

Literacy and the Economy

Literacy rates as an economic indicator

For many years, we have understood that low literacy has social impacts on individuals and society generally. Only recently, however, have we become more aware of how a country's literacy rates might affect its economy. Now we know that literacy rates act as an indicator of economic growth, at both the national and local levels.

Literacy and the supply of skilled labour

Today's markets are global. This globalization gives Canada a huge opportunity, but it needs people with high levels of skills to be able to seize the opportunity. Literacy is a building block that people need to acquire new knowledge and skills.

- Low literacy affects the supply of skilled labour. Approximately 42% of Canadians don't have the literacy skills they need for today's world¹.
- In the past, Canada's supply of skilled labour came from young people born and educated in Canada. Today, Canada's birthrate is low, so soon there won't be enough young Canadians with the skills to fill all the jobs.
- The supply of skilled people in developing countries is increasing, which means these countries now have a supply of skilled workers. This allows them to compete with more developed countries, like Canada, for work – at lower cost.

- Information and communication technologies are keys to productivity and innovation – important parts of economic growth. The rate at which a country can adopt new technologies depends on having workers with the necessary skills. At lower literacy levels, people are less likely to be able to use these technologies². This means they won't meet the increasing skill requirements for today's labour market.
- Immigrants help fill some of Canada's need for skilled workers. However immigrants' English literacy skills may not always equal their educational and professional qualifications. Immigrants often need English literacy training when they come to Canada.

How increased literacy rates contribute to the economy

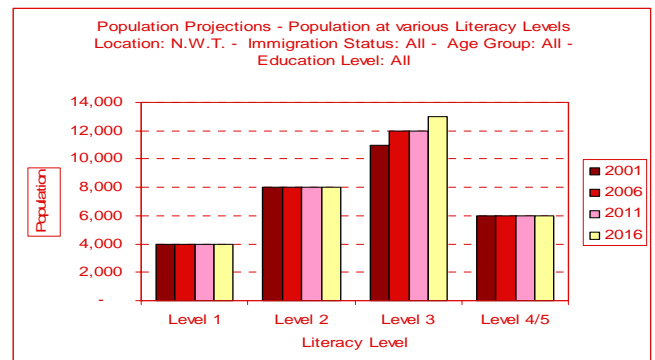
A 1% rise in **average** literacy scores raises the Gross Domestic Product (GDP) of a country permanently by 1.5%³. This amounts to approximately \$18 billion for Canada⁴. This is three times the return we get if we invest in physical capital. This rise in literacy rates has another effect—it creates a 2.5% increase in productivity. The proportion of people at the lowest literacy level drags down growth rates. If we focus on improving literacy at the higher levels, we don't see these same increases⁵.

What can we do to improve literacy rates in the NWT?

Some researchers have projected that if we continue doing what we're doing now, the absolute numbers of people with low literacy will stay the same at most levels through to 2016 (see Figure 1).

The researchers have developed a profile of six categories of people with low literacy levels in the NWT (see Table 1). They have estimated how many people are in each category and how much it would cost to improve the literacy skills of each group. If the NWT

Figure 1: How skill profiles will evolve



Source: *Measuring and Monitoring Literacy in the NWT: A Profile*⁷

invests \$9 million strategically in literacy, in the best case scenario, the investment will be repaid in just over one year⁶. Even if the researchers are only partially right, the investment will pay for itself in a very short time.

Table 1: Investment required to improve NWT literacy skills, 2008

Market Segment (Profile of literacy skills)	NWT 2008 Estimated # of people	Investment Required
A1 Very limited print skills, limited comprehension skills, English mother tongue	475	\$1,390,000
A2 Very limited print skills, limited comprehension skills, non-English mother tongue	751	\$2,306,000
B1 Limited print skills, limited comprehension skills, English mother tongue	95	\$256,000
B2 Limited print skills, limited comprehension skills, non-English mother tongue	853	\$2,410,000
C1 Limited print skills, adequate comprehension skills	3798	\$1,294,000
D1 Adequate print skills, adequate comprehension skills	6274	\$1,436,000
Total NWT	12,246	\$9,092,000

Source: *Measuring and Monitoring Literacy in the NWT: A Profile*⁷

How the investment is repaid

When people’s literacy levels improve, there are many benefits for them, for their families, for their communities and for the NWT as a whole.

- More people from the NWT will be employable and employed. This means we will require fewer workers from other places.
- With higher levels of skills, NWT residents will earn higher incomes and have more money to spend. As well, the GNWT and Government of Canada will receive more taxes, like payroll and income taxes.
- Because people earn more money, fewer people will rely on social transfers, such as income support or employment insurance. This means lower costs to government.
- People with higher literacy levels have better health literacy and are better able to manage their own health. As a result, health care costs go down. For example, in the NWT, the estimated cost of diabetes in 2010 is just over \$5 million⁸. Low literacy and diabetes are closely linked⁵.

¹ Human Resources and Skills Development Canada & Statistics Canada.(2005). *Building on our competencies: Canadian results of the International Adult Literacy and Skills Survey 2003*. Catalogue no. 89-617-X1E. Ottawa.

²Ibid.

³ Murray, T.S. (2008). *Measuring and monitoring literacy in the NWT: Sharing the investment, sharing the rewards*. Presentation at Literacy Matters Workshop, Yellowknife, NT, January 29, 2008.

⁴Movement for Canadian Literacy. (n.d.) *Literacy Facts*. Ottawa.

⁵Murray, T.S. (2008). *Measuring and monitoring literacy in the NWT: The cost of complacency*. Presentation at Literacy Matters Workshop, Yellowknife, NT, January 29, 2008.

⁶Murray, T.S. (2008). *Measuring and monitoring literacy in the NWT: Sharing the investment, sharing the rewards*. Presentation at Literacy Matters Workshop, Yellowknife, NT, January 29, 2008.

⁷Murray, T.S. (2008). *Measuring and monitoring literacy in the NWT: A profile*. Presentation at Territorial Adult Educators Conference, Yellowknife, NT, March 3, 2008.

⁸Canadian Diabetes Association (2005). *Diabetes report 2005: The serious face of diabetes in Canada, Northwest Territories backgrounder*. Available at <http://www.diabetes.ca/files/diabetesreport2005/backgrounders/NWT%20background%20-%20FINAL.pdf>.

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