Aboriginal Income Disparity in Canada

Key findings:
- Aboriginal people face significant earnings and income disparities compared to non-Aboriginal people in Canada.
- The gap is greatest for Registered Indians.
- Even highly educated Aboriginal people face a considerable income gap relative to non-Aboriginal people.

Background
We all know that a good education improves one’s well-being, facilitates access to jobs and allows participation in economic opportunities. But to what extent is this true for Aboriginal persons? In order to determine the degree to which education brings such benefits to Aboriginal persons, the Strategic Research Directorate commissioned research on the following three questions:

- How do Registered Indian status and Aboriginal identity affect patterns of income disparity?
- How does Aboriginal income disparity vary across urban labour markets and does this variation correlate to the size of the Aboriginal communities within cities?
- Does schooling allow Aboriginal workers to overcome earning disparity?

Findings are based on regression analyses of labour market (wage) earnings and total income of Canadian-born workers aged 25 to 64 years, using data from the 1996, 2001 and 2006 Census of Population. Separate regressions were run for men and women, comparing Aboriginal groups to people of British-origin, who are taken as a proxy for the Canadian majority.

This Research Brief is a summary of Drs. Pendakurs’ March 2011 article “Aboriginal Income Disparity in Canada” in Canadian Public Policy (27:1). The views expressed in this report are solely those of the authors and do not necessarily reflect those of Aboriginal Affairs and Northern Development.

Main Findings
Do status and identity have an impact on income?

With one exception (Inuit women), men and women belonging to Aboriginal groups have lower income and earnings than British-origin people. This holds true even when controlling for age and education. This suggests that Aboriginal people are poorer than can be explained by their low education levels and relative youth.

Four patterns were observed when analyzing the data. First, with the exception noted above, the difference between Aboriginal workers and Canadians of British-origin is always negative and statistically significant, regardless of the type of income, the gender or the Aboriginal group. Income and earnings gaps are in the order of 10 to 20% for women and 20 to 50% for men.
Second, the gap in terms of income and earnings varies among various Aboriginal groups. For men, the gap is widest between Registered Indian men and those of British-origin, at about 50%. For non-status Indian and Métis men the gap ranged from 10 to 20% in 2006 (Figure 1).

Among women, the pattern is less pronounced. The ranking was much the same as for the men, but gaps were much smaller. Registered Indian women fared the worst with earnings gaps averaging 11%, followed by non-status Indian women at 9% and Métis women at 8%.

The third pattern relates to how total income disparity compares to earnings disparity on reserve. In Canada, the least well-off citizens access government transfer programs (e.g., Employment Insurance, Old Age Security pension), which are included in the calculation of total income. This means that an analysis focusing only on wage earnings may overstate the true economic disparity faced by Aboriginal groups. However, contrary to expectations, the proportionate income and earnings disparities for Registered Indian men on reserve are both about 50%. The conclusion is that government transfers do not appear to mitigate substantially the disadvantages observed for Registered Indian men on reserve. For Registered Indian women, the analysis shows no clear pattern.

The fourth pattern observed is a declining earnings gap for all Aboriginal groups between 1995 and 2005. All groups reduced the gap relative to Canadians of British-origin during that period, but some did so faster than others. For instance, Registered Indians living on reserves reduced their gap the least, by about 5%. For Registered Indians living off-reserve, the well-being gap shrunk by about 12%. For non-status Indians it diminished by 33% and for the Métis by about 50%. This reduction occurred for both genders in all cases.

Does income disparity vary across urban labour markets and by size?

The analysis of Aboriginal wage earnings in twelve urban labour markets reveals that location is not a significant factor in explaining income differences between Aboriginal and British-origin people. Figure 2 displays proportionate earnings gaps for each of the Canadian cities considered.
In cities with relatively small urban Aboriginal populations – Toronto for instance – Registered Indian men and women faced earnings gaps of 17% and 12% respectively. In other cases, where the urban Registered Indian population is also relatively small, the gaps ranged from 11% and 41% for men and 8% and 33% for women. This suggests that location is not the sole driver of the earnings disparities observed between Aboriginal people and Canadians of British-origin.

It is encouraging to find that the improvement over time observed in the earnings gaps at the national level is also found at the city level. However, in cities with relatively large Aboriginal populations (for example, Winnipeg, Saskatoon, Regina and Edmonton), the earnings disparities remain relatively high for Registered Indians of both genders living off reserve. In 2006, it ranged from 16% to 33% for women and from 27% to 41% for men.

This finding rules out an enclave effect, whereby a large group of persons of the same cultural background living in an urban centre brings increased benefits to all. It suggests instead the opposite dynamic. In Winnipeg, where the Aboriginal population is relatively large (11%), the earnings gaps are among the most severe. In Toronto, where the proportion of Aboriginal residents is low (1%), the earnings disparities are among the least severe.

**Does schooling help Aboriginal workers overcome earning disparities?**

In 2000, both Aboriginal and British-origin males had increasing returns to earnings from their education. However, for each education level, Aboriginal males received lower income than their British-origin counterparts. A similar, but weaker pattern was found between Aboriginal and British origin females.

In terms of earning returns for high school completion relative to Grade 10, all Aboriginal identity males except non-Status Indians had higher returns than British-origin males, but lower income (Table 1). However, Aboriginal females earning returns were not that much different from those of British-origin females.

Finally, for earning returns for a completed Bachelor’s degree relative to high school completion, Registered on-reserve and non-Status males had higher return on earnings than British origin men but still lower income. For Aboriginal females, only Registered off-reserve women had lower return to earnings for a Bachelor’s degree than British origin females.

Two conclusions are possible. First, education is associated with higher earnings, suggesting that all groups derive an economic benefit from education. Second, the greater returns enjoyed by Aboriginal persons as a result of completing a Bachelor’s degree, as compared to non-Aboriginal people, are not sufficient to close the earnings gap between Aboriginal and non-Aboriginal workers. The result is that, on average, even highly educated Aboriginal people face substantial income disparity.

This begs the question, not so much of a glass ceiling – an unseen barrier that limits ‘minority’ people from rising to the upper rungs of the career ladder, regardless of education or achievement – as of a ‘sticky floor,’ whereby it is hard to move up the first few rungs. One might assume that the earnings disparity would diminish for the best educated Aboriginal persons. Yet, there is little evidence that such disparity is much smaller for highly educated Aboriginal workers, suggesting the possible effect of a sticky floor.

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<thead>
<tr>
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<th>Grade 10 vs. High School</th>
<th>Bachelors Degree vs. High School</th>
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<tbody>
<tr>
<td></td>
<td>M</td>
<td>F</td>
</tr>
<tr>
<td><strong>British Origin</strong></td>
<td>-18%</td>
<td>-28%</td>
</tr>
<tr>
<td><strong>Reg. on-reserve</strong></td>
<td>-22%</td>
<td>-31%</td>
</tr>
<tr>
<td><strong>Reg. off-reserve</strong></td>
<td>-33%</td>
<td>-32%</td>
</tr>
<tr>
<td><strong>Non-Status</strong></td>
<td>-16%</td>
<td>-30%</td>
</tr>
<tr>
<td><strong>Métis</strong></td>
<td>-27%</td>
<td>-31%</td>
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Source: Statistics Canada, Census of Population, 2001
Conclusion

With respect to the question on earnings patterns and income gaps, it was found that Aboriginal men and women face significant earnings and income disparities relative to British-origin people in Canada. Further, within the Aboriginal population, Registered Indians are faring worse than other Aboriginal groups.

Also observed, however, is a trend towards decreasing income gaps for Aboriginal people between 1995 and 2005. This applies to almost all Aboriginal groups, for both genders and in most cities.

Examining variations of income disparity across urban labour markets, the economic prospects of Aboriginal people living in cities with proportionately large Aboriginal populations face important challenges. That is, these groups show no beneficial enclave effects. A clustering of Aboriginal residents in urban neighbourhoods does not appear to bring greater employment or accumulation of social and material capital derived through urban networking, connections to home communities, mutual cultural expression and shared business interests.

Another finding concerns the return on education. Although Aboriginal incomes rise with increased education, it was found that even highly educated Aboriginal people still face a considerable income gap relative to their British-origin counterparts.

About the researchers

Dr. Ravi Pendakur (University of Ottawa) and Dr. Krishna Pendakur (Simon Fraser University) conducted this research, commissioned by the Strategic Research Directorate of Aboriginal Affairs and Northern Development Canada.

When this research brief was produced the 2011 data on income had not been released. While National Household Survey (NHS) data is now available, the comparability of the NHS data to the 2006 data still needs to be verified. AANDC is considering pursuing similar analyses on income disparities with the 2011 data when comparability is verified.