The Economic and Social Cost of Illiteracy

Commissioned by the World Literacy Foundation in January 2012

The purpose of the WLF is to look for unique ways to overcome illiteracy. The purpose of the study was to use measurement and track the economic and social costs of illiteracy.

Presented by:
Dr. Donald Green
Chairman,
World Literacy Foundation, North America
Today, I will briefly discuss the financial issues of literacy and how globalization and economic pressures can play a part in the eradication of illiteracy.

Illiteracy costs the global economy more than USD $1 trillion dollars each year.  
Leitch, S. December 2006

$1,190,000,000,000+

Based on the IMF, World Bank and United Nations, in 2011 that was more than the gross domestic product of:

The Netherlands or Turkey or Indonesia or Switzerland or Saudi Arabia or Sweden or Poland or the production of Thailand, Denmark and Venezuela combined.

At least one in five people worldwide struggle with illiteracy.  
Leitch, S. December 2006
An Example of Functional Illiteracy

Last year my division, Extended and International Operations produced $12,000,000 in revenue for my university.

Our division includes an academic incubator and an entrepreneurship institute and incubator. We are tasked with environmental scanning and innovation. We perform this work through reading, writing and computing in English.

I enjoy Spanish. But my vocabulary in Spanish is about 150 words.

tiempo   bien   dia   hola   adios   ahora   si   porque

donde   un   uno   dos   tres   cinco   seis   gracias

vamos   siete   ocho   neuve   diez   once   dose   marron

trese   azul   negro   rojo   gris   blanco   nada   amarillo

But what if my English went away and I had to rely on Spanish? How productive would I be to my university? My family? My community? My country?
I could not...

- Understand scientific discoveries, technology innovations or social trends
- Interpret instructions
- Understand legal notices or government policy
- Pay bills or taxes
- Understand sophisticated advertising or financing
- Read medicine labels
- Organize our home economics
- Manage a business or maintain quality standards
- Assist my children in their homework
- Be productive to the boundaries of my capacity!
Our WLF report calls for collective global action to eradicate illiteracy in our world.

Most people believe illiteracy is an educational problem (and it is). Yet, it must be seen as an educational, social, public health, legal, religious, political, marital, parental and financial problem. To respond to these problems, the WLF believes literacy must be seen through a different lens.
We believe it must be about Innovation, Finance, Economics, Stock Markets, Production, Taxes, Gross Revenue and Profit
Globalization

Author Thomas Friedman writes about the worldwide trends taking place due to globalization.

Globalization
Thomas L. Friedman, New York Times Editor, Author of “The World is Flat”
The title is a metaphor for viewing the world as a level playing field in terms of commerce, where all competitors have an equal opportunity.

Wikipedia, 2012

Another author, P. Sahlberg talks about globalization and how educational systems are being affected. I do not agree with all of these author’s assertions!
Sahlberg says...

Globalization has not only increased competition in world economies but also within and between the education systems. B elievable!

Education reforms in different countries today share similar assumptions, values and characteristics due to the endless flow of information and harmonization of education policies through increased global educational borrowing and lending. Bogus!


Sahlberg includes this asterisked comment in his article... *The views are those of the author alone and do not necessarily represent those of the World Bank or any of its affiliated institutions.
The Costs of Illiteracy to the Individual

The Cost to the Employee
Illiterate people earn 30%-42% less than their literate counterparts and do not have the literacy skills required to undertake further vocational education or training to improve their earning capacity.

Literacy Centre Milford, Inc.; How the Literacy Centre Got Started; accessed 1 March 2012 and Martinez, R & Fernandez, P (2010); The Social and Economic Impact of Illiteracy: Analytical Model and Pilot Study; UNESCO

The Costs of Lost Information
Literate persons have access to more information – particularly information from public authorities and government bodies. Consequently, they are in a better position to protect their interests, according to their needs.

Stromquist, 2005
The Costs of Illiteracy to Businesses

The Cost to the Employer
The cost of fixing incorrect orders or processing refunds and...
- Customers lost due to poor communication
- Difficulty and cost of finding adequately skilled staff
- Resolving internal problems and issues arising from miscommunication or misunderstandings
- NOW... consider the enhanced competition of globalization!

The Business Investment in Literacy
One survey found that about 70% of respondents said their organization had made noticeable cost savings through language and literacy training. Benefits of the training included:
- Direct cost savings
- Access to further training
- Improved participation in teams and meetings
- Promotion opportunities and job flexibility
- Higher morale
- AND... what will be the effect on innovation?
The Costs of Illiteracy to the Nation

The Nation as a Business
Nations fund operations through taxation or a share of production
Taxes rise as productivity rises
Literacy increases productivity

The Nation in a Time of Competitive Globalization
The financial costs of illiteracy to a developed country was estimated at 2% of GDP.
The financial costs of illiteracy to a developing or emerging country was estimated between .5-1.2% of GDP.
The UK study shows these may be very low estimates!

The Nation in a Time of Technological Advancement
UNESCO indicates that education improves understanding of new technologies and facilitates their diffusion and implementation – factors which also promote economic growth. 

*Martinez, R & Fernandez, P (2010); The Social and Economic Impact of Illiteracy: Analytical Model and Pilot Study; UNESCO*
## A Small Sample of the Study’s Results

<table>
<thead>
<tr>
<th>Country</th>
<th>Illiteracy Impact %</th>
<th>Loss (*in Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>3.75%</td>
<td>$67.55*</td>
</tr>
<tr>
<td>US</td>
<td>2%</td>
<td>$300.80*</td>
</tr>
<tr>
<td>Japan</td>
<td>2%</td>
<td>$87.78*</td>
</tr>
<tr>
<td>Singapore</td>
<td>2%</td>
<td>$6.29*</td>
</tr>
<tr>
<td>China</td>
<td>1.2%</td>
<td>$135.60*</td>
</tr>
<tr>
<td>India</td>
<td>1.2%</td>
<td>$53.56*</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1.2%</td>
<td>$13.45*</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1.2%</td>
<td>$5.36*</td>
</tr>
<tr>
<td>Taiwan</td>
<td>1.2%</td>
<td>$10.62*</td>
</tr>
<tr>
<td>Thailand</td>
<td>1.2%</td>
<td>$7.32*</td>
</tr>
<tr>
<td>Vietnam</td>
<td>1.2%</td>
<td>$3.59*</td>
</tr>
<tr>
<td>Cambodia</td>
<td>.05%</td>
<td>$164,750,000</td>
</tr>
<tr>
<td>Laos</td>
<td>.05%</td>
<td>$87,200,000</td>
</tr>
<tr>
<td>Myanmar</td>
<td>.05%</td>
<td>$413,600,000</td>
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</table>
There are similar results from illiteracy across the globe

The effects of illiteracy are very similar in developing and developed countries. This includes illiterate people trapped in a cycle of poverty with limited opportunities for employment or income generation and higher chances of poor health, turning to crime and dependence on social welfare or charity (if available). Why don’t they leave? They can’t.
Many Ministers of Education Understand the Need

We at the WLF believe Ministries of Education understand the issue. But to finance literacy programs, ministers of education in various countries need to have access to funding. Funding comes with the cooperation of national leaders, finance ministers and others in positions of greater relative power.

Unfortunately, many politicians and national leaders do not see literacy and education as an investment but as an expense. National education does not motivate these leaders. But money is always motivational. We need to show proof of return on investment.

In recent years, these countries have embraced national policies supporting education:

- Turkey
- India
- Singapore
Our Offer: The World Literacy Foundation is prepared to assist any particular national government in planning and funding a study specific to the economic value of literacy in their particular country.

For more information, contact:
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