



Submission to the Task Force on Financial Literacy

April 2010

ABC Life Literacy Canada is pleased to respond and contribute to the Task Force on Financial Literacy's public consultation. We applaud the Government of Canada and the Task Force for undertaking this initiative on how best to develop a national strategy to strengthen the financial literacy of Canadians. The increased complexity of financial markets and financial services combined with the inter-jurisdictional responsibility for financial regulation require increasingly sophisticated understanding and skills by Canadian consumers.

It is clear from our recent experience in Canada and beyond that the average citizen's understanding of financial concepts and instruments is low.¹ Moreover, vulnerable citizens such as those living in poverty or with poor education and low literacy levels face even greater difficulties when it comes to financial literacy.² When one considers that 49.8 per cent of Canadians struggle with numeracy, as identified by the latest International Adult Literacy Survey (IALS), the extent of this problem is clear.

At ABC Life Literacy Canada, we work towards ensuring that every Canadian has the literacy and essential skills they need to live a fully engaged life. Financial literacy is one important element of the essential skills individuals require to thrive in, and contribute to, our society. As the Task Force's discussion paper points out, increased financial literacy brings benefits to individuals. It will also help to strengthen our economy, improving Canada's competitiveness and enhancing economic stability – results all of us want to work towards.

ABC Life Literacy Canada's submission focuses on the low literacy and numeracy skills of many Canadians – our core areas of competency – and our concerns about how this could extend to low levels of financial literacy. We believe without addressing one, it will be difficult to improve the other. If one has challenges understanding and grappling with basic reading and numerical skills, as do 9 million adult Canadians, their ability to make good financial decisions is limited.

Other organizations, like SEDI (Social and Enterprise Development Innovations), have outlined principles and recommendations in areas complementary to our interests. These build on international experience and recommendations, documented by the OECD, for one. The call for a national strategy that is inclusive of low income and vulnerable Canadians is consistent with ABC Life Literacy Canada's vision that all Canadians should have the skills to live a fully engaged life.

¹ OECD. *Improving Financial Literacy: Analysis of Issues and Policies*. 2005 cited in Orton, Larry. *Financial Literacy: Lessons from International Experience*. CPRN Research Report, September, 2007

² Canada, Standing Senate Committee on Banking, Trade and Commerce. 2006. *Consumer Protection in the Financial Services Sector: The Unfinished Agenda*. 2006

We urge the Task Force on Financial Literacy to ensure that its recommendations integrate the needs of those Canadians who need assistance in improving their basic literacy and essential skills. Building on, strengthening and adapting existing efforts in this area will go a long way to achieving the long-term objectives of the Task Force and the Government of Canada.

Putting financial literacy in context

The Task Force defines financial literacy as having the **knowledge, skills and confidence to make responsible financial decisions**. It is key to improving the life of millions of Canadians. That said, such knowledge and skills are premised on an adequate level of literacy and numeracy skills.

In Canada, almost half of us are challenged in this area: The International Adult Literacy Survey in 2003 confirmed that the quantitative literacy (numeracy) skill level of Canadians is lower than reading or writing skills levels. 49.8 per cent of adult Canadians struggle with simple tasks involving math and numbers – higher than the 42 per cent of adult Canadians who struggle with reading.

Without having and understanding the basic skills involved in managing one's money, it is very difficult to break the cycle of poverty. While not universal, there is a strong correlation between one's level of literacy and essential skills and their income. People with low literacy have 2/3 the income of other adults. They are more likely to be unemployed; if people with low literacy are employed, the jobs they are in tend to be among the least attractive, lowest paying and most insecure. Now, more than ever, higher-paying positions for under-educated, lower-skilled people are rapidly disappearing and are not expected to return.³

In considering its recommendations, we ask the Task Force to ensure that it consider how to best address the needs of these Canadians. The benefits are clear: beyond providing individuals with the tools and skills to better manage their own money and financial decisions, they will be supported in becoming economically self-sufficient. Our economy and our country will become stronger and more productive. Not least, individuals with higher levels of literacy will be able to contribute to our Canadian quality of life, and society generally, in more meaningful and engaged ways.

Our recommendations

The learning foundation

1. *ABC Life Literacy Canada recommends to the Task Force that it consider the specific needs of Canadians who have low levels of literacy and essential skills. In recognizing that attention needs to be paid to improving the literacy and essential skills of Canadians by governments and the private sector, we will help to ensure that these individuals have the skills and knowledge to be more effective in making complex financial decisions.*

This recommendation is fundamental and goes to the core of addressing financial literacy in a comprehensive way.

³ Movement for Canadian Literacy. *Fact Sheet #9: Literacy and Poverty*.

ABC Life Literacy Canada concurs with the Task Force, and indeed the OECD, in acknowledging the instrumental role that the school system can play in improving financial literacy for younger Canadians; but to ignore the millions of Canadians who have already left the formal education system literally leaves generations behind.

Failure to acknowledge the significant gap in literacy and essential skills that currently exists among adult Canadians means that a significant proportion of the population, in the order of almost 9 million, will continue to have challenges with financial literacy. This could well continue despite any initiatives that may emerge from the recommendations of the Task Force around financial literacy curriculum in the school system.

Put another way, this will mean that some of the most vulnerable Canadians may continue to potentially be taken advantage of by 'the alternative financial industry'. This industry is often – not always – characterized by predatory practices that take advantage of vulnerable populations, including those with low levels of literacy and essential skills.⁴

A multi-faceted approach responsive to the circumstances of Canadians

The Consultation paper also acknowledges that there is no 'one size fits all' solution to financial literacy. It argues for a multi-faceted strategy with strategic partnerships and collaborations that are responsive to the circumstances of individuals as its cornerstone.

2. *ABC Life Literacy Canada applauds the Task Force's acknowledgement that a multi-faceted approach to improving financial literacy is required. It urges that the Task Force recommendations acknowledge and promote a collaborative, integrated approach with responsibility shared by many. Recommendations should build upon and bring together existing efforts in place, looking to strengthen the system through a more strategic, coordinated and comprehensive approach.*

Community delivery agencies

We urge the Task Force to recognize the crucial role that Canada's many local, non-governmental literacy agencies and programs can play in improving financial literacy. Through an expansion of partnerships, such as the 400 already in place between ABC Life Literacy Canada and community agencies across the country, we can reach out to many more Canadians in need of this type of support. As stated by SEDI, a collaborative approach "makes efficient and strategic use of public, private and voluntary sector resources and ensures the co-ordination and ongoing evaluation of effective policies and practices".

Workplace solutions

ABC Life Literacy Canada has long advocated that the workplace is an effective and far-reaching way to reach Canadians who require improved literacy and essential skills. As others have already pointed out to the Task Force, many Canadians even have difficulty reading their pay stubs.

⁴ Orton, Larry. *Financial Literacy: Lessons from International Experience*. CPRN Research Report, September, 2007. p. 28.

While we may assume that those who could benefit the most from literacy and essential skills training, and by extension financial literacy, are unemployed, the reality is different:

- 3.1 million working age Canadians with IALS Level 1 literacy skills, the lowest level of literacy, are employed;
- 5.8 million working age Canadians with IALS Level 2 literacy skills, (a somewhat higher skill level but still inadequate for today's complex society) are employed (International Adult Literacy Survey, 2003).

This demonstrates that there is clearly a place for essential skills training, including financial literacy, for Canadians who are currently employed.

The benefits of higher levels of workplace literacy for the economy, employers and unions are also clear: increased productivity and bottom-line performance, enhanced consumer knowledge, reduced pressure on social programs and enhanced economic stability. These benefits have been identified by the Task Force itself and also ABC Life Literacy Canada through a recent study examining workplace literacy and essential skills in health care. We encourage government, employers, unions and individual employees to together aspire towards these goals.

Communication and technology

The extent and nature of communications between individuals and the institutions with which they interact, including financial organizations, government and other related institutions, is rapidly evolving and changing. Such things as credit card agreements are regularly amended, sophisticated concepts are inadequately explained and indeed the amount of information they receive is increasingly daunting. Many Canadians find the information presented to them confusing and difficult to understand.

3. *ABC Life Literacy Canada recommends that it is imperative that attention be paid to ensuring financial institutions use clear language, a concept already endorsed and developed by literacy practitioners. The Task Force is urged to point to and endorse the significant work that has happened in this area, including in other jurisdictions like the US.*

More challenging perhaps is the fact that the generations use and adapt to the new ways of communicating through emerging technology in different ways. ABC Life Literacy Canada appreciates that the Task Force wishes to reach out to address younger Canadians, likely through the emerging technologies. In its recommendations though, ABC Life Literacy Canada urges that the needs and realities of all Canadians be considered. As Judith Maxwell observed in a recent commentary, there is a negative attitude towards computers by those with some, yet inadequate, literacy and essential skills.⁵

4. *ABC Life Literacy Canada urges the Task Force to recommend a multi-faceted communications approach that maximizes the potential of emerging technologies through the internet and at the same time acknowledges their limitations, especially for vulnerable, isolated and remote communities.*

About ABC Life Literacy Canada

⁵ Judith Maxwell. *A new perspective on Canada's Literacy Deficit*. Canadian Policy Research Networks.

ABC Life Literacy Canada is a non-profit organization that inspires Canadians to increase their literacy skills. We mobilize business, government and communities to support lifelong learning and achieve our goals through leadership in programs, communications and partnerships. ABC Life Literacy Canada envisions a Canada where everyone has the skills they need to live a fully engaged life.

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