

March 2006

Literacy Is Key to Improving Atlantic Economic Prospects

Better literacy skills enhance employment, earnings and training prospects for individuals and strengthen the ability of firms to adopt more advanced technologies. Provincial results from the International Adult Literacy and Skills Survey (IALSS), released in November 2005, show that average proficiency scores in Nova Scotia and Prince Edward Island are close to the national average but scores in Newfoundland and Labrador and New Brunswick are below. However, more than one in two adults in Atlantic Canada do not have the minimum skills necessary to adequately function in today's knowledge economy. Without a stronger commitment to address this issue, the Atlantic region and many of its citizens risk being marginalized in an economic environment that places an increasing premium on knowledge, skills and adaptability.

The IALSS assessed the proficiencies of adults (aged 16 and over) in four domains: prose literacy, document literacy, numeracy and problem-solving. Prose literacy is the ability to understand and use information from text such as a medicine label, instruction manual or corporate memo. Document literacy involves finding and understanding information in different formats such as a transportation schedule, chart or payroll form. Scores within each domain are grouped into proficiency levels representing a set of tasks of increasing difficulty from Level 1 to Level 4/5. Individuals need literacy and numeracy skills at Level 3 or higher to cope with the increasing skill demands of the emerging knowledge and information economy.

Labour Market Outcomes

Individuals with higher literacy levels have a much better chance of being employed. Among Atlantic Canadians aged 16 to 65 years,

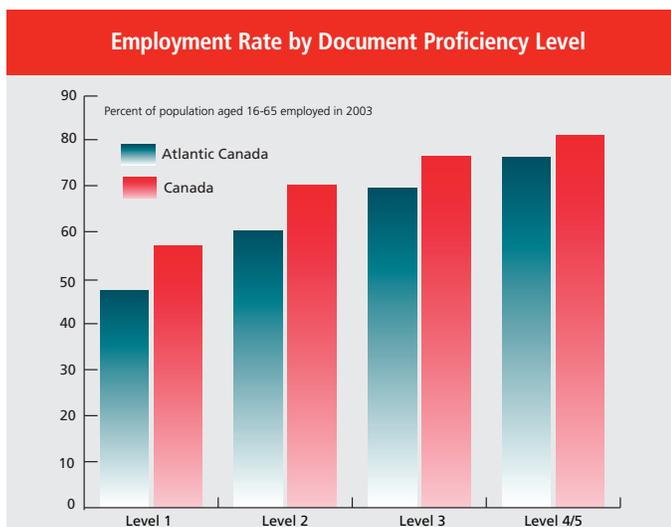
about 76% of those with document proficiency at Level 4/5 were employed in 2003, compared with 47% for those at the lowest level. Furthermore, about 58% of unemployed Atlantic Canadians had document literacy scores at Level 1 or 2 but only 12% of the unemployed were at the highest proficiency level.

Earnings also improve with literacy levels, particularly for women. Among Atlantic women earning \$60,000 or more, 44% had document literacy skills at the highest level, but only 14% had scores at Level 1/2. About half of all Atlantic Canadians with annual earnings less than \$20,000 scored at the lowest levels of literacy with these individuals more likely to be reliant on government assistance programs.

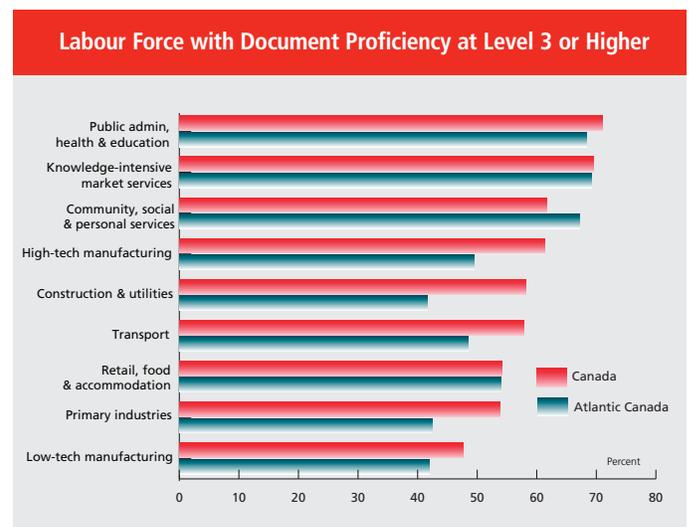
Lifelong learning is increasingly important in a climate of rapid economic change, but the ability of some individuals to enhance their earnings prospects by acquiring additional knowledge and skills is constrained by their limited literacy skills. Among Atlantic Canadians aged 16 to 65, less than 19% of those with the lowest prose proficiency participated in adult education and training in 2003, compared with a participation rate of 67% for those with the highest level of proficiency.

Industry Sectors

The IALSS highlights industries that may be at risk as the knowledge economy expands in scope. Atlantic Canadians in knowledge-intensive market services (such as telecommunications and finance) and public services (such as public administration, health and education) have relatively high literacy scores: nearly 70% of these individuals have document literacy at Level 3 or above. In contrast, almost three out of five workers in Atlantic primary

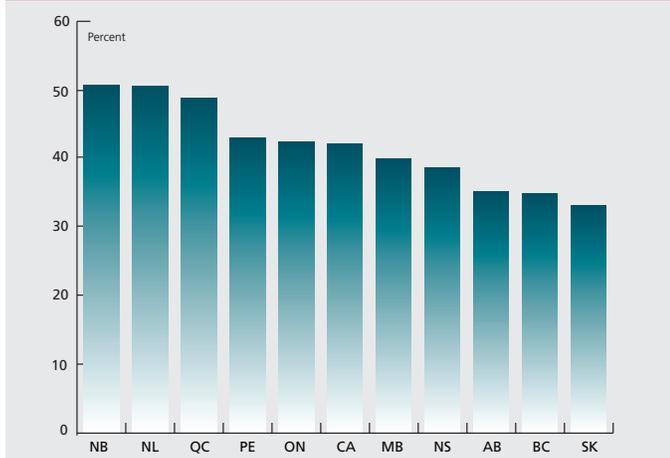


Source: International Adult Literacy and Skills Survey, 2003.



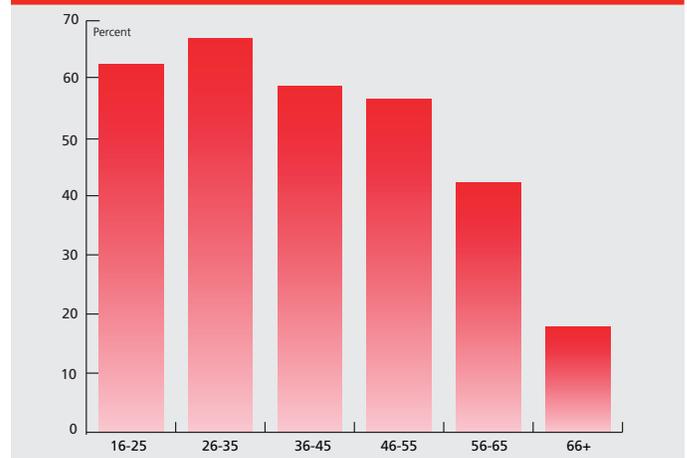
Source: International Adult Literacy and Skills Survey, 2003.

Population Aged 16-65 with Inadequate Prose Proficiency



Source: International Adult Literacy and Skills Survey, 2003.

Canadians with Adequate Prose Literacy Skills, By Age Group



Source: International Adult Literacy and Skills Survey, 2003.

industries and low-technology manufacturing score below this threshold. As workers with good literacy and numeracy skills tend to be better at using information and communication technologies, these low skill levels impede the ability of these industries to adopt advanced technologies to strengthen their competitiveness.

Retail, accommodation and food services is the only Atlantic sector that matches the national standard. It has a higher proportion of workers with adequate document literacy skills (54%) than the region's high-technology manufacturing industries. High literacy proficiency in retail and food services may reflect less on the skill requirements in this sector and more on the limited demand for skills in other industries.

Incidence of Low Proficiency

Atlantic Canada has a large number of adults with literacy and numeracy skills below the benchmark Level 3. For example, the proportion of adults aged 16 to 65 with inadequate prose literacy proficiency is higher than the Canadian average (42%) in New Brunswick (50%) and Newfoundland and Labrador (50%); Prince Edward Island (43%) is close to the national average while Nova Scotia (38%) is below. Basic adult education must remain a top priority to help older adults cope with changing skills requirements and industrial structure. Last year, New Brunswick announced a new ten-year initiative to address its lagging adult proficiencies. The corporate sector can also play a role with some companies already recognizing the gains in productivity from supporting workplace literacy.

The quality of Atlantic Canada's future labour supply will depend in large part on the skills of its young people. While the average

prose proficiency scores of Atlantic Canadians aged 16-25 tend to be higher than most other age cohorts (except those aged 26-35), about 40% have low literacy scores, compared with 38% nationally. These young adults will face challenges pursuing post-secondary education and succeeding in the labour market.

Prose literacy proficiency tends to improve with the level of education: individuals that have not completed high school score much lower than high school graduates. High school completion is therefore an important step in boosting literacy skills. However, while drop-out rates have declined substantially in the Atlantic provinces, they remain well over 10% in rural areas. Moreover, a high school diploma does not guarantee adequate proficiency. Schools need to ensure that all graduates have the necessary literacy, numeracy and problem-solving skills to pursue further education and fully participate in the economy.

One might expect literacy challenges to vanish for university students, yet nationally, about 22% of university graduates lack adequate prose proficiency. Many universities are now taking steps to ensure minimum proficiency standards are a degree requirement.

Overall proficiency tends to decrease with age, particularly among those aged 56 and over. About 85% of Atlantic Canadians aged 66 and over have low prose proficiency, compared with 82% in Canada. Low literacy skills may impede the ability of seniors to make informed decisions regarding their finances, health care and housing. With the number of Atlantic Canadians aged 65 and over projected to double over the next 25 years, this presents a substantial challenge for the effective delivery of public services, such as the ability of seniors to understand written directions for medications or other treatments.

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