

# The Economic and Social Cost of Illiteracy: An Overview

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## ABSTRACT

*This paper highlights the economic and social cost of illiteracy to the global economy. It discusses the causes and issues surrounding illiteracy, the direct link between poverty and illiteracy. Illiteracy means the lack of Reading, Writing and Arithmetic (3R's) skills. It is the lack of minimum capabilities needed to function effectively in a society. The paper examines the cost of illiteracy to the global economy which is estimated at 1.19 trillion dollars; and the effects of illiteracy are very similar in developing and developed countries. The 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. Therefore, illiteracy is a curse to humanity and socio-economic development.*

**Keywords:** *Illiteracy, socio-economic cost, consequences.*

## Introduction-I:

The super structure of human civilization is built on the foundation of literacy. The impact of literacy on socio-economic development is positive and can be easily determined by comparing the standard of living, per capita income, Gross Domestic Product, industrialization and development of infrastructure within a country. Literacy enhances the working capabilities of people by providing them with skill development. Literacy and socio-economic development have endless companionship. H.M. Philips noted that an illiterate person has hundred enemies such as epidemics, hunger, disorder, humiliation and many others. Thus, illiteracy is a curse to humanity and socio-economic development.

Illiteracy, the inability to read or write, costs the global economy an estimated \$1.19 trillion annually, a new report from the World Literacy Foundation examined the impact of illiteracy in developing, emerging, and developed countries and found, in all three categories, clear-cut links to poverty, unemployment, and long-term illness, dependence on welfare, social exclusion, and crime. The study calculates the cost of illiteracy due to lost earnings and business productivity, missed wealth-creation opportunities, and inadequate high-tech skills capacity at 2 percent of GDP for developed countries, 1.2 percent for emerging economies, and 0.5 percent for developing countries and puts the opportunity cost associated with illiteracy at \$250 million for Iceland, \$1.4 billion for Bangladesh, and \$300 billion for the United States.

According to studies by ECLAC (2004b), approximately 75% of urban youth in Latin America have parents with less than 10 years of schooling. Young people in rural areas enjoy even fewer opportunities; over 80% of parents in this population have less than six years of schooling.

According to the Washington Literacy Council, Illiteracy is a worldwide problem and there are more than 770 million people around the world who cannot read or write. Sub-Saharan Africa, and south and west Asia, have the worst illiteracy problems, with more than 50% of people unable to read and write. Even in the U.S., illiteracy hovers at around 14%. That's more than 43 million citizens of the world's pre-eminent economic powerhouse. Worse, illiteracy impacts women more than men. Nearly two-thirds of adult women worldwide cannot read. What that amounts to is untapped economic opportunity. It means that women who would otherwise have the ability to

become entrepreneurs, government officials or engineers simply cannot contribute to their communities. When 60% of women worldwide are limited by the easily-solved problem of illiteracy, their collective economic potential is being left on the sidelines.

### **Review of Literature-II:**

There were few studies on illiteracy and its cost on various social, economic spheres of life in the society. Earlier studies agree that illiteracy results from the simultaneous interaction of a number of factors. Chief among these are poverty, malnutrition, health problems, child labour, migration and lack of access to continuous teaching and learning environments. These inequalities influence the social vulnerability of individuals, and vary significantly depending on gender, age, ethnicity and geographic location.

Vulnerability may be defined as a vector made up of two opposing factors: on the one hand, the conditions (variables) that comprise the (economic and social) environment; on the other, the capability/will to face those conditions, both individually and collectively. The latter determines the degree to which difficulties can be overcome (ECLAC, 2006).

The degree of control exercised by individuals and families over various types of resources or assets is directly linked to their level of social vulnerability. By mobilising these resources and assets, they can exploit the opportunities available at a given point in time, improving or maintaining their well-being in the face of threatening circumstances (Katzman, 1999).

The vulnerability of illiterate persons damages their self-esteem and increases the likelihood that they will feel afraid, insecure and defenceless all of which limits their individual response capability and their ability to make use of the solutions offered by society and social organizations. In short, illiterate persons are more vulnerable, in both senses. They are also at greater risk, and less able to face adversity.

Their vulnerability is exacerbated by the difficulty of building significant social networks, as well as the subordinate position they must occupy in environments where reading and writing are a form of power. These two skills have traditionally been still are key mechanisms for the development of increased social capital by individuals and families.

The skill development and increased opportunities for social ties that education entails facilitate social inclusion for its beneficiaries. Social inclusion in this sense should be understood as a dynamic, multifactoral process that allows people to achieve a minimum standard of well-being. It may be viewed as an expanded form of integration. Rather than focusing exclusively on a structure to which individuals must adapt in order to be included in the system, it pushes the system to adapt to a plurality of actors and individuals. Inclusion involves not only improving access to integration channels, but also promoting greater self-determination for the stakeholders involved (ECLAC, 2007).

Several studies have found that adult literacy courses and literacy teaching improve self-esteem, personal autonomy, creativity and critical thinking. Given their intrinsic value, these benefits may produce others directly or indirectly related to literacy, as stated by the UNESCO report on Education for All. Such benefits include improved health and increased political participation or social integration (UNESCO, 2005).

One of the most widely studied benefits of literacy is its impact on self-esteem (Stromquist, 2008). Studies have been carried out on this subject in a number of countries, including Brazil, India, the United States and several African countries. Adult literacy programmes have been found to have a positive effect on the self-esteem of participants (Abadzi, 2003, Beder 1999; Bingman, 2000; Egbo, 2000; Farrell, 2004; Greenleigh Associates, 1968; Lauglo, 2001; Stromquist, 1997; Young et al., 1980, 1994). These benefits are particularly significant among women (Stromquist, 2008).

According to a global assessment by UNESCO (The EFA Global Monitoring Report Team, 2005), the benefits of successfully completed adult literacy programmes are comparable, in cognitive terms, to those offered by the educational system. More research is necessary, however particularly with regard to the long-term effects of such programmes (Oxenham & Aoki, 2002). It should also be noted that, unlike standard schooling, adult literacy

programmes offer specific benefits, such as political awareness, autonomy, capacity for critical thinking and the opportunity to participate in community life.

### **Objectives and Methodology-III:**

Main objectives of the paper are (1) to focus on the Illiteracy in the global level (2) to understand illiteracy impact on national economy and (3) to examine social and economic cost in present day scenario. The data have been collected from secondary sources of various reports and documents published reputed organizations and institutes like UNESCO, A Literacy Foundation of Canada, The Washington Literacy Council, China ASEAN Perspective Forum, World Literacy Foundation and different journals articles on literacy and education issues.

The impacts of illiteracy are many and harmful in several respects. As well as affecting illiterate individuals themselves in their daily lives and often jeopardizing their future, this scourge has a significant effect on society, both socially and economically. The impacts of illiteracy on individuals and society include the following:

#### **For Individuals:**

- Limited ability to obtain and understand essential information;
- Unemployment: The unemployment rate is 2–4 times higher among those with little schooling than among those with Bachelor's degrees;
- Lower income;
- Lower-quality jobs;
- Reduced access to lifelong learning and professional development;
- Precarious financial position;
- Little value is given to education and reading within the family, and this often leads to intergenerational transmission of illiteracy;
- Low self-esteem, which can lead to isolation;
- Impact on health: Illiterate individuals have more workplace accidents, take longer to recover and more often misuse medication through ignorance of health care resources and because they have trouble reading and understanding the relevant information (warnings, dosage, contraindications, etc.).

#### **For Society:**

- Since literacy is an essential tool for individuals and states to be competitive in the new global knowledge economy, many positions remain vacant for lack of personnel adequately trained to hold them;
- The higher the proportion of adults with low literacy proficiency is, the slower the overall long-term GDP growth rate is;
- The difficulty understanding societal issues lowers the level of community involvement and civic participation.
- Without the basic tools necessary for achieving their goals, individuals without an adequate level of literacy cannot be involved fully and on a completely equal basis in social and political discourse.

### **Economic Cost of Illiteracy-IV:**

#### **Lost Earnings and Limited Employability-A:**

Around the world, the impact of illiteracy on personal income varies but it is clear that earning potential is limited. 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. One study shows the income of a person with poor literacy stays about the same throughout their working life. However, individuals with good literacy and numeracy skills can expect their incomes to increase at least two to three times what they were earning at the beginning of their careers. Young people who do not complete primary schooling are less likely to obtain jobs good enough to avoid poverty.

#### **Lost Business Productivity-B:**

The cost to business in lost productivity and profitability due to poor literacy and numeracy includes:

- The cost of fixing incorrect orders or processing refunds
- Customers lost due to poor communication
- Difficulty and cost of finding adequately skilled staff
- Resolving internal problems and issues arising from miscommunication or misunderstandings.

One survey of employees found that about 70% of respondents said their organisation 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.

### **Lost Wealth Creation Opportunities-C:**

The opportunity cost of lost wealth creation for individuals is very real. Typically, a family in a developed country will purchase a home using a mortgage and work many years to pay off the house. Many such “home owners” do not understand the bank loans they take out although they sign legally-binding documents to get them. They are not capable of establishing a personal financial plan or evaluating financial investments to provide themselves with a retirement income (this also increases the welfare burden on the government in the form of age pensions). They do not understand how to use equity or investment loans to acquire and manage income-producing assets.

Even those who do have good general literacy and numeracy skills are filled with terror at the prospect of securing their own financial wellbeing. Although this is a significant barrier to overcome, financial literacy cannot be accomplished without good basic literacy and numeracy skills.

There is also a cost to businesses which employ people who have poor financial management skills. This includes the cost of employee time wasted on money problems, lower absenteeism due to stress or needing to deal with financial issues, processing advances on pay cheques for “emergencies”, lower level of workplace violence and thefts. For businesses, poor literacy and numeracy skills make it harder for business owners and entrepreneurs to understand and apply business finance concepts such as management and allocation of capital to increase shareholder value. This is very different from ensuring that income exceeds expenses. The difference is often what separates big business from small.

### **Lower Technology Skills Capacity-D:**

The definition of literacy has traditionally been limited to the ability to read, write and sum numbers. In particular, the definition of reading has meant perusal and analysis of printed texts such as books and newspapers.

Employees in today’s workforce are expected to create, edit and read numerous documents on a computer. The more literate an individual, the more likely they are to be in a job role that requires the use of a computer. Yet most school curricula do not integrate technology literacy into a broader definition of literacy. This is despite the fact that many young people today experience literacy outside of school almost entirely on computer screens.

Young people most frequently read technology-based materials, with nearly two-thirds of children and young people reading websites every week, and half of children and young people reading emails and blogs/ networking websites every week. But often this is not counted as reading.

UNESCO indicates that education improves understanding of new technologies and facilitates their diffusion and implementation – factors which also promote economic growth. But if the literacy being taught in schools does not include technology-based texts, there is little incentive for young people to master literacy skills which they feel are irrelevant to them.

Without solid literacy and numeracy skills, technological literacy is hard to achieve. Those people who have strong basic literacy and numeracy skills combined with advanced functional literacy are valuable human capital to their nations and the global economy. Without such expertise, it is impossible to compete effectively in the global marketplace.

### **Social Cost of Illiteracy-V:**

#### **Health-A:**

Illiteracy significantly limits a person's ability to access, understand and apply health-related information and messages. This results in poor household and personal health, hygiene and nutrition.

Illiterate people, particularly mothers, are more likely to adopt poor nutritional and hygiene practices in their homes. This leads to a higher rate of disease, accidents and other health issues, which in turn raises demand for medical services and causes job absenteeism (due to illness on the part of either the parent or the children). If unchecked, these health issues can lead to permanent disability or death. In developing countries, a child born to a mother who can read is 50 percent more likely to survive past age five.

Literate people demonstrate better hygiene practices, have better access to preventive health measures (such as vaccination and medical check-ups) and can acquire better nutritional knowledge to feed their families.

Illiteracy also increases the likelihood of high-risk sexual behaviour, due to lack of awareness about sexual and reproductive health and inadequate or no use of contraception. One study showed literate women are three times more likely than illiterate ones to know that a person in seemingly good health can be infected with HIV.

Lack of awareness of contraceptive methods increases the likelihood of unplanned and adolescent pregnancy. In turn, young new mothers are more unlikely to undertake further education or enter the workforce. Employees with poor literacy are more likely to have work-related accidents because they cannot read or understand written health and safety regulations and warnings or instructions on how to safely operate machinery. This puts both themselves and their co-workers at risk, increases the need and cost of medical services, leading to higher absenteeism and damages long-term productivity.

#### **Crime-B:**

The link between illiteracy and crime is clear. In various countries around the world, studies show that a majority of prison inmates have poor literacy skills. Also, amongst juvenile delinquents, up to 85% are functionally illiterate.

In various nations, estimates show that 60-80% of prisoners have reading and writing skills below basic levels. Those who are still illiterate upon release have a high probability of re-offending. This is a high cost to the economy in terms of maintaining prisons, administrating the courts and running the justice system.

#### **Welfare-C:**

Illiterate people are more likely to be on welfare or unemployment benefits having dropped out of school or being unable to find work. High school dropouts are more than three times likely to receive welfare than high school graduates. Low income earning potential (discussed earlier) due to illiteracy also makes a higher number of welfare dependants. This puts a heavy burden on the social security system of any nation. The good news is that adult literacy programs, especially those that include job searching skills and a focus on finding employment, can be successful in reducing or eliminating dependence on welfare.

### **Education and the Role of the Family-D:**

Illiterate parents tend to have lower expectations and aspirations regarding education for themselves and their children. Poor families often place work before education and the children of parents who have failed to complete primary education tend to do the same. In developing countries, school age children (especially girls) are expected to help with income producing activities or caring for younger siblings so they are unable to attend school.

When parents are not involved in their children's education, young students are more likely to display behavioural problems, get poor school results, have a high absentee rate, repeat school years or drop out of school. Illiterate



parents cannot read to their children, nor encourage a love of learning. When illiterate adults improve their literacy skills, this has a flow-on effect to their children. With these new skills they can help a child with homework, read notes and correspondence sent home from school, understand the school system their children engage in, and guide and encourage them.

Children from the poorest homes are almost a year behind their middle class counterparts by the time they start school. Children with parents who hold professional jobs had heard more than 33 million words by the time they began school compared with 10 million words for children from more disadvantaged groups. This had a significant impact on vocabulary growth and standardised test scores during a child's early years.

This study highlights that illiteracy costs a developed nation 2% of its GDP, an emerging economy 1.2% of GDP, and a developing country 0.5% of GDP. These figures are based on a sample study of countries in each category based upon UNESCO's mathematical formula for calculating the economic impact of illiteracy. The average has been applied across all countries in each group. These estimates reflect a lower level of spending on social services such as welfare, health and the justice system in less developed countries.

In total, the cost of illiteracy to the global economy is estimated at \$1.19 trillion (USD). (Note the actual total figure will be higher as these tables include only the major economies of the world's developed, emerging and developing nations.)

#### **Literacy and Poverty-E:**

"Poverty or destitution refers to the state of severe deprivation of basic human needs, which commonly includes food, water, sanitation, clothing, shelter, health care, education and information." Poverty is a by-product of illiteracy, which is why most underdeveloped countries have the highest rate of illiteracy in the world. An impoverished person will always undermine his capability to soar beyond a certain limit, he is a pessimist, he does sometimes believe that the world owes him a living. Poverty deters an individual to contribute his quota to the society, it impedes social-economic development of any society. A destitute individual sees health care, education, housing etc, as a dream which cannot be achieved throughout his time on earth, since he does not have the means to satisfy his basic needs, other categories of needs are fantasy. Illiteracy which usually begets poverty is a psychological and evolving process which every society should tackle from the grass-roots. For example, if all children in low-income countries left school knowing how to read then 171 million people could move out of poverty.

"Overcoming poverty is not a task of charity; it is an act of justice. Like Slavery and Apartheid, poverty is not natural. It is man-made and it can be overcome and eradicated by the actions of human beings. Sometimes it falls on a generation to be great. YOU can be that great generation. Let your greatness blossom."- *Nelson Mandela*.

#### **Causes of illiteracy-VI:**

Illiteracy in individuals stems from different, generally inter-related causes which, together, create a series of often insurmountable barriers for those concerned. The following are the most frequent causes of illiteracy in adults:

- Parents with little schooling;
- Lack of books at home and lack of stimulation as to the importance of reading;
- Difficult living conditions, including poverty;
- Learning disabilities, such as dyslexia, dysorthographia, etc.

#### **Conclusion and Suggestions-VII:**

The results of this study are a contribution to the analysis of the cost to society of allowing significant portions of the population to remain illiterate. Given the sums involved, this is a key element to consider when developing policies to address the issue. In the study, over USD \$1 trillion has been estimated as the cost of illiteracy to the global

economy. One can put figures on the social cost in terms of welfare payments or the burden on the health system. But the real figure in terms of opportunity cost and human cost will never be known.

These are the costs of lost opportunities to create individual financial wealth, encourage entrepreneurs, build healthier and more stable families whose members can make a productive contribution to all areas of society (political and cultural as well as economic).

Tragically, illiteracy also costs human lives. How many young babies, children and even adults have their lives endangered due to the inability to read, write and use literacy skills to access information that could save their lives? It is time to act to stop this human tragedy once and for all.

To reduce and eventually eliminate those costs, the report's authors recommend establishing adult and parental literacy programs; improving school attendance and retention strategies; securing resources, training, and technology for literacy efforts; and strengthening national governments' commitment to literacy initiatives.

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