

Towards a Youth Job Guarantee

There is a lot of talk about high levels of youth unemployment and under-employment. But talk is cheap, and governments and employers are still coming up short.

The federal government has shown scant interest or leadership. Despite a sharp rise in youth unemployment since the recession, the Harper Conservatives have actually reduced spending on the Youth Employment Strategy (YES).

The government will spend \$335.7 million on YES in 2013-14, down from the \$397.9 million it spent in 2010-11. That investment remains below what was spent between 2003-04 and 2005-06 pre-recession. Furthermore, while YES programs once had the participation of 114,000 young Canadians, the government now estimates that only 49,748 youth will participate in 2014-15.

Meanwhile, even the International Monetary Fund has singled out Canadian corporations for not putting their profits to use. The cash held by private non-financial corporations in Canada amounted to \$630 billion in the first quarter of 2014, exceeding the total amount of federal government debt. This “dead money” can and should be invested productively, including as a job creation stimulator.

Little wonder, then, that a recent Broadbent Institute poll revealed that vast majorities of both millennials and their baby boomer parents don't trust corporations to make the creation of good jobs a priority.

It is in this context of government cuts and employer inaction that the Broadbent Institute is challenging large employers and the federal government to take concrete action to address high levels of youth unemployment and underemployment in Canada.

THE FEDERAL GOVERNMENT AND CORPORATE CANADA MUST STEP UP

The Broadbent Institute is urging Canada to work towards creating a Youth Job Guarantee – a promise for every person under age 25 of a quality job offer, apprenticeship, or place in a training course within four months of leaving formal education or becoming unemployed. The guarantee is inspired by a similar principle endorsed by the Council of the European Union in 2013.

To kick-start the Youth Job Guarantee, the Broadbent Institute is calling on Canadian businesses to invest \$670 million per year to fund an initial youth employment initiative. These funds would be matched by an equal annual injection from the federal government (boosting what they currently spend on the Youth Employment Strategy to \$1 billion). The large employer contribution would come in the form of job placements, while the federal government's portion would support placements with small private sector employers as well as with public sector and not-for-profit organizations.



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The Broadbent Institute estimates that this modest investment, a combined total of \$1.34 billion, could create 186,000 full-time co-op positions, paid internships or summer job placements that pay \$15 per hour.

The price tag for employers is but a tiny fraction of the \$630 billion in "dead money" corporate Canada is currently sitting on. The federal contribution of \$670 million would be only about a quarter of the \$3 billion price tag of the Conservatives' controversial income splitting proposal.

THE CONTEXT

There are significantly more young people looking for work today than there are available jobs. As of May 2014, one in seven (13.3%) young people aged 15 to 24, or 380,600 young Canadians, are out of work. Many more are under-employed or have given up looking for work altogether.

Young workers bore much of the brunt of the 2008-09 recession, and despite talk of recovery, their employment situation today remains much worse than it was be-forehand.

The unemployment rate for youth is typically about double that of so-called "core age" workers aged 25 to 54. In Canada, this ratio jumped to a much higher level of 2.4 in the post-recession recovery, and stood at 2.3 as of May 2014.

THE IMPACT

An initial Youth Job Guarantee initiative could have a significant impact on youth unemployment and help address some of the key challenges hampering young Canadians in the labour market. The initiative would target specific groups of youth at risk of long-term unemployment and students leaving the post-secondary educational system.

At \$15 per hour, a 12-week full-time paid co-op position, paid internship or summer job placement would cost employers \$7,200 in terms of wages, assuming a 40 hour work week. Thus, an additional \$1.34 billion per year would fund 186,000 such placements. This is more than double the current number of paid co-op placements, and three times the current number of Youth Employment Strategy participants.

Offered on an annual basis (four rounds of positions lasting for three months), the number of unemployed youth in any given month would fall by 46,500 or by about one in eight (12.2%) – enough to reduce the current youth unemployment rate from 13.3% to 11.7%. Importantly, in the long term it could also be scaled up into a more far-reaching program.

Download the full report on the Broadbent Institute's Youth Job Guarantee at www.broadbentinstitute.ca.