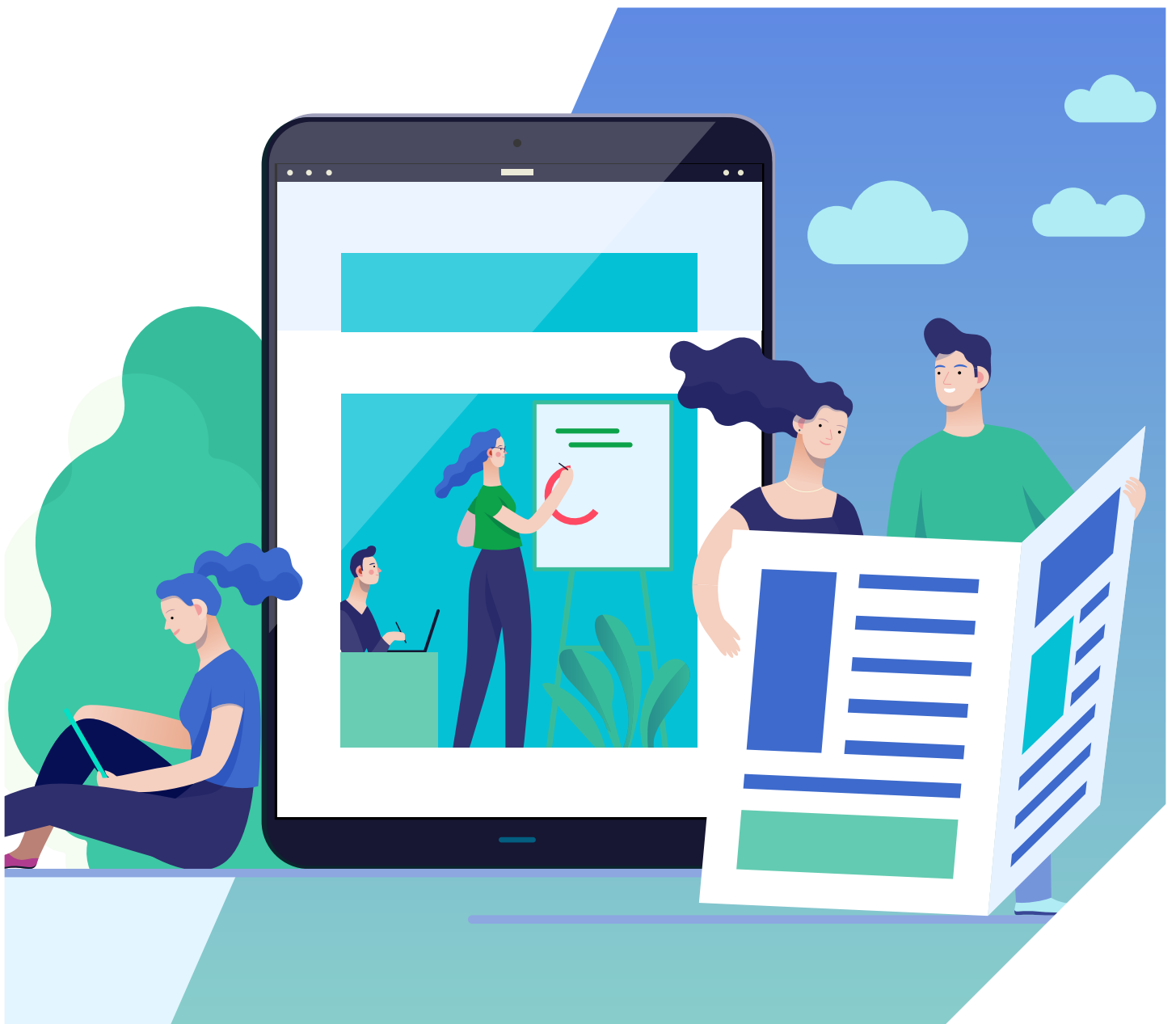


Counting the cost:

Addressing the impact of low levels of literacy and numeracy in the workplace

OCTOBER 2024



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Executive summary

Ai Group's Centre for Education and Training surveys a cross section of Australian businesses every two years to learn more about skills and workforce challenges across the economy.

This comprehensive, future-facing survey asks companies about the external and internal factors driving their skills and workforce needs now and into the future. It also asks where the skills challenges or shortages are, and the steps businesses plan to take to develop or acquire the skills and capabilities they consider they need to succeed.

The Listening to Australian businesses on workforce and skills 2024 survey had responses from 251 individual businesses, collectively employing a total of 291,232 FTE employees.

This year's survey found that low levels of literacy and numeracy continue to have an impact on both employees and employers in 2024, with **88% of companies affected by low levels of literacy and numeracy**.

Low levels of literacy and numeracy are having a more pronounced effect on productivity in the workplace than reported in the Centre's survey in 2022.

The impacts of low levels of literacy and numeracy uncovered in this survey include time wasted, poor completion of work documents and reports, teamwork and communications problems, and staff lacking confidence and willingness to take on new work.

The survey also finds that **42% of companies require greater basic digital skills capabilities** over the coming 12 months as digitally enhanced technology and communications become increasingly integrated into job tasks and functions across all occupations.

As the world of work changes, it is important that barriers do not remain that inhibit the entry, participation and retention of individuals into work, who are impacted by low levels of language, literacy, numeracy, and digital literacy (LLND). Similarly, low levels of LLND should be removed as a barrier to lifelong learning and upskilling or retraining opportunities.

Addressing low levels of LLND have both micro- and macro-economic benefits, which is why governments, education and training providers, industry, and individuals must work in concert to ensure that the societal and productivity impacts are mitigated or removed.



Key research findings



88%

of companies surveyed are affected by low levels of literacy and numeracy in 2024, up from 74% in the two years prior.

Productivity is being impacted to a greater extent in 2024 than in previous years, and is affecting key areas of business, for example:



63%

of companies report poor completion of workplace documents or reports due to low literacy and numeracy.



55%

of companies report time wasted due to low literacy and numeracy.



49%

of staff are lacking confidence and unwilling to take on new work.



47%

of companies are experiencing teamwork and communications problems.



27%

of companies agree that work health and safety issues could arise where low levels of literacy and numeracy are a barrier to compliance and safe work practices.



42%

of companies require basic digital skills and consider it a highly important foundation skill in the workplace.

Key recommendations

Recommendation 1.

The Commonwealth, State and Territory governments should ensure that policy, programs and resourcing of language, literacy, numeracy and digital literacy (LLND):

- ▶ acknowledge that foundation skills are both an inclusion and a productivity issue;
- ▶ recognise the importance of the vocational and workplace contexts in delivering foundation skills learning for adults, including appropriate funding; and
- ▶ include clear, achievable targets and resourcing to address low levels of literacy and numeracy, and digital literacy in the adult population and workplace;

Recommendation 2.

The Commonwealth Government should undertake formative and summative evaluation of the Skills for Education and Employment (SEE) Program, including to ensure that vocational and workplace delivery are sufficiently incorporated in the program.



Introduction

Foundation skills underpin all skills and knowledge applied in the workplace. Without the ability to read, write, and calculate, people are held back from fully participating in society and work. This is why foundation skills have alternatively been described as ‘learning to learn’ skills. They provide the key to unlocking the generalist and specialist skills needed for participation in the workforce.

Given that 92% of all new jobs over the next decade are expected to need a post-secondary qualification¹, it is critical that all school leavers are equipped with a minimum standard of foundational skills. This will better enable access to employment and the post-compulsory education and training needed for the future. Addressing this will also contribute to reducing the number of people not engaged in employment, education and training.

This Ai Group Centre for Education and Training paper on literacy and numeracy in the workplace can reveal that in 2024, **88% of companies**

surveyed report being affected by low levels of literacy and numeracy in the workplace. This is having a significant impact on productivity (including teamwork) and potentially safety in the workplace.

The report also finds that **42% of companies require basic digital skills**, which are also considered a highly important foundation skill in the workplace.

While there is increasing attention on understanding and addressing the foundation skills needs of Australians in the workplace through policy settings such as the expansion of the Skills for Education and Employment (SEE) program, this report highlights the extent and importance of the challenge. It makes the case for ensuring that policy settings consider foundation skills as a productivity issue in the workplace, as well as an inclusion issue. In practice, this means that vocationally orientated delivery of foundation skills, tailored to workplace needs, needs to form a key part of available delivery.



1 Jobs and Skills Australia (2023), *Towards a National Jobs and Skills Roadmap: Annual Jobs and Skills Report 2023*, Commonwealth of Australia, Canberra, p.14

Low levels of literacy and numeracy continue to impact business in 2024

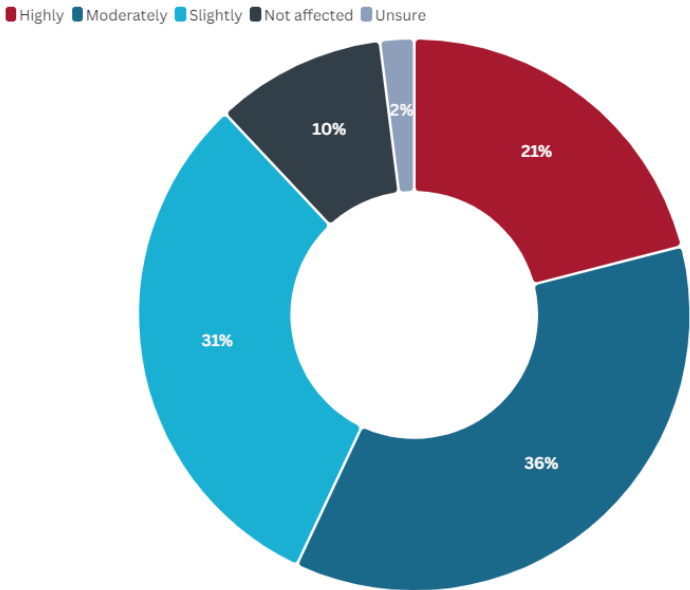
As part of its biennial skills survey, the Australian Industry Group Centre for Education and Training has monitored and tracked employer sentiment around literacy and numeracy in the workplace for over a decade.

The survey has consistently shown that companies are impacted to varying degrees, but it is very rare for a company not to be impacted by low levels of literacy and numeracy.

In 2024, 88% of companies surveyed report being affected by low levels of literacy and numeracy in the workplace.

As demonstrated in figure 1 below, more than a fifth of businesses surveyed (21%) are highly impacted by low levels of literacy and numeracy. More than a half (57%) are either highly or moderately impacted. Only 10% are not affected by low levels of literacy and numeracy in 2024.

Figure 1: Impact on Business

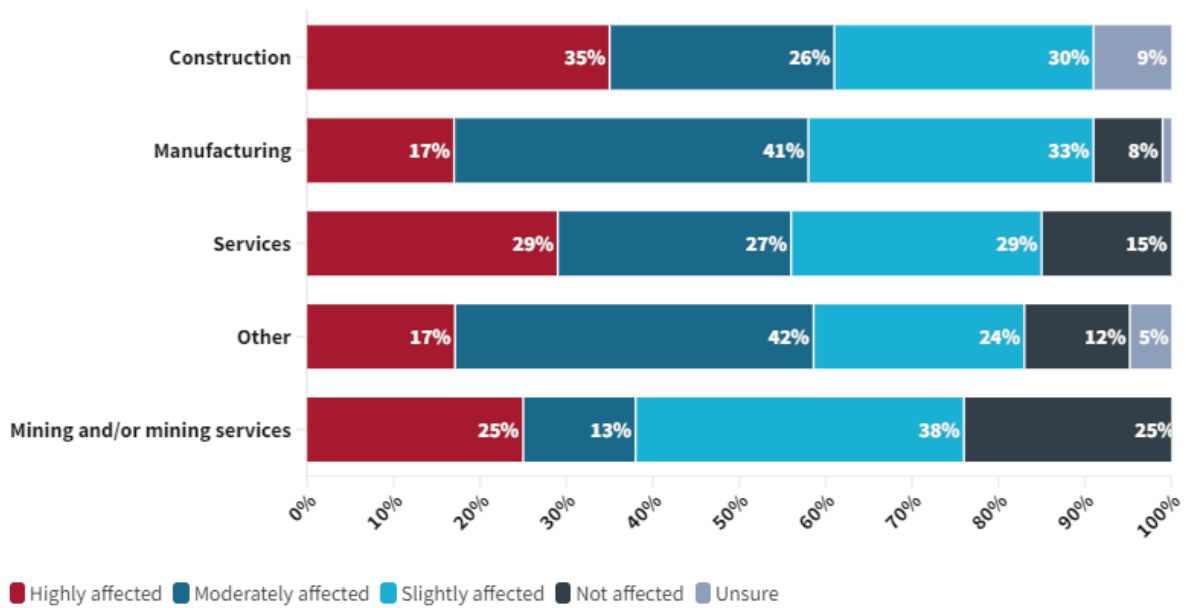


The results of the current survey also reveal that regardless of company size – by head count – the impact is almost uniform across small, medium, and large companies. The intensity of impact (i.e.: high, moderately, slightly, and not affected) is also quite uniform regardless of company size.

When observed by industry sector (see Figure 2), the construction industry was most likely to report being highly or moderately

impacted by low levels of language, literacy and numeracy, at 63%. Companies in manufacturing (58%), services (56%) and other industries (59%) were slightly less likely to report high or moderate impacts. The industries reporting being the most 'highly affected' were construction (35%), services (29%), and mining (25%). Interestingly, mining also reported being either 'not affected' (25%) or slightly affected (38%).

Figure 2: Impact by Industry Sector



Low levels of literacy and numeracy are affecting productivity

The impact of low levels of literacy and numeracy in the workplace, as described by employers, can have a significant impact on productivity, teamwork, and potentially safety in the workplace.

The survey identifies how low literacy and numeracy impacts a range of productivity related indicators.

Figure 3 below shows the impacts of low levels of literacy and numeracy on productivity, and how most impacts are more pronounced than in the 2022 survey.

The **poor completion of workplace documents and reports is the highest area of impact, with 63% of businesses** identifying this as an issue. This has consistently been the biggest area of reported impact of low literacy and numeracy, dating back to 2012.

Wastage is another major concern with **55% of employers reporting their business as impacted**

by wasted time. Additionally, **37% identify material waste and errors/non-compliance** due to low literacy and numeracy.

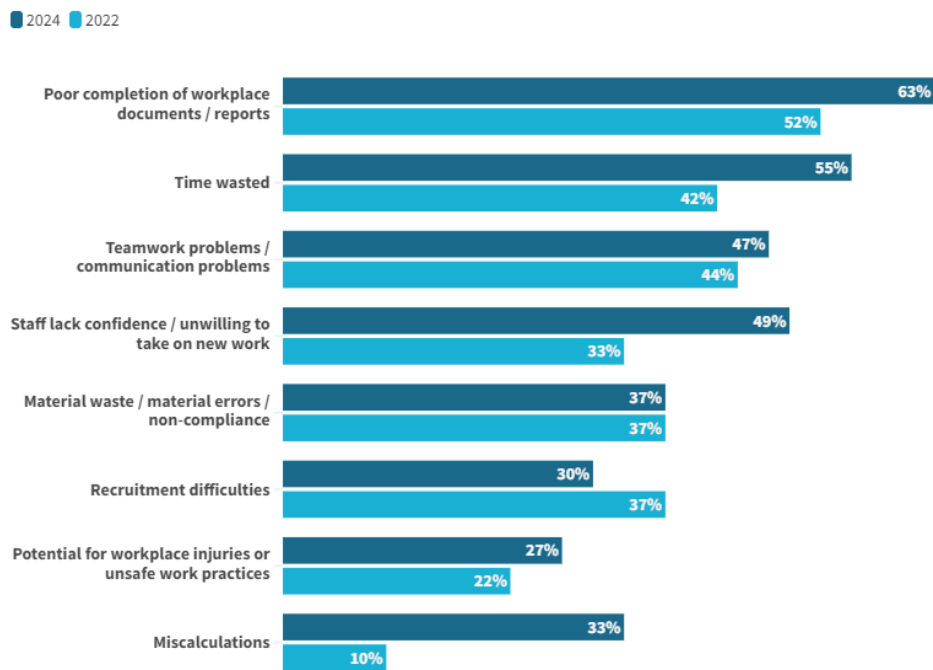
Time wastage can include the time it takes to correct errors as well as the time it takes to complete tasks.

Material waste and errors can impact quality control through defective products or services and affect inventory and supplies through incorrect measurement of materials. These are inherent inefficiencies and additional burdens that have a financial impact on a company.

Almost one in two (49%) surveyed employers said they have observed that staff lack confidence and are unwilling to take on new tasks or work. Furthermore, **47% have observed there are communication barriers and impediments to collaboration and teamwork.**

These issues are all barriers to enhancing productivity in the workplace.

Figure 3: Productivity Impacts



The perceived impact on workplace health and safety

The relationship between low levels of literacy and numeracy and health and safety cannot be understated. **In 2024, the perceived potential for workplace injuries and unsafe work practices was 27%, up from 22% in 2022.**

Large companies (43%) are almost three times more likely to report the potential of being affected

by workplace injuries or unsafe work practices caused by low levels of literacy and numeracy than small companies (15%), while 24% of medium-sized companies report being affected.

Construction and mining (both 38%) are the two industry sectors reporting greater perceptions of being potentially affected by workplace injuries or unsafe work practices caused by low levels of literacy and numeracy, with manufacturing at 28%.



Setting the right foundations – policy developments in foundation skills

Ahead of the Jobs and Skills Summit in 2022, Ai Group, the Australian Council of Trade Unions, Australian Chamber of Commerce and Industry (ACCI) and Business Council of Australia released a statement of common interests on skills and training, including calling for the Government to:

Guarantee foundational skills, including digital literacy, for all Australians. This should be done through updating the National Foundation Skills Strategy for Adults to recognise the impact of digital disruption; refreshing national language, literacy, numeracy, and digital skills strategies to include tangible and realistic KPIs to ensure accountability; and expanding funding for initiatives to deliver relevant training.

The Australian Government's *White Paper on Jobs and Opportunities* (the White Paper) recognised the need to lift outcomes in foundation skills developed through the education and training system if we are to nurture a higher skilled and higher educated workforce. The Paper outlines that, 'foundation skills enable participation, build an adaptable workforce, and form the basis for developing specialised skills that make us more productive and engaged'². The White Paper also recognises that broad access to foundation skills programs, separate to employment services, can improve general capabilities and productivity.³

As part of the 2023-24 Federal Budget, the Government announced funding for a redesigned Skills for Education and Employment (SEE) Program. Rather than only focusing on job seekers, SEE is now available to all Australians over the age of 15 who have left school. The Program provides both accredited and non-accredited training and is available for job seekers as well as existing employees. It also includes options for work-based learning that allows for foundational skills training in a vocational education and training (VET) context, for people over the age of 15 years who have left school with improving their LLND skills.

To ensure that the foundation skills training selected is effective and tailored to an individual's learning needs, it is preferred that learners complete a foundation skills self-assessment tool prior to accessing training. This approach allows for the identification of specific skill needs and ensures that the training provided is student-centred and relevant. While it is understood this is the approach when accessing the SEE Program, in-person and online self-assessment tools need to be made available to ensure there are no barriers to accessibility, especially for people who may have lower-level foundation skills that prohibit them from accessing or completing such a tool.

Emerging from the White Paper, and the following Australian Parliament's Standing Committee on Employment, Education and Training's inquiry into 'adult literacy and its importance' and subsequent report *Don't take it as read*, the Australian Government released the *National Foundation Skills Framework 2022 to 2032*. The Framework is a decadal plan framed as being 'outcomes based' and 'can be used to align jurisdiction and sector level priorities with national goals, while providing flexibility to address local needs'⁴. It is designed to give decision-makers and policy-makers a standardised system of 'weights and measures' when monitoring, evaluating, and reporting on foundation skills programs at jurisdictional and national levels.

Through the National Skills Agreement, the Australian Government has committed to partnering with states and territories to support Australians facing foundation skills challenges to access quality training that will assist them participate in further education and training, employment, and the broader community. A 10-year national foundation skills strategy is being developed to strengthen the quality and sustainability of the sector, along with funding for agreed actions under the strategy. It is understood that this will also include digital skills.

It is important that this strategy considers both the inclusion and productivity impacts of low levels of literacy and numeracy. It should also recognise the importance of delivery in vocational contexts and in workplace settings. Clearly defined targets should be set, measured against delivery, and reported on with regularity and transparency.

2 Department of Treasury (2023), *Working Future*, White Paper on Jobs and Opportunities, Commonwealth of Australia, Canberra, p.89

3 *ibid* p.209

4 Productivity Commission (2023), *Advancing Prosperity: 5-year Productivity Inquiry: Australia's data and digital dividend, Inquiry report – volume 4*, Report no. 100, p.73

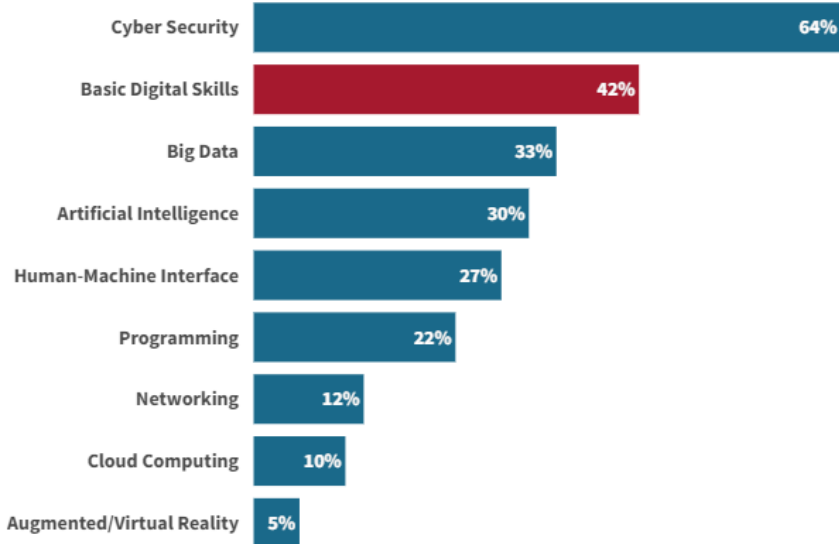
Demand for 'basic digital skills' continues in 2024

The 2024 survey also found that 'basic digital skills' are required by 42% of companies surveyed, the second most demanded digital capability, after 'cyber security' (64%).

In 2022, 'basic digital skills' were the most demanded digital capability growth area

identified by employers, at 62%. While it is second in the 2024 survey, its importance has not diminished. It has, however, been leapfrogged by cyber security, which grew by 31 percentage points (almost double) since 2022.

Figure 4: Digital Capabilities in Demand



A digitally enhanced workplace will require a digitally literate workforce

As the economy evolves to be more digitally integrated and augmented, technological advancements in the way business and commerce are conducted, especially the production and delivery of goods and services, will mean workers will need a baseline level of digital literacy skills and capabilities. Other roles will involve specialist digital skills and capabilities required to perform their job and will evolve as technologies continue to develop.

The Productivity Commission's latest 5-year productivity inquiry report highlights that 'digital literacy supports both a more productive workforce and a more inclusive society'.⁵ Given the growth in demand for a digitally skilled workforce, any delays in addressing digital literacy will impede Australia's economic growth, productivity and competitiveness.

The Australian Government's *Digital Economy Strategy 2030* estimates that 87% of jobs now require digital skills across every sector and industry.⁶ Jobs and Skills Australia's 2023 *Annual Jobs and Skills Report* posits that the 'entire Australian workforce will need to be digitally literate' given that the projected growth and 'demand for digital and data skills is spreading quickly across the Australian labour market'.⁷

The former Digital Skills Organisation's (DSO) *Growing Australia's digital workforce* report projected a 47% growth in the country's digital expert workforce by 2026, but also expects there will be a shortage of over 370,000 'digital expert' and 'digitally enabled' workers over that time.⁸ Of this shortfall, 130,000 will be digital experts and 242,000 will be digitally enabled workers.

Another category of the workforce described by the DSO is the 'digitally informed' worker. This digitally informed worker is described as having 'baseline digital skills' that are "Fundamental workplace skills such as email, word processing, internet searching and other typical office tools".⁹

The DSO's successor, the Future Skills Organisation (FSO), the Finance, Technology and Business (FTB) Jobs and Skills Council (JSC), estimated that 23.6% of Australians were digitally excluded in 2023.¹⁰ In 2021, the Australian Government's Digital Transformation Expert Panel warned that many of Australia's international competitors are already outpacing and out-skilling us as a nation in the face of technology and the impacts on the workforce¹¹, noting the risk that many workers will be left behind.¹²

With the release of the new Australian Digital Capability Framework version 1.0 in early 2023, Australia now has 'an industry-neutral common language and a simple structure for identifying and developing the digital capabilities required for a wide variety of occupations'.¹³ The Framework, together with the former Australian Industry and Skills Committee (AISC) Digital Transformation Expert Panel's *Digital Transformation Skills Strategy*, will help to furnish the digital skills landscape with a set of guiding principles and objectives, and agreed definitions.

It will be important that Australians are supported to build digital capabilities and skills, starting with foundational digital literacy to enable all working-age Australians to be a digitally informed worker. This will enable access to the opportunities presented in a digitally enhanced and integrated workplace and society. This requires greater access to digital capabilities and skills teaching and learning opportunities along the life-long learning continuum.

5 Productivity Commission (2023), *Advancing Prosperity: 5-year Productivity Inquiry: Australia's data and digital dividend*, Inquiry report – volume 4, Report no. 100, p.73

6 Department of the Prime Minister and Cabinet (2021), *Digital Economy Strategy 2030*, Commonwealth of Australia, Canberra, p.16

7 Jobs and Skills Australia (2023), *Towards a National Jobs and Skills Roadmap*, Annual Jobs and Skills Report 2023, p.38-39

8 Digital Skills Organisation (2023), *Growing Australia's digital workforce*, p.8

9 *ibid* p.59

10 [Future Skills Organisation](https://go.aigroup.com.au/19h) <https://go.aigroup.com.au/19h>

11 Digital Transformation Expert Panel (2021) *op cit* p. 22

12 *ibid* p.55

13 Australian Industry Standards Limited (2022), *Digital Capability for Workforce Skills Final Report*, p.4

Further reading

produced by Ai Group's Centre for Education and Training on digital skills needs in the workplace:

- ▶ **The Digital and AI Revolution** (2024)
- ▶ **Skilling Australia to lock in our digital future** (2022)

These titles can be accessed through the Centre's website www.cet.aigroup.com.au

Also, look out for the accompanying **Listening to Australian Businesses on Workforce and Skills** 2024 survey research insights available at www.cet.aigroup.com.au:

- ▶ The big picture, jobs and skills
- ▶ The digital and AI revolution
- ▶ Skills for a clean economy
- ▶ Skills in demand



About Australian Industry Group

The Australian Industry Group (Ai Group®) is a peak national employer organisation representing traditional, innovative and emerging industry sectors. We have been acting on behalf of businesses across Australia for 150 years.

Ai Group and partner organisations represent the interests of more than 60,000 businesses employing more than 1 million staff. Our membership includes businesses of all sizes, from large international companies operating in Australia and iconic Australian brands to family-run SMEs. Our members operate across a wide cross-section of the Australian economy and are linked to the broader economy through national and international supply chains.

Our purpose is to create a better Australia by empowering industry success. We offer our membership strong advocacy and an effective voice at all levels of government underpinned by our respected position of policy leadership and political non-partisanship.

With more than 250 staff and networks of relationships that extend beyond borders (domestic and international) we have the resources and the expertise to meet the changing needs of our membership. We provide the practical information, advice and assistance you need to run your business. Our deep experience of industrial relations and workplace law positions Ai Group as Australia's leading industrial advocate.

We listen and we support our members in facing their challenges by remaining at the cutting edge of policy debate and legislative change. We provide solution-driven advice to address business opportunities and risks.



For further information or assistance please contact

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