

Obtaining a precise idea of trends in the inequality of income and wealth is difficult given the diversity of sources of income and wealth and the changes in household size and structure. At the same time, among those who have examined these issues, there appears to be general agreement that inequality of income in Canada remained fairly stable until the mid to late 1980s, with ups and downs as economic

conditions changed. There also appears to be a consensus that income inequality increased across Canada beginning in the early 1990s and continuing through the middle of this decade. Analysts demonstrate that this recent increase in inequality came about as a result of increases in earnings and other forms of market income for those at the upper end of the income distribution while earnings of those with low and middle incomes increased little or stagnated. Further, analysts generally agree that government transfers and taxes lessened the effects of increased earnings disparity, but were insufficient to stem this growing inequality, with the result that after-tax incomes became more unequally distributed in the 1990s and first half of this decade.

In his review of studies of Canadian income inequality, Lars Osberg showed that shares of income going to those at different income levels changed little between 1951 and 1981 (Osberg, 2008, p. 7). He notes "In 1981, one could conclude that 'economic inequality has remained roughly constant since the Second World War', but the same cannot be said now. The last 25 years have seen a substantial increase ... in economic inequality—in terms of after-tax income, primarily over the period 1995 to 2006" (p. 33).

A Statistics Canada study by Andrew Heisz, analyzing income inequality over the 1976 to 2004, period, found "that family income became more equally distributed across the 1980s. ... However, from 1989 to 2004, income inequality rose. The results indicate that after-tax-income inequality was higher in the post-2000 period than at any other point since 1976" (Heisz, p. 6).

Both Osberg and Heisz found that it was the incomes of Canadians with high incomes that grew most, creating a greater gap between less well off and very well off. While it is generally recognized that income and wealth of the very affluent in the United States expanded dramatically since the 1980s (at least until the 2008 crisis),

Osberg finds that "the super-concentration of affluence in Canada has lagged that in the US by a few years—only really beginning to accelerate after about 1995—but with very much the same trend" (2008, p. 26).

While these and other CCPA studies provide complementary information about trends in income inequality in Canada and several of the provinces, there has been little examination of this issue in Saskatchewan. A notable exception is work of Gordon Ternowetsky in the late 1980s, examining the decline of middle incomes (Ternowetsky and Thorn).

The present study examines trends in incomes and income inequality in Saskatchewan for the period 1976 to 2006. This paper is structured as follows.

- The following section provides a short overview of the Saskatchewan economy over the years 1976 to 2006.
- Section 3 summarizes the distribution of income in Saskatchewan and compares the provincial situation with that of Canada and the other provinces.
- Section 4 presents an analysis of the changes in the distribution of earnings and after-tax incomes for Saskatchewan over the thirty years from 1976 to 2006.
- Section 5 presents a short summary of the gap in incomes between individuals and families of Aboriginal origin and the rest of the population of the province.
- Conclusions and recommendations for lessening income inequality conclude the report in Section 6.
- Notes on data sources and methods employed in this study, along with additional tables and information are provided in the appendix. The report concludes with a list of references.

Section 2

Overview of Saskatchewan Economy – 1976 to the Present

The economy of Saskatchewan has undergone major changes over the thirty years from 1976 to 2006, moving from an economy highly dependent on agriculture to one with a more diversified structure where employment and production are centred on agriculture, services, and minerals. During this time, total production has more than doubled and, with little growth in population, production per person has also doubled. In recent years, assisted by high commodity prices, the Saskatchewan economy has experienced improved growth (Appendix Table A6).

But, as will become apparent in this report, economic expansion has been uneven, with some residents of the province benefiting a lot while much of the population has benefited little or not at all. In the case of Aboriginal people, especially those living on reserves, economic conditions remain grim and there has been little reduction in the income gap with non-Aboriginal people.

This section of the report contains a short summary and discussion of economic indicators that give an overview of how the Saskatchewan economy has fared since 1976.

Shifts in Economic Structure

The most notable change in the structure of the Saskatchewan economy since 1976 has been reduced provincial reliance on agriculture as

place of employment and source of production. While agricultural production has expanded, farm income has often been low and the number of employed in agriculture has dropped from one-quarter of the labour force in 1976 to less than ten per cent by the middle of this decade. The share of total production in the province accounted for by agriculture has declined by a similar amount (Appendix Table A5).

There has been a dramatic expansion in service sector employment, with trade and services now accounting for over two-thirds of provincial employment. During the current decade, the value of products produced in the province has expanded rapidly, with minerals leading the way. While total production of oil, gas, potash, and uranium has not increased greatly in amount, these minerals in Canadian and world markets more than tripled in value between 2001 and 2008 (Saskatchewan Bureau of Statistics, 2009a, p. 2). In addition, over the last ten years, “the fastest growing industry groups have been retail and wholesale trade” with expansion in construction and manufacturing (Sask Trends Monitor, 2009, pp. 6-7), as well as public investment and provincial government revenue.

From 2006 to 2008, the Saskatchewan economy was characterized by increases in personal expenditures, investments, government expenditures, and corporate profits. In addition,

employment grew and the unemployment rate fell to 4.1 per cent. At the time of writing of this report some indicators point toward economic decline.

Since 1976 advances and setbacks in the Saskatchewan economy have not resulted in this generation of families being better off than their predecessors. It has primarily been the top twenty per cent of families who have reaped the greatest gains.

Variations in Economic Growth, 1976 to 2006

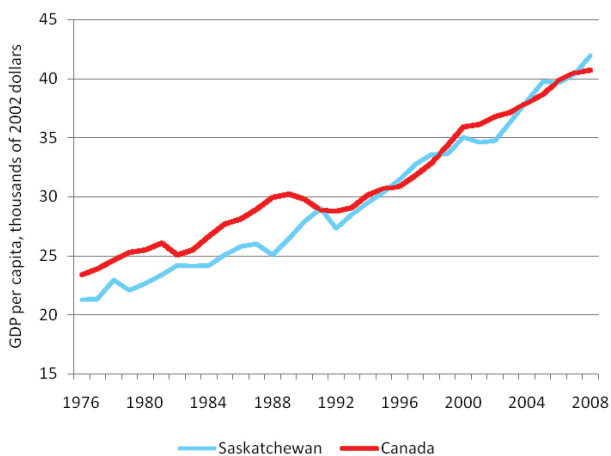
Tracing changes in production and employment across the thirty years from 1976 to 2006 shows not only the growth of production and employment in Saskatchewan and Canada, but also the ups and downs that have occurred with waves of expansion and recession.

Gross domestic product, or GDP, provides a measure of the value of total production in a province or country. While it is only one economic indicator, GDP is the most consistent, continuous, and available measure of economic change. Since 1976, Saskatchewan's real GDP has more than doubled and Canada's increased by two and one-half times (Appendix Table A6). Once changes in population are considered, GDP per capita has come close to doubling for each of Canada and Saskatchewan. Yearly changes in GDP per capita, corrected for inflation and in constant 2002 dollars, are illustrated in Figure 2.1. From this figure:

- Since 1976, for both Saskatchewan and Canada, there has been continued growth in per capita GDP, with several interruptions.
- Saskatchewan's GDP per capita trailed that of Canada until the early 1990s but since then has more or less paralleled that of the country as a whole, surpassing the latter in recent years.

- The effects of the recession of the early 1990s are apparent in the steep decline of GDP from 1990 to 1992. For Canada, per capita GDP recovered only in 1994 and 1995 before resuming an upward trend. Saskatchewan also experienced this recession with an especially sharp decline.
- Yearly changes in GDP per capita are more variable in Saskatchewan than Canada, with downturns in the province occurring in 1983, 1988, and 2001-2002.

Figure 2.1. Gross Domestic Product (GDP) per capita, thousands of 2002 dollars, Saskatchewan and Canada, 1976-2008



Source: Saskatchewan Bureau of Statistics, 2009, Table 2

Changes in Employment and Unemployment

Employment in Saskatchewan expanded slowly between 1976 and 2006, growing by only thirty per cent (Appendix Table A7), in contrast to a seventy per cent increase for Canada. In the late 1980s and through the 1990s, the number of jobs often declined and it has only been since early in this decade that provincial employment has continued to expand. This slow growth is reflected in the provincial labour force participation rate and employment rate. From Figure 2.2:

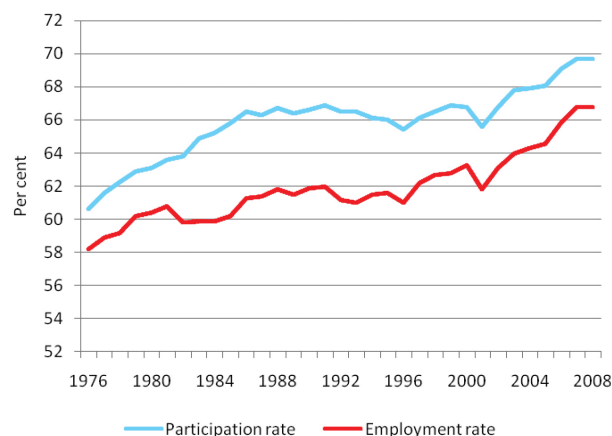
- The employment rate, the percentage of the population aged 15 and over who were employed, increased from fifty-eight per cent in 1976 to sixty-seven per cent in 2008, meaning that a larger percentage of Saskatchewan adults are employed than thirty years ago.
- The labour force participation rate is the percentage of the population aged 15 and over who participate in the labour force, that is, who report being either employed or unemployed. This rate has increased, from sixty-one per cent in 1976 to seventy per cent in 2008.
- Most of the increase in employment and participation rates came as a result of larger percentages of women joining the labour force. While employment for males increased only six per cent from 1976 to 2006, women's employment increased by seventy-one per cent (Appendix Table A7).
- Both rates increased in the late 1970s and early 1980s, but then levelled off or declined during much of the 1980s and 1990s. During this time, as workers left agriculture, jobs in other sectors were not created, with the result that employment stagnated and many young

people left the province. Only in the last six to seven years has this situation changed and the upward trend in employment resumed.

- While reviews of employment in Saskatchewan now argue that the labour market has improved and "employment shows continued robustness" (Saskatchewan Bureau of Statistics, 2009a, p. 4), this improvement is of fairly recent origin. For the most part, recent robustness is due to expansion of the service sector, where wages and salaries are often low.
- Given Saskatchewan's demographic and social structure, the availability of labour appears to have peaked in 2008. In response, the provincial government has expanded programs to import workers into the province.

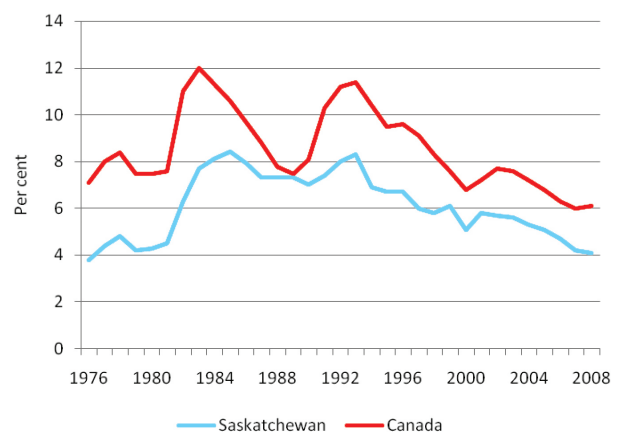
Changes in the unemployment rate for Saskatchewan and Canada are illustrated in Figure 2.3. The long period of weak Saskatchewan labour market conditions is apparent in an unemployment rate that was above six per cent from the early 1980s through the late 1990s. The effects of the recessions of the mid 1980s and early 1990s are apparent in the large jumps in the unemployment rate in 1982-1984 and again in 1991-1994.

Figure 2.2. Labour force participation and employment rates, per cent, Saskatchewan, 1976-2008



Source: Statistics Canada, 2009, Labour force estimates by detailed age groups, sex, Canada, province, annual average.

Figure 2.3. Unemployment rate, per cent of labour force, Saskatchewan and Canada, 1976-2008



Source: Statistics Canada, 2009, Labour force estimates by detailed age groups, sex, Canada, province, annual average

While the unemployment rate for Saskatchewan was always less than that for the country as a whole over this period, the total number of persons employed grew slowly in Saskatchewan with employment falling from 1986 through 1996. Two of the reasons for the lower Saskatchewan unemployment rate are that (i) fewer adults, especially rural and farm women, participated in the labour force and (ii) many young people and adults left Saskatchewan during these years, a trend that has only recently been reversed.

As employment in agriculture contracted dramatically over the thirty year period, it was primarily the service sector that provided new jobs. Diversification of the Saskatchewan economy away from agriculture has failed to expand employment by very much in manufacturing and mining. While the value accounted for by mineral production grew dramatically after 1976, this sector accounts for less than five per cent of jobs and has led to very limited growth in employment (Appendix Table A5), with jobs often short-term and irregular. By 2008, manufacturing accounted for 7.6 per cent of GDP (Sask Trends Monitor, 2009, p. 7) and six per cent of employment (Sask Trends Monitor, 2008, p. 9), little more than their respective 1976 levels of six per cent for each (Appendix Table A5). While Saskatchewan governments over the years have attempted to increase the amount of manufacturing in the province, it has never become a leading sector of economic growth.

Renewed expansion in employment has resulted in employment growing each year in this decade, from four hundred and sixty thousand in 2001 to five hundred and thirteen thousand in 2008. The unemployment rate for the province declined to 4.1 per cent in 2008. The current unemployment rate in mid 2009 is slightly higher, at 4.7 per cent.

Following seven years of declining population and reaching a low point in 2006, the province's population has expanded by only about thirty-five thousand, with a gain of approximately

twenty-five thousand through net migration. But even at this rate, it will take many years for Saskatchewan to gain back the large losses through out-migration (over one hundred and twenty thousand net out-migrants) over the period from 1987 through 2006 (Saskatchewan Bureau of Statistics, 2009b).

Economic data from 2008 do not reflect the current global economic crisis and it is probable that future years will have higher unemployment rates. The mineral sector, particularly potash, is currently characterized by falling commodity prices and layoffs. The downturn in the oil industry is exemplified by a steep decline in sales of sales of Crown petroleum and natural gas rights. For the first six months of 2008, sales totalled only \$36 million, in contrast to over \$1 billion for 2008 (Government of Saskatchewan, 2008, 2009).

Summary

Economic conditions in Saskatchewan have improved considerably in recent years. As will be seen in the following sections, this has benefited Saskatchewan families at all income levels and has helped turn the out-migration into in-migration or return-migration. At the same time, the losses that many individuals and families suffered as a result of the years of limited economic expansion, and especially the slow growth of jobs, have not been reversed. During both good and bad economic times, those at lower income levels have continued to lose. In bad economic times the less well off have lost in both relative and absolute terms. In recent better off economic times, the less well off have made some gains, but the better off have made even greater gains, thus widening the income gap between high and low income families in Saskatchewan.

The most pressing future public policy question for the provincial government is how to fairly distribute windfall revenue gains acquired from oil, natural gas, uranium and potash.

Section 3

The Distribution of Family Income in Saskatchewan

Since the mid 1990s, Saskatchewan incomes have increased although they remain below the Canadian average. But these increases have not reduced income inequality. The top fifty per cent of families with children having the highest incomes receive almost three-quarters of all income. The richest twenty per cent of families receive six times the share of total income than received by the poorest twenty per cent.

Following a short note on methodology and data sources, this section of the report examines the level and distribution of earnings and after-tax income of Saskatchewan families with children and provides comparisons with other provinces and Canada as a whole. Trends in inequality over the years 1976 to 2006 are examined in Section 4.

Data and Methodology

The data for this report come from annual surveys over the 1976 to 2006 period conducted by Statistics Canada and specially tabulated for the Canadian Centre for Policy Alternatives. The data refer to families with children age 18 and under. In the report these are sometimes referred to merely as families, or families with children—in all cases, this means families with children age 18 and under. These are a core group, including all children and accounting for just a little less than one-half of the population (Appendix Table A1).

The two types of income analyzed in this and the next section are earnings and after-tax income. Earnings include all income of family members from wages and salaries or self-employment (primarily farm and unincorporated business). Not included in earnings are income from investments, pensions, and other sources unrelated to employment. After-tax income is the family's total income from all sources minus the amount paid by all family members in income tax.

Incomes reported in the text and tables that follow have been corrected for changes in prices. All incomes have been recalculated into 2006 dollars and represent what the income of each year would have purchased in 2006, had prices not changed. In the text, the incomes are often rounded to the nearest hundred dollars.

Much of the analysis of incomes is conducted using income deciles. This involves ranking all families from those with the lowest earnings or incomes to the highest and then dividing them into ten equal parts, or deciles. The first decile, or decile 1, represents the one-tenth of families with the lowest earnings or incomes, the second decile represents the families with the second lowest ten per cent of earnings or incomes; and so on. Since ten deciles are a lot to consider, in a few places quintiles are used instead, representing the poorest twenty per cent of families, the second poorest twenty per cent, and so on.

The bottom two deciles are the same as the bottom quintile.

Income data are summarized using medians and averages. The median income is the mid-point of the income spectrum, so that one-half of families have lower income than the median and the other one-half have greater income than the median. The average used here is the mean, that is, the total income of all families divided by the number of families.

Unless otherwise stated, the data in this and the following sections are derived from the special tabulation conducted by Statistics Canada for the CCPA. For those interested in further details about data and methods, consult the first part of the Appendix.

Earnings of Saskatchewan Families with Children

In 2006, median earnings for Saskatchewan families with children were \$54,500 and average earnings were \$67,200. The 2006 median was similar to that of the previous four years (an average of \$54,200), a nine per cent increase from the median income that averaged \$49,800 over the five years from 1997 to 2001.

Median earnings of Saskatchewan families with children are approximately ten per cent less than

for Canada (Figure 3.1 and Appendix Table A8). In 2006, median earnings of Canadian families with children were \$61,700. Among provinces, median earnings were greatest in Alberta (median of \$72,700), Ontario (\$66,800), and British Columbia (\$60,700) and lowest in Newfoundland and Labrador (\$43,100). Across the provinces of Canada, earnings of Saskatchewan families tend to be near the middle.

From Figure 3.1, median earnings of Saskatchewan families with children have trailed those of Canada over the thirty years from 1976 to 2006. Since the late 1980s, the trend in median earnings in Saskatchewan has more or less paralleled that for Canada as a whole, with a gap of ten to twenty per cent, depending on the year. Earnings in Canada as a whole declined to a low point during the recession of the early 1990s, but have more than recovered since then. Earnings in Saskatchewan went through a long decline from the mid-1970s through the early 1990s. **While Saskatchewan earnings have increased by twenty per cent since their low point in 1993, from 2002 to 2006 median earnings of Saskatchewan families were no greater than in 1976 to 1980.**

After-tax Income of Saskatchewan Families with Children

While earnings are the most important source of income for most individuals and families, it is after-tax income that is ultimately the main indicator of a family's living standard and of its ability to spend or save. In 2006, median after-tax income of Saskatchewan families with children was \$56,000, with an average of \$64,500.

After declining in the 1980s and early 1990s, median after-tax income of Saskatchewan families with children has steadily increased since the late 1990s. For the years 2002 to 2006, median after-tax income averaged eleven per cent more

Figure 3.1. Median earnings of families with children, 2006 dollars, Saskatchewan and Canada, 1976-2006

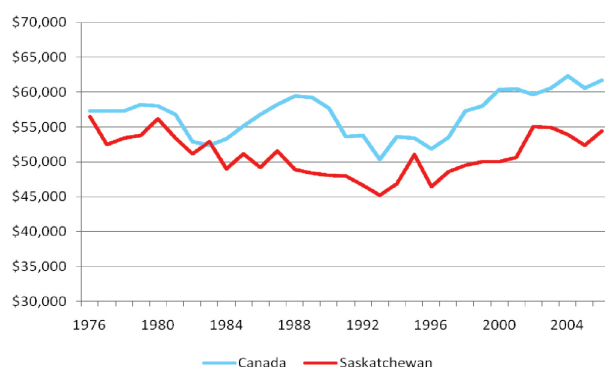
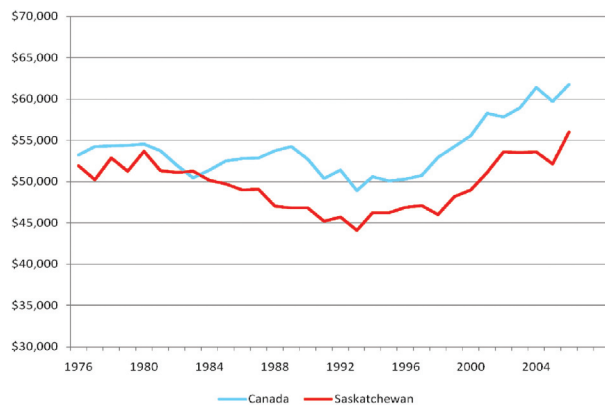


Figure 3.2. Median after-tax income of families with children, 2006 dollars, Saskatchewan and Canada, 1976-2006



than in the previous five years 1997 to 2001. And although earnings early in this decade were no greater than in the mid-1970s, from Figure 3.2, median after-tax income of families with children over the most recent five years was greater than in the five years 1976 to 1980. Again, while the trend in after-tax income in Saskatchewan parallels that for Canada, after-tax income in the province trailed that of Canada by ten to fifteen per cent since the late 1980s.

As with earnings, median after-tax income for Saskatchewan families with children (\$56,000) is in the middle among provinces of Canada (Appendix Table A8). Again, Alberta (median of \$71,300), Ontario (\$65,300) and British Columbia (\$60,100) families with children have the highest median after-tax incomes, while Newfoundland and Labrador (\$48,600) has the lowest.

Distribution of Earnings and After-tax Income in Saskatchewan in 2006

The distribution of earnings of Saskatchewan families with children is summarized in Figure 3.3 and that for after-tax income in Figure 3.4. In each of these figures, the total number of families with children has been divided into ten

equal parts, or deciles. However, the incomes of each of these deciles are not the same. Decile 1 represents the one-tenth of families with the lowest income and decile 10 the one-tenth of families with the greatest income. Examination of the incomes associated with each decile shows the inequality of the distribution of earnings and after-tax income in the province. Median and average incomes are also provided in the first two bars on the left of each figure.

In each of Figures 3.3 and 3.4, the decile limits are given on the horizontal axis. For example, in Figure 3.3, the ten per cent of families in decile 3 are those with earnings between \$17,626 and \$30,899. Twenty per cent of families have earnings less than \$17,626, seventy per cent of families have earnings greater than \$30,899, and ten per cent have earnings between these limits. Median earnings are given on the vertical axis and the median level of earnings of each decile is given above the bar. Again, for decile 3, those families with earnings between \$17,626 and \$30,899, the median level of earnings was \$24,246 in 2006.

From Figure 3.3, it is apparent that some families with children do very well, with twenty per cent (top two deciles) having earnings above \$105,300. At the same time, the twenty per cent of families with the least earnings have earnings under \$17,600. In fact, the median for the lowest earnings decile is no earnings at all—these are the ten per cent of Saskatchewan families with less than \$3,400 in earnings who, it must be assumed, obtain most or all of their income from government transfers.

Perhaps more relevant for determining how well-off Saskatchewan families are is the distribution of after-tax income (Figure 3.4). In 2006, the ten per cent of families at the top end had after-tax incomes of over \$110,000. In contrast, the poorest twenty per cent of families had after-tax incomes of less than \$31,200. The median income of the poorest ten per cent was only \$15,400 in 2006.

The distribution of after-tax income (Figure 3.4) has less inequality associated with it than the distribution of earnings (Figure 3.3). Note that the earnings of the lowest deciles in Figure 3.3 were much less than the after-tax incomes of these lowest deciles. At the top end, earnings of the top three deciles were greater than their after-tax incomes. While there are various sources of other income (e.g. investment income), the major

difference between Figures 3.3 and 3.4 is transfers from government and income taxes. Pension benefits and investment income are relatively small income sources for families with children age 18 and under. Families with low earnings receive transfers such as child tax or employment insurance benefits and social assistance. These often make a critical difference to their well being. As earnings increase these transfers

Figure 3.3. Distribution of earnings of families with children, medians and decile limits, dollars, Saskatchewan, 2006

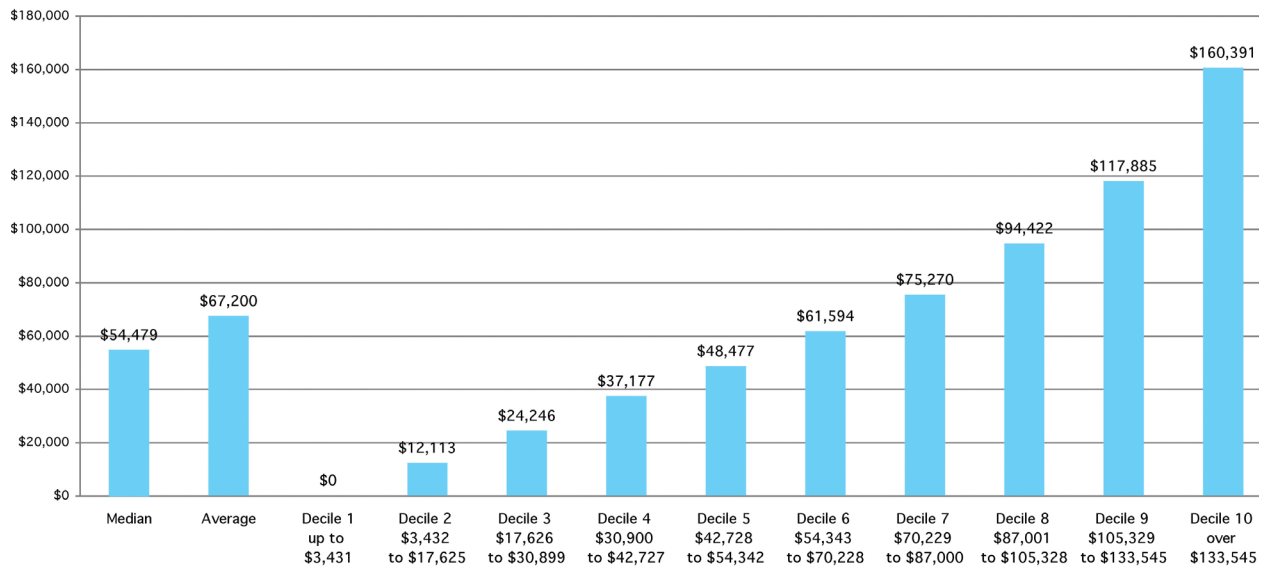
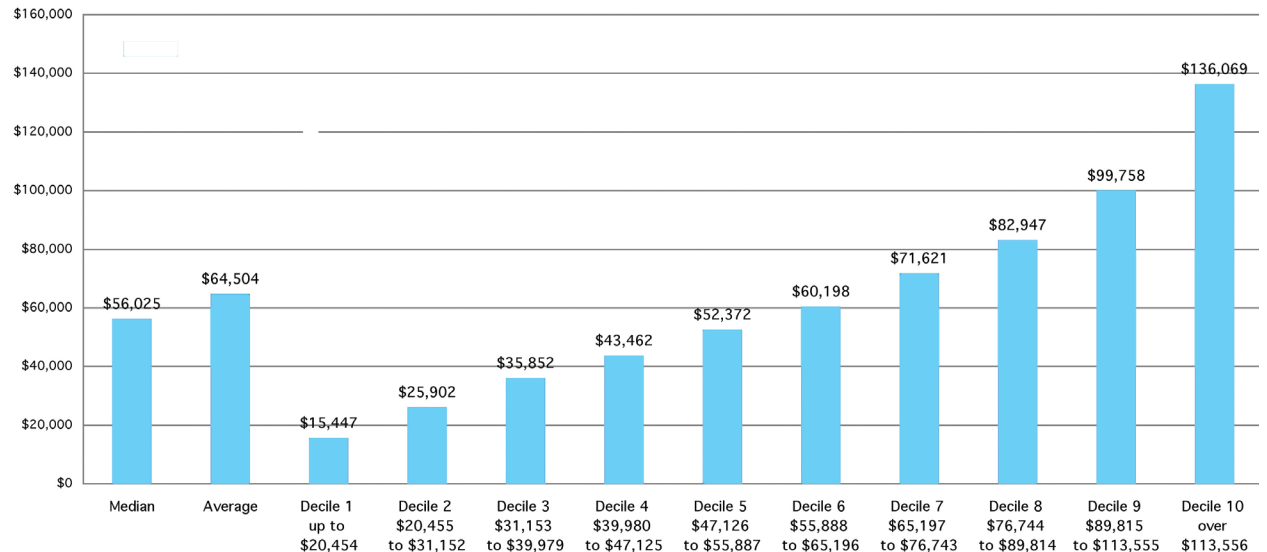


Figure 3.4. Distribution of after-tax income of families with children, medians and decile limits, dollars, Saskatchewan, 2006



decline. The Canadian system of income taxation and tax credits helps to lessen the inequality of income although, as will be seen in Section 4, taxation has less equalizing effect than government transfers.

The adequacy of incomes can be compared with measures of poverty or low-income as a means of determining the adequacy of incomes at lower levels. While there is no official measure of poverty in Canada, the low-income cut-offs (LICO) of Statistics Canada are often used as a measure of a minimally adequate income. More recently, Human Resources and Skills Development Canada has devised a Market Basket Measure (MBM) that is constructed using regional consumption patterns and prices. Each measure has different cut-off limits for rural areas and various sized cities. The 2006 levels of the MBM for Saskatchewan and the LICO for Canada are shown in Table 3.1. The value for each measure refers to cost of providing a minimal level of living for a family of two adults and two children.

Table 3.1. Measures of low-income, dollars, 2006

Place of residence	Measure of low-income	
	Saskatchewan Market Basket Measure (MBM)	Canada Low-income Cutoffs (LICO)
Rural	26,216	21,278
Urban under 30,000	27,224	24,867
Urban 30,000 to 99,999	24,794	27,741
Urban 100,000 plus	26,269	28,091

Source: Appendix Table A9

From Table 3.1, it is apparent that an after-tax income of \$25,000 to \$30,000 was only minimally adequate in 2006. Yet from Figure 3.4, in 2006 almost twenty per cent of families with children had incomes less than this.

Another indicator of a minimally adequate income is the minimum wage. The minimum wage was raised to \$7.55 per hour in 2006 and since May 1, 2009 it is \$9.25 per hour (SAEEL). In

2006, a single earner with a job paying no more than the minimum wage and working thirty-six hours per week for fifty-two weeks would have received \$14,134 in annual earnings and \$28,268 for a family with two earners. Most of the families in deciles 1 and 2 have after-tax income less than the equivalent of two adults working full-time and full-year at minimum wage.

Shares of Income

The differing shares of income received by those at lower and higher incomes demonstrate the extent of inequality in the distribution of family income. This concluding part of Section 3 shows the quintile share of after-tax income for Saskatchewan and the decile ratio across provinces.

Figure 3.5. Quintile shares of after-tax income of families with children, Saskatchewan, 2006

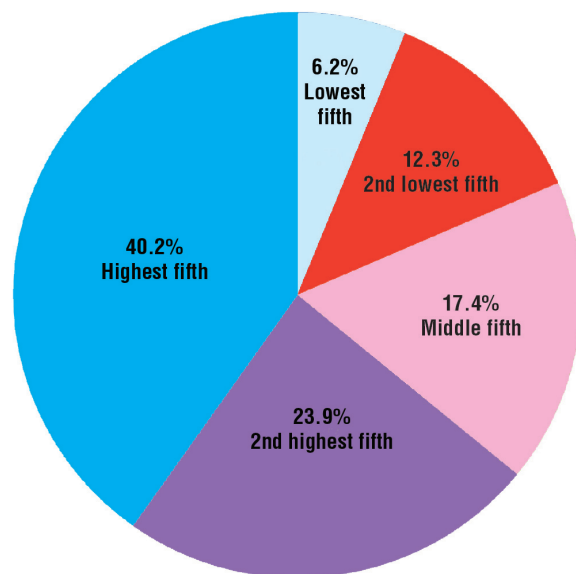


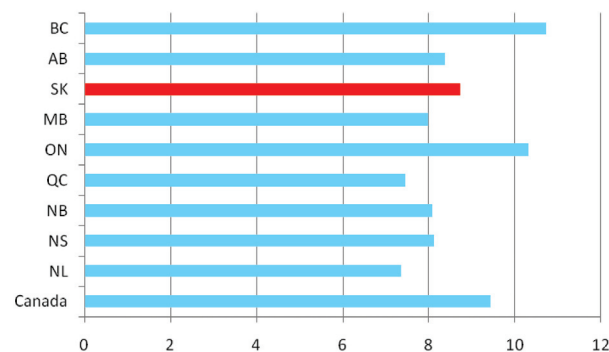
Figure 3.5 illustrates the quintile shares of after-tax income of Saskatchewan families with children in 2006. Consider the circle as representing the total of all after-tax income for families raising children in Saskatchewan, with the wedges representing the portions of this total received by each of the fifths of the after-tax income distribution.

For example, the one-fifth, or twenty per cent, of families with the lowest incomes receive only six per cent of all Saskatchewan after-tax income. In contrast, the best off one-fifth receive six and one-half times as much, or forty per cent of all the after-tax income. If income were equally distributed among all families in the province, each wedge would have the same size and the share for each one-fifth of families would be one-fifth of income. From Figure 3.5 it can be seen that the top two-fifths receive almost two-thirds of all income (40.2% plus 23.9% or 64.1%), much more than their forty per cent share of families. In contrast, the bottom two-fifths (forty per cent of all families) receive less than twenty per cent of all income (6.2% + 12.3% or 18.5%).

The Statistic Canada surveys on which these data are based exclude Aboriginal families living on reserves. Given the number of such families, the extent of inequality in the province is even greater than indicated in this report.

Another summary measure of inequality, the decile ratio, for nine provinces and for Canada is shown in Figure 3.6. The decile ratio is the ratio of the average after-tax income of decile 10 (the best off tenth) to the average after-tax income of decile 1 (the worst off tenth). The higher this ratio, the greater the degree of inequality of after-tax income. Since these ratios fluctuate from year-to-year, an average for 2003-2006 is presented in Figure 3.6.

Figure 3.6. Decile ratio of inequality, by province, 2003-2006



Source: Ivanova, p. 43

From Figure 3.6, Saskatchewan is the province with the third greatest after-tax income inequality, with only British Columbia and Ontario having greater inequality. With an average of 9.6 from 2003 to 2006, the decile ratio for Saskatchewan is well above that for Manitoba (7.8) and Alberta (8.5). Over the last thirty years, income inequality in Ontario and provinces to the west has generally been greater than in Quebec and the Atlantic provinces. While there may have been some narrowing of the differences in this decade, the five most western provinces (with the possible exception of Manitoba) continue to have greater inequality than the eastern provinces.

In 2006, the decile ratio for Saskatchewan rose to its highest level in thirty years, reaching 11.3, by far the largest among the provinces, and well above the Canadian average of 8.7. It is too early to say whether 2006 was an anomaly, but the rising value of the decile ratio for the province from 2002 to 2006 indicates that income inequality has increased in the province.

Conclusion

Incomes in Saskatchewan were little greater in the middle of this decade than they were in middle to late 1970s. Both median earnings and after-tax income declined severely through the 1980s and early 1990s, recovering only in the past few years. Current levels of inequality are also great, with approximately one-fifth of families receiving less than what can be considered a minimally adequate income. The best-off, in terms of income, receive much more than the share of population they represent. Such inequality occurs in all provinces, but in 2006 the decile ratio for Saskatchewan surpassed all other provinces.

Section 4

Increased

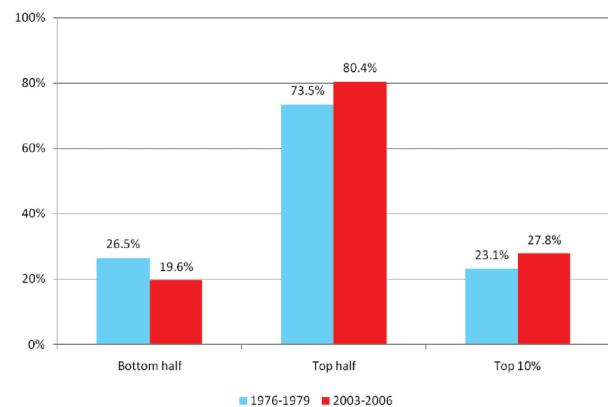
Family Income Inequality, 1976 to 2006

Overview

Over the last thirty years, earnings of Saskatchewan families with children have become more unequally distributed — earnings have stagnated or declined for those at the lower end while increasing for those at the upper end. Taxation and transfers by governments redistribute some of this income, so the gap between the after-tax income of low- and high-income families is less than the gap in earnings. However, earnings inequality has expanded so much that redistribution of incomes has been insufficient to reduce the gap between low- and high-income families.

This section of the report focuses on changes in the distribution of Saskatchewan earnings and after-tax income from 1976 to 2006, with comparisons to the situation across Canada. All figures have been converted into 2006 dollars so any changes in earnings and income represent their real value in terms of what they could purchase in 2006. As in Section 3, it is families with children age 18 and under whose situation is being described in this section. As noted earlier, the Statistics Canada surveys exclude Aboriginal people living on reserves, meaning that inequality may be even greater than reported here.

Figure 4.1. Shares of earnings of families with children, Saskatchewan, 1976-1979 and 2003-2006

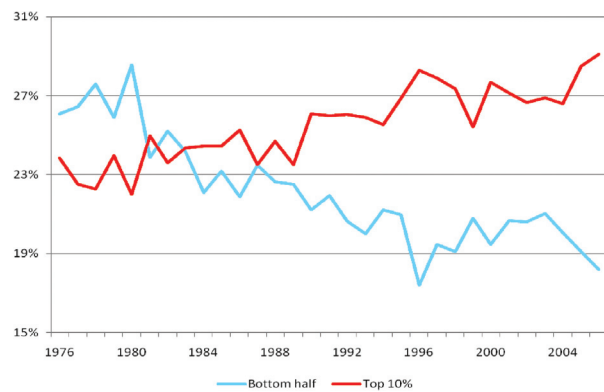


Reduced Earnings Share for the Bottom Half

In 2003-2006, the bottom fifty per cent of Saskatchewan families with children received less than twenty per cent of total earnings. In contrast, the richest ten per cent of families received twenty-eight per cent of all earnings. Figure 4.1 illustrates changes in shares of earnings between 1976-1979 and 2003-2006. Earnings were certainly not equally distributed in the late 1970s. But at that time the bottom half at least received a larger share of total earnings (26.5 per cent) than did the richest ten per cent (23.1 per cent). Thirty years later, the gains made by families with high earnings were so great that the top ten per

cent received forty per cent more of earnings than did the bottom half. A close to equal distribution means that the bottom half and the top half would each receive equal shares of total earnings. But by 2003-2006, the top half of earners received four times that of the bottom half.

Figure 4.2. Share of earnings of bottom half and top ten per cent of families with children, Saskatchewan, 1976 to 2006



From the late 1970s through the 1980s, the share of earnings received by the top ten per cent fluctuated from year to year but did not increase much (Figure 4.2). But since 1990 the share of earnings received by these families increased regularly, reaching an unprecedented high of twenty-nine per cent in 2006. While the very high levels for the richest in 2005 and 2006 may be an anomaly, from Figure 4.2 the share for this highest tenth has fluctuated around the twenty-seven per cent level since the mid 1990s.

Families with the least earnings experienced a more-or-less continual decline over thirty years. In the late 1970s, the bottom half had a larger share than the top ten per cent. Following the farm crises of the 1980s and the recession of the early 1990s, the share of earnings of the bottom half slipped below that of the top ten per cent. During the 1990s and since the share of the bottom half continued to deteriorate, as employment conditions were slow to improve. While the recent expansion of the Saskatchewan economy has been good for the top, it has not reversed

the decline for the bottom and, through 2006, the gap between the top ten per cent and the bottom half continued to widen.

Similar trends occurred across Canada. In all provinces, by 2003-2006, the share of earnings received by the bottom half was less than that of the top ten per cent (Ivanova, p. 42). The gap between the bottom half and the top ten per cent in Saskatchewan is approximately the same as the comparable gap across Canada.

Table 4.1. Median earnings of families with children, by decile, 2006 dollars, Saskatchewan, averages for 1976-1979 and 2003-2006

Earnings decile	Median earnings in 2006 dollars		Percentage change, 1976-1979 to 2003-2006
	Average for 1976-1979	Average for 2003-2006	
Decile 1	\$4,493	\$0	-100.0%
Decile 2	\$22,465	\$13,217	-41.2%
Decile 3	\$33,606	\$25,258	-24.8%
Decile 4	\$42,373	\$35,972	-15.1%
Decile 5	\$50,702	\$48,443	-4.5%
Decile 6	\$58,410	\$60,007	2.7%
Decile 7	\$66,147	\$72,447	9.5%
Decile 8	\$76,532	\$89,512	17.0%
Decile 9	\$89,568	\$111,567	24.6%
Decile 10	\$120,695	\$152,906	26.7%
Median	\$54,041	\$53,936	-0.2%

Note: For decile 1, 2003-2006, see Appendix section "Zero incomes."

From 2003 to 2006, median earnings of Saskatchewan families were essentially the same as thirty years earlier (last row of Table 4.1), two periods with similar levels of unemployment. After declining during the 1980s and reaching a low point in the early 1990s, earnings increased in Saskatchewan (Figure 3.1 in Section 3). But families with the least earnings found their earnings to be

even lower than thirty years earlier. As shown in the last column of Table 4.1, median earnings for the families in the five lowest deciles (the bottom half) declined over the thirty year period. The poorest families (deciles 1 and 2) experienced severe declines in earnings, but even those at low to middle levels (deciles 3 and 4) have seen declines of fifteen to twenty-five per cent in the real value of their earnings.

Over the thirty years, only families in the upper half of the earnings distribution (deciles 6 through 10) improved their median earnings. For families in the top twenty per cent (deciles 9 and 10), median earnings were approximately twenty-five per cent greater than in the late 1970s. For families with the middle level of earnings (deciles 5 and 6), there was little change in earnings over the thirty year period.

It appears that the middle level of earnings represents a divide — those above the median gained since the mid 1970s and those below the median lost. From the last column of Table 4.1 (percentage change in median earnings over thirty years) each successively higher decile in the family earnings distribution experienced less decline or greater growth in median earnings. This demonstrates how the distribution of earnings has become more spread out, producing a widening gap between those with lower and higher earnings. How have Saskatchewan families compensated for this continuing decline in real earnings?

More Earners, More Weeks Employed, More Hours Employed

By the middle of this decade, members of families with children were putting in more weeks of employment than their counterparts of the late 1970s (Table 4.2). Much of this expansion in employment was a result of increased labour force participation by women (Section 2 and Appendix Table A7).

For those in deciles 1 through 3, jobs were difficult to find and average weeks of employment declined (Table 4.2), especially during the 1980s and 1990s, years of limited job growth in the province. Members of families with the least earnings were poorly served by a Saskatchewan economy that did not create enough jobs, and certainly not enough jobs with improving earnings. As more jobs began to appear later in the 1990s, families in the lowest deciles who were able to find jobs put in more weeks and hours of employment. The extra earners, weeks, and hours spent at employment were necessary to prevent earnings from declining even more than they did.

For families in the middle deciles, the decline or slow growth of median earnings over the thirty year period (Table 4.1) did not occur because members of these families were employed less. In deciles 4 and 5, median earnings declined even though members of these families were employed for more weeks of the year. For those in deciles 6 through 8, weeks of work increased over the thirty year period and hours of work increased from 1996 to 2006; the extra work effort produced some income gain for those in deciles 7 and 8 but resulted in only a very small gain for families in the sixth decile.

Earnings grew by approximately twenty-five per cent for the top two deciles between 1976 and 2006 (Table 4.1) and some of this gain resulted from extra employment. For the top three deciles, annual weeks employed exceeded 104 in 2006 — the latter representing the number of weeks of employment for a family with two full-year, full-time employees. Having two or three earners in the family appears necessary in order to maintain or increase earnings.

Compared to the late 1970s, by 2006 Saskatchewan families with children generally had more members employed and family members were employed more weeks and hours per year. For some families this was the main way of maintaining or increasing income. For others even

Table 4.2. Average annual weeks and hours of employment of families with children by earnings decile, Saskatchewan, 1976-1979, 1996-1999, and 2003-2006

Earnings decile	Average annual weeks of employment			Average annual hours employed	
	1976-1979	1996-1999	2003-2006	1996-1999	2003-2006
1					
2	74	49	60	1583	2034
3	78	76	74	2775	2532
4	72	86	86	3212	3052
5	77	93	94	3256	3300
6	84	95	98	3399	3444
7	85	102	101	3554	3702
8	94	112	112	3854	3943
9	108	115	117	4151	4360
10	117	122	133	4369	4748
Total	86	92	95	3269	3377

Note: (1) Data on hours of employment for Saskatchewan are not available prior to 1996. (2) Earnings for the first decile are not reported since some families in this decile had no earnings in some years.

this extra work effort was insufficient to produce increased earnings. The growing gap between those with higher and lower earnings is also an employment gap. It is primarily those families who are able to find greater employment who have reaped the benefits of economic expansion. These findings also demonstrate that members of low income families do not avoid work when they are able to obtain jobs. When jobs are available, those at low incomes are employed for more hours per week and more families members contribute by working more hours.

Growing Inequality in After-tax Incomes

Earnings in Saskatchewan were very unequally distributed over the thirty years — in 2006 the majority of Saskatchewan families in the bottom

decile had no or negative earnings; the average of earnings for those in the top decile was \$195,000. Since earnings account for approximately eighty-seven per cent of total income (Appendix Table A2), they are the main source of income for most families. Fortunately, Canada has a tax and transfer system that redistributes some income from earnings and investments, producing a distribution of after-tax income less unequal than the distribution of earnings. Provincial and federal government transfers to those with the least earnings provide these families with at least a minimal level of support. Income taxes are progressive in that taxation rates increase as income from earnings and investment increases. However, reductions in income tax rates, flattening of tax rates, and heavy reliance on sales taxes make the overall federal and provincial taxation systems less progressive than in the 1970s and 1980s. In his 2007 study of tax fairness in Canada, Marc Lee finds that

based on the change in total tax rates between 1990 and 2005, Canada's tax system has become much less progressive. The system has remained progressive through the middle of the income distribution, but in the upper half, the pattern has shifted to being more regressive by 2005. (Lee, p. 11).

The result is that while taxes and transfers come nowhere close to equalizing after-tax income, the distribution of after-tax income is less unequal than that of earnings.

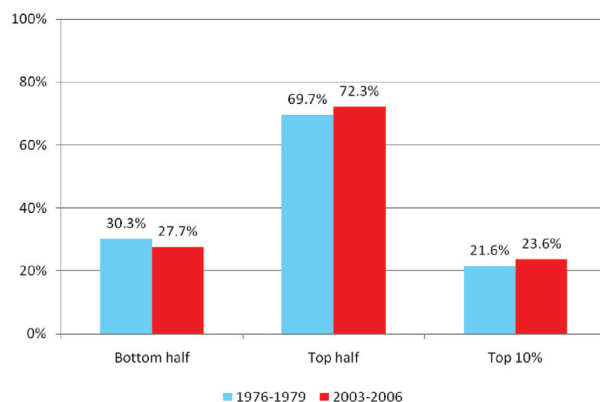
In this section, the distribution of after-tax income is examined. This is a family's income after all government transfers are included and income tax deducted. After-tax income provides a measure of a family's standard of living or what families have available to spend or save.

A summary view of the difference in inequality of earnings and after-tax income can be obtained by comparing Figures 4.1 and 4.3. In terms of earnings, the best off ten per cent of Saskatchewan

families with children received 27.8 per cent of all earnings in 2003-2006 (Figure 4.1); in terms of after-tax income the top ten per cent of families received 23.6 per cent of all after-tax income (Figure 4.3). The half of families with the least earnings received 19.6 per cent of all earnings in 2003-2006; the half of families with the least after-tax income received 30.3 per cent of all income.

While after-tax income was less unequally distributed than earnings, over the thirty year period, after-tax income became less equally distributed. In 1976-1979 the bottom half of Saskatchewan families received 30.3 per cent of after-tax income; by 2003-2006 the share going to the poorest half of families raising children had fallen to 27.7 per cent (Figure 4.3). In contrast, the top ten per cent saw their share of after-tax income rise from 21.6 per cent in 1976-1979 to 23.6 per cent in 2003-2006.

Figure 4.3. Shares of after-tax income of families with children, Saskatchewan, 1976-1979 and 2003-2006



Between earnings and after-tax income, it is government transfers and income tax that redistribute incomes to produce different distributions for each. Across the whole population, the largest government transfers are pensions and other assistance for the elderly. These transfers to elderly individuals and families accounted for sixty-five per cent of all transfers in Saskatchewan

in 2006 (Appendix Table A3). Given that these programs primarily assist the elderly, pensions are not an important source of income for families with children. Across Canada the primary government transfers providing income for families with two persons or more, where the primary income earner was between ages twenty-five and sixty-four, were child tax and employment insurance benefits, with pensions, social assistance, tax credits, and workers compensation accounting for most of the remaining transfers (Statistics Canada, 2008b, Table 2020404). For Saskatchewan in 2006, government transfers to families with two persons or more, where the primary income earner was between ages twenty-five and sixty-four, amounted to only six per cent of total income (Appendix Table A2).

Government transfers benefit all families but are especially necessary for those with low earnings. In the case of the lowest income decile, over one-half of families had no or negative earnings and government transfers accounted for what little income they received. For this lowest decile, over ninety per cent of income came from government transfers. At each successively higher decile, the size of transfers decreased, so by decile 6, transfers accounted for less than ten per cent of total income (Appendix Table A10).

From 1976 to 2006, median after-tax income increased in absolute terms and in share of the total for those at the highest income levels, while both median and share declined for those at lower income levels (Table 4.3). For those in deciles 2 and 3, median income declined by almost two thousand dollars in constant 2006 dollars. And the share of after-tax income of each of the bottom six deciles declined over this thirty year period.

The last column of Table 4.3 shows the widening gap between better off and worse off families — the lower the income, the greater the decline in share; the larger the income the greater the increase in share. The only exception to this is

decile 1, the ten per cent of families with the least after-tax income. Government transfers were sufficient to prevent a decline in absolute income for this decile, but their share of the total declined, although not as much as the shares of the second through fourth deciles. After three decades of economic growth, the majority of this generation of families in Saskatchewan are taking home a smaller slice of the total after-tax income pie than did their predecessors in the late 1970s.

Yearly Changes to Median After-tax Income

Median after-tax income for Saskatchewan families with children declined by approximately fifteen per cent from the late 1970s to the early 1990s, hitting a low point in 1993 (Figure 3.2 in Section 3). Since that time, median after-tax income has risen in Saskatchewan in most years, reaching a level of \$56,000 by 2006. Changes in Saskatchewan have paralleled those for Canada as a whole; although in 2006 median after-tax

income for Canada (\$61,700) was ten per cent greater than for Saskatchewan.

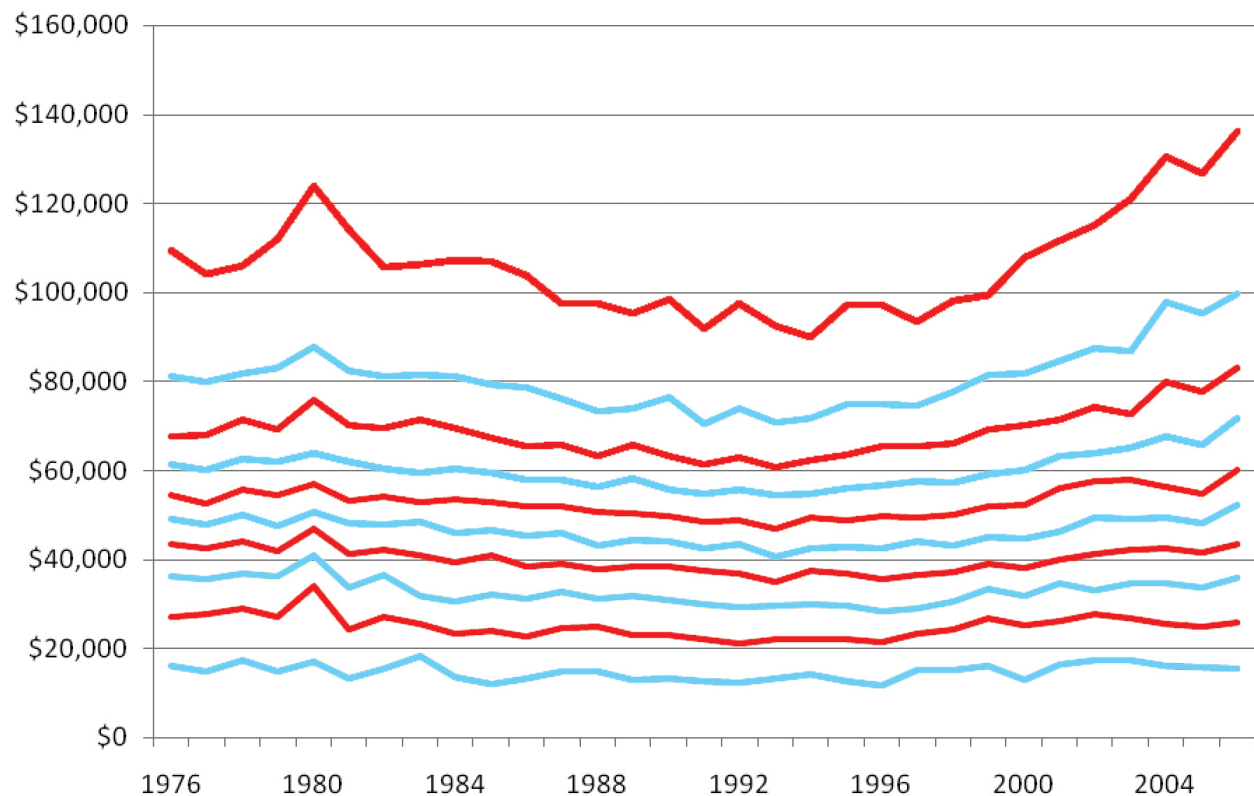
Yearly changes in after-tax income for each decile group are plotted in Figure 4.4. From the 1970s to the 1990s, the trend across the spectrum was toward lower median after-tax income, with families in all decile groups experiencing the lowest level between 1993 and 1996. Since then, median after-tax income increased between twenty and fifty per cent for each decile. The upper levels benefited greatly, with median after-tax income rising by over thirty per cent for each of the upper four deciles since the low point of the early 1990s. **For the top decile, the increase in median after-tax income between 1996 and 2006 was forty per cent, the greatest increase of all deciles.**

From Figure 4.4 and Table 3.3, the expansion of income from the early 1990s to 2006 was sufficient for only the top half of the distribution to become better off in 2003-2006 than in 1976-1979. **For the bottom five deciles, after-tax income was lower, or not substantially greater,**

Table 4.3. Median and share of after-tax income families with children, by decile, 2006 dollars, Saskatchewan, 1976-1979 and 2003-2006

After-tax income decile	Median after-tax income in 2006 dollars			Share of after-tax income		
	1976-1979	2003-2006	Percentage change	1976-1979	2003-2006	Percentage change
Decile 1	\$15,820	\$16,229	2.6%	2.6%	2.4%	-8%
Decile 2	\$27,876	\$25,914	-7.0%	5.0%	4.3%	-13%
Decile 3	\$36,209	\$34,766	-4.0%	6.4%	5.8%	-10%
Decile 4	\$42,871	\$42,391	-1.1%	7.7%	7.0%	-10%
Decile 5	\$48,791	\$49,884	2.2%	8.6%	8.2%	-4%
Decile 6	\$54,382	\$57,318	5.4%	9.8%	9.6%	-3%
Decile 7	\$61,551	\$67,579	9.8%	11.0%	11.1%	1%
Decile 8	\$69,145	\$78,268	13.2%	12.4%	12.7%	2%
Decile 9	\$81,595	\$94,974	16.4%	14.9%	15.3%	3%
Decile 10	\$107,829	\$128,543	19.2%	21.6%	23.6%	9%
Median	\$51,561	\$53,820	4.4%	100.0%	100.0%	

Figure 4.4. Median after-tax income of families with children, by decile, 2006 dollars, Saskatchewan, 1976-2006



at the end of the thirty years than it was at the beginning.

Compared with other provinces, the situation for lower income groups was especially grim in Saskatchewan and British Columbia. For Canada as a whole, the gap between after-tax income of low and high income families with children widened over the thirty year period, but those at the lower end at least had higher after-tax income in 2003-2006 than in 1976-1979. It was only in Saskatchewan and British Columbia where those in the bottom deciles had less after-tax income in 2003-2006 than in 1976-1979. For British Columbia, the situation for those in deciles two and three deteriorated severely, with a decline of approximately twenty per cent in after-tax income (Ivanova, Figure 11, p. 25). While the decline for Saskatchewan was not as great, less than five per cent, after-tax incomes were lower

in Saskatchewan than in British Columbia. In 2006 after-tax income for families in the bottom four deciles was lower in Saskatchewan than in the other three western provinces, and from ten to twenty per cent below that for Canada.

The decile ratio provides a further comparison demonstrating the widening gap between the worst off and best off families with children. In Figure 4.5, the decile ratio is the average after-tax income for the top ten per cent of families with children divided by the average after-tax income for the ten per cent of families with the least income.

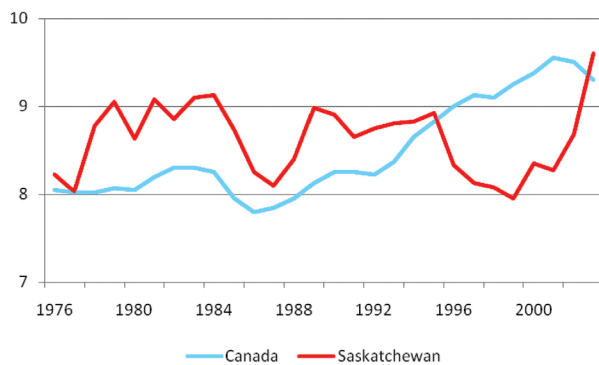
From the decile ratios of Figure 4.5, the top ten per cent of families averaged eight to ten times the average after-tax income of the bottom ten per cent. For Canada, the ratio hovered around eight until the early 1990s. After 1993 though,

the ratio rose to unprecedented high of 10.0 in 2004. While it declined to 8.7 in 2006, this ratio was high compared with the 1970s and 1980s.

In Saskatchewan the ratio ranged from a low of 6.9 in 1999 to a high of 11.3 in 2006. While this increase may be an anomaly, the rapid increase in the decile ratio of Figure 4.5 is worrisome on

two grounds. First, the ratio has increased in most years since 1999, producing a continual upward trend. Second, the ratio reached an unprecedented high in 2006. Once again, the trend demonstrates that, to 2006, economic growth Saskatchewan primarily benefited those with the highest incomes.

Figure 4.5. Decile ratio of average after-tax income of families with children, four year moving averages, Saskatchewan and Canada, 1976-1979 to 2003-2006



Government Redistribution Helps Lessen Inequality

Over the thirty year period, government redistribution of income through transfers and taxes has lessened the inequality that would exist if families had to rely entirely on earnings. But this redistribution has been insufficient to adequately address the growing inequality of earnings, with the result that after-tax income was more unequally distributed in 2003-2006 than in 1976-1979.

The data in Figure 4.6 provide a comparison of changes in the distributions of earnings, total

Figure 4.6. Percentage change in shares of earnings, total income, and after-tax income for families with children, by decile, Saskatchewan, 1976-1979 and 2003-2006



income before taxes, and after-tax incomes for Saskatchewan families with children from 1976-1979 to 2003-2006. The bars in this figure represent the change in the share of each type of income over the thirty year period.

- **Left bar — change in share of earnings.** The left bar for each decile shows the amount that each decile's share of earnings has changed. For the lower six deciles, the share of earnings was lower in 2003-2006 than in 1976-1979; for the top three deciles, the share increased. This change indicates a major increase in earnings inequality among Saskatchewan families.
- **Middle bar — share of total income.** The middle bar for each decile shows changes in the share of total income from all sources (earnings, investments, other income). Again, the bottom six deciles experienced a decline in share of total income and the top three an increase, with the seventh decile showing little change. For low income deciles, shares of total income declined, but by much less than shares of earnings. The primary reason for this difference is government transfers — those with low earnings generally received more of these, so their share of total income did not decline as dramatically as did their share of earnings.
- **Right bar — share of after-tax income.** The right bar for each decile shows how shares of after-tax income changed between 1976-1979 and 2003-2006. The direction and size of changes in shares, as indicated by these bars, was not all that different than for total income. Again, for lower income deciles, the decline in shares of after-tax income was less than for shares of total income, and much less than for shares of earnings. And for those at higher income levels, the increase in shares of after-tax income was less than for either total income or earnings. At the same time, as shown earlier in Table 4.3, the share of after-tax income for those at lower income declined over the thirty year period, while the share of

after-tax income increased for those at higher income levels. As a result, after-tax incomes for Saskatchewan families were less equally distributed in 2003-2006 than in 1976-1979.

Several conclusions concerning income redistribution and inequality emerge from Figure 4.6:

- First, transfers and income taxation of federal and provincial governments have a major effect on the inequality of after-tax income. If there were no redistribution of income, the dramatic increase in inequality of earnings would have meant skyrocketing overall income inequality. While the share of earnings for the bottom half of earners was 19.6 per cent in 2003-2006 (Figure 4.1), the share of after-tax income for the bottom half was greater, at 27.7 per cent (Figure 4.3). The latter was still far below the fifty per cent of families with children that are in the bottom half, but redistribution through transfers and taxation at least increased their share of income by eight percentage points.
- Second, for those at lower income levels the effect of government transfers is more important than taxes in equalizing incomes. In Figure 4.6, the large difference is between earnings and total income, with the latter being less unequally distributed than the former. While there are various reasons for this difference, the primary factor is government transfers in the form of child tax and employment insurance benefits, workers compensation, social assistance, and pensions. It is these payments by governments that provide those with low or no earnings a minimal level of income. In contrast to the difference between total income and earnings, the bars of Figure 4.6 representing total income and after-tax income are similar, indicating little difference in the shares of after-tax incomes from shares of total income. Income taxes helped to reduce inequality, but the equalizing effect of income taxes is not as great as the equalizing effect of government transfers. Further details

on transfer and taxes by decile are provided in Appendix Table A10.

- Third, government redistribution policies were not adequate to deal with the great increase in earnings inequality. Prior to the early 1990s, income inequality in Canada fluctuated but there were no major trends toward either increased or reduced inequality (see, for example, the line for Canada in Figure 4.5). Since the early 1990s, earnings inequality in Canada began to increase regularly and by the middle of this decade, there had been a major expansion in inequality. While transfers and taxes helped to lessen this inequality, the redistribution system failed to prevent increased inequality in after-tax incomes. As a result, the distribution of after-tax income was more unequal in 2003-2006 than it was in 1976-1979 (Figure 4.3 and Table 4.3).

These findings concerning trends in inequality of Saskatchewan incomes of families with children are similar to those found by Andrew Heisz in his analysis of trends in income inequality in Canada. Heisz concludes:

the tax-transfer system reduced income inequality by as much in 2004 as it did in 1989. What drove rising inequality in family after-tax income was rising family market income inequality.

This rise in family market-income inequality in the 1990s reflects the continuation of a trend that was also occurring in the 1980s. After-tax-income inequality did not also rise in the 1980s because the taxes and transfers both changed in that decade, increasing the share of income redistributed by the state from high- to lower-income families. The tax-transfer system would have needed to continue becoming more redistributive into the 1990s to neutralize the effect of rising market-income inequality in that decade. (Heisz, p. 26)

Among the factors that might explain the growing inequality of earnings in Saskatchewan over the thirty year period, especially the decline for the lower level, are limited job growth and low wages for those able to find jobs, particularly in the service sector. Low wage policies of employers and governments, along with limited success of trade unions in expanding membership, are also a possible cause. For those at the middle and upper end of the income distribution, having two or more earners with reasonable incomes appears to be necessary in order to increase family income. This means greater work effort for those with regular employment.

In terms of taxes and transfers, some changes in federal programs such as the Canada Child Tax Benefit have helped families with children at lower income levels (Ivanova, p. 26). For the most part though, federal programs such as employment insurance have been scaled back, providing less protection for workers who face unemployment (Osberg, 2009). The burden of providing social assistance has been shifted to the provinces and social assistance rates have generally declined. In Saskatchewan, social assistance rates have increased since 2006 but are still below the level of the late 1980s (National Council of Welfare, p. 77). In particular, assistance for housing and, until recently, grants for disability benefits have not kept pace with price increases in the province.

In terms of taxation, Marc Lee argues that Canada's taxation system has become less fair and the reduction in tax rates at the top

Has reinforced adverse inequality trends driven by the labour market. The tax cut agenda has reinforced adverse inequality trends driven by the labour market. The tax cut agenda unfurled precisely when inequality in pre-tax incomes surged, disproportionately benefiting those with the highest incomes, while doing little for low-income Canadians.

... the provinces have led the way in introducing regressive tax changes. Provincial taxes were relatively flat in 1990, but had become more uniformly regressive by 2005. Provincial income tax cuts were the major culprit behind Canada's eroding tax fairness. (Lee, pp. 3-4).

While transfers and taxes constitute a major redistribution of income in Canada, as Heisz argues, an even greater redistribution would have been required in order to begin reducing income inequality.

Conclusion

From 1976 to 2006, earnings and after-tax incomes of Saskatchewan families with children became more unequally distributed. By the middle of this decade, earnings of the top ten per cent were forty per cent more than the total earnings of the half of families in the bottom half of the income distribution. While economic growth in the province since the mid 1990s helped families across the spectrum, it especially benefited families at the top of the income distribution. As a result, family income inequality in the province climbed dramatically since 2000 and reached an unprecedented high in 2006.

This widening income gap between higher and lower income families was not a result of reduced

effort of less well off families. For much of this period, the Saskatchewan economy failed to provide good jobs that pay well and have career potential, leaving the less well off either without jobs or with low paying jobs. Since job growth resumed in the mid to late 1990s, work effort has generally increased, with families at all income levels employed more weeks and hours. This has paid off in increased incomes for the best off families, but has left those with middle and lower incomes further and further behind. Increased family work effort has been necessary just to maintain family income and, for those at lower income levels, even this has been insufficient to prevent a decline in real income.

The tax and transfer systems of the provincial and federal governments have not been up to the task of reducing income inequality. Employment insurance, government transfers, and tax benefits help maintain a minimal level of income for the least well off. And cutbacks in these programs, along with flatter tax rates have meant that government redistribution of income is insufficient to reduce the growing gap in earnings. As a result, even after all government taxes and transfers are included, those at lower incomes have both less after-tax income than thirty years earlier and also a smaller share of this income.

Section 5

The Greatest Gap: Aboriginal and Non-Aboriginal Incomes

The gap between incomes of Aboriginal people and the rest of the population of Saskatchewan is large, with some Aboriginal groups having median incomes less than one-half that of non-Aboriginal people. Incomes among Aboriginal groups also differ, with the income of individuals and families living on reserves being the lowest. While many individuals and families have made gains, Aboriginal incomes generally continue to trail those of comparable non-Aboriginal individuals and families. The economic disadvantage faced by Aboriginal individuals and families is of long standing and is connected to disadvantages in the areas of health, education, and employment, making it difficult for many Aboriginal people to participate fully in Canadian society.

Aboriginal people accounted for fifteen per cent of the Saskatchewan population in 2006, just over one hundred and forty thousand people (Appendix Table A11). Those who identified themselves as North American Indian constituted the largest group, ninety-one thousand, and most people who lived on-reserve in the province were North American Indian. The other major group, at forty-eight thousand, was Métis. Given that only those who identified themselves as Aboriginal were included in these figures, the total number may be greater than reported.

In 2006, employment conditions in Saskatchewan were not good for Aboriginal people, with

an unemployment rate of 18.2 per cent; for non-Aboriginal people, the unemployment rate was 4.2 per cent (Appendix Table A12). Given that the Aboriginal population is relatively young, the percentage of the population that is of labour force age (15 plus), is twelve per cent, smaller than the overall Aboriginal percentage of the population. But among the population of the province aged 15 plus, Aboriginal people accounted for only 8.5 per cent of those employed, as opposed to their twelve per cent of the population aged 15 plus. Labour force participation for those living on reserves or identifying as North American Indian was below fifty per cent, in contrast to a seventy per cent rate for non-Aboriginal individuals. The lack of jobs on-reserve and in rural areas of the province has meant that many Aboriginal people face poor employment prospects. For those who identified themselves as Métis, labour force participation was only slightly less than that for non-Aboriginal individuals but their unemployment rate was more than double that of non-Aboriginals.

There does not appear to be a consistent, continuous data set that allows examination of the income gap between Aboriginal and non-Aboriginal people in Saskatchewan and Canada over the last thirty years. As a result, the data in this section come from a variety of sources — some refer to Canada and some to parts of the Saskatchewan population. Where possible,

attempts have been made to compare family incomes, so that data in this section are roughly comparable to family income data examined earlier in this report. Unfortunately, recent income data for Aboriginal families are generally unavailable; so many comparisons in this section are of individual incomes.

Aboriginal People in Urban Areas, 1980-2000

From a Statistics Canada study reviewing the years between 1980 and 2000, Aboriginal socio-economic conditions in large urban centres generally improved relative to those of non-Aboriginal people (Siggner and Costa). While the gap in employment and total income, school attendance rates, educational achievement, and employment remained large, for most cities with large numbers of Aboriginal people, the gap decreased over the twenty year period.

Indicators of gaps for Regina and Saskatoon are provided in Table 5.1. By 2000, median employment income for the Aboriginal population aged 15 and over amounted to approximately two-thirds the median for their non-Aboriginal counterparts. Compared to 1980, this had increased from below fifty per cent for Regina and just over sixty per cent for Saskatoon. Still, in

2000 median total income of Aboriginal people aged 25-54 remained under sixty per cent that of non-Aboriginals.

While the income gap declined, the gap in employment and education actually increased for Aboriginal people in Regina and was more or less unchanged in Saskatoon. For both cities in 2001, approximately eighty-five per cent of non-Aboriginal people aged 25-54 were employed; for the Aboriginal population the figure was approximately fifty-five per cent, a full thirty percentage point gap. Even more disturbing is the gap in school attendance rates, with an over ten percentage point lower attendance for Aboriginal than non-Aboriginal 15-24 year olds in Regina. Given the importance of educational achievement for obtaining higher salaries and better jobs, this latter gap does not bode well for closing the future employment and income gap.

In their summary of findings, the authors of the report, Andrew J. Siggner and Rosalinda Costa, conclude "Aboriginal people living in metropolitan areas are overall doing better in 2001 than they were in 1981. ... Nevertheless, huge challenges still face urban Aboriginal peoples, especially those in western CMAs, and large gaps with their non-Aboriginal counterparts remain" (p. 24).

Table 5.1. Socio-economic indicators, Aboriginal (A) and Non-Aboriginal (non-A) Populations, Regina and Saskatoon, 1980 to 2000

Socio-economic indicator	Year	Regina	Saskatoon
Ratio of A to non-A median employment income, population aged 15 plus	1980	49.4%	61.8%
	2000	66.3%	65.4%
Ratio of median A to non-A total income, population aged 25-44	2000	56.5%	58.2%
Non-A minus A gap in employment rate, ages 25-54	1981	21.9	31.0
	2001	30.1	30.7
Non-A minus A gap in school attendance rate, ages 15-24	1981	4.3	4.9
	2001	10.3	4.3

Source: Calculated from Siggner and Costa, Tables 5 to 7 and Figure 15

Table 5.2. Mean income for persons reporting income, Aboriginal and non-Aboriginal individuals aged 18-64, Canada, 1995

Population group	Mean wage and salary income		Mean total income	
	In dollars	As percentage of non-Aboriginal	In dollars	As percentage of non-Aboriginal
Registered under Indian Act (Status)	16,863	62.0	15,056	56.4
Non-registered Indian	20,835	76.6	18,951	71.0
Métis	19,529	71.8	18,512	69.3
Inuit	17,537	64.5	18,562	69.5
Non-Aboriginal	27,188	100.0	26,701	100.0

Source: Maxim et al., Tables 1 and 2.

Aboriginal Income Disparity

To group together all individuals or families of Aboriginal origin can give a misleading picture of socioeconomic gaps. Aboriginal people live across all regions of Canada, some live on reserves or in rural areas, others live in cities, and Aboriginal groups have different histories and legal statuses. Several examples of differences among these groups and with non-Aboriginal people are provided in this section. Since there have been few studies of income inequality among Aboriginal people in Saskatchewan, most of these examples refer to the situation across Canada as a whole.

A study of income inequality among Aboriginal groups and for the Canadian population as a whole in 1995 shows large differences in incomes of Aboriginal groups (Maxim et al.). Paul S. Maxim and co-authors used data from the 1996 Census of Canada and examined several income concepts. They found that Métis and non-registered Indian individuals with income, between ages 18 and 64, had mean wage and salary income over seventy per cent that of comparable non-Aboriginal people (Table 5.2). In contrast, mean wages and salaries for registered or Status Indian individuals averaged only sixty-two per cent that of non-Aboriginal people. In terms of total income, the relative situation was similar,

although for Métis, Inuit, and non-registered Indian individuals, mean incomes averaged only seventy per cent of non-Aboriginals. For Status Indians, mean income was only fifty-six per cent that of their non-Aboriginal counterparts.

These figures demonstrate that, in 1995, there were severe gaps between incomes of Aboriginal and non-Aboriginal individuals, with Status Indians having the greatest gap (forty per cent or more); although somewhat less, the gap for Métis and non-registered Indian individuals was also large (around thirty per cent).

In a 2003 study, Helmar Drost and John Richards, focused on the difference between Aboriginal people living on- and off-reserve. Again, this study refers to 1995 incomes, using data from the 1996 Census of Canada. Several of the highlights of this study are as follows (Drost and Richards, pp. 3-4):

- The median income of aboriginals (on- and off-reserve) was just 58 percent that of non-aboriginals (\$11,300 for aboriginals versus \$19,400 for nonaboriginals). Among aboriginals, the median income of those living off-reserve was \$12,400, while for those living on-reserve it was only \$8,900.
- Differences between aboriginals and non-aboriginals are much more pronounced

among men than among women. The median income of on-reserve aboriginal males, for example, is only 36 percent of that of non-aboriginal males; the analogous ratio among women is 57 percent.

- There is considerable regional variation in the gap between aboriginal and nonaboriginal median incomes. ... in the three Prairie provinces, the gap widens to approximately 50 percent. On-reserve aboriginals in the Prairie provinces fare the worst: their median income is less than 60 percent that of off-reserve aboriginal and less than 40 percent that of nonaboriginals.
- In the eight cities with the largest aboriginal populations, median incomes of aboriginals are lower in the west—particularly in Edmonton, Saskatoon, Regina and Winnipeg—than in the east.

The findings concerning the Prairies are particularly disturbing—the incomes of Aboriginal people on both reserves and in Saskatchewan cities trail incomes of non-Aboriginal people by larger amounts than in other parts of the country.

Krishna and Ravi Pendakur have conducted several studies of earnings among ethnic and Aboriginal groups in Canada. Their 2008 study of Canadian incomes in 2000, includes information from all respondents who provided income data in the 2001 Census of Canada. This large data set allows them to examine the various groups of Aboriginal Canadians, along with the educational and labour market characteristics of these individuals, and compare their income and earnings with those of their non-Aboriginal counterparts. Their findings demonstrate that even after taking account of educational levels, large income gaps remain for Aboriginal people. In particular, they find that for Aboriginal people, “even those who attain high levels of education still face substantial earnings disparity. Indeed we see little

evidence of economic integration even at the highest levels of schooling” (p. 6). Examining various Aboriginal groups, they find that

Aboriginal men and women face severe earnings disparity relative to majority persons with similar personal characteristics such as age and education. Further, we observe that within the Aboriginal population, registered Indians fare worst, persons with self-reported Aboriginal identity fare somewhat better, and persons with Aboriginal ancestry (but not identity or registry) fare better still. However, even those in the last category face disparity on a par with the most disadvantaged non-Aboriginal ethnic minorities in Canada. (p. 6).

The Pendakurs findings concerning incomes in 2000 are similar to those of Drost and Richards for 1995, that is, among registered Indians living off-reserve “for both men and women, the estimated disparity is highest in the prairie cities of Winnipeg, Regina and Saskatoon, which have very large Aboriginal populations” (Pendakur and Pendakur, p. 30). Further, they find that incomes of Aboriginal people are worst in cities with large numbers of Aboriginal people, such as the Prairie cities. This contrasts with their research on other ethnic groups, where they find that ethnic minorities “have better economic performance in the presence of large numbers of co-ethnics” (p. 30).

Aboriginal Income Gap in Saskatchewan

A picture of incomes of Aboriginal and non-Aboriginal people in Saskatchewan can be obtained using data from the Census of Canada. While not directly comparable to data used in earlier sections of this report, Census data are more complete in that they include information about individuals and families who live on reserves; the earlier data set excluded reserves

from the surveys conducted. Table 5.3 gives averages of total income before income tax of Saskatchewan economic families for Aboriginal groups, non-Aboriginals, and the total population in 1995 and 2000. Unfortunately, information about family income of Aboriginal groups was not available from the 2006 Census of Canada at the time this report was written; Tables 5.4 and 5.5 provide summary measures of individual incomes of 25-44 and 45-64 year old Saskatchewan individuals in 2000 and 2005. Together these tables provide a summary of income levels for different Aboriginal groups, changes in these levels, and the income gap between Aboriginal and non-Aboriginal people.

From Table 5.3, the findings cited earlier in this section concerning relative incomes of various groups are supported. Economic families who live on reserves had the lowest average income (\$32,500 in 2000), with North American Indian families living off-reserve had higher average income (\$39,800 in 2000). Métis families had greater income (average of \$53,000 in 2000) than either group of North American Indian families, but all of these trail the average income of non-Aboriginal families (\$64,400 in 2000). The average for non-Aboriginal families would place them in the eighth decile of total income—in

contrast, the average for Aboriginal families is in the fifth decile and, for on reserve North American Indian in the fourth decile of the distribution of total income.

For all groups, average income increased between 1995 and 2000. Incomes for Métis families increased the most, reducing the gap between Métis and non-Aboriginal families. From the two right columns of Table 5.3, Métis families averaged seventy-five per cent of the income of non-Aboriginal families in 1995 with this ratio increasing to eighty-two per cent in 2000. **But the gap for North American Indian families increased, especially for those living on reserve. By 2000, Indian families living on reserve averaged only one-half the income of non-Aboriginal families.** For Indian families living off-reserve, the gap with non-Aboriginal families was slightly smaller (sixty per cent in 1995 and sixty-two per cent in 2000) but still very large. For Aboriginal families as a whole, the gap with non-Aboriginal families was reduced by four percentage points (sixty-three per cent in 1995 and sixty-seven per cent in 2000) but was still very large in 2000.

Since information concerning families is not available for 2005, individual incomes for individuals in the age groups that are generally associated

Table 5.3. Average economic family income before income tax in constant (2000) dollars, Saskatchewan, 1995 and 2000

Population group	Average income in 2000 dollars		Average income as a percentage of non-Aboriginal income	
	1995	2000	1995	2000
North American Indian	33,555	35,818	56.0	55.6
On reserve	31,775	32,481	53.0	50.5
Off reserve	35,937	39,822	59.9	61.9
Métis	44,697	53,008	74.6	82.3
Aboriginal	37,833	43,150	63.1	67.0
Non-Aboriginal	59,952	64,373	100.0	100.0
Total	58,570	62,749		

Source: Statistics Canada, 2004

with being in families with children are provided. Table 5.4 provides data on median incomes of individuals aged 25-44 in 2000 and 2005 and Table 5.5 gives comparable data for individuals aged 45-64. These tables provide a similar picture to that of Table 5.3. That is, the median income for individuals in all groups increased, in this case between 2000 and 2005, with the ranking for different groups being much the same as in Table 5.3. North American Indian individuals had the lowest median income, those of Métis origin greater, but with a large income gap between each of these groups and those of non-Aboriginal origin.

For both age groups, the income gap between Métis and non-Aboriginal individuals was

reduced, but in 2005 Métis median income for each age group remained under eighty-five per cent of that of non-Aboriginals. For the 25-44 age group, the gap for North American Indian individuals remained large, perhaps even increasing (45.0% of non-Aboriginal median income in 2000 and 44.6% in 2005). While the gap for Indian individuals aged 45-64 was reduced slightly (Table 5.5), by 2005 the median income for these individuals was still under forty-three per cent compared to their non-Aboriginal counterparts. From these data, those of North American Indian origin living on reserves are among the poorest people in Saskatchewan.

Table 5.4. Median income of individuals aged 25-44 in constant (2005) dollars, Saskatchewan, 2000 and 2005

Population group	Median income in 2005 dollars		Median income as a percentage of non-Aboriginal income	
	2000	2005	2000	2005
North American Indian	13,759	14,105	45.0	44.6
Métis	22,649	26,132	74.1	82.6
Aboriginal	16,604	18,166	54.3	57.4
Non-Aboriginal	30,553	31,647	100.0	100.0
Total	28,482	29,557		

Source: Statistics Canada, 2008c

Table 5.5. Median income of individuals aged 45-64 in constant (2005) dollars, Saskatchewan, 2000 and 2005

Population group	Median income in 2005 dollars		Average income as a percentage of non-Aboriginal income	
	2000	2005	2000	2005
North American Indian	11,760	14,051	38.1	42.7
Métis	24,450	27,904	79.1	84.7
Aboriginal	15,386	19,320	49.8	58.7
Non-Aboriginal	30,905	32,937	100.0	100.0
Total	29,882	31,999		

Source: Statistics Canada, 2008c

Conclusion

While further and more comprehensive data would provide a more complete comparison with the families with children examined in earlier sections, the picture presented from the studies cited and recent censuses is clear. Individuals and families of Aboriginal origin have much lower incomes than do their non-Aboriginal counter

parts. The gap is very large in the case of some Indian groups, especially those living on reserve. Aboriginal individuals in some age groups have less than half the income of comparable non-Aboriginal individuals. While Métis individuals and families have managed to close some of the gap with their non-Aboriginal counterparts, a gap of fifteen to twenty per cent remains.

Section 6

Summary of Findings and Recommendations

This first look at income inequality among Saskatchewan families from 1976 to 2006 uncovers a new and troubling phenomenon in Saskatchewan. The report draws on Statistics Canada data to examine the earnings and after-tax incomes of Saskatchewan families with children 18 years and under over the past generation. Its main finding is that the gap between the richest and poorest families in Saskatchewan has increased dramatically over the past generation and has mushroomed since 2000 — during the best of economic times. In 2006, Saskatchewan's after-tax income gap was the third worst in all of Canada.

Mirroring trends in all Canadian provinces, inequality of earnings increased among Saskatchewan families over the thirty years from 1976 to 2006. Over this period, the richest 10 per cent of Saskatchewan families took home the lion's share of the province's economic growth, increasing its share of earnings from twenty-three to twenty-eight per cent. The bottom half of Saskatchewan families found themselves shut out from economic gains and their share of earnings dropped from twenty-six to twenty per cent. There is a growing divide between the top half of Saskatchewan families and those in the bottom half: in the 2003-2006 period, the share of earnings going to the top half was four times greater than earnings going to the bottom half.

A growing gap in after-tax income is also evident; the bottom half of families received only twenty-eight per cent of after-tax income in 2003-2006, down from thirty per cent in 1976-1979. Over the thirty years, the share for the richest ten per cent increased to twenty-four per cent, up from twenty-two per cent. Government redistribution of income through transfers and taxes lessens the inequality that emerges from market earnings. But over the past generation, redistribution was insufficient to address the growing inequality of earnings, with the result that after-tax income was more unequally distributed in 2006 than in 1976.

More sobering thoughts: By 2005 the income gap associated with being Aboriginal was very large, with Aboriginal individuals averaging less than sixty per cent of their non-Aboriginal counterparts. Since Statistics Canada's income surveys exclude the Aboriginal population living on reserves, the findings of this report likely understate overall income inequality in Saskatchewan.

And now Canada and the global economy have stumbled into the worst recession since the Great Depression. Saskatchewan is not exempt; the bottom half of Saskatchewan families, shut out from past income gains, will face even steeper economic challenges in coming years.

Specific findings are described on the next three pages.

Employment and Population

- Employment in Saskatchewan grew slowly from 1976 to 2006, with a decline in the number of jobs between the late-1980s and the 1990s. Only since 2001 has stagnation in Saskatchewan's labour force growth been reversed.
- Labour force participation expanded in the 1970s and again since 2001, primarily because of greater participation by women. From 1976 to 2006, employment of women increased by seventy-one per cent while men's employment expanded by only six per cent.
- Diversification of the Saskatchewan economy away from agriculture has failed to result in much expansion of manufacturing and mining employment. While the value accounted for by mineral production grew dramatically since 1976, this sector accounts for less than five per cent of employment, with limited job creation. Since 1976, to the extent that there has been job growth in the province, it has primarily been in the service sector.
- Since 2006, Saskatchewan's population has grown by three and one-half per cent, although it has not yet reached the level of the late-1980s. Each of net migration from other provinces, immigration, and natural increase has accounted for approximately one-third of this growth. But at this rate it will take many years to gain back the large loss of more than one hundred thousand out-migrants since 1990.

Earnings and Income

- From 2002 to 2006, median earnings of Saskatchewan families with children were no greater than they were from 1976 to 1980. Incomes across Canada recovered from their low point during the recession of the early

1990s, but in Saskatchewan the recovery was limited and slow. Median earnings in Saskatchewan have trailed those of Canada by ten per cent for many years.

- Median after-tax income of Saskatchewan families with children is in the middle among provinces and has trailed that for Canada as a whole by ten to fifteen per cent since the late 1980s.
- In 2006, almost twenty per cent of Saskatchewan families with children age 18 and under had after-tax incomes below a minimally adequate level. And most of these poorest twenty per cent had after-tax income less than what two adults working full-year, full-time at minimum wage could earn.
- The richest twenty per cent of families had forty per cent of after-tax income in 2006, as contrasted with only six per cent for the poorest twenty per cent.
- During the period 2003-2006, Saskatchewan experienced the third greatest after-tax income inequality among provinces, after British Columbia and Ontario. In 2006, the ratio of the after-tax income of the richest tenth to the poorest tenth was greater than in any other province.

Trends in Earnings and Income – 1976 to 2006

- The share of earnings of the bottom half of families with children fell to less than twenty per cent in the middle of this decade, declining from twenty-six per cent in the late 1970s. Over the same period, the richest ten per cent increased its share from twenty-three to twenty-eight per cent of all earnings. By 2003 to 2006, the share of earnings going to the top half of families was four times that of the bottom half. The richest ten per cent took

home the lion's share of Saskatchewan's economic growth.

- During the 1990s and through 2006, the share of earnings for the bottom half declined, as employment conditions were slow to improve. Renewed expansion of the Saskatchewan economy has been good for the richest ten per cent so that the gap in shares of earnings between the very well-off and the bottom half continued to widen.
- The bottom half of families with children age 18 and under earned less in the middle of this decade than their counterparts of a generation ago. The poorest families (deciles 1 and 2) experienced severe declines in earnings, and even those at low to middle levels (deciles 3 and 4) experienced declines of fifteen to twenty-five per cent in the real value of their earnings.
- Median earnings of families with children in 2003-2006 were essentially unchanged from their level in the late-1970s. For families at middle earnings level (deciles 6 and 7), there was little improvement in earnings over the thirty year period. In contrast, median earnings for the richest twenty per cent swelled by twenty-five per cent.
- Over the thirty years, family members worked more at their places of employment just to keep incomes from declining — in many cases though, even this was insufficient to stop the decline in earnings. For some at middle and upper levels, increases in weeks or hours of employment produced gains in total earnings. For others, increased employment time did not result in increased real earnings, compared to a generation ago. And for those at the bottom end of the earnings distribution, not only were earnings low and falling through much of the thirty year period, additional employment was difficult to find. Members of families with these lower earnings were poorly served by a Saskatchewan economy that did not create enough jobs, and certainly not enough good paying jobs.
- After-tax income, that is, income from all sources — earnings, investments, government transfers — less income taxes paid, is less unequally distributed than earnings. In 2003-2006, the bottom half of families received only twenty-eight per cent of all after-tax income. The richest ten per cent had almost as much — twenty-four per cent.
- The growing gap is also evident in after-tax income. The bottom sixty per cent (deciles 1 to 6) all had lower shares of after-tax income in the middle of this decade than in the late 1970s. Only the top forty per cent had larger shares, with only the richest ten per cent having made substantial gains.
- Incomes in Saskatchewan reached a low point in the recession of the early-1990s and since then families across the income spectrum have experienced gains. But for the bottom half, by 2006 after-tax income was lower, or not substantially greater, than it was a generation ago. Since the low point of the early- to mid-1990s, median after-tax income rose by over thirty per cent for each of the upper four deciles. For the top decile, the increase in median after-tax income between 1996 and 2006 was forty per cent, the greatest increase of all deciles.
- Over the thirty year period, only in British Columbia and Saskatchewan did poorer families have lower after-tax income at the end of the thirty year period than at the start. And the bottom forty per cent of families in Saskatchewan had lower incomes than in the other three western provinces, from ten to twenty per cent below the after-tax income for Canada as a whole.

Taxes and Transfers

- Government redistribution of income through transfers and taxes lessens the inequality that emerges from market earnings. But over the past generation, redistribution was insufficient to address the growing inequality of earnings, with the result that after-tax income was more unequally distributed in 2006 than in 1976. In Saskatchewan, the growing gap in earnings was accompanied by a growing gap in after-tax income.
- Without redistribution, the dramatic increase in inequality of earnings would have meant skyrocketing overall income inequality. While the share of earnings for the bottom half of earners was twenty per cent in 2003-2006, the share of after-tax income for the bottom half was greater, at twenty-eight per cent. Transfers in the form of the Canada Child Tax Benefit, Employment Insurance benefits, workers compensation, and social assistance were especially important for those with the least earnings. But redistribution was insufficient to prevent the after-tax income gap between the rich and poor from widening.
- Among the factors that might explain the reduced impact of redistribution are cutbacks in employment insurance, reduced social assistance, and flatter taxation rates. Given the growing earnings gap produced by limited job growth, unemployment, and low wages, an even greater redistribution would have been required to reduce income inequality.

Aboriginal and Non-Aboriginal incomes — The Greatest Gap

- In the 2006 Census of Canada, fifteen per cent of the Saskatchewan population identified themselves as Aboriginal. Aboriginal employment and income trails that of non-Aboriginal people. In 2006, the unemployment rate for

Aboriginal adults in Saskatchewan was 18.2 per cent; for non-Aboriginal adults it was 4.2 per cent.

- Statistics Canada surveys, from which the data for this report were obtained, do not include Aboriginal people living on reserves. As a result, the findings of this report very likely understate the extent of income inequality in Saskatchewan. In order to provide some idea of how incomes of Aboriginal families compare with those of non-Aboriginal families, data from the Census of Canada were examined. Census data is also incomplete but attempts to include all Aboriginal people.
- Between 1995 and 2000, incomes of Aboriginal families increased and the gap between Aboriginal and non-Aboriginal families was reduced. However, by 2000 the gap was still very large, with Aboriginal families averaging only two-thirds the income of non-Aboriginal families. Families who identified themselves as Métis improved the most, but in 2000 their average income was still only eighty-two per cent that of non-Aboriginal families. The gap for North American Indian families actually increased, especially for those living on reserves. In 2000, families living on reserves had only one-half the average income of non-Aboriginal families and with those not living on reserves were just over sixty per cent that of non-Aboriginal families.
- The period from 2000 to 2005 appears to present a similar set of changes to what occurred in the previous five years, although data for Aboriginal families from the 2006 Census of Canada were not available when this report was written. Individual incomes for Aboriginal people aged 25 to 64 improved relative to their non-Aboriginal counterparts between 2000 and 2005. Again, it was those who identified themselves as Métis who made the greatest gains, with median incomes increasing to eighty to eighty-five per cent

that of non-Aboriginal individuals. However, median incomes of those who identified themselves as North American Indian were under half those of non-Aboriginal individuals. Those living on reserves are among the poorest people in Saskatchewan.

Recommendations for Closing the Gap

The growing gap in earnings has been driven by the functioning of the labour market as well as markets in the farm and business sectors. The result has been that the richest ten to twenty per cent of earners enjoyed the bulk of the gains while earnings of the majority of families stagnated or declined. Redistribution through government transfers and taxes lessened the gap somewhat, especially for those at the lowest income levels, but this was insufficient to prevent the gap in after-tax incomes from growing. While this report has not investigated the causes of the growing gap, the findings point in two directions:

- The need to improve markets, especially Saskatchewan's job market, creating more higher paying jobs as well as making the labour force more inclusive so all can benefit by improving earnings.
- The need to strengthen and expand government taxation and social policy to moderate the effect of market inequalities.

Moderating Markets and Expanding Social Inclusion

Earnings inequality emerging from labour and other markets expanded dramatically from the 1970s through the middle of this decade. This means that reducing the earnings gap requires improved job opportunities for those with lower earnings so that earnings inequalities

are reduced. Creating more full-time and well paying jobs would be a step in the right direction. If economic expansion is to be meaningful to provincial residents, given the recent boom in commodity prices now is an opportune time for employers to move in this direction.

Establishing a minimum wage that does not leave workers at poverty level is a key aspect of improving opportunities for those with low earnings. The provincial minimum wage has recently increased but prospects for future increases are uncertain. Since unionized jobs generally pay more than non-unionized, it is important to renew efforts to expand the number of jobs covered by union agreements. And for those who suffer from job loss, the system of Employment Insurance could be vastly improved by reducing the number of hours required for eligibility, increasing the length of time a recipient is eligible, and increasing the dollar amount of benefits.

Over the medium to longer term, improved education and training are central to creating a more inclusive labour force policy. This involves expanding early childhood learning programs and literacy programming, especially family literacy and English as a Second Language. Adult literacy programs at postsecondary education institutions will be an important aspect of attempts to bring into these institutions those who found it difficult to participate in the past. For those with low incomes, access to jobs can be improved through employment programs that aim to secure long-term employment, as well as targeting training programs for jobless workers. In order to make workers and employers aware of the contribution all can make to the labour force, expanded community-based education and cultural programs can address issues of racism and discrimination.

Reducing barriers to employment and making employment more inclusive will also require economic development programs for Aboriginal

people, both on and off reserve. Organizations and advocacy groups for low income and disadvantaged people can assist in strengthening social inclusion but need to be encouraged and strengthened with financial and organizational assistance. This can be helped by improving community infrastructure and recreational programming in low income neighbourhoods and expanding inclusiveness programs.

Strengthening and Expanding Government Social Policies and Programs

Government redistribution of incomes through transfers and taxes have been a central aspect of social policy in Canada for the last century, and have been especially important for maintaining a minimum level of income for the poorest Canadians. These programs have expanded and contracted as political, economic, and ideological changes have taken place. Over the last twenty years there has been a weakening resolve to have social policy perform this redistribution, with the result that large numbers of individuals and families have been left out of Canadian and Saskatchewan economic growth. But social programs benefit all Canadians — medical care and government pensions assist everyone and programs aimed at the less fortunate not only help poorer Canadians but improve the workings of the economy and make Canada a more democratic society.

For families in the bottom half of the income distribution — those with low and moderate incomes — social policy and programs could help improve their economic position and begin to close the gap with the top half. Among the programs that could assist are, as noted above, improved Employment Insurance, minimum wage, and Canada Child Tax Benefit, and establishing a comprehensive early childhood learning and child care program. Policies and programs

that accomplish this will reduce the number of those who require social assistance.

For those unable to maintain employment because of insufficient or poorly paying jobs, personal and family circumstances, or disability, can be helped by increasing social assistance benefits, housing allowances, and disability benefits. For those with irregular employment, there could be increased government earnings supplements so that more can receive supplements.

In Saskatchewan, housing was traditionally inexpensive in comparison with other provinces, a situation that has changed in the last few years. Helping low income families build new assets through increased construction of affordable housing could be a key part of assisting families in getting established in both urban and rural areas of the province.

Increased budgets will be required for many of these programs, improving the delivery of services to low income families will also be an important aspect of social inclusion. This means improved services for mentally ill and homeless, strengthening early learning programs with special efforts to focus on children and families experiencing at-risk categories, improve services to disabled populations, and improving delivery of community health services especially home visiting programs for young, single poor mothers and mothers to be, and expanded alcohol and drug prevention programs. Improving government funding and professional development opportunities for community-based organizations, the delivery agents of many social programs, will facilitate these types of improved services.

The taxation system in Canada has become less progressive over the last twenty years and changes could be made to restore more of the progressivity. Since those at the upper end have benefited disproportionately from the economic expansion that all working Canadians have

helped create, these upper levels could pay taxes at an increased rate. Surely any proposal to institute a flat tax would do nothing to lessen the gap between rich and poor, and might very well create a larger income gap. As a resource based economy Saskatchewan government must eventually face up to the necessity of increasing taxes on depleting resources, especially oil and natural gas.

The Road Ahead

Income inequality resulting from unequal earnings threatens to undermine Canadian society. As Benjamin R. Barber argues, "Inequality is built into the market system, which too often becomes a race to the top for those who are wealthy, and a race to the bottom for everyone else ... The result is two levels of service — two societies — hostile, divided, and deeply unequal" (Barber, p. 157). A democratic society depends on all being able to participate and feeling able to participate — increased inequality threatens these perceptions and reduces participation.

Reducing the gap between rich and poor in Canada will require a renewed effort on the part of the great majority of Canadian citizens. In the past, governments on occasion responded to the concerns of the poor and those left behind by society, but only after concerted effort and widespread pressure. Alvin Finkel, in his history of social policy in Canada argues:

The successful campaign for medicare in the 1960s and the campaign to prevent its erosion in the 1990s point to the importance of progressive groups working together toward a common cause. In most provinces, trade unions, the women's movement, and a variety of community groups worked together to defend medicare, forcing politicians who wanted to be re-elected to provide a minimal degree of support for its egalitarian principles. (Finkel, p. 336).

A similar public campaign could help to expand incomes and social inclusion through innovative social and economic policy.

Appendix

Data and Methods

Data. The data set for this report comes from two of the major surveys that Statistics Canada has conducted since the 1970s, the Survey of Consumer Finances (SCF) and the Survey of Labour and Income Dynamics (SLID). From these surveys, Statistics Canada prepared a custom-tabulation for the CCPA, allowing analysis of yearly earnings, incomes, and of weeks and hours employed for each province and for Canada from 1976 to 2006. Unless specified otherwise, all data presented in the text, tables, or figures come from this custom tabulation.

Survey coverage. The surveys on which the data in this report are based use the sampling frame of Statistics Canada's Labour Force Survey. Since the latter does not include persons living on reserves, in institutions, or in military barracks, families with these characteristics are excluded from the data set (Statistics Canada, 2008a, p. 131). From Table A11, later in this appendix, close to fifty thousand individuals, or approximately five per cent of the Saskatchewan population, who live on reserves are excluded. As demonstrated in Section 5, these individuals and families generally have much lower income than do the rest of the province's population. In this report, incomes may thus be slightly over-estimated since some at low incomes are excluded. The estimates of incomes of Aboriginal people in Section 5 come from the Census of Canada, so do not suffer from this lack of coverage. However, coverage by the Census may also be incomplete and some respondents of Aboriginal ancestry may not identify themselves as such, so data from the Census data also have errors.

Families. Families with children age 18 and under are the subject of this study. In the report, these are sometimes referred to merely as families, or families with children — in all cases, this means families with children age 18 and under.

More specifically, the families examined in this report are what Statistics Canada terms *economic families* — “a group of two or more persons who live in the same dwelling and are related to each other by blood, marriage, common law or adoption” (Statistics Canada, 2008a, p. 121). These families are usually two-parent or lone-parent families. While information about other groups (eg. elderly, unattached individuals) could be made available from the custom tabulation, there are several reasons why the Growing Gap project focuses on families with children:

- Families with children constitute a core group since they support not only adults but also a future generation of Canadians. All children and youth age 18 and under are included in this group of families.
- These families account for almost one-half of the population — forty-six per cent of the Saskatchewan population and forty-four per cent of Canada's population (Table A1).
- Families with children are a less disparate group than the population as a whole — the latter also includes single and elderly individuals. While incomes of the latter are important, analyzing income trends across diverse groups (families with children, families without children, unattached individuals, elderly families, and individuals) presents difficulties. Families with children age 18 and under “tend to have more stable and less polarized incomes than unattached individuals” (Ivanova, p. 12).

From these considerations, the Growing Gap project focuses on families with children.

Income. The two types of income analyzed in this report are earnings and after-tax income.

- Earnings refer to all the earnings of family members from wages and salaries or from self-employment. The major income sources not included in earnings are income from investments, pensions, or government transfers.
- After-tax income is the family's total income from earnings, investments, government transfers, and other income sources, minus the amount of income tax paid by the family.

In Saskatchewan in 2006, earnings were the major source of income, accounting for eighty-seven per cent of the total income (before income taxes) of families with two persons or more aged 25-64. For these families, government transfers in the form of employment insurance, pensions, tax benefits, etc. accounted for six per cent of total income, and investment and other income accounted for seven per cent of total income (Table A2).

Adding transfers and other income to earnings, and deducting income tax, gives after-tax income. In 2006, for Saskatchewan families with two or more people, income tax amounted to seventeen per cent of total income (Table A4). It is this after-tax income that families have available to spend or save, and which provides a measure of a family's standard of living. Earnings and after-tax incomes in the report are those for all members of the family.

Zero incomes. For individuals and families with self-employment, from unincorporated business and farming operations, net income may be negative. This can occur if the individual or family spends more on the business or farm than the operation's gross income during the year. In this data set, negative incomes are set to zero. Given the relatively large farming sector in

Saskatchewan and given the high variability of farm income from year to year, this could bias the results. However, Saskatchewan net farm income has not been large in any recent year, so the effect of negative incomes may not be all that great.

Measures. Working with different concepts of income over time can be confusing and difficult. In this report, the following measures and methods were used.

- **Median and average.** Those who have taken an introductory statistics course know that averages can be misleading, especially in the case of income. Adding a few very high income families can increase the average, making it unrepresentative of the population. And as incomes of the very well off increased in Canada, average income increased while the income of the majority of families remained unchanged or declined. Median earnings and incomes provide summary measures of income that are more representative of a population than an average. The median is the value such that one-half of families have less and one-half have more than this value. Median earnings and incomes are generally used in this report. Where shares of income are examined, averages are used, since the income of even very large income recipients must be included in order to properly determine shares of the total.
- **Rounding.** Given that the data come from surveys with many sampling and non-sampling errors associated with them, medians or averages are not accurate to the nearest dollar. While the actual dollar value is reported in some tables, earnings and incomes are often rounded to the nearest one hundred dollars in the text.
- **Changes in prices.** In the Statistics Canada surveys, earnings and incomes were originally measured in the dollars of the year families

obtained them. But as prices change from year to year, generally increasing, the real value of income, or what can be purchased with this income, changes. In order to compare incomes of different years, earnings and incomes have been converted into constant or real dollars of 2006, using the Consumer Price Index for Canada. In the text and tables, unless stated otherwise, incomes are in constant 2006 dollars, meaning that incomes for different years represent what they would have bought in 2006 had prices remained unchanged from 1976 to 2006.

- **Deciles and quintiles.** In order to compare earnings and incomes, families were ranked from those with the lowest earnings or incomes to those with the highest, then divided into ten equal parts, or deciles. The first decile, or decile 1, represents the one-tenth of families with the lowest earnings or incomes. The second decile represents the families with the second lowest ten per cent of earnings or incomes; these are the families with ten per cent below them and eighty per cent above them. Decile 10, or the top decile, represents the best off ten per cent of earners or income recipients — ninety per cent of families have lower earnings or incomes. Since ten deciles is

a lot to consider, quintiles are sometimes used — these represent the poorest twenty per cent of families, the second poorest twenty per cent, and so on. The bottom two deciles are equivalent to the bottom quintile.

The data in this report are not longitudinal. That is, particular families are not tracked over time to indicate how the family's income changed. Rather, the data for each year represent a snapshot of families and incomes in that year only. When it is reported that income inequality has increased over time, this means that the gap in incomes between the better off and less well off families at the end of the period is greater than the gap at the start of the period. But the particular families at the two time periods are not the same families.

The data in this report are special tabulations and are derived from the surveys and data sets Statistics Canada uses to analyze changes in incomes over time in the publications *Income in Canada 2006* (2008a) and *Income Trends in Canada 1976 to 2006* (2008b). These Statistics Canada publications, with detailed tables, show how Canadian incomes have changed over the thirty year period and provide summary data on many more aspects of income than can be provided here.

Appendix Tables

Table A1. Population and families by family type, in thousands, Saskatchewan and Canada, 2006

Family type	Saskatchewan		Canada	
	No. of persons	No. of families	No. of persons	No. of families
Total – families and unattached individuals	916	400	31,853	13,652
Unattached individuals	140	140	4,670	4,670
Economic families, 2 or more persons	776	260	27,183	8,983
Elderly families	92	43	3,002	1,363
Non-elderly families	684	217	24,181	7,619
Economic families with children	421	106	14,088	3,640
Two-parent with children	344	81	12,039	2,935
Lone-parent families	77	25	2,049	705
Number in economic families with children as per cent of total	46.0%	26.5%	44.2%	26.7%

Source: Statistics Canada. 2008b, Table 202901

Table A2. Total income by source and family type, millions of dollars, Saskatchewan, 2006

Income source	Total income in millions of dollars	
	Families, two persons or more, age 25-64	All families and unattached individuals
Total income	16,859	23,890
Market income	15,839	21,020
Earnings	14,675	18,136
Wages and salaries	13,601	16,621
Self-employment	1,075	1,516
Investment	316	781
Other and retirement	848	2,103
Government transfers	1,021	2,871
Number of families	205,000	400,000

Source: Statistics Canada, 2008b, Table 2020404

Table A3. Total and average income and government transfer payments, and number of recipients, Saskatchewan, 2006

Income source	Total income in millions of dollars	Number of recipients, in thousands	Average income in dollars
Total income	23,890	400	59,700
Income from government transfers	2,871	327	8,800
OAS, GIS, SPA benefits	948	100	9,500
Canada Pension Plan (CPP) benefits	918	121	7,600
Child tax benefits	317	104	3,100
Employment Insurance (EI) benefits	286	49	5,900
Workers' compensation benefits	87	16	5,600
Goods and Services Tax (GST) credits	108	230	500
Provincial and territorial tax credits	9	12	800
Social assistance	197	34	5,800

Source: Statistics Canada, 2008b, Table 2020404

Table A4. Average income by source and number of recipients, Saskatchewan, 2006

Income source	Families of two or more persons		Families and unattached individuals	
	Average income in dollars	No. in thousands	Average income in dollars	No. in thousands
Total income	76,000	260	59,700	400
Market income	70,300	252	55,600	378
Earnings	68,400	229	57,300	317
Wages and salaries	67,800	212	57,700	288
Self-employment	14,900	85	14,700	103
Investment	4,700	122	4,400	177
Transfers	9,700	209	8,800	327
Income tax	12,800	260	9,900	400
Average after-tax income	63,200	260	49,900	400
Median after-tax income	55,900	260	41,000	400

Source: Statistics Canada, 2008b, Tables 2020501 and 2020601

Table A5. Changes in industrial and employment structure, Saskatchewan, 1976 to 2002

Sector	Per cent of GDP		Per cent of labour force	
	1976	2002	1976	2002
Agriculture	24	6	25	10
Forestry, fishing, mining	6	15	2	4
Construction	6	4	6	5
Manufacturing	6	7	6	6
Transportation, storage, communication, utilities	10	12	8	6
Wholesale and retail trade	10	12	17	16
Finance, insurance, real estate	14	16	4	6
Community, business, personal service	18	21	24	43
Public administration	7	6	8	6
Total	\$7.3 billion	\$28.1 billion	385,000	487,000

Source: Phillips, 2006, Table 2.

Table A6. Gross domestic product (GDP), 2002 dollars, Saskatchewan and Canada, 1976 to 2008

Year	GDP in millions of 2002 dollars		GDP per capita in 2002 dollars	
	Saskatchewan	Canada	Saskatchewan	Canada
1976	19,795	548,344	21,247	23,384
1981	22,813	647,323	23,380	26,081
1986	26,519	733,468	25,779	28,102
1991	29,066	808,051	28,988	28,820
1996	32,067	913,364	31,471	30,846
2001	34,621	1,120,146	34,614	36,112
2006	39,386	1,284,819	39,641	39,845
2007	40,098	1,319,681	40,416	40,511
2008	41,646	1,325,718	41,977	40,696

Source: Saskatchewan Bureau of Statistics, 2009, Table 2

Table A7. Population aged 15 plus, labour force, total and full-time employed, thousands of persons, Saskatchewan, 1976 to 2006

Characteristic	1976	1986	1996	2006	Increase, 1976-2006
Population, aged 15 or more	657	750	749	746	89
Male	330	374	369	368	38
Female	326	377	379	378	52
Labour force	398	499	491	516	118
Male	256	288	271	276	20
Female	142	211	219	240	98
Employed	382	460	458	492	110
Male	248	265	251	262	14
Female	134	195	206	229	95
Full-time employed	324	363	359	400	76
Male	229	236	223	234	5
Female	95	127	137	166	71

Source: Statistics Canada, 2009, Labour force estimates by detailed age groups, sex, Canada, province, annual average

Table A8. Median and average earnings and after-tax income for families with children, dollars, Canadian provinces and Canada, 2006

Province	Earnings		After-tax income	
	Median	Average	Median	Average
BC	\$60,667	\$69,823	\$60,075	\$68,168
AB	\$72,695	\$86,959	\$71,251	\$81,736
SK	\$54,479	\$67,200	\$56,025	\$64,504
MB	\$58,096	\$64,832	\$53,809	\$61,251
ON	\$66,819	\$78,599	\$65,341	\$73,793
QC	\$54,255	\$65,798	\$56,686	\$64,320
NB	\$47,662	\$56,988	\$51,428	\$57,096
NS	\$57,419	\$64,402	\$56,012	\$62,150
PEI	\$49,000	\$55,850	\$50,371	\$57,101
NL	\$43,139	\$54,515	\$48,590	\$56,180
Canada	\$61,738	\$73,341	\$61,749	\$70,051

Table A9. Low income levels, dollars, Saskatchewan and Canada, 2006

Region of residence	Measure	
	Saskatchewan market basket measure (MBM)	Canada low income cut-off (LICO)
Rural	26,216	21,278
Urban under 30,000	27,224	24,867
Urban 30,000 to 99,999	24,794	27,741
Urban 100,000 plus	26,269	28,091

Source: MBM measures from HRSDC, 2008, Appendix G. LICO measures from Statistics Canada, 2008a, Table 14-1.

Note: (1) For MBM, urban 100,000 plus is an average of the Saskatoon and Regina values. (2) Minimum wage of 2006 with a job of 36 hours per week for 52 weeks. Two workers in a family at minimum wage would have earned $14134 \times 2 = \$28,268$ during 2006. (3) From Table A8, one-half of the median earnings for families with children was \$27,240 in 2006.

Table A10. Average income and estimated transfers and taxes by decile, families with children, dollars and percentages, Saskatchewan, 2006

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Income decile	Average earnings in dollars	Average market income in dollars	Average total income in dollars	Average after-tax income in dollars	Average transfers in dollars (4) – (3)	Average taxes in dollars (4) – (5)	Average transfer rate (%) (6) / (4)	Average tax rate (%) (7) / (4)
1	340	1,328	14,881	13,949	13,552	931	91.1	6.3
2	12,102	14,409	26,775	25,936	12,366	839	46.2	3.1
3	24,718	27,385	37,927	35,574	10,542	2,353	27.8	6.2
4	37,176	40,655	47,726	43,673	7,071	4,053	14.8	8.5
5	48,466	52,023	58,310	51,807	6,287	6,503	10.8	11.2
6	61,892	66,510	70,609	60,492	4,099	10,117	5.8	14.3
7	76,891	80,280	84,563	71,509	4,284	13,054	5.1	15.4
8	95,069	97,309	100,540	82,827	3,231	17,714	3.2	17.6
9	119,127	122,909	125,276	100,344	2,367	24,931	1.9	19.9
10	195,291	205,479	206,100	157,927	622	48,174	0.3	23.4
Average	67,200	71,008	77,401	64,504	6,393	12,897	8.3	16.7

Note: The decile distributions for each of average earnings, market income, total income, and after-tax income were obtained from the special Statistics Canada tabulation obtained by CCPA. Average income taxes were obtained by subtracting the decile averages of after-tax income from the decile averages of total income. Average transfers were obtained by subtracting the decile averages of market income from the decile averages of total income. These estimates of income tax and transfers are only approximate since the families in each of the decile distributions may be different. However, these estimates generally come close to matching the quintile values of transfers and taxes in Statistics Canada, 2008a, Tables 2-9 and 5-9. Keeping in mind that the latter refer to families of two persons or more and the above table refers to economic families with children, differences between the two would be expected.

Table A11. Aboriginal and non-Aboriginal population, Saskatchewan, 2006

Population group	On-reserve	Non-reserve	Total
Aboriginal	49,015	92,875	141,890
North American Indian	47,765	43,635	91,400
Métis	735	47,380	48,115
Other Aboriginal	520	1,850	2,370
Non-Aboriginal	1,065	810,895	811,960
Total	50,085	903,760	953,845

Source: Statistics Canada, 2008d

Table A12. Labour force characteristics, Aboriginal and non-Aboriginal population, Saskatchewan, 2006

Population group	Population and labour force characteristic in number of persons				Labour force participation rate (per cent)	Unemployment rate (per cent)
	Population aged 15 plus	Employed	Unemployed	Labour force		
Aboriginal	91,295	42,095	9,390	51,485	56.4	18.2
Indian	55,610	20,490	6,790	27,275	49.0	24.9
Métis	34,215	20,865	2,475	23,340	68.2	10.6
Other	1,465	735	115	870	59.0	13.8
On-Reserve	31,455	10,025	3,880	13,905	44.2	27.9
Non-Aboriginal	674,935	452,810	20,015	472,820	70.1	4.2
Total	766,235	494,900	29,405	524,305	68.4	5.6

Source: Statistics Canada, 2008e

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