

CANADA NEEDS A YOUTH LITERACY STRATEGY

**TIM O'NEILL
O'NEILL STRATEGIC ECONOMICS**

**FREDERICTON, NB
MARCH 13, 2009**

Why we should care about skills and learning:

Challenge for public policy

- **Skills levels affect productivity growth and technological innovation**
 - **skill supply and demand balance matters**
 - **high end skills vs essential/foundational skills**
- **skill differences influence the degree of social inequality in economic outcomes**
- **affects efficiency and effectiveness of investments in education and health**

Economic Consequences of Literacy Gaps

- **Unemployment experience of individuals at Levels 1 & 2**
 - probability of becoming unemployed much greater
 - frequency of unemployment higher
 - greater risk of being laid off due to restructuring
 - more limited capacity for retraining

- **Income levels [individual]**
 - strong correlation between literacy levels average earnings
 - raising literacy levels has powerful positive impact on income

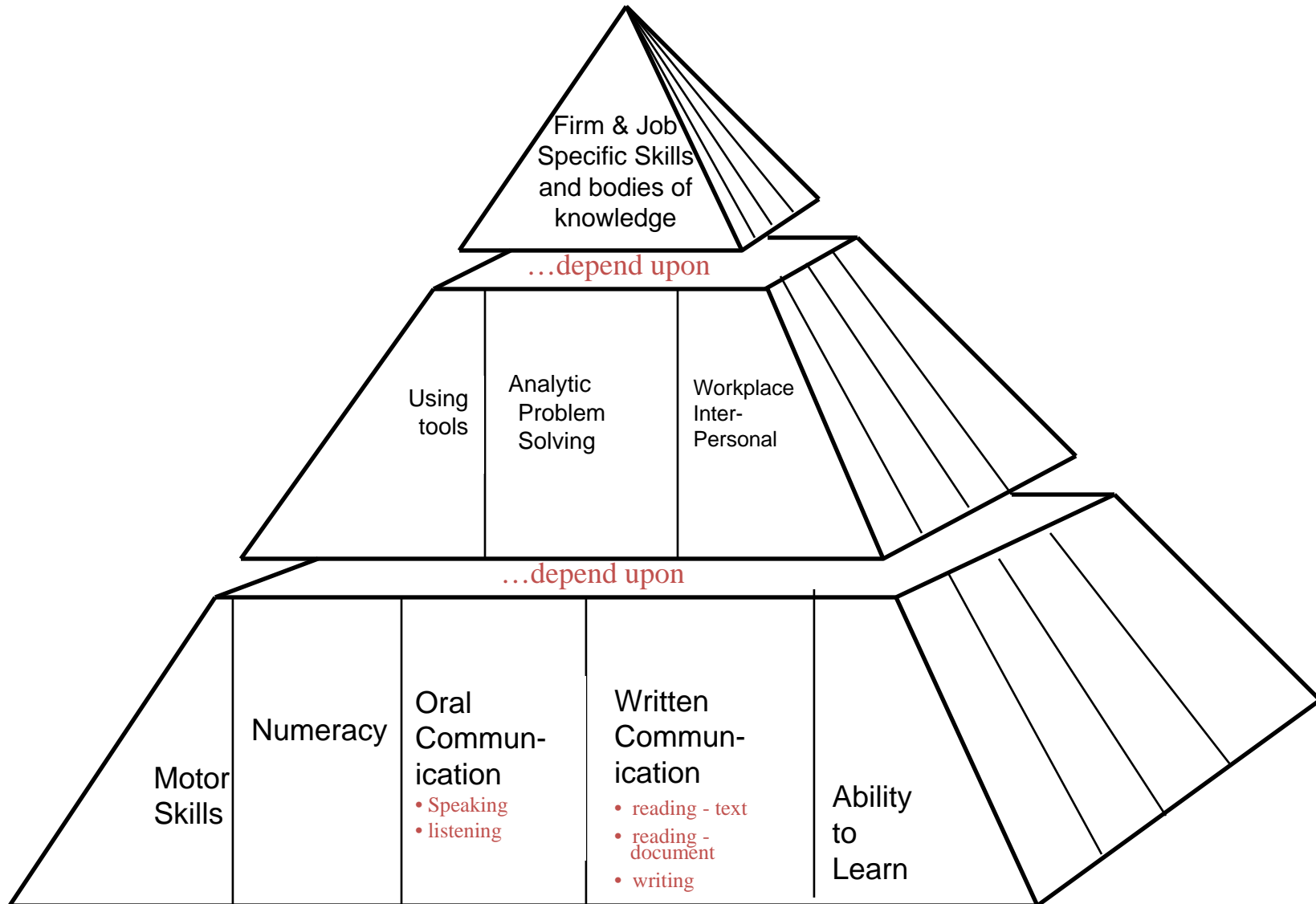
- **Productivity [macro economy]**
 - 1% rise in avg. literacy score increases GDP/person by 1.5%
and GDP/worker by 2.5%

What makes skills levels more important now:

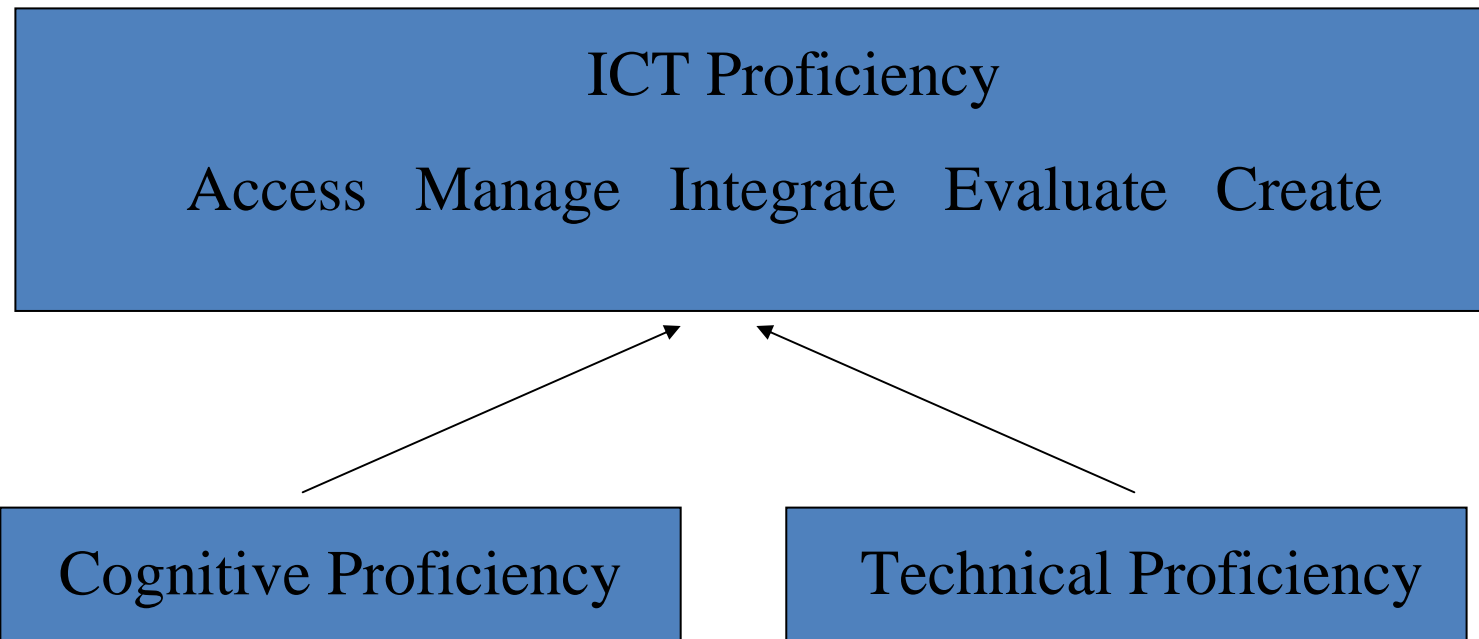
Key policy drivers

- Demographics: not enough entrants to replace retirees**
- Globalization of markets for capital and technology: access to same inputs at same cost – everywhere**
- Multinationals and outsourcing: job shifting inevitable**
- Diffusion of information and communication technologies: increases productivity but amplifies skill-based outcomes**
- Rising skill levels in emerging economies: they are better able to compete**

Literacy is Foundational: One example -- Skill Supply and Demand

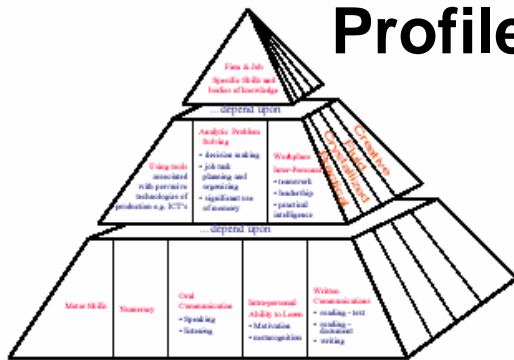


ICT Literacy: The key to productivity and innovation in a knowledge intense economy



The acquisition and application of ICT literacy depends upon literacy skill

A Framework for Thinking About Essential Skills : Profiles of Skill Supply and Demand



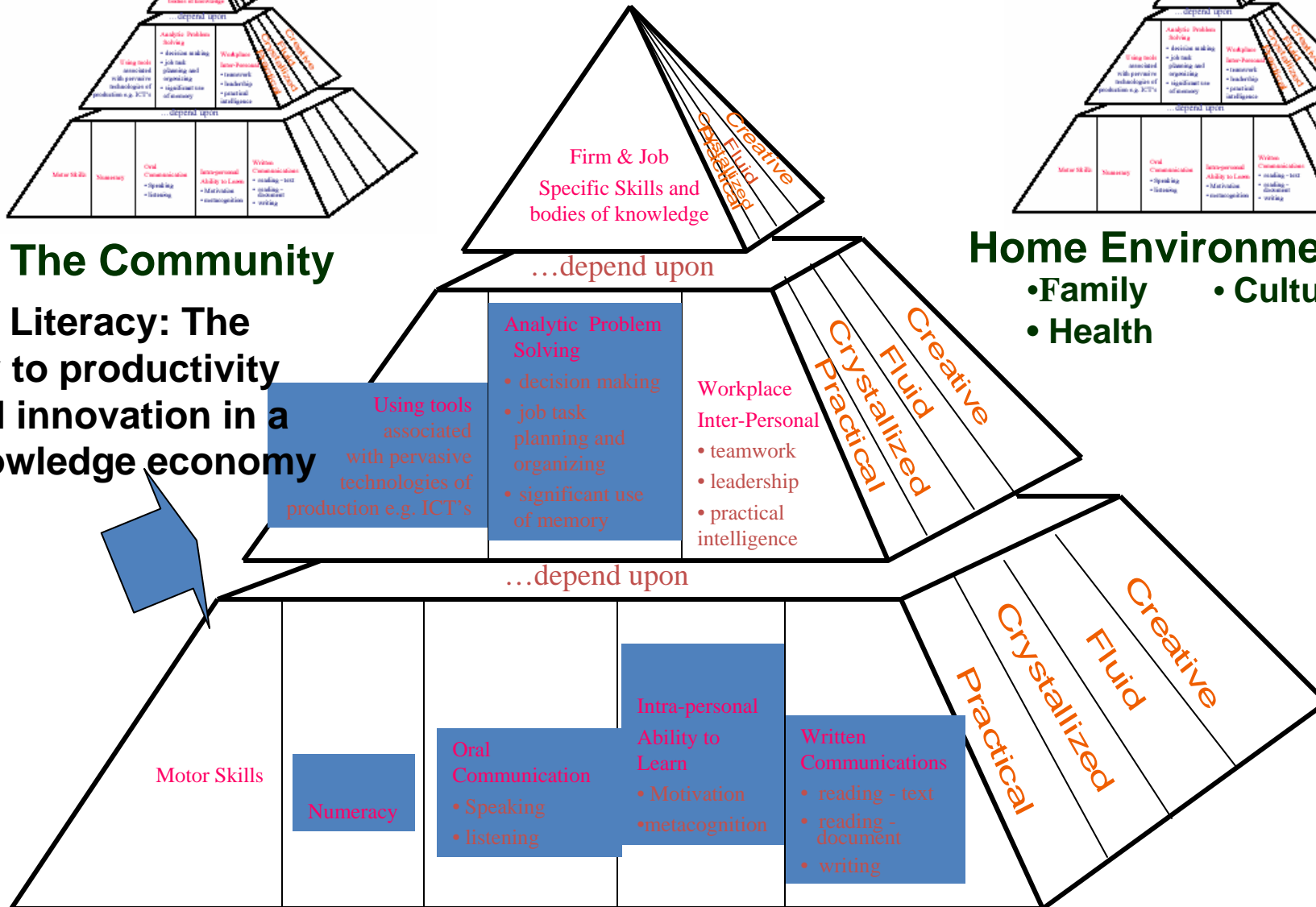
The Community



Home Environment

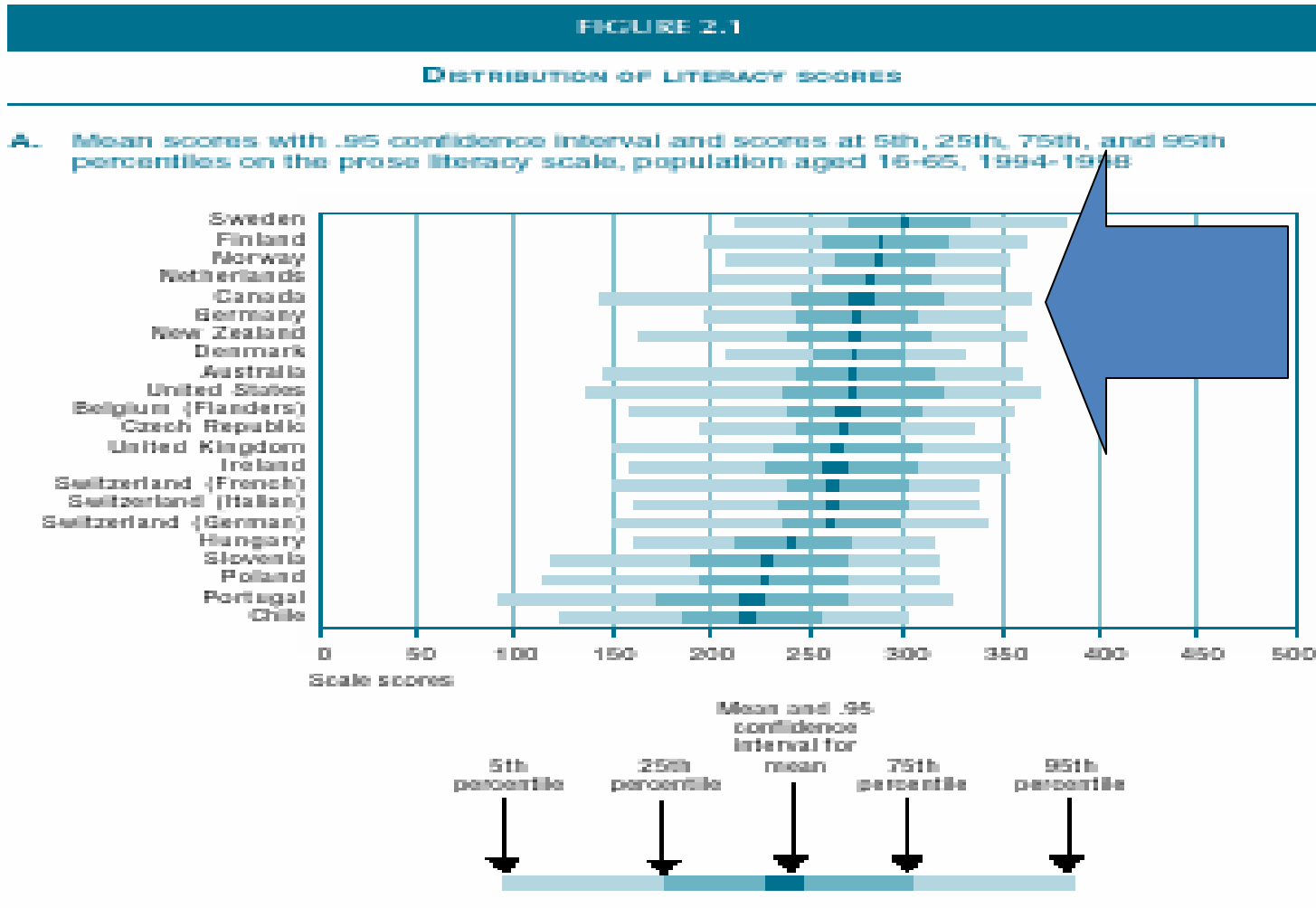
- Family
- Culture
- Health

ICT Literacy: The key to productivity and innovation in a knowledge economy



The World of Work

The stock of skill: Canada's average skill level is relatively high but we have a very wide dispersion...

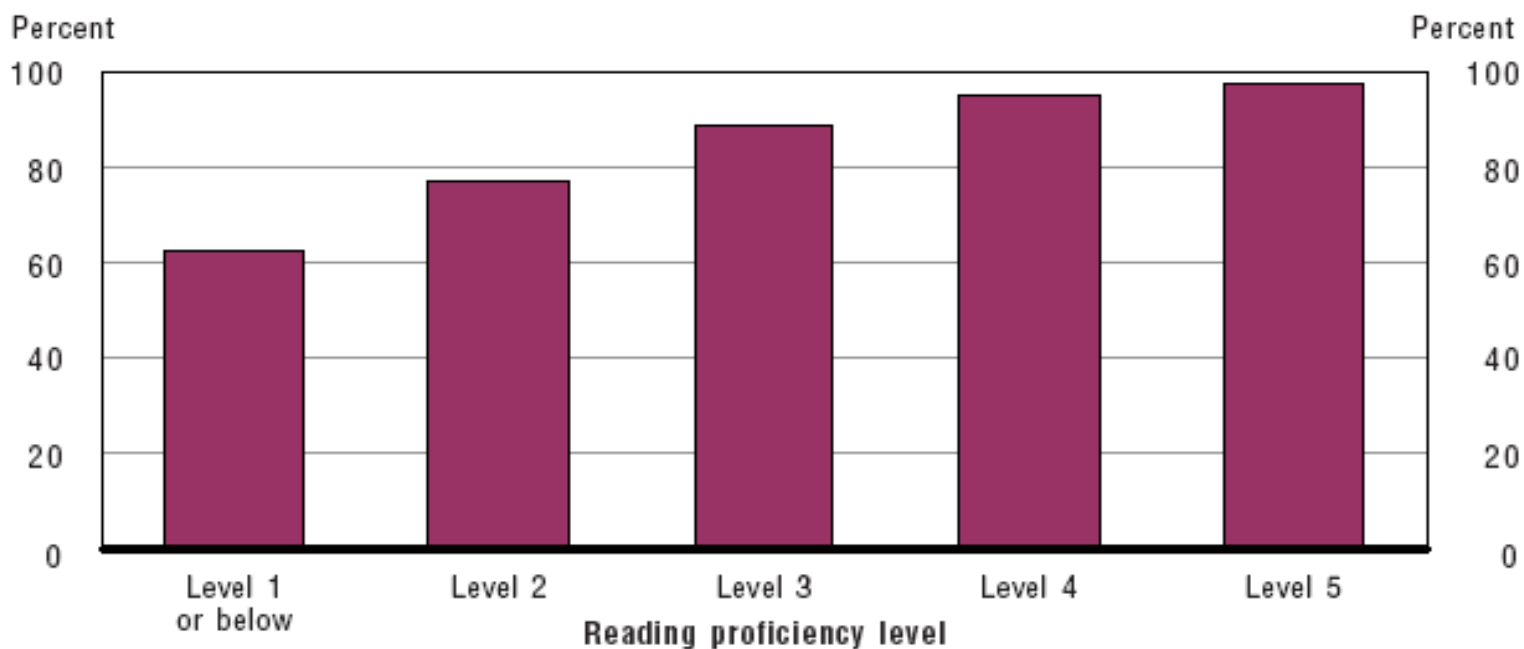


Countries are ranked by mean scores.

Impact of literacy skill on High school completion:

Figure 2

Percentage of youth who had completed high school by age 19 by their reading proficiency level at age 15

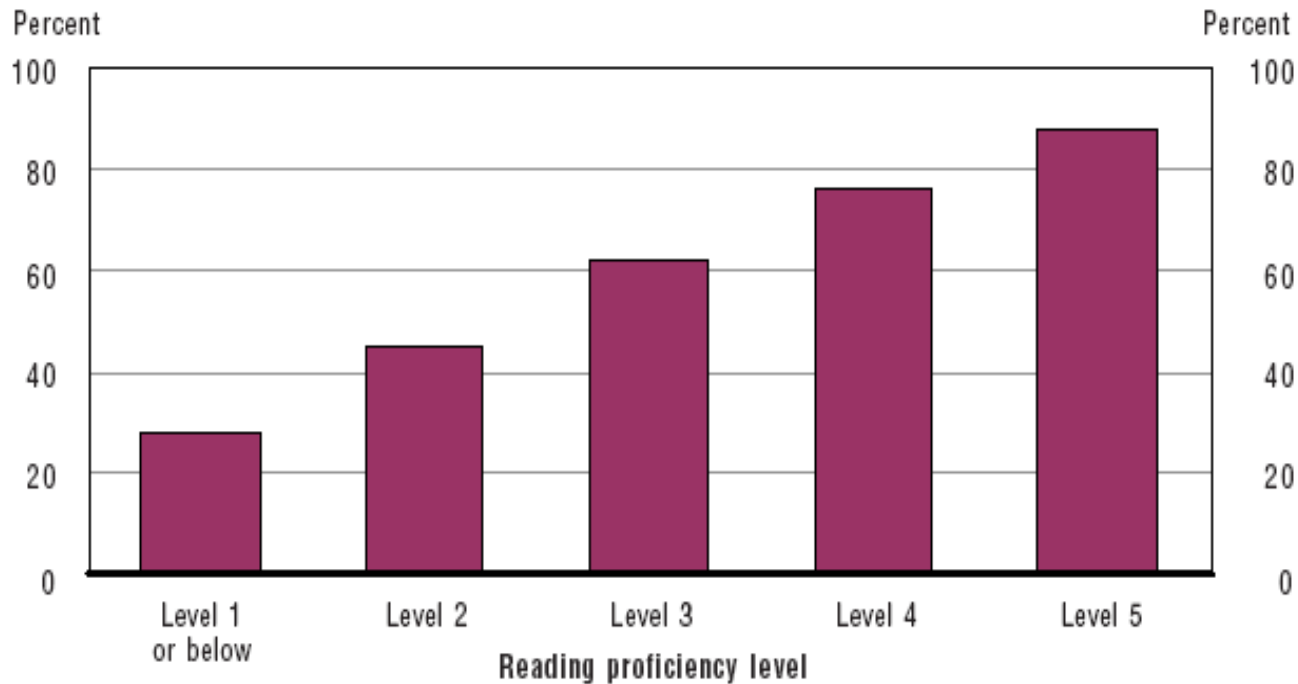


Literacy level has a profound impact on the probability of secondary completion

Impact of literacy skill on PSE participation:

Figure 3

Postsecondary participation rates by reading proficiency level at age 15

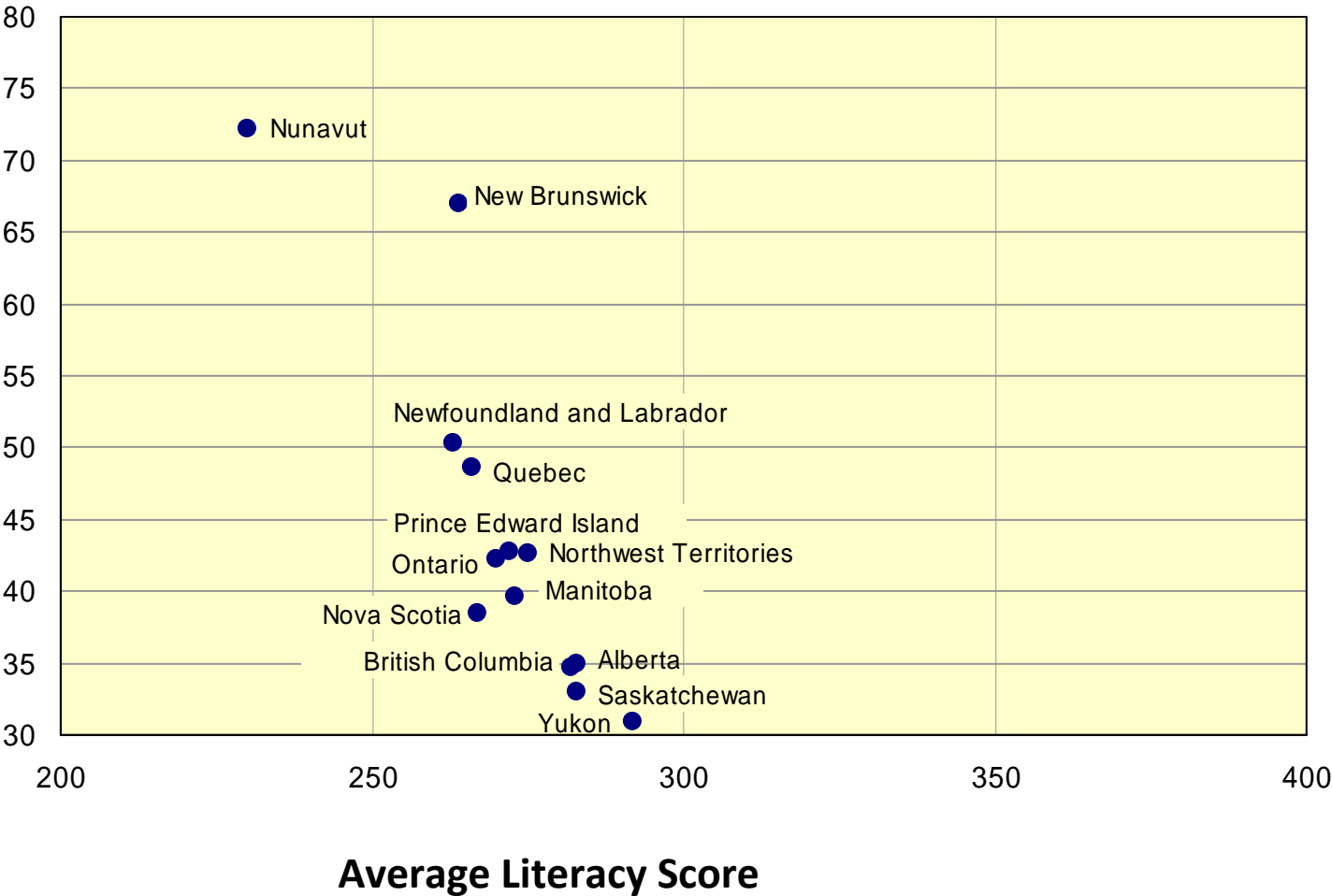


Literacy level has a profound impact on the probability of post-secondary participation

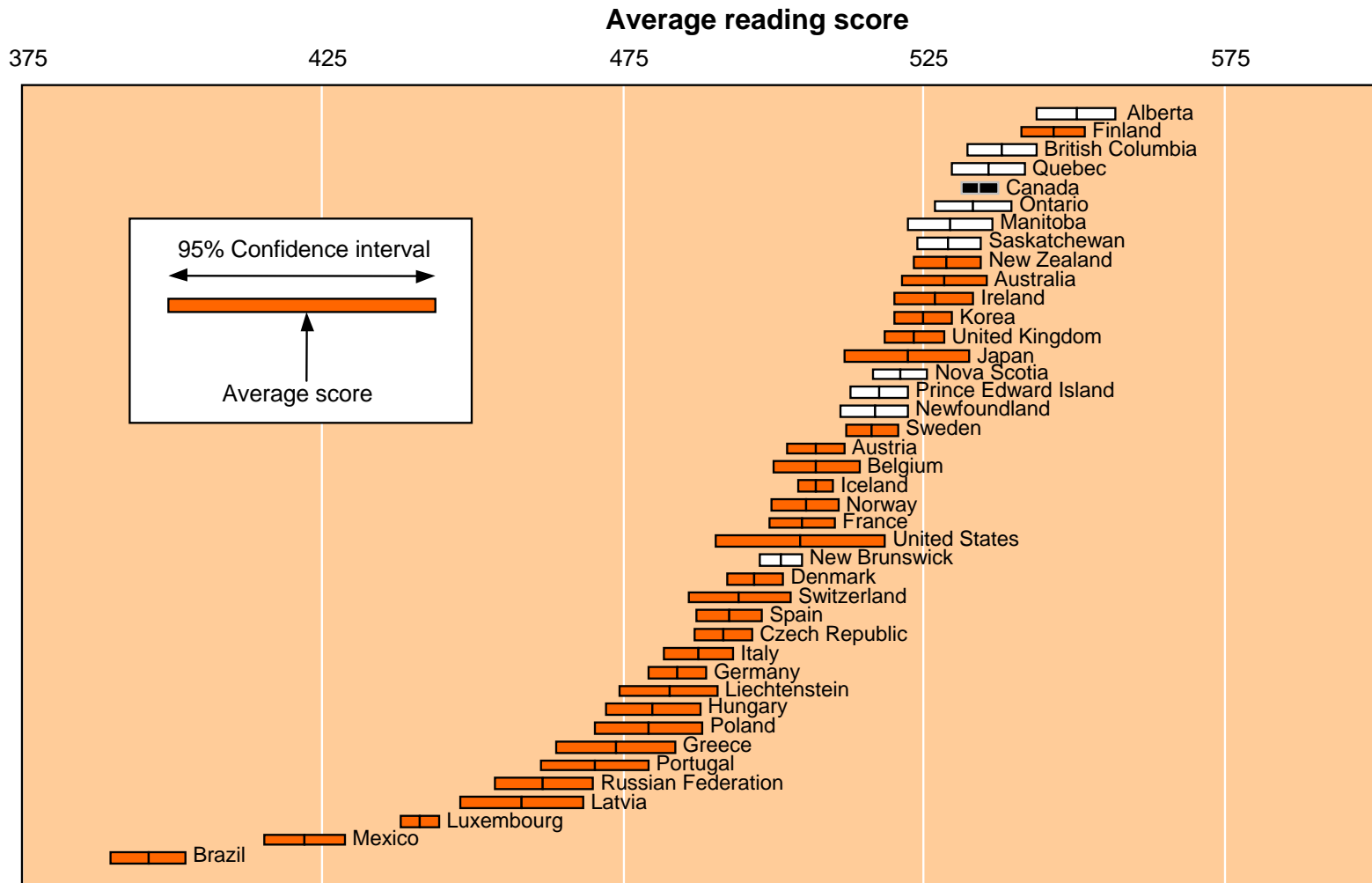
The Distribution of Prose Literacy Skill By Province and Territory: (Average score by percent below level 3)

Percent of Adults at Prose
Level 1 and 2

New Brunswick has largest % below Level 3



Quality of skill flow from the initial education system: Canada rates near the top of the world in reading literacy



But New Brunswick lags behind all other provinces

Summary:

- **Literacy skills matter to our economic and social success and what we get for our tax \$**
- **There is an urgency to act but who should pay and who needs to do what is complex**
- **The problem will not go away on its own**

Summary: cont'd

- **We need to do four things:**
 - **Improve the average quality of secondary leavers**
 - **Reduce the numbers of secondary leavers with low literacy skill levels**
 - **Upgrade the literacy skills of large numbers of adults**
 - **Adopt policies that increase the economic demand for literacy skill**
- **A Pan-Canadian Youth Literacy Strategy would help to meet the first two of these goals.**

Summary: cont'd

- **If we fix the problem the cost would be low relative to the substantial benefits**
- **If we are unable or unwilling to fix it, the adverse economic & social consequences will be significant**