



Preparing Canada's Youth for the Jobs of Tomorrow

Policy Brief

Economic Policy Series - February 2012

Introduction

On February 8, 2012, the Canadian Chamber of Commerce launched a 10-point national plan to improve Canada's competitiveness.

We will leverage the power and voice of our national network of more than 420 local, regional and provincial/territorial chambers to press for action from all levels of government, businesses and other key stakeholders. The members of the chamber network recognize that building a more competitive economy is a shared undertaking and are eager to be part of the solution.

Talent trumps all else in building a competitive economy. Our members cite labour and skill shortages as the greatest threat to their future prosperity. In the Bank of Canada's winter 2011-12 *Business Outlook Survey*, 29 per cent of firms reported labour shortages are restricting their ability to meet demand, a three-year high. Going forward, labour shortages are expected to worsen as an increasing number of Canadians retire and growth in the labour force slows.



The Canadian Chamber is committed to fostering a strong, competitive and profitable economic environment that benefits all Canadians. This paper is one of a series of independent research reports covering key public policy issues facing Canada today.

We hope this analysis will raise public understanding and help decision-makers make informed choices. The papers are not designed to recommend specific policy solutions, but to stimulate public discussion and debate about the nation's challenges.

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Additionally, rapid technological change and intense global competition will increase demand for highly-skilled, well-educated workers who can develop the new technologies and bring them to market and who can exploit the new technologies in the production of high value-added goods and services.

Ensuring sufficient numbers of skilled people will require tapping the pool of underutilized talent – older workers, youth, Aboriginal peoples, the disabled and new immigrants. It necessitates that both businesses and individuals embrace life-long learning through education, training and re-training.

This paper focuses specifically on the youth labour market. Young people have been hit especially hard by the global economic and financial crisis. Recessions typically punish younger workers the most because they have relatively few skills and less experience. As a result, they are often the first to lose their jobs in times of adverse economic conditions and the last to be recruited during economic expansions.

The International Labour Organization has warned of a “scarred” generation marred by high unemployment. The rising sense of frustration among youth has fueled protest movements around the world.

While Canada’s job market performed better than most other industrialized countries coming out of recession, the national youth unemployment rate at 14.5 per cent is almost double the overall jobless rate of 7.6 per cent. It also remains above pre-crisis levels. “There is an urgent need to link recovery with jobs and particularly with jobs for young people,” said Canada’s human resources minister, Diane Finley. “And that’s going to take a lot of partnerships between government, employers and post-secondary institutions to make that happen.”¹

Our youth are the future of this country. We must unleash and harness their full creative, productive and leadership potential to build a foundation for lasting prosperity.

1 Levitz, Stephanie. “Youth unemployment risk to global economy recovery, G20 ministers say.” The Canadian Press. September 27, 2011.

Young People Hit Hard By The Economic and Financial Crisis

An estimated 200 million people are unemployed worldwide, an increase of 27 million since the start of the crisis. More than one in three individuals looking for work (74.8 million) are 15 to 24 years of age. An additional 6.4 million young people have given up hope of finding a job and have dropped out of the labour market. Those fortunate to have found a job are likely to be working part-time and often on temporary contracts.²

In Canada 14.5 per cent of young people are unemployed. In the United States, 17.6 per cent of young Americans are looking for work. Spain and Greece have the highest youth unemployment rates in Europe – 51.4 per cent and 47.2 per cent, respectively. The lowest youth unemployment rates on the continent are observed in Germany (7.8 per cent), Austria (8.2 per cent) and the Netherlands (8.6 per cent).³

The Consequences of Youth Unemployment

Prolonged unemployment tends to have long-lasting detrimental impacts on affected workers, society and the economy at large.

Young workers who enter the job market during periods of high unemployment are more likely to accept less attractive and lower skill jobs where pay is less and opportunities for training and career advancement are few. On average, their initial wage is significantly lower than the initial wage of individuals who graduate when the job market is strong. This disadvantage tends to persist well into their working lives.⁴

Prolonged unemployment can lead to an erosion of skills, robbing the economy of otherwise useful talents. It can lead to greater skepticism and pessimism about the value of education and training.

Unemployment imposes direct costs on the economy: Increased unemployment benefits, lost income tax revenues and lost output.

The social consequences may be as significant as the economic consequences. The collective frustration of a generation of unemployed youth is certainly a contributing factor behind the political unrest in countries across the Middle East and North Africa. About 60 per cent of the region's population is under 30. Discontented youth have also engaged in protests in many European countries, including Greece, Italy and the United Kingdom, with at times violent outcomes. Rising crime rates⁵ in the some countries and increased drug use are also consequences for a generation of youth that has become disheartened about the future.

² International Labour Organization. "Global Employment Trends 2012: Preventing a Deeper Jobs Crisis." Geneva: International Labour Office. January 24, 2012.

³ Sources: Statistics Canada, United States Department of Labor, and Eurostat.

⁴ Kahn, Lisa B. "The Long-Term Labor Market Consequences of Graduating from College in a Bad Economy." *The Labour Economics*, Vol. 17, No. 2, pp. 303-16. April 2010.

⁵ A high youth unemployment rate is linked to increases in property crime. See Garrett, Thomas A. and Lesli S. Ott. "City Business Cycles and Crime." *Federal Reserve Bank of St. Louis Working Paper* 2008-026B. Revised July 2009.

Depression, stress, disillusionment and isolation can take a heavy toll on youth and their families. Many young people are moving back home with their parents. This is the Boomerang Generation. In Italy, 70 per cent of 18 to 30 year olds still live at home. In Canada 51 per cent of young adults 20 to 29 years of age are living with their parents. In the UK, one in three parents are remortgaging their homes to support their adult offspring. Parents are being forced to retire later than they had planned to help support their 18-30 year old adult children.⁶

Many ambitious and highly educated young people faced with bleak prospects in their home countries are seeking opportunities elsewhere. Ireland, ravaged by the sovereign debt crisis, high unemployment and tough austerity measures, is facing a wave of emigration on a scale not seen since the 19th century, as young graduates seek better opportunities overseas.⁷ In Portugal, where the youth unemployment rate stands at 30.8 per cent, some 40 per cent of 18 to 30 year olds said they would consider emigrating for employment reasons.⁸ A Eurobarometer survey shows that 27 per cent of all Greeks between the ages of 15 and 35 would be willing to leave their home country at least temporarily in search of work.⁹



- 6 CBC News Network. "Generation Boomerang." November 10, 2011.
- 7 Source: The Economic and Social Research Institute.
- 8 The Economist. "Left behind." September 10, 2011.
- 9 Kathimerini. "Young Greeks condemned to emigrate." January 7, 2012.

Stay In School!

In high school students acquire the minimum competencies needed to enter the labour market—notably, literacy and numeracy skills.

Young men and women who drop out of high school are much more likely to be unemployed than their counterparts who graduate. In 2009-2010, the unemployment rate for young adults (20 to 24 years of age) who had dropped out of high school was 23.2 per cent, almost double the rate of 11.9 per cent among high school graduates in the same age bracket.¹⁰

High school dropouts also earn less throughout their lives, cost taxpayers more in social expenditures related to public assistance, and produce far less tax revenue than those with higher education attainment.

Currently, school enrollment in Canada is compulsory up to the age of 16 in all provinces and territories, barring Manitoba, New

Brunswick and Ontario in which the school-leaving age is 18 or graduation, whichever comes first.

Studies have found that raising the school-leaving age above 16 lowers the probability of being unemployed and boosts earnings.¹¹

In 2000, when New Brunswick increased the school-leaving age to 18, it introduced new services, including apprenticeships and tutoring programs, to address the needs of students who would struggle to stay in school longer. In 2006, when Ontario raised the school leaving age to 18, it also provided for an expanded range of opportunities tailored to student needs and interests.

In his recent State of the Union address, U.S. President Obama called on all states to raise their minimum school-leaving age to 18.

10 Gilmore, Jason. "Trends in Dropout Rates and the Labour Market Outcomes of Young Dropouts." *Education Matters: Insights on Education, Learning and Training in Canada* 81-004-X Vol. 7 no. 4. Statistics Canada: Labour Statistics Division. November 3, 2010.

11 Oreopoulos, Philip. "Stay in School: New Lessons on the Benefits of Raising the Legal School-Leaving Age." *The Education Papers*, Commentary No. 224. Toronto: C.D. Howe Institute. December 2005.

Improving The Transition From School To Work

Apprenticeship training programs are an effective path to a career in the skilled trades. The Netherlands, Germany, Austria and Switzerland experienced milder youth unemployment in the global downturn partly because of their strong apprenticeship traditions. Seventy per cent of Dutch youth, 20 to 24 years of age, are getting some work experience while in school.¹² In Germany, one quarter of employers provide formal apprenticeship training, and almost two-thirds of schoolchildren undertake apprenticeships. Students in vocational schools spend about three days a week as part-time salaried apprentices for two to four years. The cost is shared by the company and the government. Many apprenticeship positions turn into permanent jobs.¹³ Apprenticeship programs in Germany are successful because of the strong connections that exist between industry, universities, technical institutions, polytechnics and labour unions.

Entrepreneurship skills training programs can be of value to youth seeking self-employment opportunities. These programs may be “the most underexploited means of reducing youth unemployment.”¹⁴ In 2008, the University of Miami introduced The Launch Pad, an interdisciplinary entrepreneurship resource center where students can learn that entrepreneurship is a career choice, and one that can be started right away. The Center offers guidance in learning business basics, developing ideas, networking with industry experts and investors, and strategizing to take ventures to the

next level. Private sector participation in the design and delivery of the programs is a key component.

Vocational education also offers the potential to reduce youth unemployment. It can take place at the secondary or post-secondary level and can interact with the apprenticeship system. The focus is traditionally non-academic and related to a specific trade, occupation or vocation.

There is wide evidence that suggests that high-quality vocational education in high school, particularly class-based learning combined with work-based apprenticeships, can help engage youth who have become disaffected with academic education.¹⁵ Nonetheless, in several G20 countries vocational education accounts for only a small share of students. Less than 10 per cent of upper secondary school students attend vocational courses in Canada.¹⁶ A change in mindset is required to remove the stigma attached to technical and vocational occupations.

To encourage the acquisition of work experience, some G20 countries are considering applying the apprenticeship model to students pursuing academic pathways. They are strengthening and expanding **internship opportunities**.

Finally, businesses are recognizing that investing in youth makes perfect business sense. Many companies have set up **training or mentoring programs**. Many small business owners are doing their part to provide employee training

12 Bloomberg Businessweek. “The Youth Unemployment Bomb.” February 2, 2011.

13 The Economist. “Left Behind.” Sept 10, 2011.

14 Bloomberg Businessweek. “The Youth Unemployment Bomb.” February 2, 2011.

15 Organization for Economic Co-operation and Development (OECD) and the International Labour Organization (ILO). “Giving Youth a Better Start: A Policy Note for the G20 Meeting of Labour and Employment Ministers.” Paris. September 26-27, 2011.

16 Organization for Economic Co-operation and Development (OECD). *Education at a Glance*. 2010e.

despite facing some unique challenges. They encourage informal, on-the-job training because, unlike large firms, many do not have the financial resources to dedicate to formal employee training. Additionally, many small businesses generally do not have the flexibility to take workers offline to allow them to develop their skills outside the workplace.

The participation of all key stakeholders – students, businesses, education and training institutions, business associations, governments and labour – is crucial to the successful development and implementation of these initiatives. It helps to ensure programs and courses are designed and targeted to the needs of the labour market.

Post-Secondary Education

The creation and dissemination of knowledge, especially technical knowledge, are key to securing Canada's future. In this regard, a highly skilled, adaptable and creative labour force is the critical resource for success.

All levels of education are valuable to the knowledge economy. "Universities are special places because learning takes place in an environment of research and scholarly innovation. Non-university institutions may well play a growing role in conveying facts and basic skills to young people after high school. As important as facts and basic skills are, however, the knowledge economy sets a higher premium on the ability to learn continuously, to take risks, and to work in teams – the abilities universities cultivate because of their special position of teaching in a research setting."¹⁷

Post-secondary institutions equip students with important skills – advanced critical-thinking, ability to generate new knowledge and solve problems, and capacity to communicate clearly. The more educated the work force, the easier

it is to shift into higher value-added economic activity that supports higher wages and a more competitive economy.

From 1990 to 2010, approximately 80 per cent of the new professional and management positions created in Canada were filled by university graduates. Technical, administrative and health-support positions were by far the largest area of growth for college graduates. Jobs for people with high school diploma, or less, are disappearing. Even during the 2008-2010 recession, there were 300,000 net new jobs for university graduates compared to 430,000 jobs lost for those with no post-secondary education.¹⁸

A number of studies have demonstrated the positive relationship between level of education, employment prospects and individual earnings. In 2011, the unemployment rate for Canadians aged 25 to 54 with no high school diploma was 12.1 per cent compared to 6.8 percent for high school graduates, 5.6 percent for individuals with a post-secondary certificate or diploma, and 4.7 percent for those with a university degree.¹⁹

¹⁷ Laidler, David (editor). "Renovating the Ivory Tower: Canadian Universities and the Knowledge Economy." Policy Study 37. Toronto: C.D. Howe Institute. April 2002.

¹⁸ Association of Universities and Colleges of Canada. "Trends in Higher Education: Volume 1 - Enrolment." June 2011. See also, Association of Universities and Colleges of Canada. "Canada's Universities: Mapping the Way Forward." November 24, 2011.

¹⁹ Statistics Canada. Labour Force Survey.

Despite the benefits of higher education, university participation rates in Canada significantly trail those of many other countries. Canada ranks 21st among 31 OECD countries in the proportion of youth who enroll in full-time university study soon after leaving high school. Canada places 15th among OECD countries in the proportion of the population 25 to 34 years of age with a university degree.²⁰ Being in the middle of the pack is simply not good enough.

While Canada's public post-secondary education system is highly prized, many countries around the world are graduating a growing number of highly qualified students, particularly in science, math and engineering. Canada trails many other nations in the number of graduate degrees awarded, including the United States, which awards almost twice as many masters' degrees and one-third more PhDs per capita than does Canada.²¹

Additionally, Aboriginal Canadians, the youngest and fastest growing segment of Canada's population continues to experience lower participation rates in universities and lower degree attainment rates. Only 7.7 per cent of Aboriginal peoples have a university degree compared to 23.4 per cent of non-Aboriginal Canadians, and this gap has widened significantly since 1981.²² Socio-economic conditions, cultural factors and geographical constraints (i.e. living in remote reserves) remain serious obstacles to post-secondary education for Aboriginal Canadians.

The 2006 Census reported almost 470,000 Aboriginal Canadians under the age of 20. They are a significant potential source of skilled labour as Canada's population ages. Their full participation in Canada's education system is crucial to meeting future labour market needs. "Canada cannot dodge the hard-nosed economic fact that unless we do something about education of indigenous youth, hundreds of thousands of youth will not be available to help Canada deal with a shrinking labour force," said National Aboriginal Achievement Foundation President Roberta Jamieson. "Neither will our youth become adults who contribute to Canada's economy and that of their own communities. In other words, inaction would mean human tragedy with significant economic consequences," she added.²³

Many Canadian universities, in collaboration with Aboriginal communities, have established programs to improve the enrolment and success rates of Aboriginal students. They have stepped up efforts to hire Aboriginal faculty, instructors and professional staff who act as role models for Aboriginal youth. Enhanced financial support and programs that support Aboriginal students in their own cultures and languages are also important.²⁴

A national commitment to first class education is essential. Canadians from across the country and from all walks of life should have an opportunity to pursue post-secondary education. Many countries around the world are taking action to encourage further growth in university participation in the decades ahead. Canada

20 Association of Universities and Colleges of Canada using 2008 OECD data. See, "Trends in Higher Education: Volume 1 - Enrolment." June 2011.

21 Association of Universities and Colleges of Canada. "Canada's Universities: Valued Partners in Canada's Prosperity." November 30, 2010.

22 Statistics Canada. 2006 Census: Educational Portrait of Canada.

23 Association of Universities and Colleges of Canada. "National working summit participants commit to improving Aboriginal education across Canada." Media Release. October 5, 2010.

24 Association of Universities and Colleges of Canada. "Canada's Universities: Mapping the way forward." November 24, 2011.

In Summary

cannot afford to fall behind in the skills race. Young people are hungry for a chance to succeed. “The research shows young people are likely to thrive in a system where there is a wide range of study options and learning environments, good guidance and support systems that are customised to the individual and provide goal setting via pathway planning.”²⁵

When it comes to promoting youth employment, a number of lessons and good practices have emerged from the experiences of countries around the world:²⁶

- Improving school-to-work transitions requires action on multiple fronts.
- Establishing links and partnerships with several stakeholders—educational and training institutions, businesses, trade associations and government—is instrumental in promoting decent work for young people.
- Programs that combine formal education and training with workplace experience give youth a better start in the labour market. The private sector can play an important role in the design and delivery of programs to ensure they remain relevant to labour market needs.
- Actions specifically targeted at helping at risk youth or under-represented youth in the education system and labour market (for example, Aboriginal youth and some youth living in remote and rural areas) are necessary.

The best way to improve the job market for youth is to improve the job market overall. Public policies aimed at improving the competitiveness of businesses will ensure job quality for all, including young people. Canada has much to gain by removing internal barriers to trade and labour mobility, work disincentives in the income support system (including Employment Insurance) and burdensome regulatory procedures that stifle productivity, slow job creation and constrain economic growth.

Many studies²⁷ have concluded that a minimum wage that is set too high discourages employers from hiring low-skilled youth. In essence, young people who have not had an opportunity to accumulate knowledge or experience are priced out of the market. They lack the productivity to command higher wages.



25 Adult and Community Education (ACE) Unit in the NSW Department of Education and Training (DET). “Engaging Young People in Education and Training.” February 2011.

26 International Labour Organization. “Global Employment Trends for Youth: 2011 Update.” Geneva: International Labour Office. October 2011.

27 See, for example, David Neumark and William L. Wascher. “Minimum Wages.” The MIT Press. December 2008.

Conclusion

With the rising clout of a number of emerging-market economies (like India and China), Canada will need to continuously develop new sources of comparative advantage, deeply rooted in the quality of its workforce.

“Ensuring our country’s long-term economic growth and continued prosperity – and realizing this country’s promises – will depend on the education and skill levels of Canadians and their success in creating and applying ideas and knowledge.”²⁸

Equipping young people with the skills and knowledge to successfully transition and integrate into the labour market will help them reach their full potential and will ensure Canada’s economy remains competitive in the years to come.



²⁸ Perrin Beatty and Claire M. Morris. “The Key to Meeting Canada’s Crucial Skills Challenge.” *Opinion Piece*. The Globe and Mail. February 26, 2008.

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