Social and economic benefits of improved adult literacy: Towards a better understanding

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This study identifies various frameworks and methodologies available for estimating the costs and benefits associated with literacy and numeracy. It also touches upon the benefits of family literacy programs, the relationship between literacy and crime, and literacy issues relating to older people, Indigenous Australians and small business.

The study involved a literature search and consultations with researchers experienced in longitudinal studies and cost–benefit analyses, as well as with experts in health and financial literacy.

Frameworks for measuring literacy and numeracy

The most comprehensive relevant frameworks on costs and benefits relate to adult learning rather than literacy per se. They highlight the importance of taking into account factors such as age and gender; collective as well as individual benefits; the ‘sustaining’ benefits of learning that enable people to continue or improve what they do in their communities, and the more recognisable ‘transforming’ benefits, such as increased employability.

To date, the International Adult Literacy Survey (released in Australia in 1997) has been the main source of data for those researching adult literacy and numeracy. The Adult Literacy and Lifeskills Survey to be conducted in 2006 in Australia will be a key source in the future. It will, however, also be desirable to gain insight into costs and benefits over time.

Given the expense of custom-made longitudinal studies or specific data collection for economic modelling, the study concluded it would be possible to use information from existing surveys, such as the Longitudinal Survey of Australian Youth and the Australian Temperament Project as an appropriate framework.

Building effective measurement frameworks will depend on the commitment and collaboration across a range of relevant government bodies and disciplines, as well as the use of a variety of methodologies.

Specific areas of interest

Health literacy

Studies have found links between lower literacy and a higher risk of hospitalisation; not undergoing regular health checks; higher rates of depression; and inability to understand and comply with the use of prescription drugs.

An increased focus on measuring the impacts of poor literacy on health in Australia is timely, particularly given the emphasis on self-management and internet use. Such research needs to go beyond studies into the association between literacy levels and knowledge and behaviour, to measuring the benefits of investing in health literacy (understanding health terms and concepts) from the perspectives of health outcomes and potential cost savings.

Such a measurement framework could be developed from work undertaken by Australian researcher Don Nutbeam, which draws on Australia’s strong record in health promotion. There is also scope for cooperating with the National Public Health Partnership whose task it is to identify and develop strategic and integrated responses to public health in Australia.
Financial literacy

‘Improved consumer and financial literacy has the potential to save Australia and Australians millions of dollars each year’ (Senator Helen Coonan 2004).

Financial literacy is a broad concept. It involves the ability to understand financial terms and concepts and translate this knowledge into careful and considered behaviour; it also involves the idea that being able to read and apply basic math skills is essential to making wise financial choices.

There is increased interest in financial literacy in Australia, particularly from government, financial institutions and regulatory bodies. Following a government-commissioned report, the Consumer and Financial Literacy Foundation was established in 2005 to implement a national strategy for improving consumer and financial literacy.

In addition, Money Solutions, an Australian provider of money education and guidance programs, is developing a survey instrument to be known as the Australian Financial Wellbeing Scale. The instrument will explore the relationship between employees’ financial wellbeing, financial education, and outcomes for employees and employers, the latter being measured in terms of a return on investment.

While a link between poor financial literacy and unemployment has been established, the emphasis of existing research has been on employed rather than unemployed groups. There has also been little investigation into the links between financial literacy levels and mental and physical health.

It would be useful to include additional questions in future literacy surveys, in particular on the relationship between financial literacy and low levels of income, the role of attitudinal and personal factors in achieving financial literacy; and the gap between knowledge and behaviour. In addition, there needs to be more concrete measurement of the benefits of investing in financial education with pre- and post-test designs and the use of control groups.

Messages

- Longitudinal cohort studies will be an important source of data for measuring benefits and costs, and in particular for demonstrating the transforming and sustaining nature of literacy and numeracy.

  — As these are expensive studies to conduct, the feasibility of buying into existing studies should be further explored.

- Building effective measurement frameworks will depend on the commitment and collaboration of a range of government bodies and disciplines and the use of a range of methodologies.

  — Researchers will need to incorporate a broad, interactive and developmental approach to costs and benefits, and recognise the existence today of a range of literacies.

  — Cross-discipline groups should be convened to agree on research priorities and methodologies.