Towards a **Youth Job Guarantee**
INTRODUCTION

There is a lot of talk about high levels of youth unemployment and underemployment and the increasing difficulties faced by young Canadians as they seek to make a successful transition from education to work. But talk is cheap, and significant government and employer action has been notably lacking.

This report details some key dimensions of the youth jobs problem. It highlights the Conservative government’s cuts to federal youth employment programs and calls for concrete action now, from both government and large employers to create more and better jobs for young Canadians.

We are urging the development of a bold Youth Job Guarantee that would ensure those under age 25 have access to a good job, paid internship, or training position within four months of leaving formal education or becoming unemployed.

To kick-start this Youth Job Guarantee, an initial jobs plan would require a $670 million annual investment by Canadian businesses, particularly large employers. That money would be matched by an equal injection of $670 million per year from the federal government into its Youth Employment Strategy (YES). This contribution would boost what the government currently spends to around $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.

The $670 million price tag for businesses is a tiny fraction of the $630 billion in “dead money” on which Statistics Canada says they are currently sitting (CANSIM 378-0121). And it is only about a quarter of the cost of the federal Conservative government’s proposed income-splitting tax scheme that would largely benefit a small minority of affluent, single-earner families.

The Broadbent Institute estimates that these investments from both government and business could create 186,000 three-month full-time co-op positions, paid internship or summer job placements that pay a wage of $15 per hour.

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 one in eight (12.2%). While this is only a practical first step towards a guarantee, it would reduce the current youth unemployment rate as of May 2014 from 13.3% to 11.7% and could be scaled up in the long-term.
YOUTH EMPLOYMENT, UNEMPLOYMENT AND UNDEREMPLOYMENT

Despite talk of an ageing society, Canada still has a large youth cohort. There are approximately two million youth aged 15 to 19, and 2.4 million youth aged 20 to 24. Over the next few years, almost all youth in this age group will be seeking permanent full-time jobs, more or less maintaining the overall size of the Canadian labour force even as the large baby boomer age cohort gradually moves into retirement (Halliwell, 2013).

The majority of young people are already part of the labour force. In April 2013, before the end of the school year, the labour force participation rate of young Canadians aged 15 to 24 was 60.7%, rising to 73.2% in July as students looked for summer jobs (Statistics Canada CANSIM Table 282-0087; data not seasonally adjusted). The participation rate measures the proportion of workers in an age group who are either working or are actively looking for work. The labour force participation rate of youth in the older age group of 20 to 24 was 72.6% in April, rising to 83.4% in July 2013. Many young people in this group have already left full-time education and are seeking permanent, full-time employment.

When it comes to the challenge of securing employment, the facts are clear. There are significantly more young people looking for work than there are available jobs. One in seven (13.3%) Canadians aged 15 to 24 – 376,700 young people – were unemployed as of May 2014, and many more are underemployed or have given up looking for work. Young workers also 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 beforehand.

Importantly, certain groups of youth suffer more than others in the labour market. National Household Survey data (2011) show that the youth unemployment rate was 16.6% in 2011 for the 15 to 24 age group as a whole, but 20.5% for visible minority youth and 28.9% for First Nations youth. There was also a big difference in the employment rate, with just 30.2% of First Nations youth and 37.6% for visible minority youth employed compared to 50.4% of all youth.

About half of all job losses in 2008-09 were experienced by young workers aged 15 to 24 (Fong, 2012). This is typical of recessions since employers are reluctant to lay off older and more experienced workers. Unemployed young workers, especially those lacking job experience, are at a disadvantage in the job market when there are many more experienced older workers seeking employment. As the adage goes, young workers are the "last hired and first fired."

The unemployment rate for youth is typically about double that of so-called "core age" workers who are aged 25 to 54 (Tal, 2013; Bernard, 2013). However, that ratio jumped to a much higher level of 2.4 in the recovery from the recession. It remained at 2.3 in May 2014 when the youth unemployment rate was 13.3% compared to a rate of 5.8% for workers aged 25 to 54 (Statistics Canada, CANSIM 282-0087).

Part of the reason for the larger-than-normal gap between the youth and core-age unemployment rate is that the labour force participation rate of older workers (aged 55 and over) has been rising, from 33.3% in 2007, to 37.3% in 2013. Over that period, the
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The participation rate of persons aged 60 to 64 jumped dramatically, from 47.1% to 53.7% (Statistics Canada CANSIM Table 282-0002). Delayed retirement in a slack job market means limited employment opportunities for young people (Fong, 2012).

In contrast to older workers, the participation rate of young people (the proportion of the age group either working or seeking work) has fallen significantly, from 66.9% in 2007 to 63.8% in 2013 (Statistics Canada CANSIM Table 282-0002). Standing at 64.5% in May 2014, the youth participation rate is still well below its pre-recession level.

As shown in Chart 1a, the increase in the youth unemployment rate between 2007 and 2013 was greatest for teens, but the unemployment rate for those aged 20 to 24 still rose from 8.7% to 10.5%. The increase in the unemployment rate has been somewhat more pronounced for young men than for young women. The decline in the participation rate has also been greater among teens than those aged 20 to 24.

The decline in the youth participation rate (see Chart 1b) partly reflects the fact that enrolment in post-secondary education has risen modestly since the recession due to a slack job market, and partly due to the fact that some youth have given up looking for jobs.

Benjamin Tal of CIBC Economics (2013) points with concern to the fact that, as of mid-2013, one in 20 — or 225,000 young people — were neither in school nor participating in the labour market (ie they were not working or actively looking for work). While some of this group may be productively engaged as new parents, travelling or in unpaid employment, a significant concern is that some discouraged youth with a low level of educational qualifications could become permanently detached from the job market.

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According to Martin Schwerdtfeger, senior economist for TD Economics, “[e]conomic research indicates that a period of unemployment at the time of entry into the labour market is associated with persistently lower wages many years thereafter.” This effect is known in economic literature as “scarring.” Schwerdtfeger’s study for TD Economics suggests that wage losses due to scarring persist over a decade, and are greater in dollar terms than the immediate loss of wages due to unemployment (2013).

Young workers are experiencing not just unemployment, but also underemployment in precarious, non-standard jobs (ie involuntary work, contract jobs, low-paid self employment, no benefits). While many students want to work part-time during the school year, this is usually not the case for non-students. In mid-2013, 14% of non-student youth aged 20 to 24 were working part-time, of whom 70% were involuntary part-timers who wanted, but could not find, full-time employment. The proportion of this group working part-time has risen from 10% to 14% since before the recession, and the proportion in temporary and contract jobs has risen from 8% to 12% (Tal, 2013).

Many young people are also experiencing underemployment in the sense that they are overqualified for the jobs they do manage to find. Unemployment rates for young people with a university or college degree are low, and much lower than for youth with only a high school diploma or less. Just 5.6% of youth aged 25 to 34 with a university degree, certificate or diploma are unemployed, so graduates do eventually manage to find some kind of a job (Statistics Canada National Household Survey, 2011). However, a significant proportion of young people entering the workforce with a post-secondary educational qualification cannot find a job that matches their qualifications.

CHART 1b: YOUTH IN THE JOB MARKET BEFORE AND AFTER THE RECESSION

![Chart](image-url)

Source: Statistics Canada CANSIM 282-0002
A recent major study of the Canadian job market by TD Economics shows that one in three Canadian workers with a post-secondary qualification are employed in a low-skilled position, which is above the OECD average. Some members of this group are immigrants whose qualifications are not recognized or are devalued in Canada. Those who are born and educated in Canada with general degrees (usually in the arts or social sciences) as opposed to those with specialized degrees such as in business, engineering and health sciences, make up about one in four university graduates. They have good general skills and most still tend to eventually end up in jobs matching their qualifications, but have great difficulty acquiring work experience relevant to their education and career goals after leaving school (Burleton et al., 2013).

A study for the Institute for Research on Public Policy by Cliff Halliwell, a former senior official with Human Resources and Skills Development Canada (now known as Employment and Social Development Canada), points out that the proportion of the youth cohort with a post-secondary qualification entering the job market over the next decade (now about 70% of the group) will exceed the proportion of jobs requiring such a qualification. Thus many graduates will continue to end up in jobs for which they are overqualified (2013).

In a similar vein, the Certified General Accountants of Canada (2012) show that the educational attainment of youth has been steadily rising over the past decade and more while the skill requirements of jobs have not been rising. In 2011, 43.4% of youth aged 25 to 29 were in lower-skilled jobs not requiring more than a high school diploma, but just 24.5% of that age group had only a high school diploma or less. One in four university graduates were employed in jobs not requiring a degree.

About half of all job losses in 2008-09 were experienced by young workers aged 15 to 24. This is typical of recessions since employers are reluctant to lay off older and more experienced workers. As the old adage goes, young workers are the “last hired and first fired.”
An important part of the youth unemployment issue is the extent of student unemployment during the summer months, when most full-time students seek a temporary job in order to help pay for their education during the rest of the year. Summer employment is also an important way to acquire job experience.

As shown in Chart 2, the unemployment rate for full-time returning students in the month of July 2013 was 16.6% (or one in six), an increase from 13.5% before the recession. The unemployment rate was 19.0% for men compared to 14.4% for women. The rate for full-time returning students in the older 20-24 age group was 9.1%, up from 5.8% before the recession (Statistics Canada, CANSIM 282-0006).

Many students who find employment take a part-time job even though they would prefer to work full-time. As students seek summer jobs in 2014, there is little to suggest the situation has changed considerably from 2013.
SUMMARY OF YOUTH EMPLOYMENT PROBLEMS

There are three major issues facing young Canadians that need to be addressed. First, a considerable proportion of young people have been marginalized from the workforce, though to a much lesser extent when compared to the crisis in Europe. This group includes those who have dropped out of high school and youth who face structural discrimination in the labour market, including Indigenous youth and some visible minority youth. Second, many returning students are unable to find work to both gain job experience and help finance their studies. Third, a significant proportion of young people leaving the post-secondary educational system can only find insecure and lower-paid jobs that do not match their educational qualifications. A major concern here is that their skills will atrophy due to underemployment, wasting human potential that will be needed after the retirement of the large baby boomer age cohort.
THE FEDERAL GOVERNMENT’S YOUTH EMPLOYMENT STRATEGY (YES)

The federal government has a significant role to play in successfully tackling youth employment problems. Unfortunately, funding for federal youth employment programs has not been increased to deal with the rise in youth unemployment and underemployment since 2007. In fact, the Harper government’s cuts have meant that existing programs are much smaller in scale than they were a decade ago.

YES is a Government of Canada-wide program first launched in 1997, with three separate strands to support job opportunities for young people. The most popular is the Summer Work Experience, which supports summer employment opportunities for returning students with community organizations and small businesses with less than 50 employees. The program pays community organizations for wage costs incurred up to the minimum wage, and pays small businesses up to 50% of the minimum wage.

A second strand is called Career Focus, a program that subsidizes job placements for recent graduates with business, and is now being targeted towards high-demand fields of study such as sciences and engineering. The focus of the third strand, Skills Link, is the subsidization of job placements for unemployed youth at risk, such as the long-term unemployed, Indigenous youth, and youth with disabilities.

According to a recent report of the Standing Committee on Finance (Canada, 2014) entitled "Youth Employment in Canada: Challenges and Potential Solutions", the government budgeted $335.7 million in 2013-14 on the Youth Employment Strategy. Spending estimates tabled shortly after the 2014 federal budget indicated that there would be funding for 49,748 participants in 2014-15 (Employment and Social Development Canada, 2014). The number of participants this year will be lower than in 2012 when, according to the government, there were 60,000 participants (Government of Canada, 2014).

Unfortunately, the government provides limited detailed annual data on expenditures and the number of participants by program. It also fails to say how much funding goes to for-profit and not-for-profit employers.

We do know that YES funding is at a significantly lower level than it was in 2010-11, when the government spent $397.9 million (Canada, 2014). This amount remains below what it was before the recession, and the subsequent increase in youth unemployment. An evaluation of the program (Employment and Social Development Canada, 2009) for the three years from 2003-04 to 2005-06 shows that the average annual budgeted amount was $333 million, equivalent to $397 million in today’s 2014 dollars. Actual spending was below the budgeted amount. The evaluation indicates that there were an average of 114,000 participants in each of the three years, more than double the number of participants (49,748) projected this year.

Though the evaluation of YES programs was generally very positive, the Harper government has shown scant interest in expanding — let alone maintaining — sufficient funding. At precisely the time, post-financial crisis, when bold action was needed from Ottawa, the Conservative government instead chose to reduce its investment in YES. While Ontario recently announced significant additions to funding for its youth employment programs (Geobey, 2013), Ottawa continues to show no such leadership.
TACKLING THE YOUTH JOBS CRISIS: THE ROLE OF EMPLOYERS

While the youth unemployment rate is high and many young people have given up looking for jobs, Canadian employers do, of course, hire young workers including students and new graduates from the post-secondary education system.

Employers create summer jobs in significant numbers. In the summer of 2013, full-time youth employment rose from approximately 1.1 million in April to 1.8 million in the peak summer employment month of July. Meanwhile, part-time youth employment fell by 179,000 over the same period. While some of the 700,000-person increase in full-time youth employment represented self-employment, there is clearly very significant summer job hiring and conversion of part-time jobs into full-time jobs (Statistics Canada CANSIM Table 282-0001; data not seasonally adjusted).

There are a small number of employers who do play an active role in formal workplace learning programs. It is these important programs that currently help a minority of young people gain both valuable job experience and post-secondary qualifications. Apprenticeship programs leading to qualifications principally in the skilled trades involve a mix of workplace and classroom learning, with workplace learning typically making up 80-85% of time spent over four years. (Note that many apprentices are much older than the youth age cohort.)

Employers gain financially from such programs in the long run if apprentices are retained, but there are costs associated with teaching apprentices on the job and losing a worker for periods of classroom learning (which is financially supported by Employment Insurance benefits). Many employers who incur costs to train apprentices are very critical of the “free-riders” who employ skilled trades workers without contributing to the costs of training. The federal government supports apprenticeship training with grants to both employers and apprentices. Currently, some 85,000 new apprentices are enrolled each year, and about 31,000 complete their training each year (Statistics Canada, 1991-2009).

Approximately 80,000 secondary and post-secondary students participate in co-operative education programs offered by the many institutions that belong to the Canadian Association for Co-operative Education (CAFCE). Employers participating in these programs provide a paid work experience, the quality of which is actively monitored by an educational institution. Placements provide productive work that is recognized for academic standing. While provincial governments provide some support for initiating and promoting co-op programs, the federal government ended funding to promote co-op education programs in 1996 after about a decade of support (Crichton, 2009).

There has been a great deal of recent controversy about unpaid youth internships. While data are lacking, the number of such internships has been growing rapidly and there may be as many as 300,000 in Ontario alone (McKnight, 2013).
Unpaid internships have been deemed exploitative since employers benefit economically from interns’ productive, but non-remunerated, contributions. There is also legitimate concern that such internships provide potentially valuable work experience to a small, affluent minority who can afford to work without pay. A case can, perhaps, be made for short unpaid placements where the employer’s role is primarily focused on training as part of a recognized program leading to a qualification, but employment standards legislation (ie in Ontario) generally prohibits an employer from not paying a wage to a worker.

At best, only a small minority of Canadian young people is able to participate in formal, paid workplace training opportunities. The scale of these programs pales in comparison to the much more extensive apprenticeship and work experience programs in countries like Germany and Austria, which have low youth unemployment and a long history of providing structured transitions from school to work.

While government has a role to play, much of the responsibility to provide job opportunities to the workforce of tomorrow lies with employers, especially large employers who already benefit from publicly- and student-funded post-secondary education programs that cater to their needs.

Consider the fact that cash held by private non-financial corporations now amounts to $630 billion, exceeding the total amount of federal government debt (Statistics Canada CANSIM Table 378-0121). Even a tiny fraction of this amount, if targeted properly at job creation, would create many new jobs for young people, as detailed below.

Our own research shows Canadians understand that more must be done for young people. Polling commissioned by the Broadbent Institute found Canadian millennials expect a future of precarious, low-benefit work, and believe the income inequality gap will grow over their lifetime (2014).

This polling also reveals that neither millennials nor their baby boomer parents trust corporations to make the creation of good jobs in Canada a priority. An overwhelming majority, 79% and 85% of millennials and boomers respectively, agreed that corporations will concentrate more on their profits in the future, even if good jobs are not created in Canada.

While there is a role for both government and employers to play, employers are clearly not stepping up to the plate and investing as much as they should to address the youth employment challenge.
In April 2013, the Council of the European Union endorsed the principle of a Youth Job Guarantee through which every person under age 25 would be guaranteed a high-quality job offer, apprenticeship or place on a training course within four months of leaving formal education or becoming unemployed. The intent of the program is to block entry into long-term unemployment and to ensure that all young people gain relevant training and/or job experience. Member countries have been tasked with developing national action plans in consultation with employers, training and educational institutions, employment and youth services and unions (European Commission).

In the Canadian context, such an initiative would require close consultation with employers with a view to sharing the costs.

TOWARDS A YOUTH JOB GUARANTEE FOR CANADA

It’s time for a New Deal for young people. And it’s time Canadian employers and government came together to do their part.

To initiate such discussions, the federal government should announce its willingness to increase funding for the Youth Employment Strategy by $670 million to a total of $1 billion per year, provided that large employers would match the increase in federal government funding. The specific target groups would be youth at risk of long-term unemployment and students leaving the post-secondary educational system. Priority placements would be given to young people unemployed for more than four months, with the placements being appropriate to an individual’s skills and qualifications.

The large employer contribution would come in the form of job placements, while the federal government contribution would support placements with small private sector employers as well as with public sector and not-for-profit organizations. The provinces, for their part, should be able to access federal funds to expand their own youth employment programs.

As mentioned at the outset, the $670 million yearly price tag for businesses is but a tiny fraction of the $630 billion in “dead money” on which they are currently sitting. The additional employer contribution would amount to about 0.1% of their total non-financial corporate cash assets. And it is only about a quarter of the cost of the federal Conservative government’s controversial income-splitting tax scheme that would largely benefit a small minority of affluent, single-earner families.
It is difficult to estimate the cost of an eventual Youth Job Guarantee based on the EU model, but a short-term employment guarantee along the lines outlined here could have a significant impact. At a pay rate of $15 per hour, a 12-week, full-time paid co-op position, paid internship or summer job placement would cost $7,200 in terms of wages (assuming 40 hours of work per week).

Thus, an initial investment of $1.34 billion – representing additional spending of $670 million by both the federal government and large employers – 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 one in eight (12.2%) of the 380,600 out-of-work young people as of May 2014. This drop would be sufficient to reduce the current youth unemployment rate from 13.3% to 11.7%. While these impacts are relatively modest, they are achievable, and an expanded program could be scaled up over time to facilitate a more far-reaching guarantee.

The initial move towards a Youth Job Guarantee initiative wouldn’t solve all of the employment challenges facing youth outlined in this paper. It would, however, go a long way in helping to equalize opportunities.

It’s time for a New Deal for young people. And it’s time Canadian employers and government came together to do their part.
ENDNOTES

1. According to the Standing Committee on Finance, the government will spend $335.7 million in 2013-14 on the Youth Employment Strategy (see Canada, 2014). Thus the precise spending would amount $1.0057 billion.

2. The exact number of jobs that could be funded at this hourly wage works out to 186,111.
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