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THREE STEPS TOWARD CORRECTING YOUTH UN(DER)EMPLOYMENT

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Young people today face an extremely challenging labour market. The unemployment rate for those aged 15 to 24 is double that of the national average and job gains since the economic recovery began have been nearly non-existent. Job numbers released by Statistics Canada last week revealed Canadian youths lost 45,600 jobs in July, bringing the youth unemployment rate to 13.9%. Of the nearly 1 million jobs created in Canada since 2009, just 5,600 (0.5%) have gone to youths — an age demographic that accounts for 15% of the labour force.

Even among those who have beaten the odds, one still has to wonder about the prevalence of under-employment, especially among new graduates. Studies suggest those who graduate during recessionary periods earn significantly less than those who obtained their degrees during times of greater economic prosperity. It can take decades to close the gap. This “scarring” effect is not welcome news for those that have pursued post-secondary degrees with the hope of working in a specific field only to end up in a survival job.

Solving this problem, however, is no easy task. There is a significant cyclical component to youth unemployment that public policy is ill equipped to deal with. History reveals previous generations of younger workers have dealt with the same problem. In fact, those who entered the labour market in the early-to-mid 1990s faced even tougher conditions than at present. The youth unemployment rate peaked at 18.5% in 1992, more than 2% higher than in 2009, and job gains for this age cohort did not emerge until nearly seven years after the recession ended.

This is also a global phenomenon. Nearly every advanced economy currently faces a similar, if not more severe, problem. The U.S. youth unemployment rate is nearly 2% higher than in Canada. In a handful of European countries where economic stress has been most acute — such as Portugal, Greece, or Spain — youth unemployment rates range from 40% to more than 60%. Stalling the careers of an entire generation of youth ultimately has long-term consequences for the international competitiveness of an economy. At the very least, Canadians can take solace in knowing the situation could be much worse.

Admittedly, this is little comfort to the 400,000 young people out of work in Canada today. However, the historical and international comparisons mainly serve to show today’s youth are not the first generation to deal with a tough job market, nor are they likely to be the last. Ultimately, younger workers have the least tenure and are the most vulnerable. In every economic cycle, they are the first ones to suffer, and the last to recover.

So what are the structural factors preventing youth from finding gainful employment? One explanation gaining prominence is the notion of a skills mismatch — that young graduates lack the necessary job skills to succeed in today’s labour market. There is merit to this theory. Students are learning techni-

cal skills but perhaps not precisely those needed in the workplace. Additionally, there is little focus in school on teaching soft skills.

However, another dynamic goes beyond the classroom. One could argue that our post-secondary education system was never designed to produce 100% job-ready workers immediately after graduation. Long-term investments by employers to train employees have always been expected. That was the old career model. A fresh graduate would find gainful employment, dedicate his or her entire career to a single company, receive training, rise through the ranks over time and eventually retire with a full pension and benefits.

This model is rarely found today. Younger workers have no illusion that they are fully replaceable and that dedication to a single company will not necessarily guarantee employment in perpetuity. In addition, the bulge of baby boomers at the top of most organizations implies that upward mobility may be limited. As a consequence, the notion of a “career” is much more malleable today.

Younger workers act on the perception that the most efficient way to rise in one’s career is to make lateral movements from one place to another. Just as employees are regarded as replaceable, so too are employers in today’s labour market. This new dynamic renders workplace training moot since there is no guaranteed return on that investment. As a consequence, businesses are instead demanding new hires already have the necessary skills, or obtain them somewhere else. According to the Conference Board of Canada, Canadian corporations spent 40% less in 2010 on learning and development per employee relative to the early-1990s.

In the absence of traditional workplace training, the onus on teaching job skills has increasingly fallen on our colleges and universities. Significant progress has been made by these institutions to adjust to this new reality, but new graduates are still being caught in the middle. In other words, the skills mismatch has always existed. It is only a problem today because we no longer know where the onus lies in training our younger workers for their careers. Is it at work or in school?

The answer ultimately lies somewhere in the middle, but both education and industry need to do more. In this regard, public policy must play a major role. If businesses have little incentive to provide workplace training, policy can be used to provide one; but whether that policy takes the form of tax credits, cost-sharing agreements, or otherwise, industry must be involved in its design for it to be effective.

From an education perspective, three things must change. First, in order for colleges and universities to teach the right job skills, they must first know what skills are needed. Links between education and industry should do more than just connect graduates with employers. Curriculum design should be directly informed by the needs of industry. Second, we must shed the stigmas surrounding colleges and skilled trades. These institutions teach critical job skills that are in high demand, but are routinely undermined by our university system. We must move beyond a stratified post-secondary education system towards a holistic one. Third, over and above teaching the right job skills, post-secondary institutions should put a greater focus on entrepreneurialism. It is one thing to train skilled workers, but it is wholly another to train job creators.

We cannot afford to remain idle about the difficulties facing many of our unemployed and underemployed youth. Past generations have paid for our complacency. We must ensure our younger workers have the right job skills in order to succeed in the labour market. The solution will not be simple and will demand a concerted and coordinated effort by policymakers, educators, and employers. However, it is one that is sorely needed. Some have called this a youth unemployment crisis; if so, it is an opportunity to break a vicious cycle that should not be wasted.

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