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Are the Labour Market Benefits to Schooling Different for Aboriginal and Non-Aboriginal People

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Are the Labour Market Benefits to Schooling Different for Aboriginal and Non-Aboriginal People?

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Abstract

It is well documented that Aboriginal people generally have lower levels of educational attainment than other groups in Canada, but little is known about the reasons behind this gap. This study is the first of two by the same author investigating the issue in detail. This initial paper focuses on one potential reason for differences in educational attainment between Aboriginal and non-Aboriginal individuals: the possibility that Aboriginal individuals reap fewer labour market benefits from additional schooling than do their non-Aboriginal counterparts. The results of this analysis, which is based on the 2006 Census of Population, show that additional schooling is generally associated with a larger decline in the probability of being unemployed for Aboriginal people compared to non-Aboriginal people. In terms of wages and salaries, additional schooling generally yields about the same benefits for both groups. The results hold whether Aboriginal people live off-reserve, on-reserve, or in northern communities. There is also no evidence that Aboriginal people who eventually choose to pursue further education following high school are a more select group than their non-Aboriginal counterparts in terms of academic performance; this suggests that the results in this study are not likely to be explained by self-selection. Furthermore, there is little evidence that perceptions of the benefits to schooling are any different for Aboriginal youth than for non-Aboriginal youth. These findings suggest that the labour market benefits to schooling are not likely to be a factor behind the lower levels of educational attainment among Aboriginal people.

JEL code: I24, J15

KEYWORDS: Educational attainment, Labour market outcomes, Aboriginal

Executive Summary

It is well documented that Aboriginal people generally have lower levels of educational attainment than other groups in Canada; however, little is known about the reasons behind this gap. This study is one of two by the same author investigating the issue in detail. This paper focuses on one potential reason for differences in educational attainment between Aboriginal and non-Aboriginal individuals: the possibility that Aboriginal individuals reap fewer labour market benefits from additional schooling than do their non-Aboriginal counterparts. The second paper will investigate differences in socio-economic characteristics.

This study primarily uses the 2006 Census of Population micro-data file. The focus is on three groups of Aboriginal people: off-reserve North American Indians, Métis, and Inuit. However, sample size limitations at higher levels of education often require combining all three groups in order to create aggregate estimates. It is important to note that this may miss important differences among the three groups. For a substantial portion of the study, Aboriginal people living on-reserve or in northern communities are not examined given that the labour market may be very different in those areas. However, they are included in a separate analysis discussed in section 7. The 2006 Census identity data have been used.¹ All results are generated separately by sex. Non-Aboriginal people are also included in the analysis as a benchmark. Since the focus is on the labour market benefits to additional schooling, individuals of prime working age (i.e., 25 to 54 years old) are selected.

Three outcomes are examined in particular, each requiring a different analytical sample: educational choices; the unemployment rate; and wages and salaries. The educational choices of Aboriginal people are examined for the full sample (i.e., all individuals 25 to 54 years old). Although this is not the main focus of the analysis, it is important to highlight these choices in order to set the backdrop for the labour market results to follow. In addition, the study includes two labour market outcomes, namely, the unemployment rate, and wages and salaries. The unemployment rate is calculated among individuals who are working during the Census reference week (i.e., 7 May to 13 May 2006), have a job lined up, or are actively seeking employment. Wages and salaries refer to the year prior to the Census (i.e., 2005). In order to minimize the impact of differences in weeks worked or hours worked per week, the study focuses on individuals who worked full-year (i.e., 49 weeks or more) and full-time (i.e., 30 hours or more per week, on average). For this part of the analysis, only paid employees are examined (i.e., individuals with positive wages and salaries and zero net self-employment from farm and non-farm sources).

The results of this analysis show that additional schooling is generally associated with a larger decline in the probability of being unemployed for Aboriginal people compared to non-Aboriginal people. In terms of wages and salaries, additional schooling generally yields about the same benefits for both groups. The results hold whether Aboriginal people live off-reserve, on-reserve, or in northern communities. There is also no evidence that Aboriginal people who eventually choose to pursue further education following high school are a more select group than their non-Aboriginal counterparts in terms of academic performance; this suggests that the results in this study are not likely to be explained by self-selection. Furthermore, there is little evidence that perceptions of the benefits to schooling are any different for Aboriginal youth than for non-Aboriginal youth. These findings suggest that the labour market benefits to schooling are not likely to be a factor behind the lower levels of educational attainment among Aboriginal people.

¹. Information on the 2006 Census reference guides and technical reports is available at <http://www12.statcan.gc.ca/census-recensement/2006/ref/rp-guides/index-eng.cfm>. Information on Aboriginal content is available at http://www12.statcan.gc.ca/census-recensement/2006/ref/rp-guides/rp/ap-pa_2/index-eng.cfm.

Moreover, among bachelor's degree graduates working full-year and full-time, both groups earn about the same when they have studied in similar disciplines. However, unemployment rates are higher among Aboriginal than non-Aboriginal people for the same disciplines. As well, the two groups do not generally study in the same disciplines: Aboriginal people are more likely to choose disciplines such as education, arts, social sciences, and humanities, while non-Aboriginal people are more likely to choose disciplines such as engineering, mathematics, computer science, and physical sciences. These trends are true for men and women, but they are especially true for men. It is generally the case that studies in engineering, mathematics, computer science, and physical sciences, compared to other disciplines, lead to higher-paying jobs and are less likely to lead to jobs requiring less education than individuals in these fields of study have.