

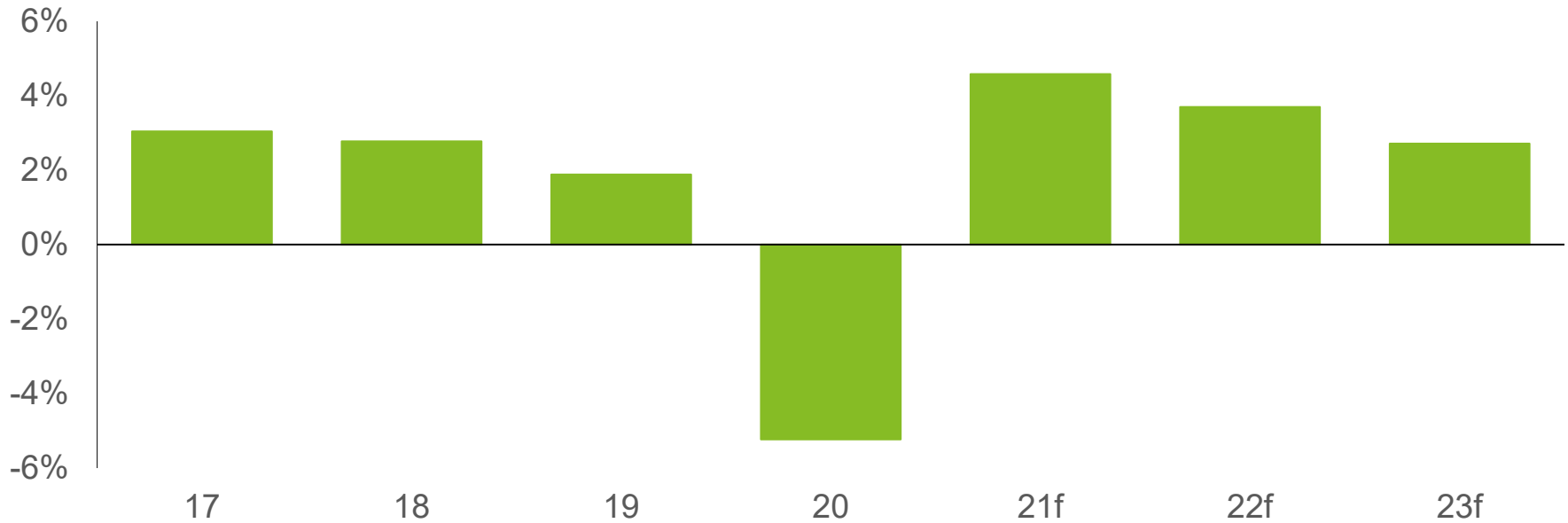


An Economics Perspective on Canada's Literacy Challenge

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President AEV
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Canada Rebounding from Pandemic, but Inflation and Labour Shortages a Problem

Real GDP, Year-over-year % change



Source: Statistics Canada, Forecast by Deloitte

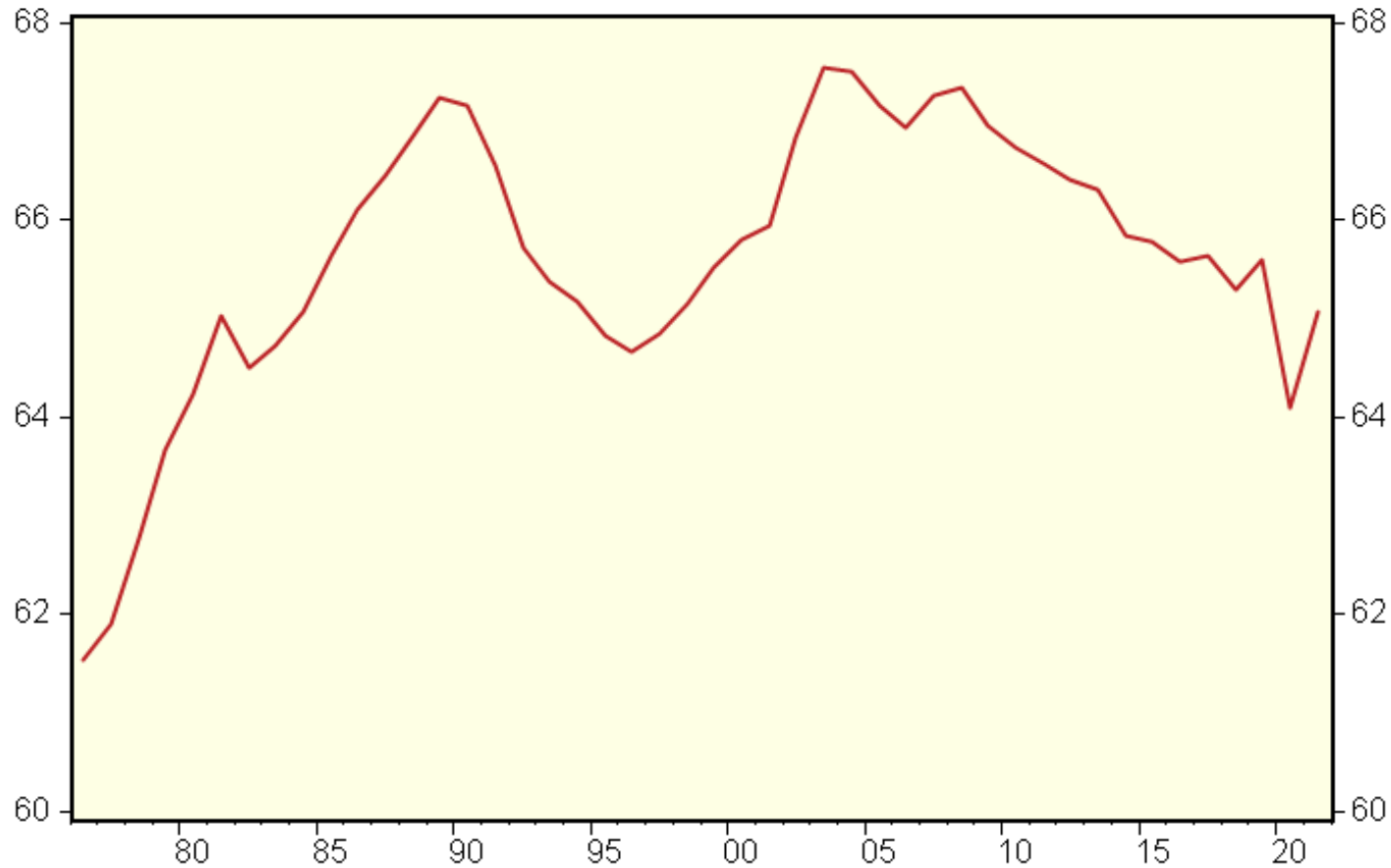
Pandemic and Structural Changes are Transforming Canadian Economy

|  IMMEDIATE TRENDS |  RECENT TRENDS |  STRUCTURAL ISSUES |
|--|---|---|
| Inflation | Increased Debt | Climate change |
| Disrupted Supply Chains | Digital and Cyber Revolution | Populism and Geopolitics |
| Labour Shortages | Excess Savings Yet Weak Investment | Aging Population |
| Monetary Policy Rebalancing | Increased Role of Government | Automation, AI & Gig Jobs |
| Health Risks | Focus on Inequality | Deglobalization |

Baby Boomers are Leaving Labour Market

Canada: Participation Rate: Both Sexes, 15 Years and Over

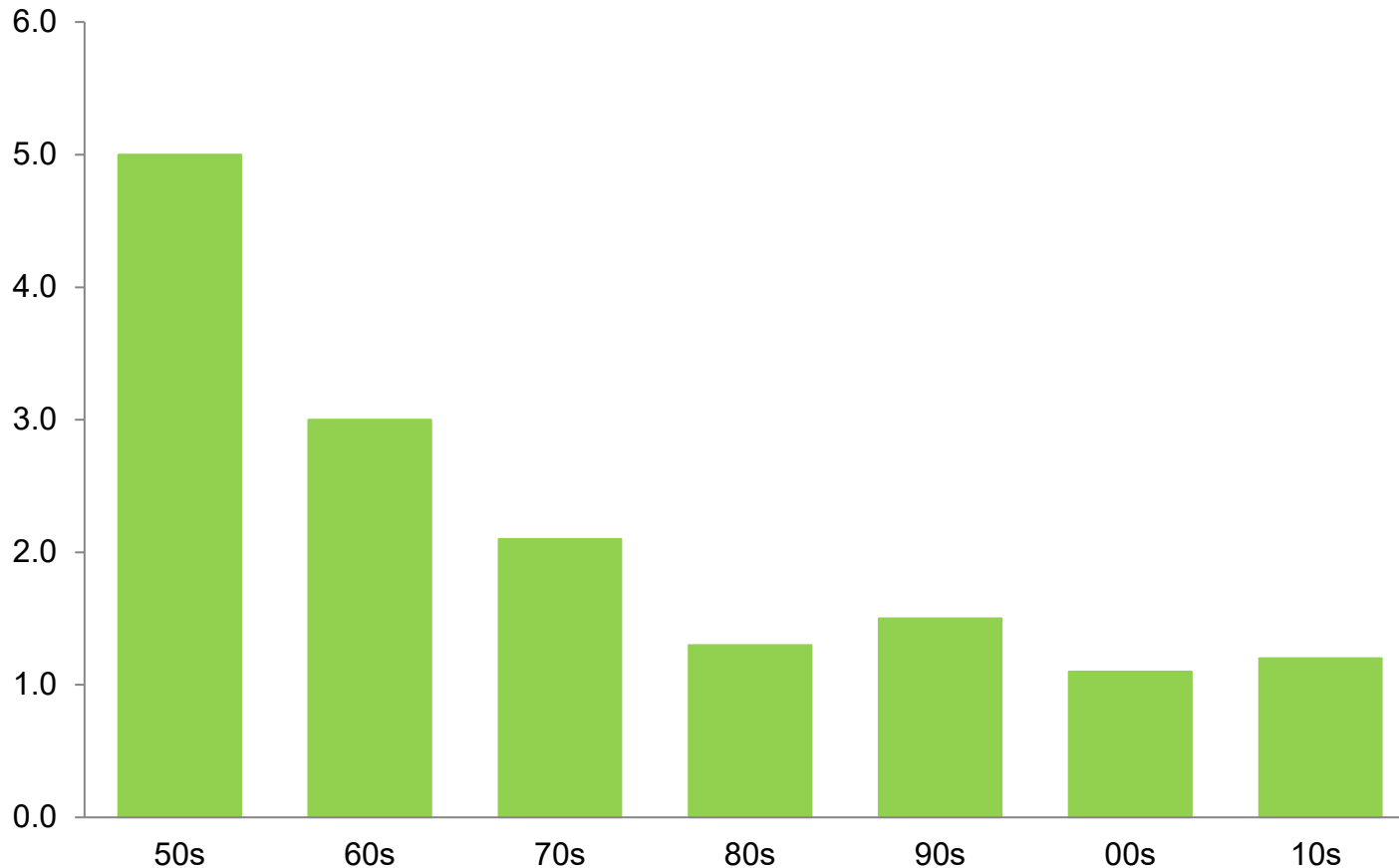
SA, %



Source: Statistics Canada/Haver Analytics

Canada has a Productivity Problem

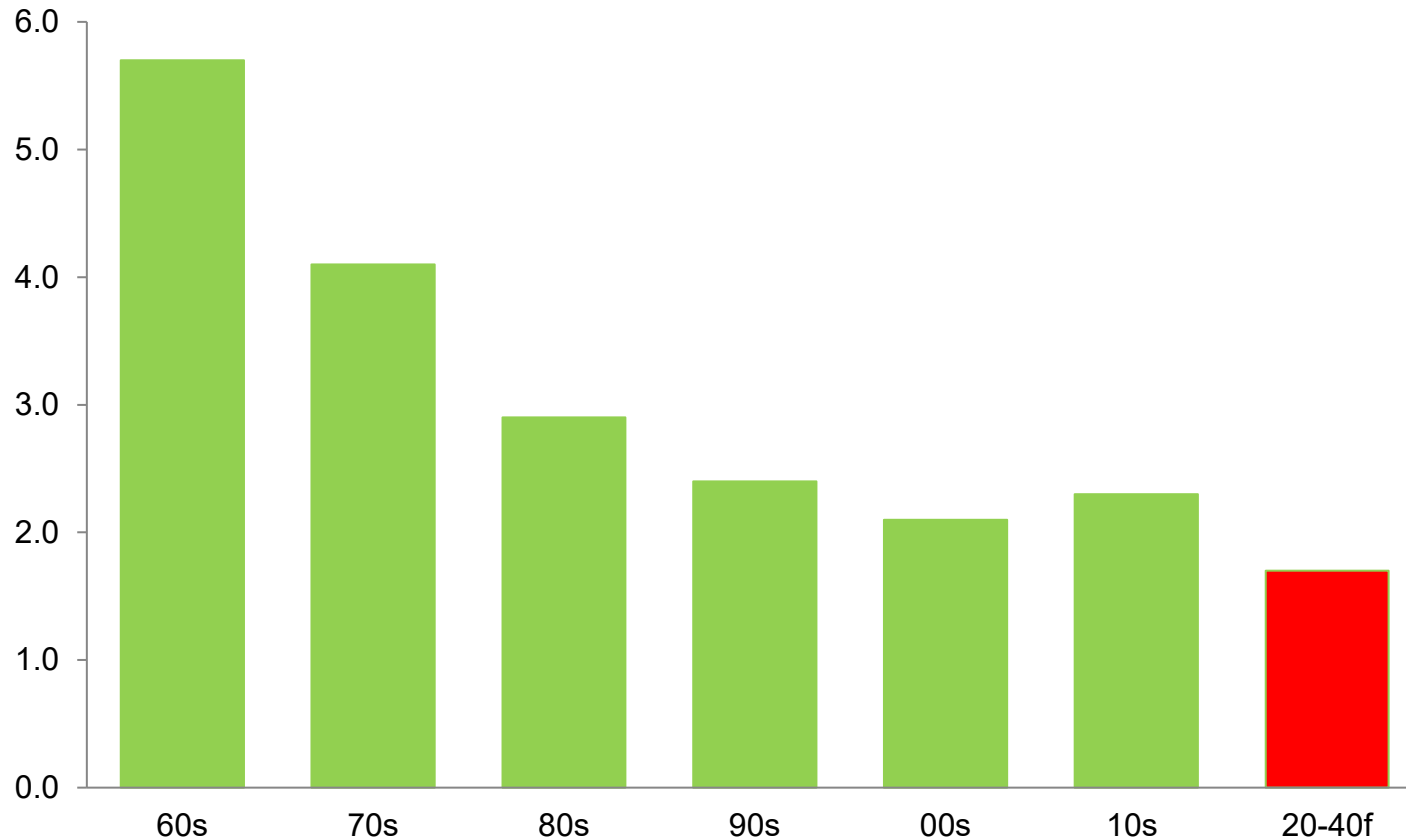
Business Labour Productivity, Year-over-Year % Change



Source: Statistics Canada, Centre for the Study of Living Standards

Future Growth Limits Rise in Living Standards

Real GDP, Year-over-Year % Change

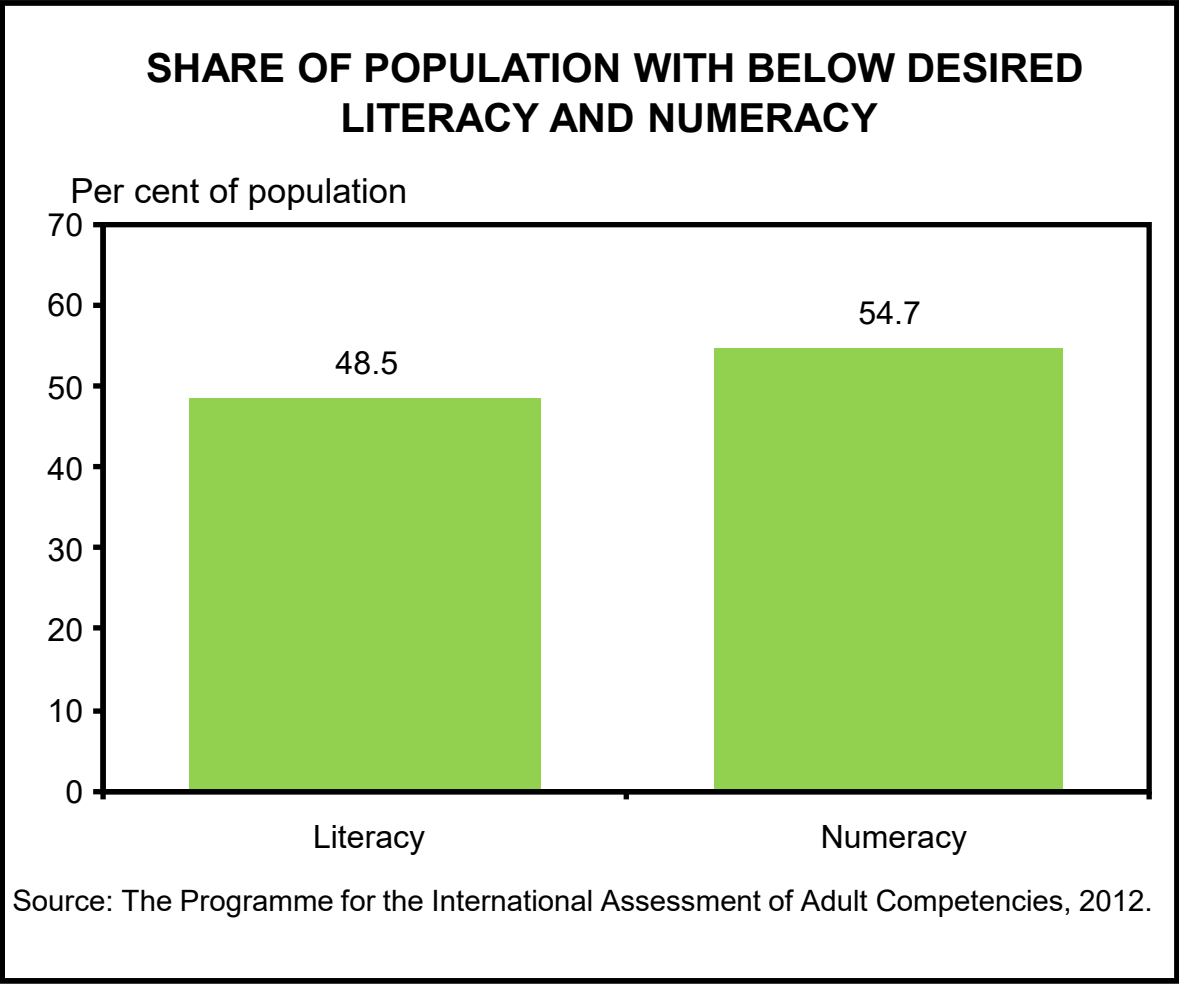


Source: Statistics Canada, Forecast by Deloitte

Tectonic Changes in Labour Markets

- Globalization
 - Technical Change
 - Leading to Shifts in Labour Demand
 - Deindustrialization
 - Decline in unionization
 - Increase in high skill jobs, decrease in middle skill jobs
 - Aging Demographics
 - Urbanization
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Need High Skilled Workers, but Many Canadians Have Inadequate Literacy



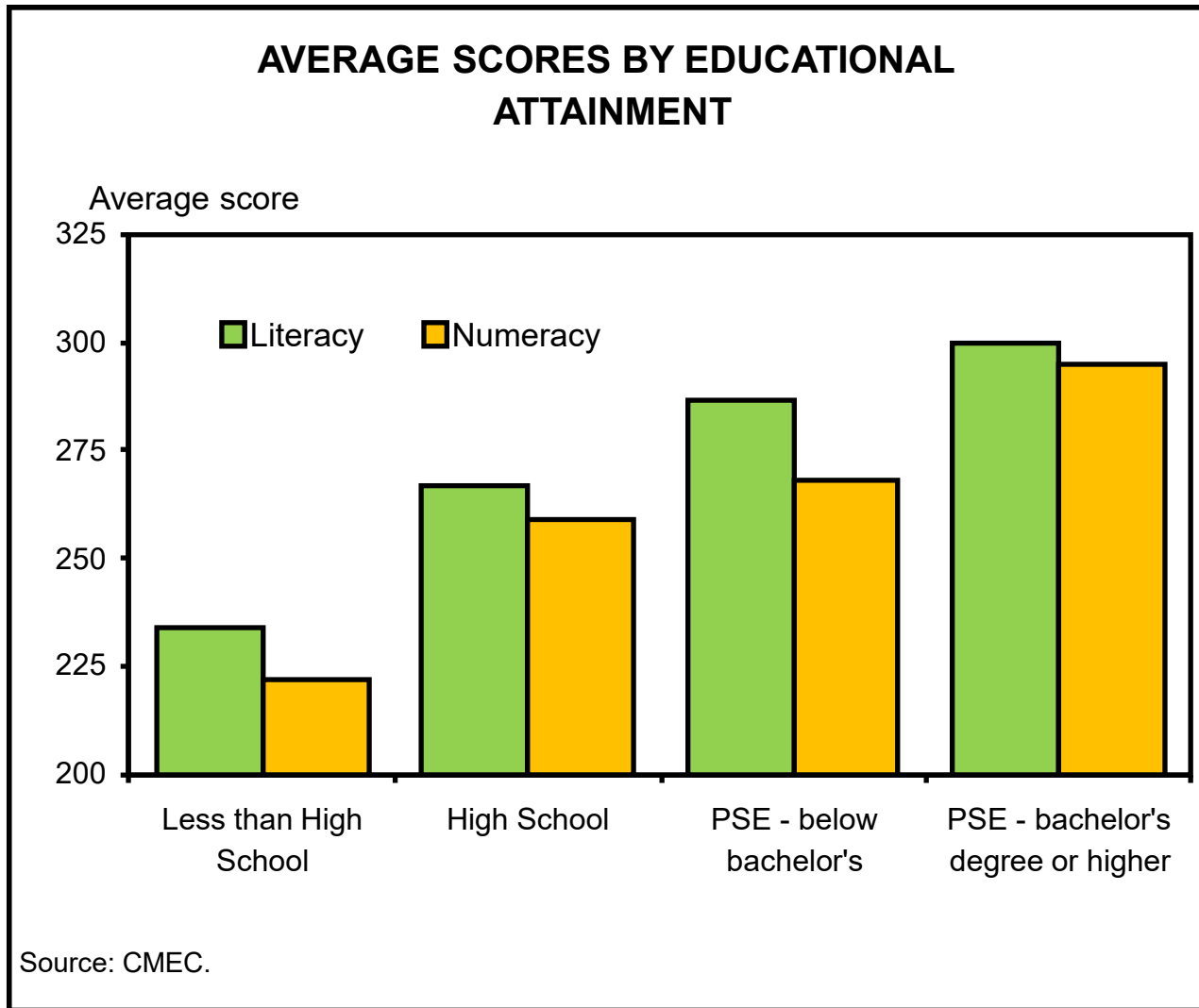
Literacy is Not a Binary Outcome

“Literacy is the ability to identify, understand, interpret, create, communicate and compute, using printed and written materials associated with varying contexts.”

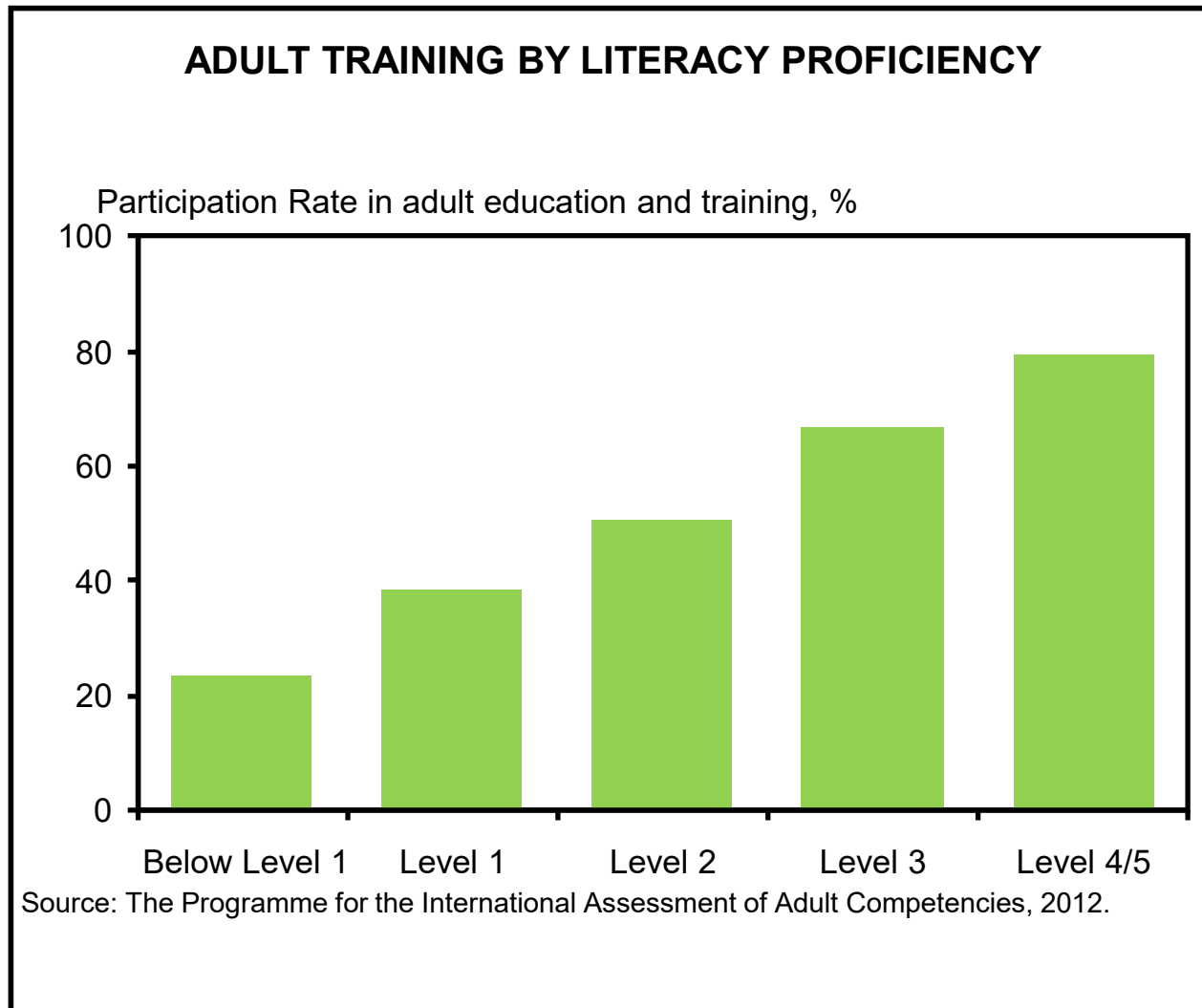
“Literacy involves a continuum of learning to enable an individual to achieve his or her goals, to develop his or her knowledge and potential, and to participate fully in the wider society.”

United Nations Educational, Scientific and Cultural Organization (UNESCO)

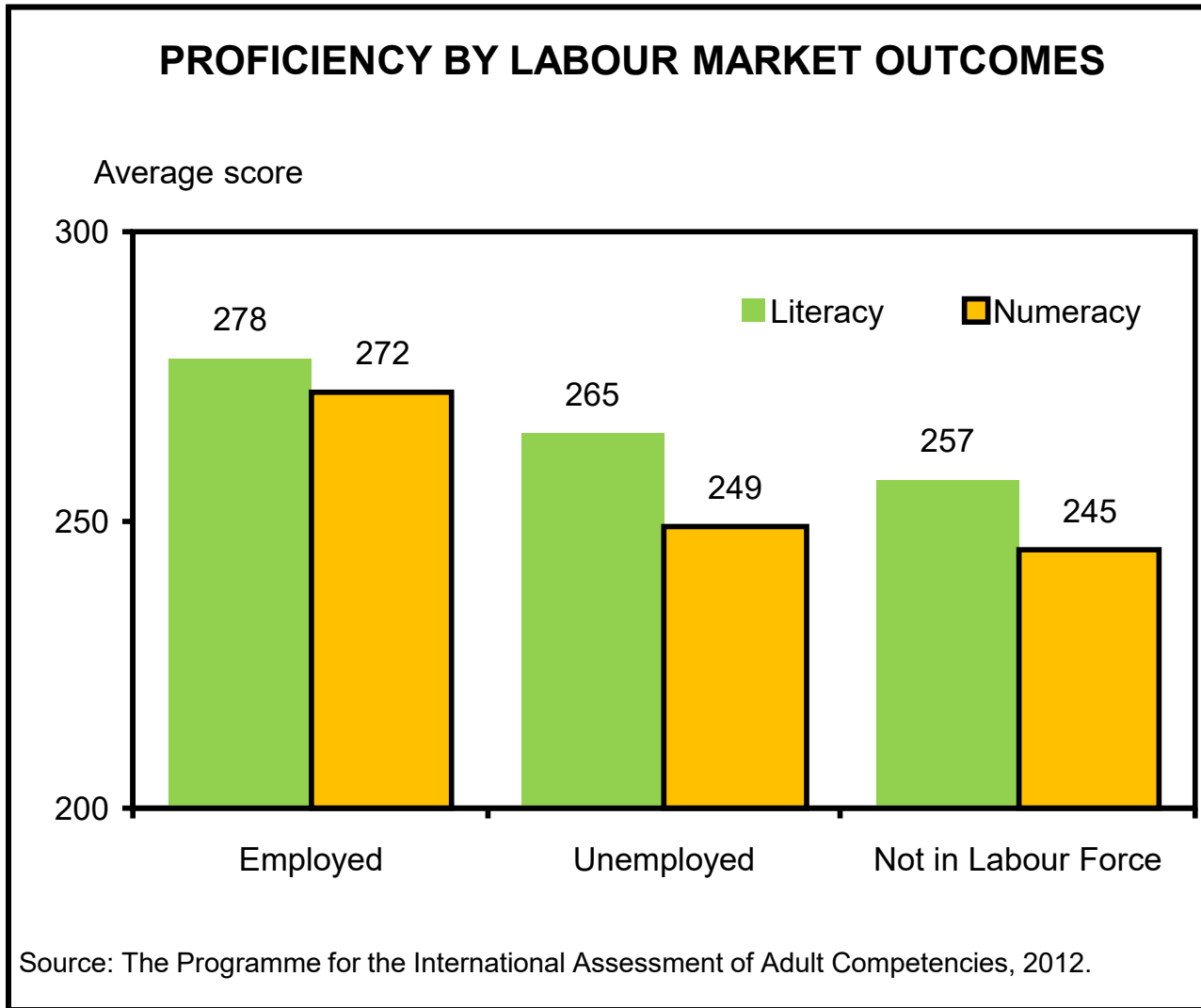
Literacy & Education a Virtuous Circle



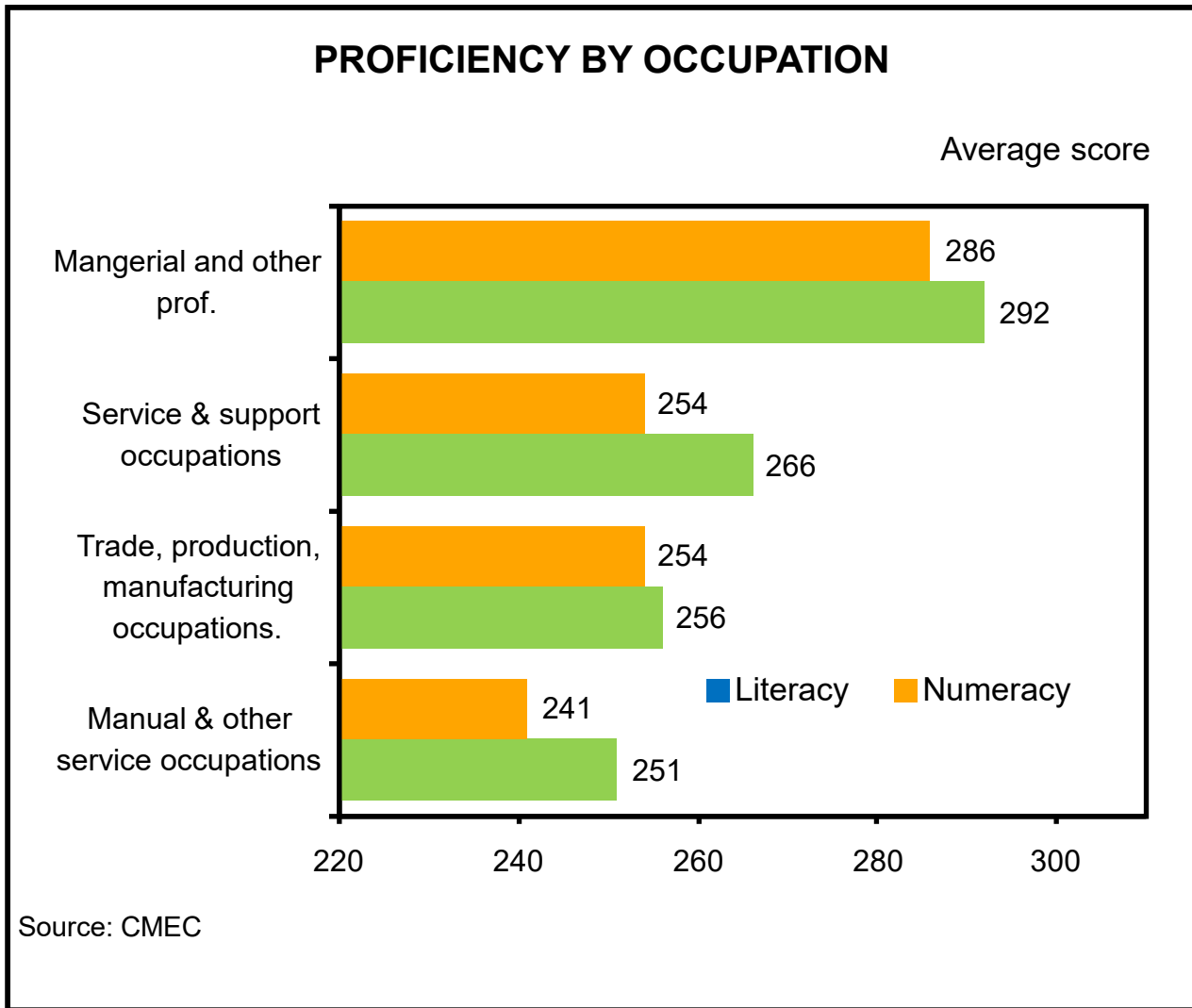
Literacy Encourages Life Long Learning



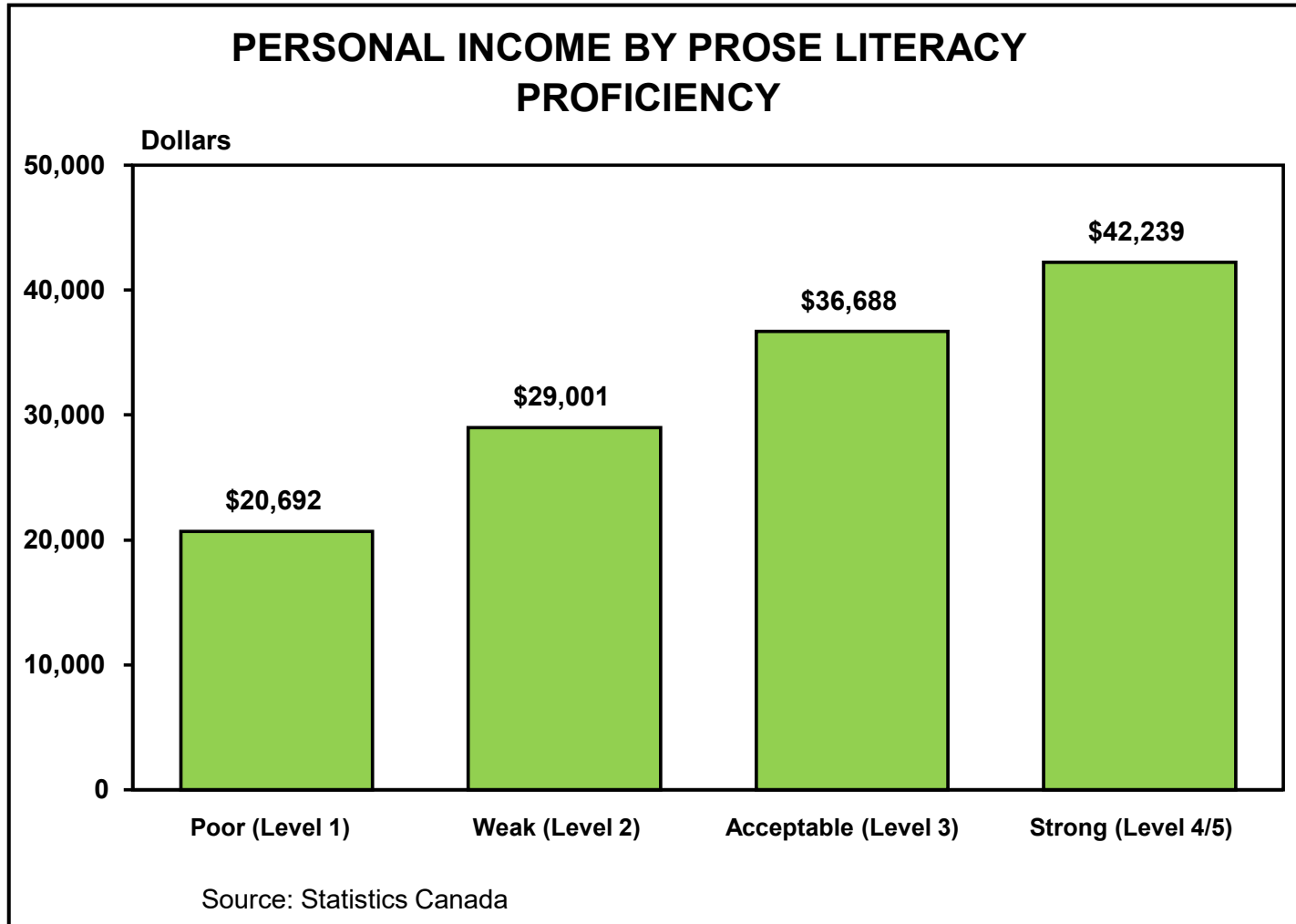
Literacy Improves Labour Market Outcomes



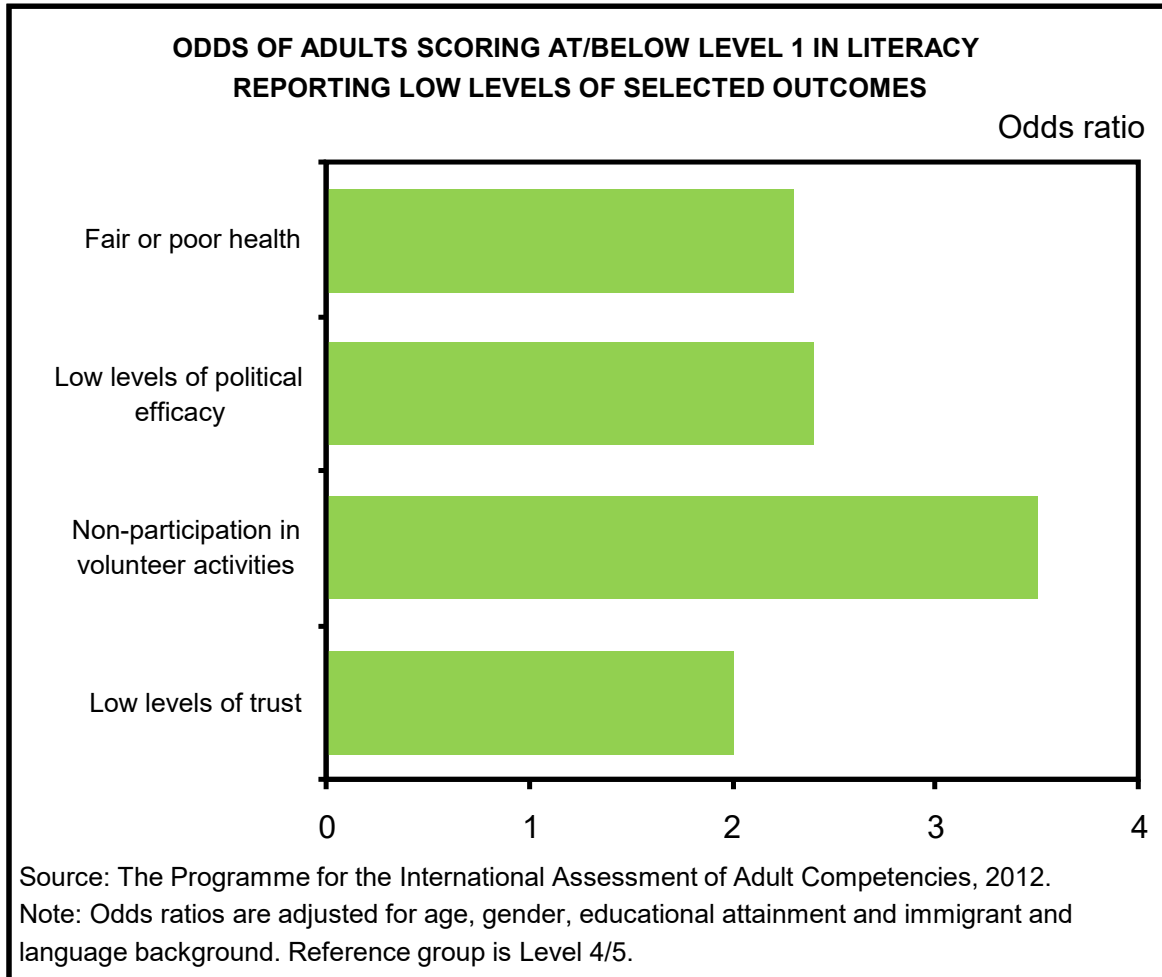
Literacy Creates Better Job Opportunities



All of Which Boosts Income



Higher Literacy Leads to Better Socioeconomic Outcomes



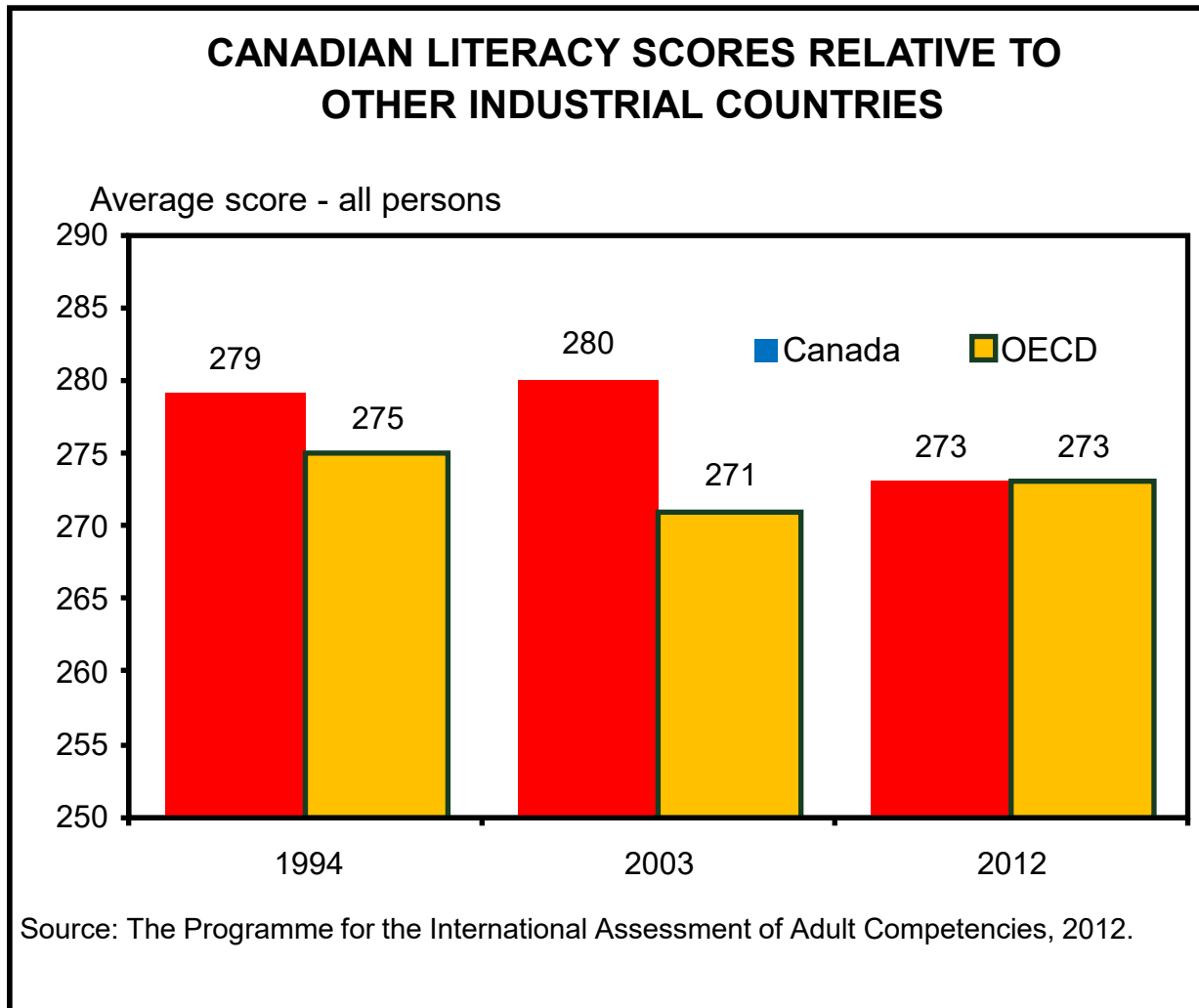
Economic Benefits of Higher Literacy

- Raising literacy scores of those with poor and weak by one level could create more than 800,000 additional jobs – 3.5 years' worth of annual job creation
 - It could also lower the national unemployment rate by more than 1 percentage point
 - A Statistics Canada survey found that lifting literacy scores by 1% could lift labour productivity by 2.5% and raise output per capita by 1.5%
 - Canada West Foundation report highlighted more recent research suggesting raising literacy rates by 1% could increase productivity by 5% and GDP by 3%.
 - The implication is that the total return to raising literacy is worth mutli-billions to the economy
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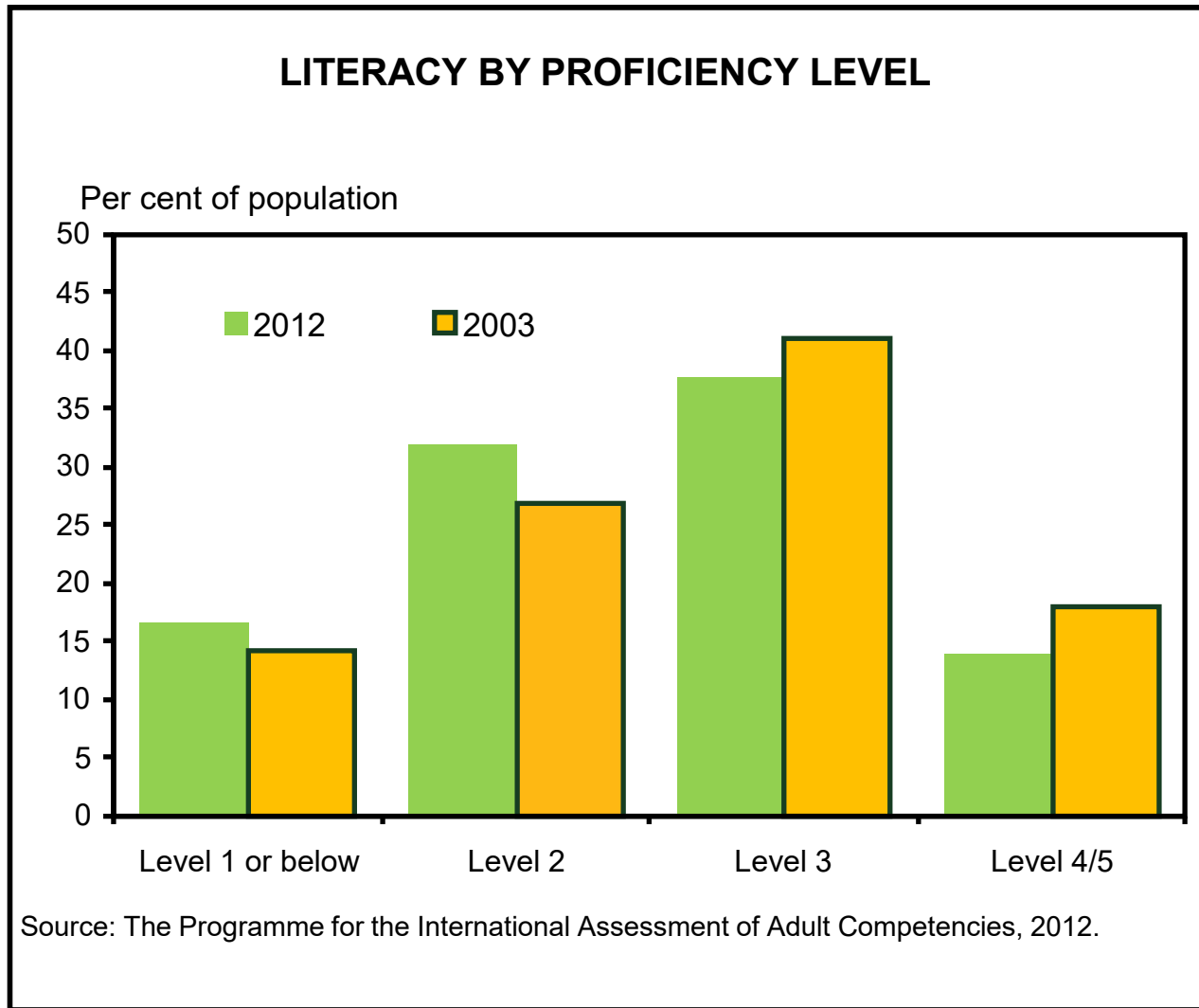
Businesses Should Champion Literacy

- Increased output and profitability
 - Lower error rates
 - Increased ability to do on-the-job training
 - Better team performance
 - Improved labour relations
 - Increased quality of work
 - Reduced time per task
 - Better health and safety records
 - Better employee and customer retention
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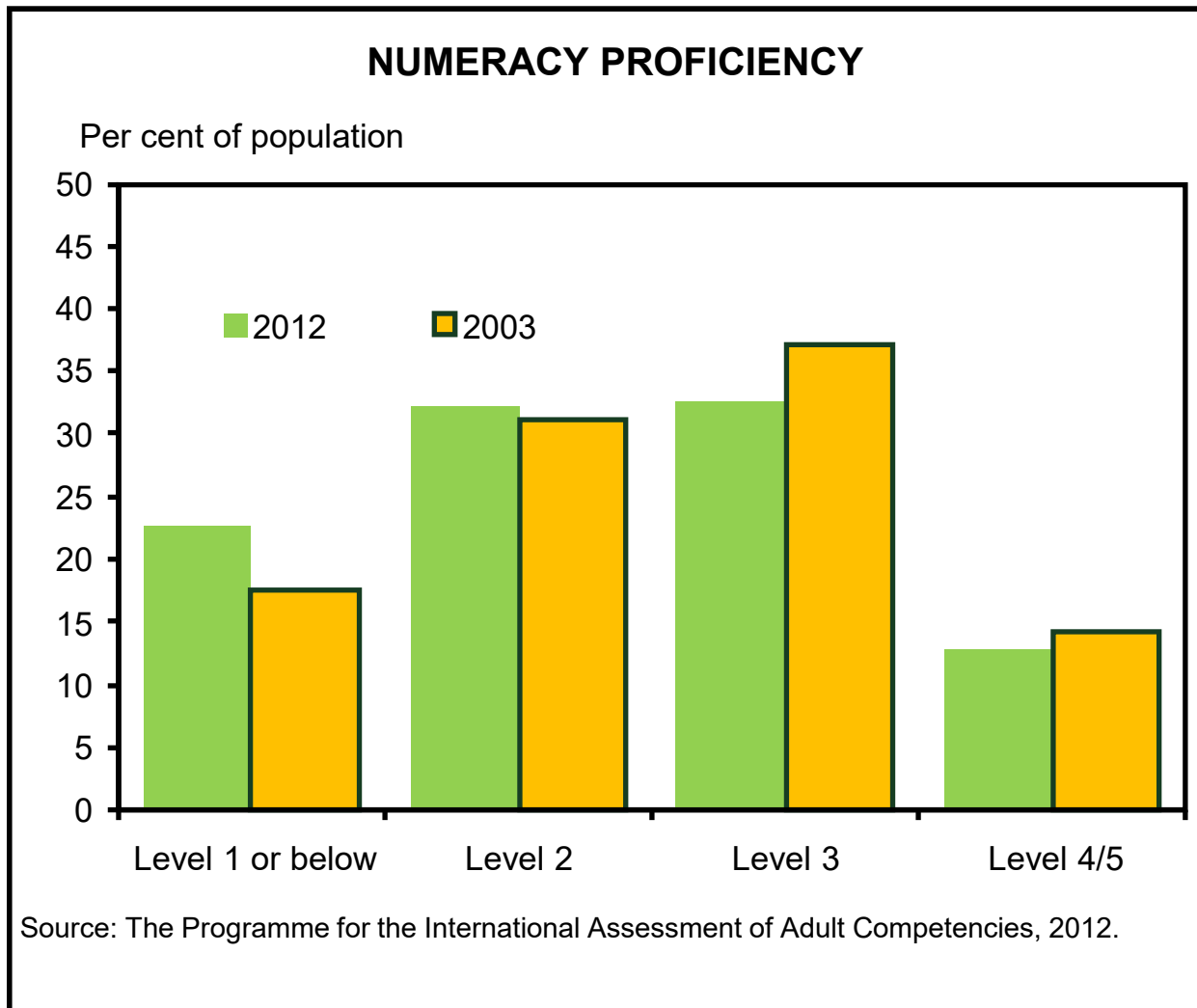
No Signs of Improvement



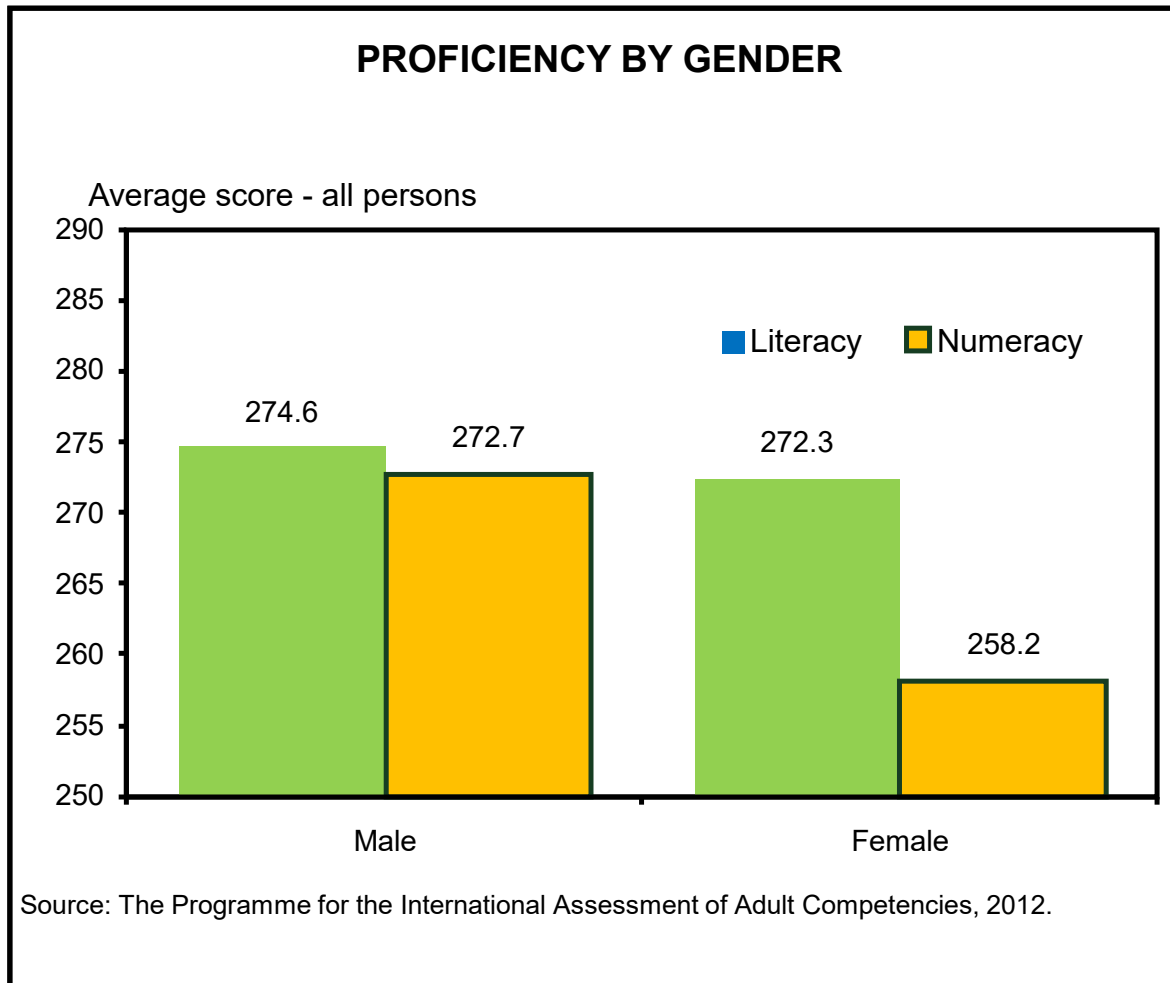
In Fact, Fewer at Desired Level 3 and Above



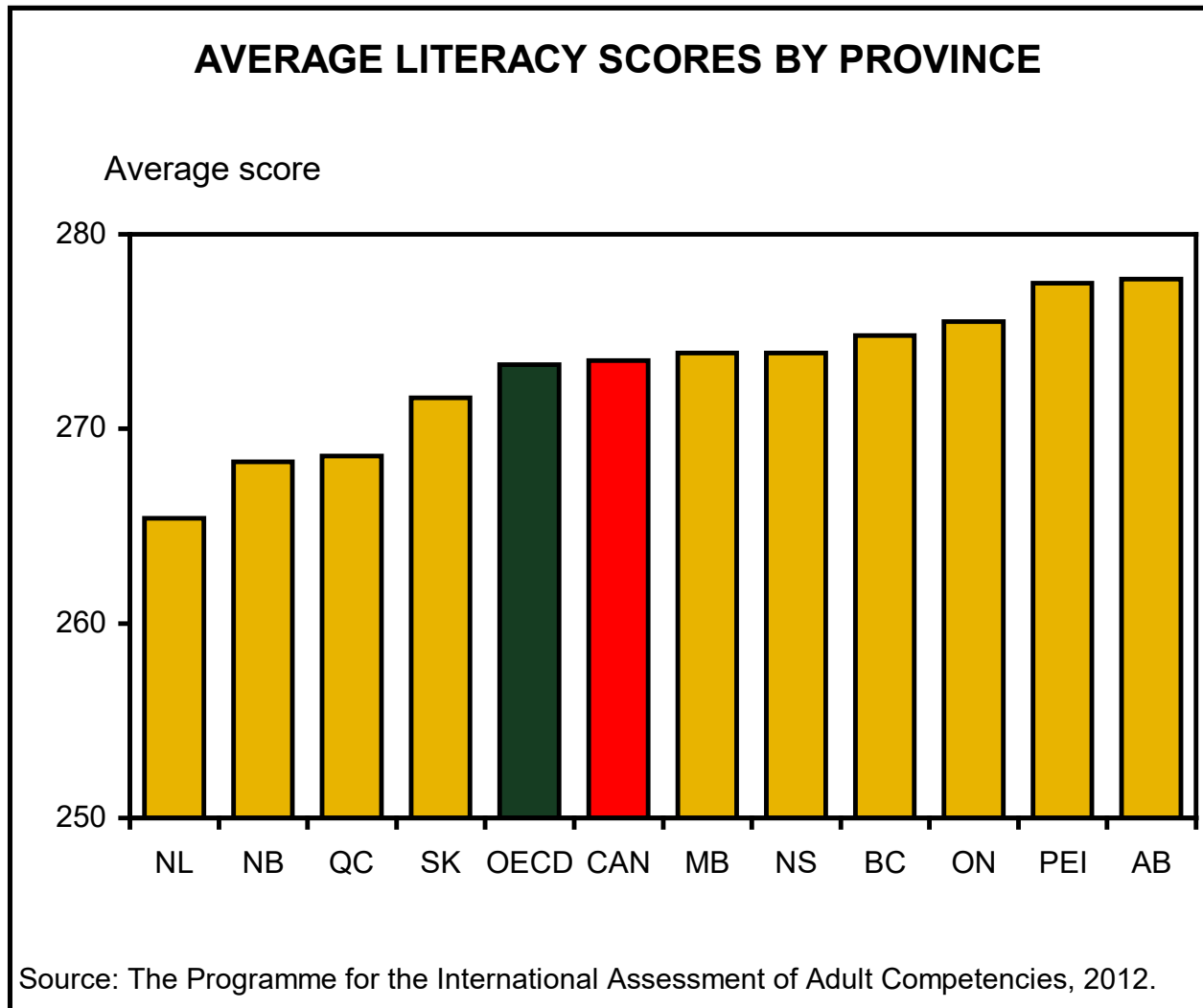
Numeracy Skills Have Declined



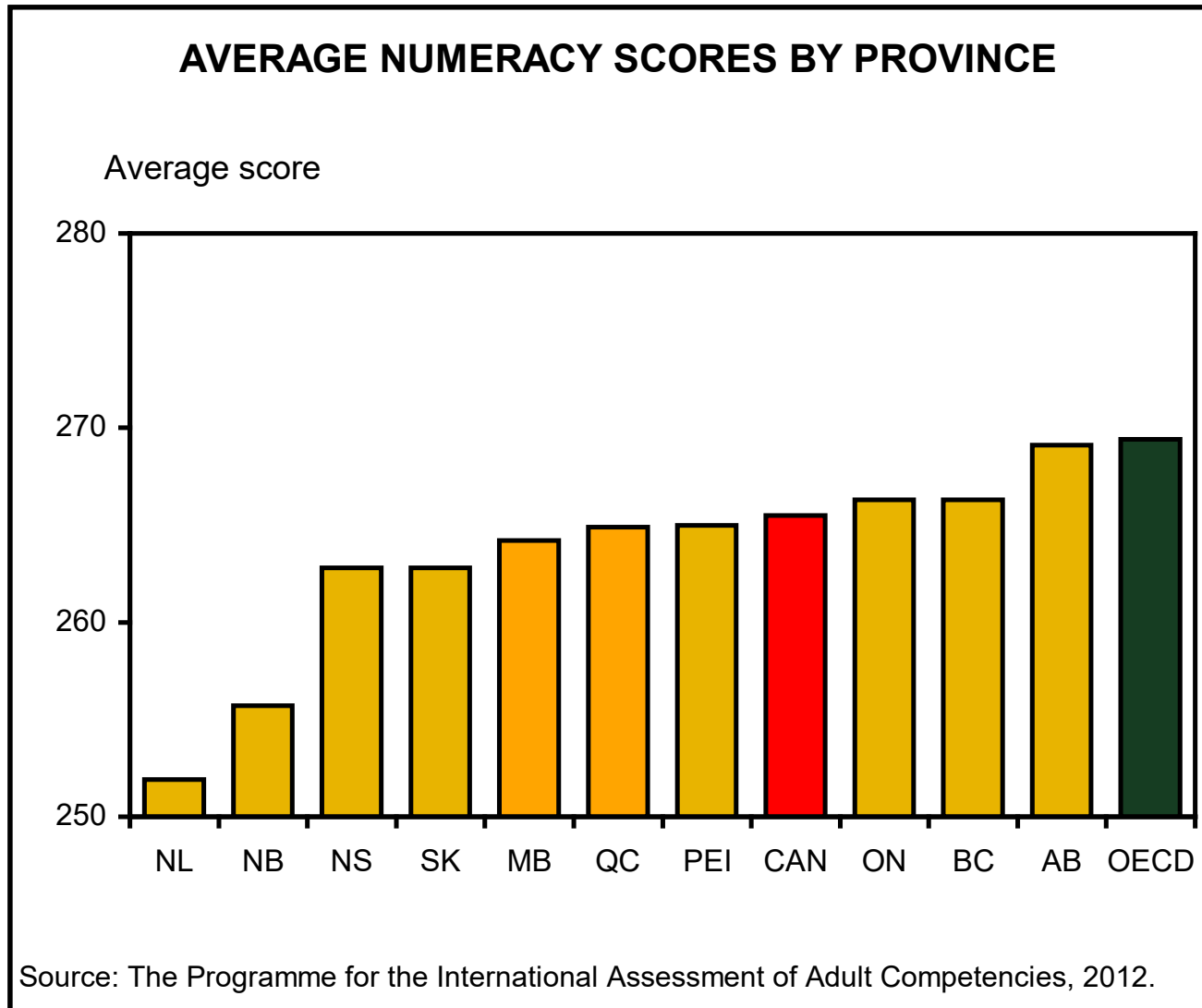
No Gender Difference on Literacy, But Women Weaker on Numeracy



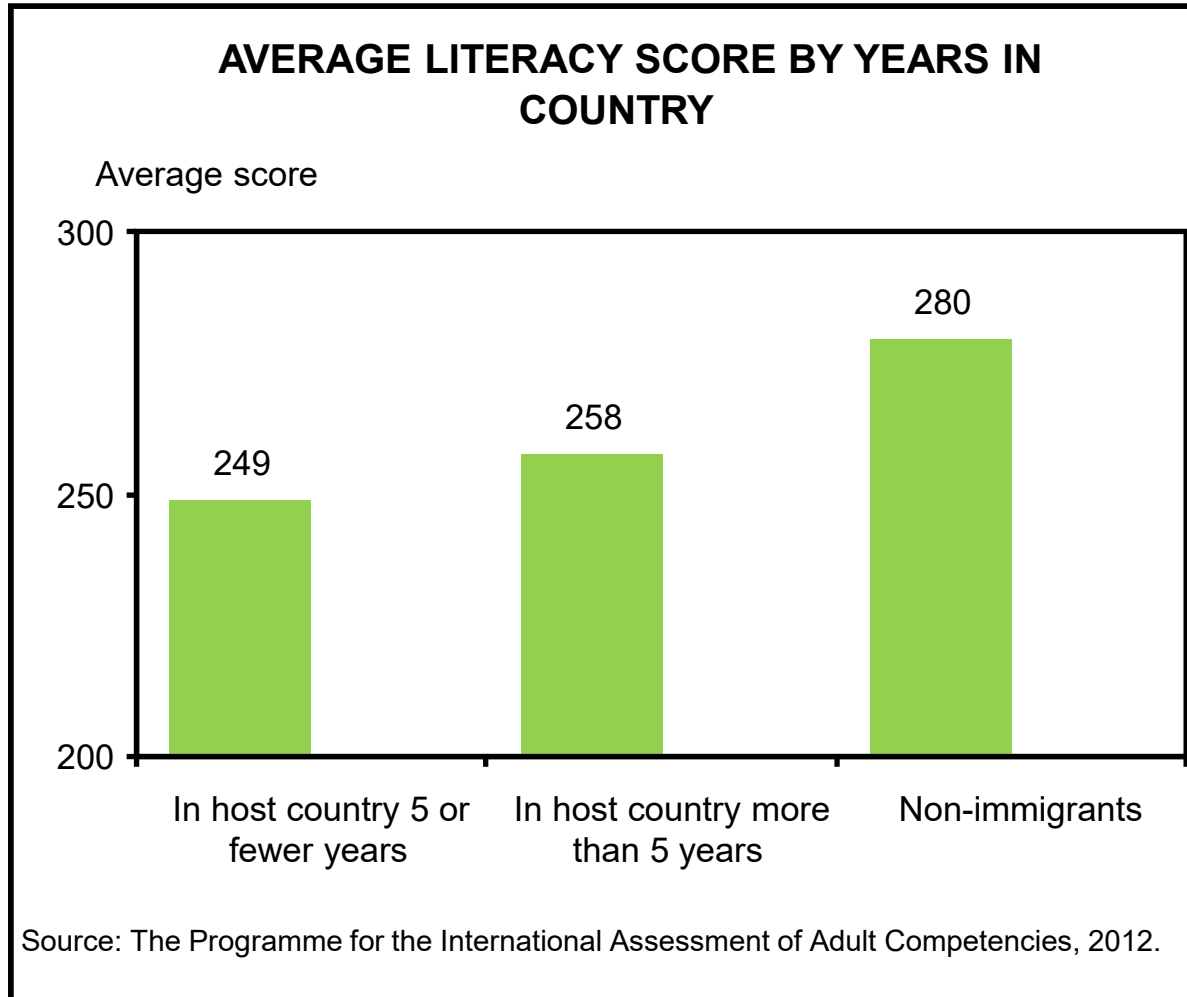
Alberta Does Better Than Average, But Still Scope to Improve



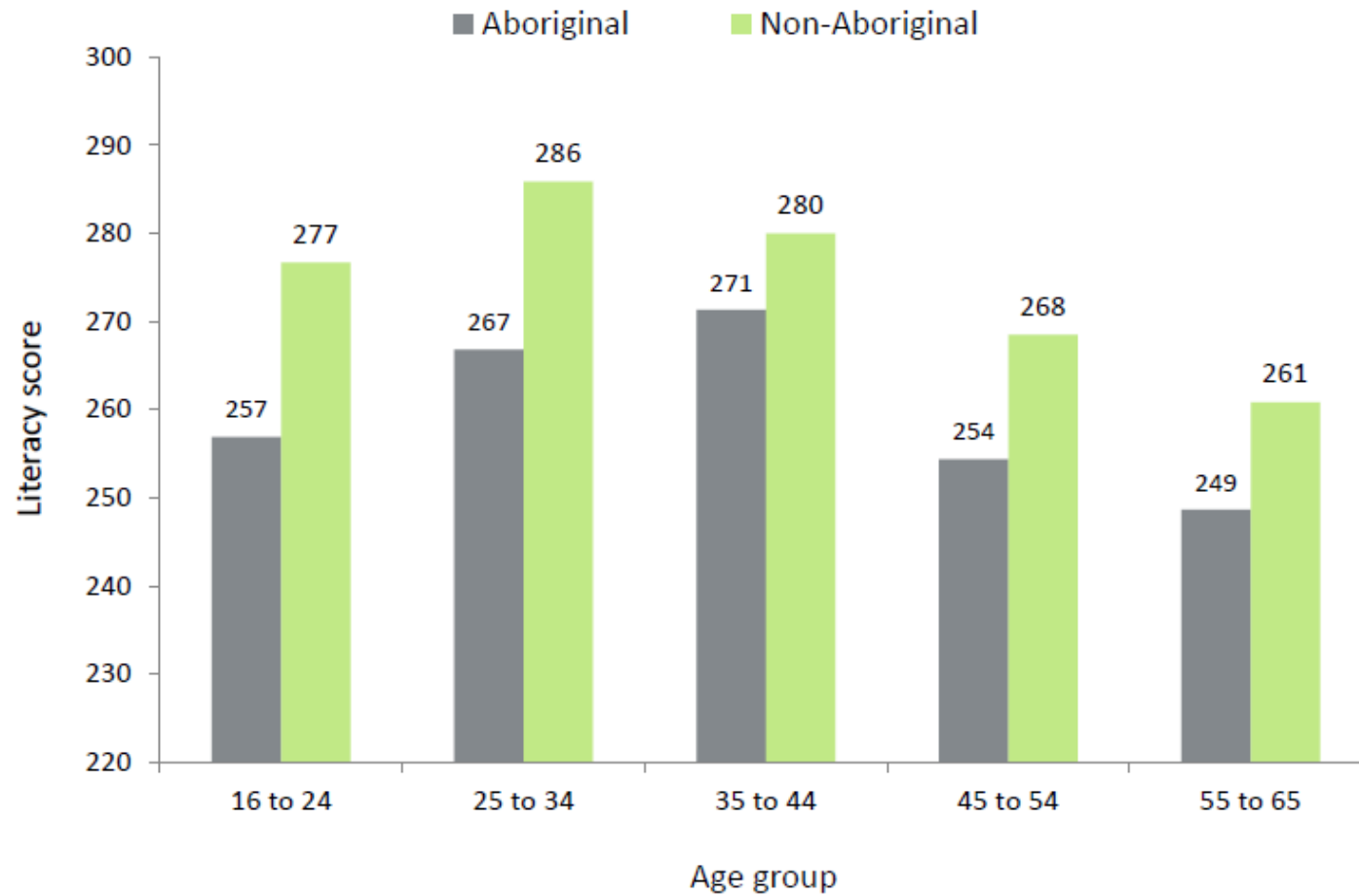
Alberta Average to OECD on Numeracy



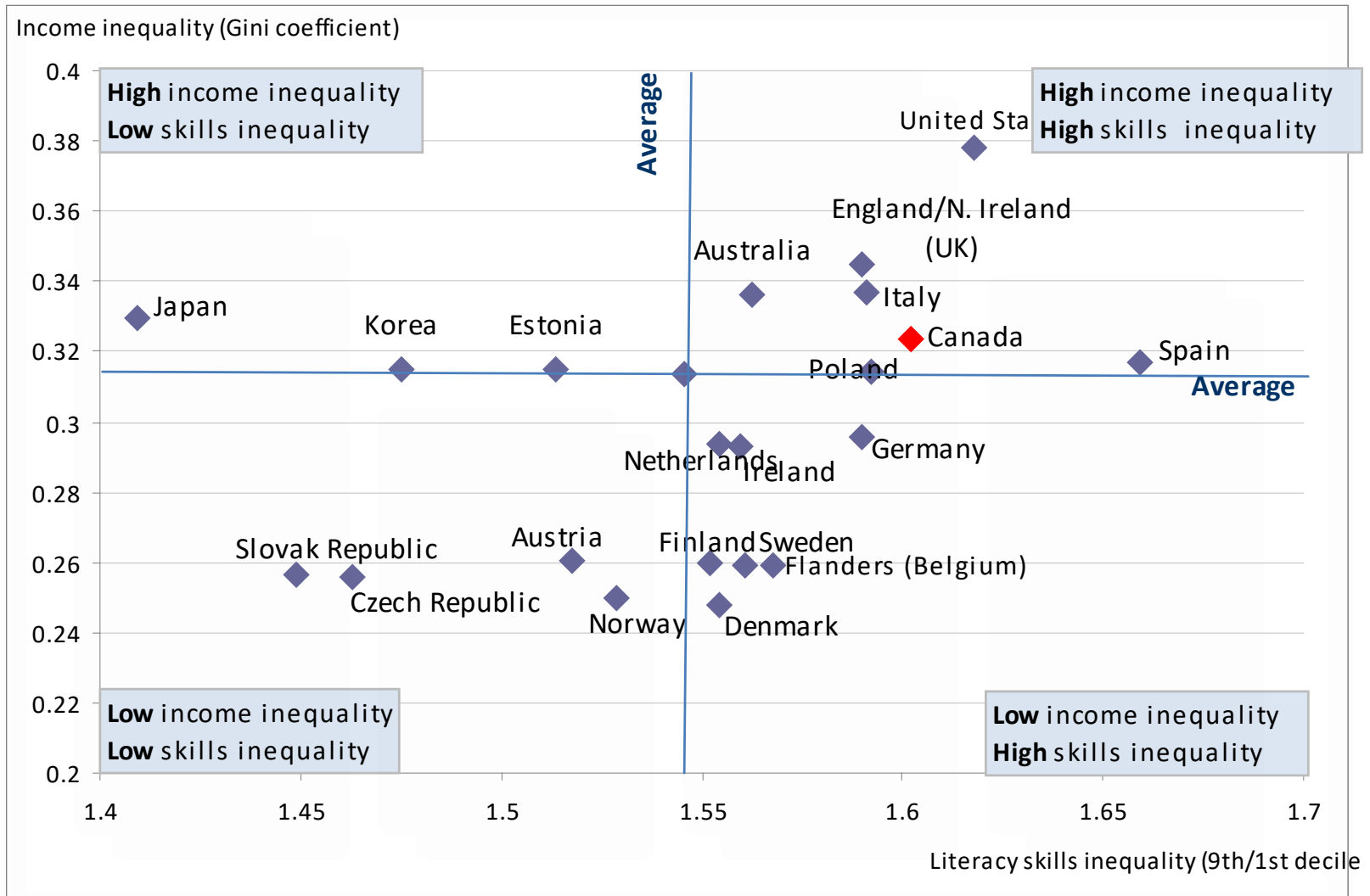
Immigrants Face Challenges in Official Language Literacy



Aboriginal & First Nations At-risk Population



Weak Literacy Contributing to Income Inequality



Summary

- Higher literacy brings sustainable gains to individuals, businesses, economy, society, and democracy
 - Raising literacy can help alleviate a wide range of socio-economic problems, such as poverty and inequality
 - Labour market evolution will require evermore sophisticated skills and increasingly resilient workers
 - Literacy is foundational. Cannot build advanced skilled without essential skills
 - It is hard to identify one single issue that can have such a far-ranging impact
 - Literacy should be a key public policy initiative
 - Businesses need to become champions of literacy, as it can raise productivity and profitability
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