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# Dimensions of Youth Employment in Canada

by Benjamin Tal

Over the last few months we've taken an in-depth look at the labour market to assess its underlying dynamics and what they mean for the Canadian economy. Our research of last December ([http://research.cibcwm.com/economic\\_public/download/if\\_2012-1203.pdf](http://research.cibcwm.com/economic_public/download/if_2012-1203.pdf)) found that while Canada's unemployment rate has been relatively stable at pre-recession levels, the country's labour market was increasingly one of winners and losers. In that report, we identified twenty occupations that are no longer in demand and where chronic unemployment and low wages are a fixture. We also identified twenty-five occupations that are in high demand and are seeing greater wage growth.

To understand whether we are able to fill these high demand roles in the future, we decided to take a detailed look at the employment picture for youth in Canada. What we found is that the youth employment/unemployment situation is multi-dimensional and characterized by both some troubling and encouraging trends.

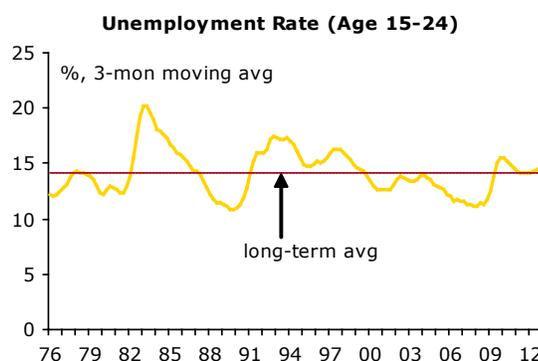
A simple look at the headline numbers would tell you that the rising concern about youth unemployment in Canada is much ado about nothing. The youth unemployment rate in Canada is not only on a declining trajectory but it is also at its long-term average. But dig a little deeper and you see another picture that should raise concerns.

The economic reality for youth today is very different than that of previous generations. While young Canadians are resourceful and capable of adjusting to the pulse of an ever changing labour market, they are faced with problems unknown to their parents. The current environment of part-time work, temporary jobs, corporate and government restructuring and downsizing is especially tough on young people whose lack of experience and seniority make them much more vulnerable to labour market changes.

### First of All—What's the Problem?

Close to 400,000 of the 4.5 million Canadians aged 15-24 are classified as unemployed. But a quick glance at Chart 1 suggests that, historically speaking, neither the trend nor the magnitude of the problem is abnormal. Youth unemployment is tightly correlated with the trend in the

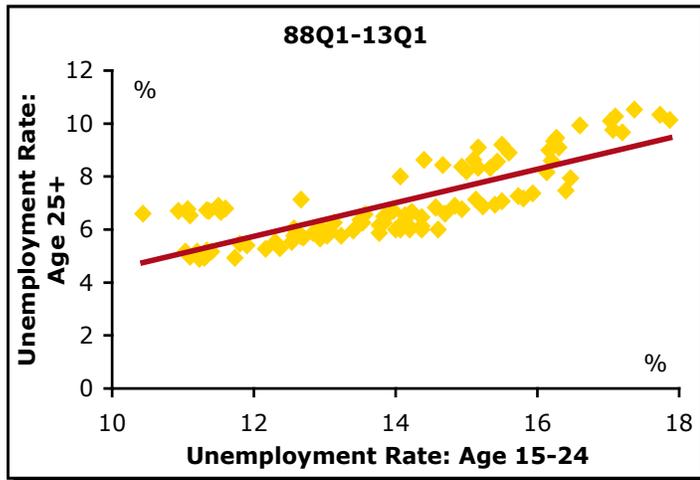
Chart 1  
**Where is the Problem?**



Source: Statistics Canada, CIBC

Chart 2

**Youth Unemployment Highly Correlated with Adult Unemployment**



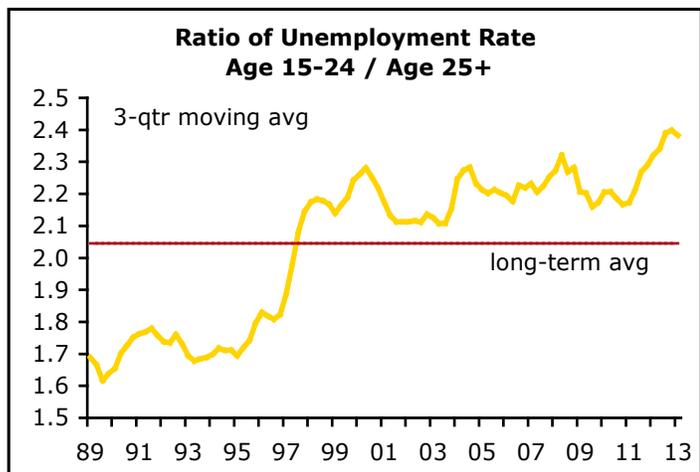
Source: Statistics Canada, CIBC

unemployment rate for the rest of the population (Chart 2) as economic conditions impact both young and older workers at the same time. But some of the widely quoted statistics regarding youth unemployment can be misleading and looking at youth unemployment in isolation is unadvisable. It is important not to look at youth unemployment relative to its past trajectory but relative to where we are in the cycle.

And here, what we are seeing is that youth employment numbers are lagging in the cycle. The ratio between youth unemployment and the unemployment rate for older Canadians is now at a record high (Chart 3). With youth unemployment running at nearly 2.4 times that

Chart 3

**Record-High Youth/Adult Unemployment Ratio**



Source: Statistics Canada, CIBC

of Canadians aged 25 and older, one begins to see the growing challenges for younger Canadians to find lasting and meaningful work.

But even here we have to go much deeper to truly understand the economic impacts of youth unemployment. A true prescription requires a closer look at the sub-groups of this vibrant segment of the population. For each of the sub-groups, aged 15-19 and aged 20-24, we distinguish between students and non-students—a distinction which provides insight into the dynamics of the youth labour market and a clearer picture of the real problem.

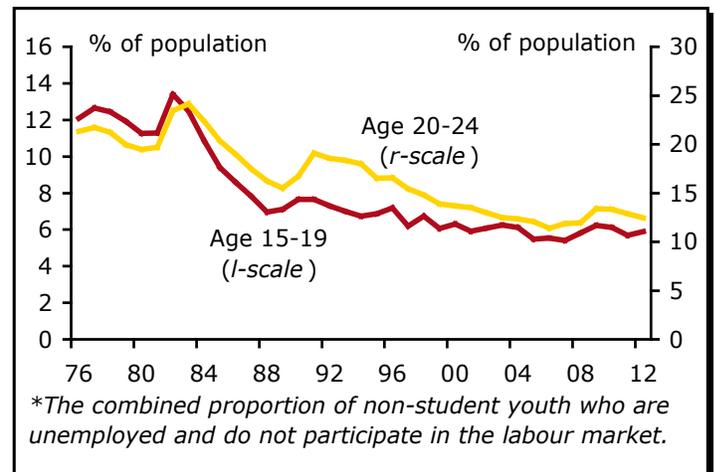
**The Pressing Problem**

About 225,000 youth aged 15-24 are neither enrolled in school nor participating in the labour market. This vulnerable and often overlooked segment of the youth population, which is not part of the official unemployment figure, represents 5% of all youth. The vast majority of these youth (68%) are in the age group 20-24. When you add this group to those who are not enrolled in school but registered as unemployed, you get a clearer picture of youth unemployment. From a policy perspective, this is the pressing problem as this combined group consists of 420,000 economically at risk youth, or nearly one in ten of young Canadians.

While the situation has stabilized in the past two decades and is better than what we saw in the 1980s—this is still a very sizeable group of unemployed (Chart 4). As of December 2012, this target group accounts for 5.9% of

Chart 4

**The Pressing Problem\***



\*The combined proportion of non-student youth who are unemployed and do not participate in the labour market.

Source: Statistics Canada, CIBC

total youth aged 15-19 but a significantly higher 12.5% of those aged 20-24. These youth face a harsh job market environment, real entry barriers and likely do not have the skills necessary to compete. This group will likely remain chronically unemployed without action to re-educate or provide themselves with skills training.

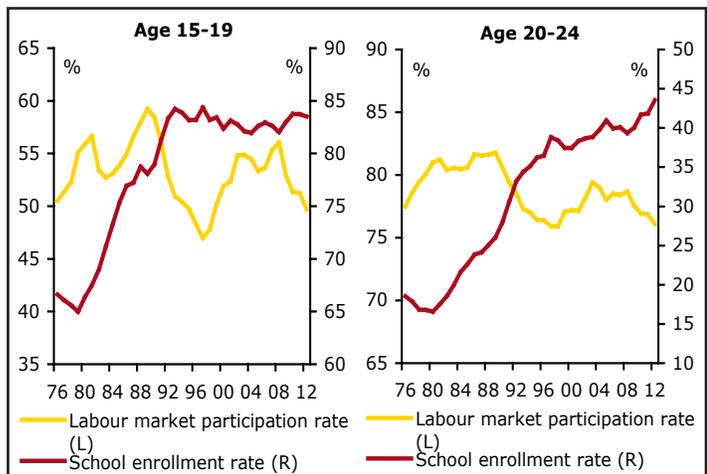
### Students in the Labour Force

About 83% of youth aged 15-19 are enrolled in school—a rate that has seen little change over the past two decades. About 40% of these students are also in the labour force. As for the age group 20-24, the school enrolment rate is rising rapidly and it now stands at 44%, while at the same time, the labour market participation rate fell to a near record low of 76% (Chart 5). This trend reflects the fact that today’s labour market is harder to enter and that a higher education and skill set is recognized as essential for a more rewarding future.

As we found in our December 2012 study, many traditional career opportunities are drying up and specialized skills are becoming increasingly essential. Now, while more education is positive, increasingly, students are completing their education without any work experience and are more likely to be caught in the no job–no experience, and no experience–no job cycle. In fact, one in five youth not working today has never held a job. That is 40% higher than the long-term average and just shy of the record high reached in the late 1990s (Chart 6).

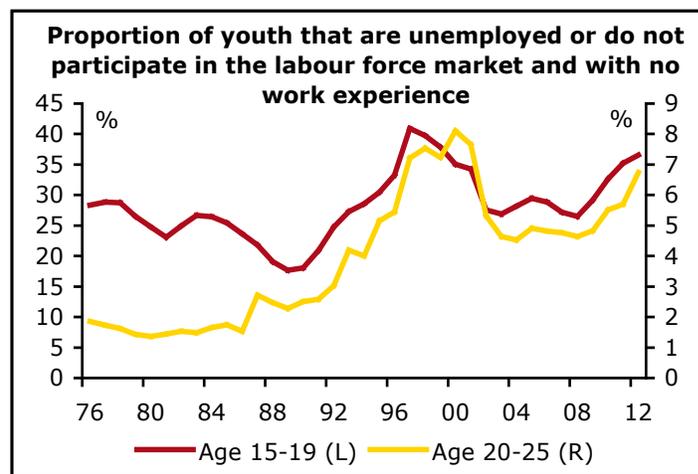
Furthermore, summer jobs—an excellent way to gain work experience—are not as obtainable as in the past,

Chart 5  
**More Youth Enroll in School But Fewer Participate in the Labour Market**



Source: Statistics Canada, CIBC

Chart 6  
**No Work Experience**

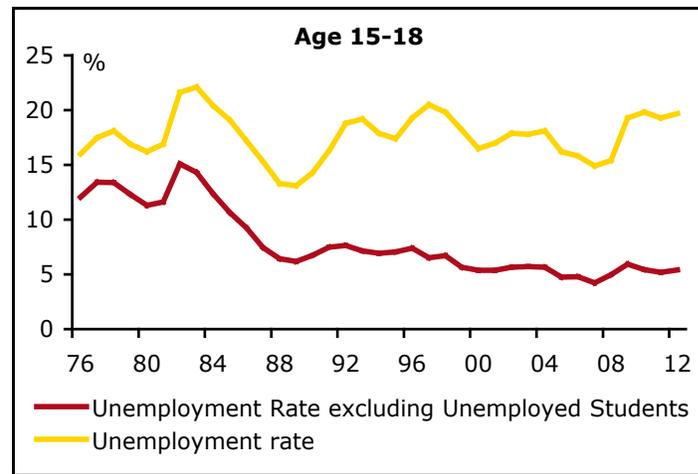


Source: Statistics Canada, CIBC

with the student employment rate adjusted for the economic cycle falling over the past decade. The inability to find part-time or summer employment also can have a significant impact on the ability of lower income students to continue to fund their education.

From a somewhat different perspective, classifying youth aged 15-18 who are enrolled in high school and also searching for part-time employment as “unemployed” might overstate the magnitude of the overall youth unemployment situation. A point can be made that many of these high school students should not be classified as unemployed as their main activity is learning. Adjusting for this factor brings the unemployment rate

Chart 7  
**The Headline Unemployment Rate for Teens Might Be Overstated**



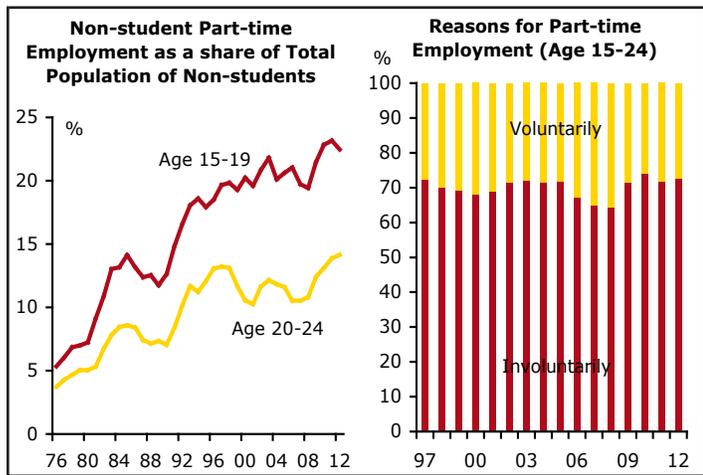
Source: Statistics Canada, CIBC

for this age group down from close to 20% to only 5.4% (Chart 7). This factor also works to reduce the national unemployment rate from the headline 7% to 6.4%. However, to the extent that this phenomenon represents the growing proportion of high school students that need to participate in the labour market in order to financially support their families, this should be seen as a worrying trend.

### Non-Student Youth in the Labour Market

Just under 350,000 or 16.5% of youth aged 15-19 are not enrolled in school. Of this group, 80% participate in the labour market—a number that is in line with the long-term average. As for youth aged 20-24, about 1.3 million or 56% of them are not enrolled in school, of which 90% participate in the labour market. The good news here is that the unemployment rate of this sub-group has been trending downward and it is now a full point below its long-term average. The bad news is that non-student youth have seen an increase in under-employment. About 22% of teens and 14% of those aged 20-24 who are non-students in the labour force are only working part-time. This is a record high for both age groups and a significant increase from previous cycles. What's more, about 70% of these youth working part-time are doing so involuntarily—meaning they want to work full-time (Chart 8). Moreover, we have seen a significant increase in the share of young workers in temporary and contract or term employment from about 8% in the late 1990s to just under 12%. This is a much greater increase in these positions than we have seen in the aged 25+ category.

Chart 8  
**Rising Under-Employment Among Non-Student Youth**



Source: Statistics Canada, CIBC

### Implications for the Canadian Economy

Overall, this analysis suggests that the youth unemployment problem in Canada has different dimensions, which in some cases are masked by the headline unemployment figures. These traditional measures, for example, do not capture the sizeable group of youth who neither participate in the labour market nor are enrolled in school. At the same time, the analysis also shows that while real and serious, some aspects of the unemployment situation among Canadian youth are not as overwhelming as they first appear. And in some cases, the underlying trends in youth labour market conditions are more positive than suggested by the official figures.

This is not to say that the government, educational authorities and business should not worry. On the contrary, the improved understanding of the dynamics of the youth unemployment problem suggests that initiatives taken by the government and corporate Canada can be more focused and effective in preventing further worsening. Policy makers should take advantage of the current improvement in labour market conditions to not only ease the current youth unemployment problem but also to establish a framework that will reduce the vulnerability of young Canadians to the economic cycles as well as limit hardship in the next economic slowdown.

From a policy perspective, youth employment policy is largely an education policy. However, many of today's youth have a relatively high level of formal education. The school enrolment rate is at a record high and working with new technologies is second nature to many youth. Statistics show that youth who gain work experience and receive on the job training while studying are much more likely to find suitable and sustainable employment. This by itself, however, is not sufficient as even university co-op graduates still face gaps in their ability to make a smooth transition to the work world.

Therefore, one of the priorities of the Canadian education system needs to be more innovation and flexibility in combining education and work-related training. Research is also needed to better understand how concepts such as team-work, creative thinking, problem-solving and leadership skills enhance the employability of students and then, to find ways to incorporate these concepts into the curriculum.

For Canada's economy to grow and our standard of living to remain high, this is an imperative.

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