

Dimensions of Diversity: 2006 Census Snapshot

The facts about incomes in British Columbia are not in the headlines.

According to the news papers, the income data from the 2006 Census, released yesterday, paints a bleak picture of incomes and earnings in the province of British Columbia: over the past 25 years, once adjusted for inflation, individuals working full time full year in British Columbia saw their median earnings fall by 11.3 percent. Even over the most recent Census period (the 2001 and 2006 Census reports income changes between 2000 and 2005), earnings for those who worked full time full year fell by 3.4 percent.

So did we all grow a little poorer between 2000 and 2005? Not necessarily. The most important conclusion to be gleaned from this data release is that it is essential to examine the data both carefully and deeply before drawing conclusions based on measures like medians and averages. When we look at **why** the changes in the median income occurred, we see a much different picture. As an example of why we have to look carefully at the data, consider what has been represented as the plight of the earnings of immigrants. The Census release (and most major media outlets) reported that the earnings gap between recent immigrants and Canadian born workers increased significantly over the past 25 years. In 1980 a recent immigrant could expect to earn 85 cents for every dollar earned by a Canadian born person: according to the release, by 2005 this gap had grown significantly, to the point where a recent immigrant earned only 63 cents for each dollar earned by a Canadian born person.

Before jumping to the conclusion that things have gotten worse for immigrants, let's look at the data a bit more carefully. In 1980 the typical recent immigrant was in their twenties, as was the typical Canadian (the peak of the baby boomer generation). Thus a comparison of recent immigrants and the Canadian born was valid, as both were relatively young and earning relatively low entry level wages. Shift forward to 2005 and, while recent immigrants are still in their twenties, the typical Canadians are not – the boomers have grown a little older over this period, are now in their forties, fully established in their careers, and earning correspondingly higher incomes. It makes no sense (but does make great headlines) to compare the incomes of a population dominated by young labour force entrants to another, dominated by mid career earners, as it is the same as comparing mangoes and beets. What should be compared is the income of a 25 year old recent immigrant and that of a 25 year old Canadian born person, and a 45 year old recent immigrant to a 45 year old boomer. Then you could draw a conclusion that meant something – hopefully we can do this once Statistics Canada releases the more detailed earnings data.

As a second example, consider the story of the fall in median earnings in British Columbia over the same 25 year period. First, as a nit, but a relevant one, the adjustment for changes in incomes in BC was done by Statistics Canada using the national – not the provincial – inflation rate. Probably not a big deal, but we would more likely deflate BC's incomes using BC's inflation. More significantly, if 1980 is to be the base year for comparison, it is important to consider the economic characteristics of that year. The late 1970s were good times in BC; incomes, employment and housing values were all growing at what many considered to be the healthiest pace in recent provincial history, with GDP expanding at up to ten percent per year. Then in the fall of 1981 it all came crashing down: the economy contracted by six percent, housing prices fell, unemployment soared, and we remained in a recession for almost a decade. It just so happens that all this transpired after the Census count in May 1981. A much different picture would have been painted if we took 1985 as a base rather than 1981.

But really, 25 year changes in median incomes are not particularly relevant given the dramatic structural changes that have occurred in our economy. Of much more importance is what the data (as contrasted with the headlines) say about recent changes. Of relevance here is the statement that between 2000 and 2005 (adjusted for national inflation), earnings for those who worked full time full year in British Columbia fell by 3.4 percent.

In this context, it is important to note that the unemployment rates in British Columbia fell over this period (from 8.5 percent to 6.0 percent according to the Census). The more detailed data released yesterday provides some of the evidence on why the relatively strong performance of the provincial economy over the 2000 to 2005 period may have contributed to a decline in median earnings. The first thing we need to consider is where the growth in employment was. The most rapidly growing employment category was part time work. Between 2001 and 2006 while full time full year employment grew by nine percent (89,130 jobs), part time employment grew by 16 percent (175,125 jobs). As the median annual income of someone working part time is understandably lower than that of someone working full time (\$12,111 versus \$42,230), adding a greater number of part time jobs would logically pull down the average income of all working individuals. Before dismissing growth in employment that is not full time full year as "low skilled, low paid jobs", it is important to remember that that part time employment characterizes most of the young stages of the lifecycle as kids work during school (which can now easily last into the early 30's), in addition to working moms and even retirees who have decided to keep a part time foot in the labour market.

So how about those who worked full time, full year? The composition of growth in employment also had an impact on median incomes here: full time employment in the 15 to 24 age group grew by 21 percent relative to a ten percent growth in full time employment for all age groups between 2001 and 2006. With a median income that is only 50 percent of the average for all age groups (\$22,074 versus \$50,855) growth in the younger employment cohorts would again logically lead to a decline in the median incomes for the province's full time full year workers. What is striking for this age group is that the inflation adjusted median income for all 15 to 24 year olds (those working full and part time) increase by an astounding 14 percent, the greatest increase for all age groups. Also noteworthy is that the second greatest percentage increase in median income occurred in the 65 plus age groups (a seven percent increase).

Finally, it is important to note that all of the headline discussion is about the income of individuals, not of households. As we live, and spend, in households, it would seem to be important to know how households were doing, something that the data, but not the headlines, do tell us. Households are doing just fine, thank you. With a falling unemployment rate providing more opportunities for members of households to work, be it part or full time, we would anticipate rising household incomes even after adjustment for inflation, which is exactly what the data show. Household incomes in British Columbia beat inflation, with median household incomes increasing by 0.4 percent overall, and an impressive 3.1 percent in our newest metropolitan region, Kelowna.

The most important conclusion to be drawn from the Census release, the headlines, and the data is that changes in measures of central tendency, be they the mean, the median or the mode, tell us less and less about what is actually happening and nothing about why it is happening. In an increasingly pluralistic society, in terms not only of people, but of economic activity, we must look much more carefully at the data if we are to have meaningful discussions on the growing diversity that is evolving within our communities