



# POSITION PAPER

## CLLN responds

### **Making it Work: Final Recommendations of the Mowat Centre Employment Insurance Task Force**

CLLN welcomes the fact that the *“Making it Work: Final Recommendations of the Mowat Centre Employment Insurance Task Force”* provides an opportunity to discuss what is and is not working in the EI system. CLLN strongly believes that in today’s economy, a robust EI system is needed to help unemployed workers as they transition to new work. In our opinion, a robust EI system would include strengthened literacy and essential skills training.

The Canadian Literacy and Learning Network (CLLN) is the national hub for research, information and knowledge exchange, about increasing literacy and essential skills across Canada.

CLLN, a non-profit charitable organization, represents literacy coalitions, organizations and individuals in every province and territory in Canada. We share knowledge, engage partners and stakeholders and build awareness to advance literacy and learning across Canada. We believe that literacy and learning should be valued – at home, in the workplace and in the community.

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## What are Literacy and Essential Skills?

*Literacy traditionally includes the following four skills: reading, writing, document use and numeracy.*

*Essential Skills are the skills needed for the workplace. They include the four skills associated with literacy above, as well as the following five skills: computer use, thinking, oral communication, working with others and continuous learning.*

HRSDC Office of Literacy and Essential Skills, Definitions<sup>1</sup>

Canada is one of the few industrialized countries that does not have a national system for adult education. Gone are the days when literacy was understood simply as the ability to read. Today, literacy encompasses what is known as essential skills, which includes reading but also includes numeracy, computer use, writing, communicating orally, working with others, thinking skills and job task planning and organizing.

The level of functionality that an individual has in these foundational skills plays a major role in determining not only an individual's ability to participate in home and community life, but also in terms of paid employment. These foundational skills help determine a person's ability to get and retain a job, and advance while increasing their earnings over time.

The International Adult Literacy and Skills Survey (IALSS 2003) established five proficiency levels in these foundational skills. Levels one and two are

considered "learning to read" whereas levels three and above are "reading to learn". Over eight (8) million Canadians function at below a level three literacy level.<sup>2</sup>

## Why are Literacy and Essential Skills relevant to discussions on workforce and labour market needs?

The value of adult learning to general well-being is commonly recognized; among other things, literacy is an asset that influences access to adult learning,

individual and family health and levels of community engagement. In CLLN's soon to be released report "From Poverty to Prosperity: Literacy's Impact on Canada's Economic Success", we hope to advance the conversation about the critical importance of a persons' literacy and essential skills in terms of employability.

As much as 43% of our population is at a disadvantage in terms of their employability.<sup>3</sup> While many of that 43% are employed, there is often a mis-match between their skill level and the literacy skill level recognized as ideal for the type of employment they are doing. Our research shows that participation rates, the quantity of labour supplied, and wage rates are all impacted by literacy levels.<sup>4</sup>

Additionally, individuals with low levels of literacy skill are much less likely to be employed at some point in the course of a year and be unemployed more of the time than their skilled peers. Those who function at extremely

### Literacy and Essential Skills (LES)

Reading Text

Document Use

Numeracy

Writing

Oral Communication

Working with Others

Computer Use

Continuous Learning

Thinking Skills:

- ▶ Problem solving
- ▶ Decision making
- ▶ Critical thinking

1 HRSDC OLES website March 6th 2012 <http://www.hrsdc.gc.ca/eng/workplaceskills/LES/definitions/definitions.shtml>

2 Statistics Canada. 1994. "Reading the Future: A Portrait of Literacy in Canada"

3 CLLN and Murray. 2012. "From Poverty to Prosperity: Literacy's Impact on Canada's Economic Success" pg 6

4 CLLN and Murray. 2012 pages 11-21

low literacy skill levels are often excluded from paid employment or at a higher risk of losing it because of their low skills.

## Why are Literacy and Essential Skills relevant in a discussion on EI Reform?

In terms of the conversation the Mowat Centre is generating around EI Reform, understanding what kinds of training are needed to “up-skill” individuals is critical. The training of unemployed Canadians is raised in the section of the Mowat Report on active labour market measures.

For some Canadians, access to college or university courses or trades programs will be important. For many Canadians who are actually drawing benefits from EI and social assistance systems access to the more foundational up-skilling delivered by literacy and essential skills programs will be just as important. CLLNs’ research shows that as people move out of the lower levels of literacy the incidence of employment as well as the average number of months worked in a year rise. Significant wage rate increases can be measured as can the reduced number of adults drawing on EI and social assistance systems.<sup>5</sup>

The literacy and essential skills gap needs to be addressed directly in the discussion on EI Reform if such a discussion is meant to find ways not just to improve the EI system but to reduce the number of people who access EI, the amount of times they access EI, the length of time they stay on EI and those who are unemployed but cannot access EI.

## What does CLLN think needs to be included in the recommendations of the Mowat Centre Taskforce to strengthen LES?

Throughout the Mowat Report, the authors refer to the need and benefit of a pan-Canadian human capital strategy: CLLN could not agree more. A human capital strategy, that addresses literacy and essential skills as well as training needs to meet labour market skills shortages, could have real and lasting impact. The authors of the Report seemed to hear during their consultations that current training is not working for enough unemployed Canadians. The final report however doesn’t really address this issue except to cursorily make the statement that provinces and territories are better suited to understand their labour market training needs.

It is, however, unclear how a pan-Canadian human capital strategy is possible within the context of a reduced federal role. The authors actively encourage the Federal government to relinquish to provinces the more direct role it has maintained in terms of youth, persons with disabilities and Aboriginal people. Yet, we know from our work with literacy and essential skills, that these are often the groups that face more barriers in terms of accessing training in these foundational skills.

The Mowat Report also suggests that training should not be funded from EI premiums but from the consolidated revenue fund. They suggest that this is important for reform because it would reduce EI premiums paid by employers (and employees presumably). However, tying EI premiums to training and skills programs that help people on EI is a reasonable, transparent and accountable way of ensuring that money collected is used to provide the safety net for which it is collected. CLLN believes

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5 CLLN and Murray. 2012 pages 13 through 27

that inherent in an EI safety net, should be efforts to help people get the foundational and specialized skills needed to re-enter the workforce.

For CLLN, the real issue is that those funds generated through EI premiums are actually insufficient to meet the training needs of all unemployed Canadians. Funds are also insufficient in terms of addressing the broader literacy and essential skills shortage in Canada. CLLN believes we should be more focused on ensuring that good training is available to all unemployed Canadians. Bridging the literacy and essential skills gap without a funded pan-Canadian human capital strategy is unlikely.

Our research estimates that raising every Canadian worker to a LES level 3 could create an annual return of over \$500 million through reducing by over 80,000 the number of people on social assistance rolls.<sup>6</sup> Raising people's skills levels to higher LES levels is estimated to cost roughly \$18 billion, but annually would increase earnings of individuals previously functioning at Level 1 and 2 by an additional \$100 billion. A more than 500% annual rate of return and increased tax revenues associated with the higher earnings would provide the fiscal room needed to act during this time of general restraint.<sup>7</sup>

A pan-Canadian human capital strategy should have a strong role for provincial and territorial governments: they are definitely central and well-placed in terms of understanding local and regional labour market needs. However, it also needs a strong federal role to provide the kind of funding levels that would be required to address the training and literacy and essential skills gap for Canadians.

## Conclusions

There are many important recommendations discussed in the Mowat Report about reforming the EI system. While CLLN does not necessarily agree with all of them, we can agree that the idea of EI system reform is important to effectively respond to the needs of Canadians who seek employment and employers alike, as both groups face unique challenges that were not anticipated during the last round of major EI reform. Now is the time for this important national discussion.

The Chamber of Commerce recently identified reducing the skilled labour shortage as its top priority for 2012 because "More people with advanced skills are needed for Canada to compete and prosper in a global, knowledge-based economy."<sup>8</sup> An individual cannot acquire advanced skills without the foundation of strong literacy and essential skills.

Investments in raising the literacy and skills levels provides a greater return on investment than moving people up between the higher literacy levels and ensures that more Canadians have what is needed to fill the skills gap.

In his recent speech at Davos, Prime Minister Stephen Harper promised that "...*Canada will make the transformations necessary to sustain economic growth, job creation and prosperity now and for the next generation.*"<sup>9</sup> A pan-Canadian human capital strategy must have a workforce with advanced skills, and that can only be built on a strong foundation of literacy and essential skills.

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6 CLLN and Murray. 2012, pg 26

7 CLLN and Murray. 2012 pg 35

8 Canadian Chamber of Commerce "Top 10 Barriers to Competitiveness"2012, pg 4

9 Stephen Harper, Prime Minister of Canada Speech to World Economic Forum January 26th 2012