

POLICY BRIEF: Literacy and the Entry-Level Workforce

The Role of Literacy and Policy in Labor Market Success

During the recession of 2008-09, Americans who were less skilled or less experienced suffered considerably higher rates of unemployment and spent longer periods of time searching for a job than their more educated counterparts. Economist William C. Wood of James Madison University uses data from the National Assessment of Adult Literacy (NAAL) to explore the role that literacy and government policies play in the employment gap between more- and less-educated Americans.

The NAAL measures three separate types of literacy for adults aged 16 and older: **prose literacy**, the ability to read and understand the written word; **document literacy**, the ability to work with documents like bills or prescription labels; and **quantitative literacy**, the ability to perform calculations.

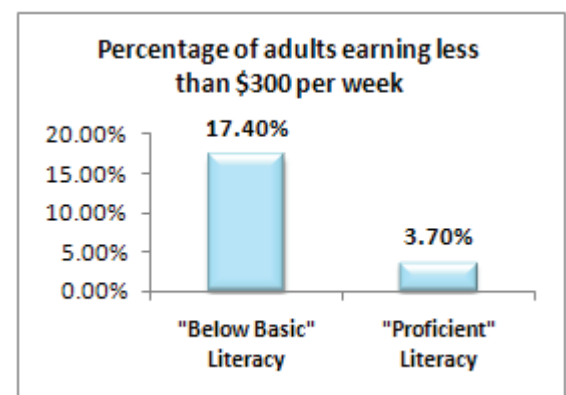
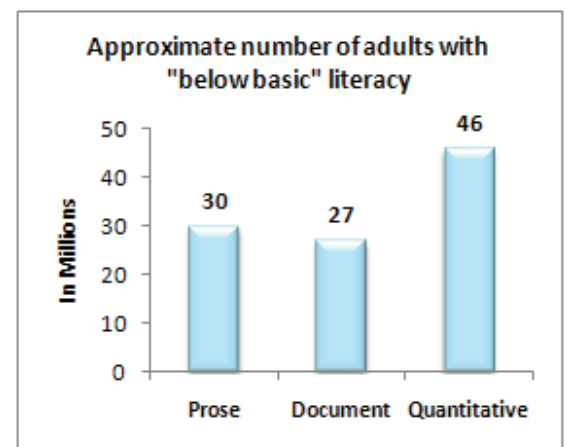
FINDINGS

According to NAAL data, approximately 30 million Americans have “below basic” proficiency in prose literacy; 27 million are “below basic” in document literacy, and 46 million are “below basic” in quantitative literacy. Those who have “below basic” prose literacy (e.g. have difficulty reading a menu or package label) are:

- At 4.7 times greater risk of earning less than \$300 a week than those who scored “proficient.”
- At 16.5 times greater risk of receiving public assistance than those who scored “proficient.”
- At 11 times greater risk of receiving food stamps than those who scored “proficient.”

Even controlling for age, educational attainment, and other personal characteristics, Wood finds that individuals who have “below basic” levels of document literacy (e.g. have difficulty filling out job applications) have an increased probability of earning less than \$300 a week.

Less literate individuals are coming to the workforce with other disadvantages: Wood finds that nearly 64 percent have never used a computer, and only 27 percent have a high school degree or equivalent. Wood quantifies the increased probability of full time employment that those with a high school degree or higher enjoy over their less educated counterparts (see chart at right).



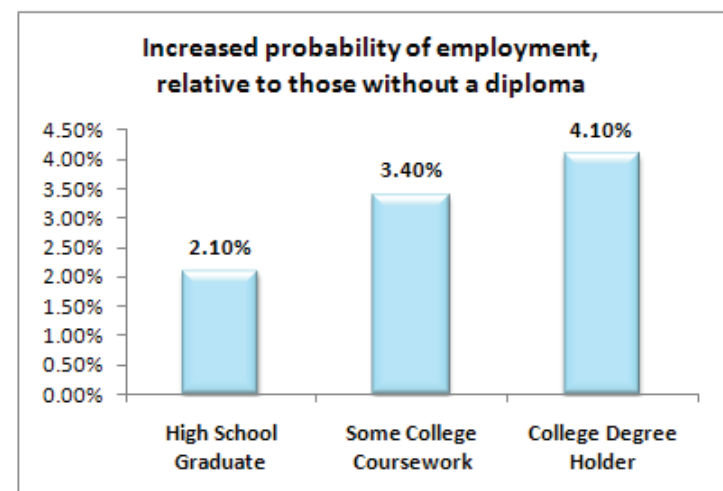
IMPLICATIONS

Wood points out the problem faced by many prospective employers: How do you hire applicants who have never used a computer, or who have difficulty reading a menu or filling out a job application?

Less literate individuals coming to the labor force without these basic qualifications are relying on entry-level jobs to learn skills needed to move up the career ladder. Yet, Wood says that government policies can unintentionally exclude them from job opportunities.

A higher minimum wage or required set of benefits raises the cost to hire and train employees. Applicants who lack basic job skills and require significant costly training often aren't hired at all.

As Wood notes, both productivity and pay can grow in conjunction with workplace training and job experience. The question is will the consequences of well-intentioned policies like minimum wage increases keep these Americans from getting hired in the first place?



The Employment Policies Institute is a non-profit research organization dedicated to studying public policy issues surrounding employment growth. In particular, EPI focuses on issues that affect entry-level employment.