



AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY

## The Importance of Literacy and Numeracy Skills

Around the world, renewed emphasis is being placed by governments and employers on literacy and numeracy skills for all people to enhance their employability, job satisfaction, level of remuneration and community participation. Recent OECD research has indicated that raising a country's literacy score by 1 per cent leads to a rise in productivity of 2.5 per cent with the flow-on increase of 1.5 per cent in GDP.

While there isn't a simple solution to raising literacy and numeracy standards, a comprehensive approach involving all levels of government, business and the community is an important national priority.

### THE EXTENT OF THE PROBLEM

A lack of employee literacy and numeracy skills is of particular concern for business.

Estimates in the USA indicate 40 per cent of the population have literacy and numeracy problems and the UK Government acknowledged in July 2003 that millions of adults lack the reading and maths skills that are expected of the average 11 year old. In Canada, 22 per cent of people have serious problems dealing with any printed materials with a further 24 per cent only able to deal with simple reading tasks.

Canada has reported that these problems cost employers \$4 billion (Canadian) per year and \$10 billion for the nation as a whole. Scotland has estimated it cost employers £500 million in lost production, returned orders and additional recruitment costs.

Comparative figures on the cost of literacy and numeracy problems to Australian business are not currently available.

### ACCI SKILLS SHORTAGE RESEARCH

Satisfactory literacy and numeracy skills are amongst the most important of employee attributes and are central to enhancing business goals.

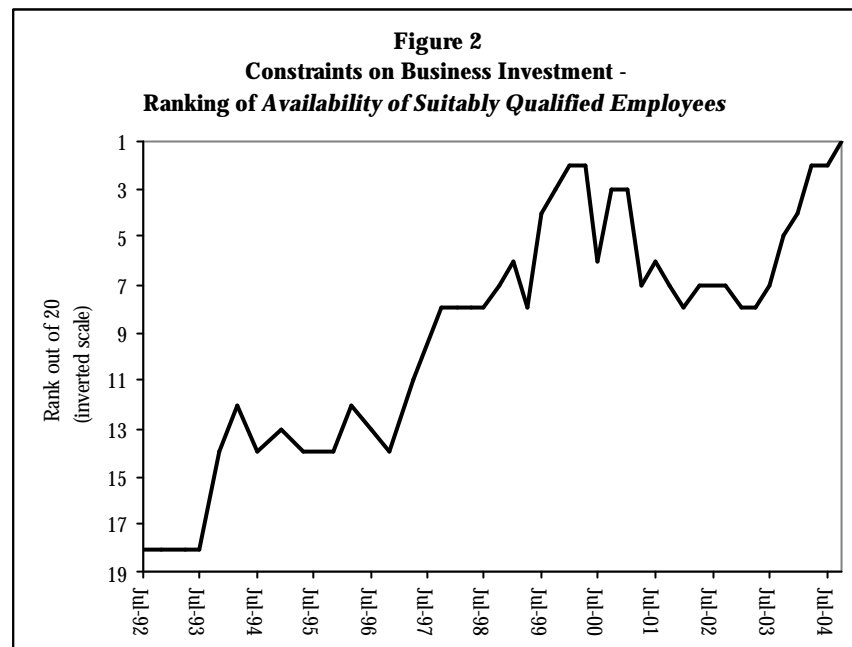
ACCI's quarterly *Survey of Investor Confidence* focuses on the direction of investment and constraints placed on investment by various economic and institutional factors.

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L E A D I N G   A U S T R A L I A N   B U S I N E S S

The July 2004 Survey showed that for the first time in 14 years, the *Availability of Suitably Qualified Employees* has become the number one constraint on future investment decisions. The ratings for this constraint over the last twelve years are provided in Figure 2.



ACCI considers that poor literacy and numeracy levels are an important component of this worsening trend.

## TACKLING THE PROBLEM

Addressing literacy and numeracy problems requires action at all levels of the education system as well as in the workplace.

### Primary and Secondary School Level

ACCI has long promoted the importance of a good general education for students, which include the need for strong literacy and numeracy skills.

Key aspects of ACCI education and training policy include:

- improving and regularly measuring literacy and numeracy standards on a nationally agreed and consistent basis;
- strengthening the focus on sound basics, such as literacy and numeracy, at primary school level; and
- acknowledging, developing and assessing employability skills in a contextual manner.

There is a continuing emphasis on the need for all Australians to benefit from a sound education platform which provides adequate literacy and numeracy skills. We recognise that these skills will be built upon in later years.

ACCI supports the Australian Government's National Literacy and Numeracy Plan which has established a range of interventions in the early years of school, in particular the testing of young people against agreed benchmarks for Years 3, 5 and 7.

Early intervention is important and provides confidence to parents on the proficiency level of their children.

During consultation with employers while developing the Australian Chamber of Commerce and Industry /Business Council of Australia (BCA) *Employability Skills for the Future* report in 2002, a number of key literacy and numeracy themes emerged including:

- that the acquisition of literacy and numeracy skills was strongly supported and seen as the key objective of compulsory education;
- that these skills should be rated higher than others;
- that literacy and numeracy also includes understanding the workplace use of these skills (functional literacy) as well as information technology skills which often combine both; and
- that school reporting on exit in this area must show performance against set national criteria.

### **Vocational Education and Training Level**

Employers expect that applicants for New Apprenticeships will satisfy basic literacy and numeracy requirements and they are often required to sit short written tests examining standard workplace literacy, numeracy and general skill requirements.

Unfortunately, the results of these tests are often unsatisfactory.

In one particular 2003 apprenticeship intake by a building and construction company, 126 applicants were tested of whom 80 per cent failed to satisfy the selection criteria. The same test has been used over a number of years and the successful attainment rate has fallen.

This finding is mirrored by many other companies across sectors recruiting for New Apprenticeships. In some instances, this issue has been exacerbated by the applicant successfully completing a lower vocational education and training (VET) certificate level offered through VET in Schools.

Unsurprisingly, this raises doubts in some employers' minds about training outcomes.

Unfortunately, national statistics on the incidence of insufficient literacy and numeracy skills have been difficult to obtain. An important recent development in VET has been the requirement to ensure industry developed and endorsed Training Packages clearly outline literacy and numeracy outcomes and skill requirements in specific work competencies. This step is strongly supported by industry.

The updated Training Package framework which is expected to result from the Australian National Training Authority's High Level Review of Training Packages provides another opportunity for Industry Skills Councils to ensure the qualification and competency requirements in Training Packages are re-examined to reduce duplications and take account of required literacy and numeracy standards.

### **Higher Education Level**

There is an expectation by employers that higher education graduates will possess high literacy and numeracy skills along with a high level of academic achievement.

One important development in this area has been the recent establishment of the Graduate Skills Assessment (GSA) test, which is conducted on a voluntary basis at entry and following the completion of a Bachelor degree. Skills assessed include written communication and problem solving and each skill is assessed against three described skill levels.

The test involves a two-hour multiple-choice test with a written communication section lasting sixty minutes. In addition to its use as a university entry and exit level assessment tool, the GSA has also been used as a student admission selection tool and as part of a subject's student assessment.

There are problems currently with the perception of the importance of the test by students and industry. There is no doubt there is a lack of knowledge and understanding of the GSA by employers and it does not reflect the current directions of employers and industry on industry developed employability skills.

Consequently, universities have been cautious when allocating funds to administer the test.

The three key changes required for the GSA to gain employer support are to:

- modify the GSA to align it with the ACCI/BCA Employability Skills Framework;
- promote the GSA to employers encouraging its use as one of the available recruitment tools; and
- use the GSA as a research base to inform industry, Governments and providers on the achievement of employability skills in the higher education and other education and training sectors.

## **In the Workplace**

There is some disagreement amongst employers over whether literacy and numeracy standards have fallen after schooling and other education, or whether the new knowledge economy has created a demand for higher levels of proficiency for entry-level positions.

ACCI believes there is a need for detailed research on this topic with the involvement of employer organisations.

There is little disagreement however with the proposition that better educated people have better literacy and numeracy skills and that those who are marginal to the labour market, such as the long term unemployed, tend to have more significant problems in this area.

Nevertheless, overseas studies have shown that better education is not always a guide to satisfactory employer recruitment. United States studies indicate that 52 per cent of high school graduates lack the skills required to do their jobs adequately with 16 per cent of college graduates still having inadequate skills.

This has often led to an increase in employers requiring applicants to undertake simple literacy and numeracy tests for entry level positions, sometimes prior to formal interview.

The United States Chamber of Commerce has conducted surveys of members on literacy and numeracy standards of applicants and reported in 1996 that 19 per cent lacked maths and reading skills required for the jobs they applied for with this rising to 36 per cent in 1998. This is in the context of the skill requirements for non-supervisory jobs increasing over the 1990s.

In Australia, there is a strong view amongst employers that a similar situation exists here, with renewed support for revitalised pre-vocational programs emphasising literacy and numeracy prior to commencement in the workplace and calls for more accurate assessment and reporting of an individual's attainment.

Often individual applicants are not aware of their weaknesses in the area. American research again indicates that while 41 per cent of males have poor or inadequate literacy skills, only 19 per cent of those believe it is their problem. Only 20 per cent of American males think that low literacy and numeracy skills limit their ability to get a job with 80 per cent believing it had no effect on job opportunities at all.

A potential approach to early intervention for this group is a mechanism which allows employers to utilise government employment and training providers or provide workplace assistance when the new employees begin work.

While an examination of best practice human resource practices involving large, medium and small enterprises would be a useful tool to promulgate through employer organisations, this approach should not be at the expense of concerted efforts by governments to ensure all school graduates possess adequate literacy and numeracy skills.

## **Employability Skills for the Future**

While a lack of employee literacy and numeracy skills is of particular concern to business, an understanding from an employer perspective of how literacy and numeracy fit in with other employability skills necessary for effective participation in the modern workforce is useful when considering possible future action.

In 2002, ACCI and the BCA published the report *Employability Skills for the Future* which was based on collaborative research undertaken on behalf of our two organisations and funded by the Department of Education, Science and Training and the Australian National Training Authority.

As well as the need to improve literacy and numeracy skills, the report found there was strong support for the recognition of the skills areas of communication, teamwork, problem solving, enterprise and initiative, learning, planning and organising, self management and technology.

Employers also expect employees to have an understanding of the wider work environment and skill competencies that will allow them to contribute in a meaningful way to the output of the firm. Basic budgeting and financial accounting skills that are likely to be used in everyday business situations are relevant examples.

Similarly, employability skills include the ability to work as part of a team, and make a contribution to work through active listening, speaking and recording responses.

The skills required in the modern workplace are not just technical or academic. The Employability Skills Framework clearly identifies employability skills as being as relevant as job specific or broad technical skills and in some cases even more important.

Evidence since the publication of the original report has reiterated the importance of employability skills from an employer viewpoint.

In a survey of over 400 employers conducted by ACCI in October 2003, a total of 86 per cent said employability skills were more important than technical skills, especially for new entrants to the workforce.

Employers are clear about they want. The challenge is for the education and government sectors to meet those needs and work together for a mutually beneficial outcome.

## **CONCLUSION**

As international labour and capital becomes more mobile and as overseas governments act to improve the ability of their citizens to compete in the global marketplace, it is important to ensure that Australian-educated employees are not left behind.

ACCI believes that governments, the business community and education providers should work together to:

- develop a comprehensive national approach for government, industry, education providers and the community on the issue of improving employability skills;
- undertake research to better identify the economic impact of literacy and numeracy deficits on Australian employers;
- undertake further research on whether literacy and numeracy standards are falling after the completion of schooling or whether there are higher levels of proficiency required for entry-level positions in the knowledge economy;
- support national literacy and numeracy benchmarking in Years 3, 5 and 7;
- modify the Graduate Skills Assessment Test to better align it with the ACCI/BCA Employability Skills Framework;
- promote the Graduate Skills Assessment Test to employers encouraging its wider use;
- use the Graduate Skills Assessment Test as a research base to inform industry, governments and providers on the attainment of employability skills in the higher education and other education and training sectors;
- establish a new early intervention program for applicants identified by employers as failing entry requirements for literacy and numeracy but who meet other standards;
- prepare case study material across enterprises of all sizes on human resource best practices; and
- use the Employability Skills Framework to pursue further policy work in the areas of literacy and numeracy.