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Literacy, Numeracy and Labour Market Outcomes in Canada

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BACKGROUND

Literacy skills have an important impact on a range of labour market outcomes (OECD and Statistics Canada 2000), but the relationship is a complex one.

Internationally, wage returns to literacy appear to be highest in countries, like Canada and the United States, where the demand for literacy skills is high and where literacy levels are highly variable. This study, attempts to isolate the impact that literacy has on the wages of Canadian workers. The findings confirm the importance of literacy to individual economic success in the Canadian labour market.

The study investigates the relationship between labour market success and literacy skills. The most commonly used and widely accepted measure of labour market success is earnings. Accordingly, this paper focusses on the relationship between literacy and annual, weekly and hourly earnings. It also takes into account other factors that influence labour market outcomes, such as educational attainment, gender and experience.

Data came from the Canadian component of the 1994 International Adult Literacy Survey (IALS). This survey provided, for the first time, data on literacy skills that were comparable across countries and language groups. IALS data is available currently for 22 countries. The study assessed the skills of 5,660 Canadian adults. For each individual, the survey provided three measures of literacy:

- **Prose:** the ability to understand and use information from texts such as editorials and newspaper articles.
- **Document:** the ability to find and use information from documents such as job applications and maps.
- **Quantitative:** the ability to perform arithmetic functions such as balancing a chequebook.

HIGHLIGHTS

- Literacy has a large impact on earnings, and accounts for about one-third of the estimated 'return on education.' Each additional year of education raises annual earnings by about 8.3%. Of that, about 3.1 percentage points result from the combined influences of education on literacy and, in turn, literacy on earnings.
- Educational attainment appears to have a much larger impact on literacy than work experience. Results suggest that general labour market experience has little net effect on literacy.
- Results also provide some support for the view that literacy skills may play a role in how well immigrants adjust to their new labour market. The small number of immigrants in the sample precludes a stronger conclusion about the relationship between literacy skills and the earnings pattern of immigrants relative to the native-born. Further research is needed in this area.
- Individual earnings and the education level of parents are positively linked. However, there is little evidence that the educational attainment of parents exerts a positive impact on the child's earnings as an adult, once both educational attainment and literacy skills are taken into account. This suggests that the positive association between parents' education and individual earnings is due principally to the influence of parents' education on the literacy skills and educational attainment of the child.

These highlights summarize the eighth International Adult Literacy Survey monograph, **Literacy, Numeracy and Labour Market Outcomes in Canada**, Statistics Canada Catalogue number 89-552-MPE, no. 8. For further information, contact T. Scott Murray at (613) 951-9035.

Ces faits saillants sont aussi disponibles en français