

The Labour Market Activities of Canada's Youth

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Brief written for the
House of Commons Standing Committee on Finance
Study of Youth Employment in Canada

These notes were prepared as speaking notes for a presentation to the Committee on March 25, 2014.

A copy of these notes with further information can be found at
www.tammyschirle.org/research/youth.html

In the March 6 meeting of this Committee, you heard from René Morissette and Alison Hale from Statistics Canada. They are highly respected researchers so I see no need to replicate any of the information they provided to you. An important point to take away from their presentation was that youth employment differs substantially by gender and region.

Today I'd like to break down the data a bit more for you. In particular, I want to describe what youth are doing if they are not working full time and the extent to which policy makers should be concerned about youth having difficulties in the labour market. I also want to address whether youth today are finding it more difficult than previous generations. Finally, I will mention some policies that I think require further scrutiny. I have to be very brief here, but have provided many details in my written brief to the Committee.

What are youth today doing with their time? I looked at young people surveyed by Statistics Canada in the 2012 and 2013 Labour Force Survey and categorized their activities (see Exhibits 1-4). Overall, $\frac{3}{4}$ of young people 17-21 are doing exactly what I think most parents hope their kids will do after leaving high school – they are in school full time or working full time. Many others are working or going to school part time and many have not yet entered the labour force.

I'd like to focus more on young people aged 25-29 because this is the group we expect to be more attached to the labour force – they're typically done with school and are establishing their careers and their families. The key difference between men and women in this age group is that the average woman is having her first

child. With that in mind, I'm going to focus more on young men who remain less likely to become primary caregivers while children are young.

75% of men aged 25-29 were working full time and another 7% were in school full time in 2012 & 2013. In a more stable labour market in 2002 & 2003, 77% of men aged 25-29 were working full time and 7% were in school full time. For comparison, 83% of men aged 35-49 were working full time in 2012-13 (Exhibit 5).

Young men were more likely unemployed than older men, which is not unusual; when unemployed, youth tend to have shorter jobless periods. Their unemployment rate in part reflects the same business cycle effects as for older individuals. In addition, people are leaving and finding new jobs as they establish their careers; their unemployment is not exclusively a response to the most recent recession.

I have heard several concerns regarding youth unemployment statistics. First, people may give up their job search and return to school full time, in which case they are no longer considered unemployed. I don't think this is a concern here – the same percentage of 25-29 year old men were in school full time in 2013 as there was a decade earlier in 2003.

Second, there is concern that they have given up their job search and become discouraged workers – those who would like to have a job but do not search because they believe jobs are not available. Formally speaking, only 0.1% of men aged 25-29 would have been considered discouraged workers in 2012-2013 (or roughly 1000 people), the same as in 2009 and 2002-2003. If we were to allow for those working part time and wanting full time jobs (but did not look) and those not participating in the labour force while going to school part time, we might suggest up to 2% of young men are 'discouraged' in 2012-13 (notably this is not larger than in 2002-3).

Third, the claim is made that young people are finding it more difficult to find secure and stable employment relative to generations past. I have only found evidence that contradicts this.

First, Dr. Pierre Brochu at the University of Ottawa has shown that job retention rates have actually increased for new employees since the mid-1990s and are recently at record highs (Exhibit 6).

Second, it is clear that the opportunities available to any young woman today far surpass those of previous generations. Occupational gender segregation remains an important concern and has not changed enough over the past 3 decades (Exhibit 7). However, the gender gap in wages has narrowed considerably (Exhibit 8) and the participation of women in the labour force continues to increase.

Third, it seems that past recessions hit younger workers even harder than the most recent recession. Not only did youth unemployment rates reach much higher levels

in the early 1980s but young workers in the 1980s were hit much harder than middle aged workers (see Exhibit 9) when compared to our most recent recession.

Overall, I don't think it's worth dwelling on intergenerational inequities in labour market experiences. I am concerned that the expectations of youth are often out of line with reality. Anecdotally, it seems the majority of my students expect to complete their undergraduate degree and immediately find a secure job with a salary that would place them in the top 5-10% of Canadian earners. No doubt it takes some time for their expectations to adjust after leaving school.

In my last minute, I would like to mention a few concerns for policy makers.

First, it is clear that there is still a high return to post-secondary education, especially for women (Exhibit 11). As long as that return is positive, education is not wasted. Without clearly identified market failures, I am reluctant to recommend interfering with the skills market.

Second, over time we have developed an incredibly complex web of tax credits, transfers, and direct programs designed to help young people. For example a young man with a child who is considering an apprenticeship will need to work through at least 18 tax and benefit programs (see Exhibit 12)

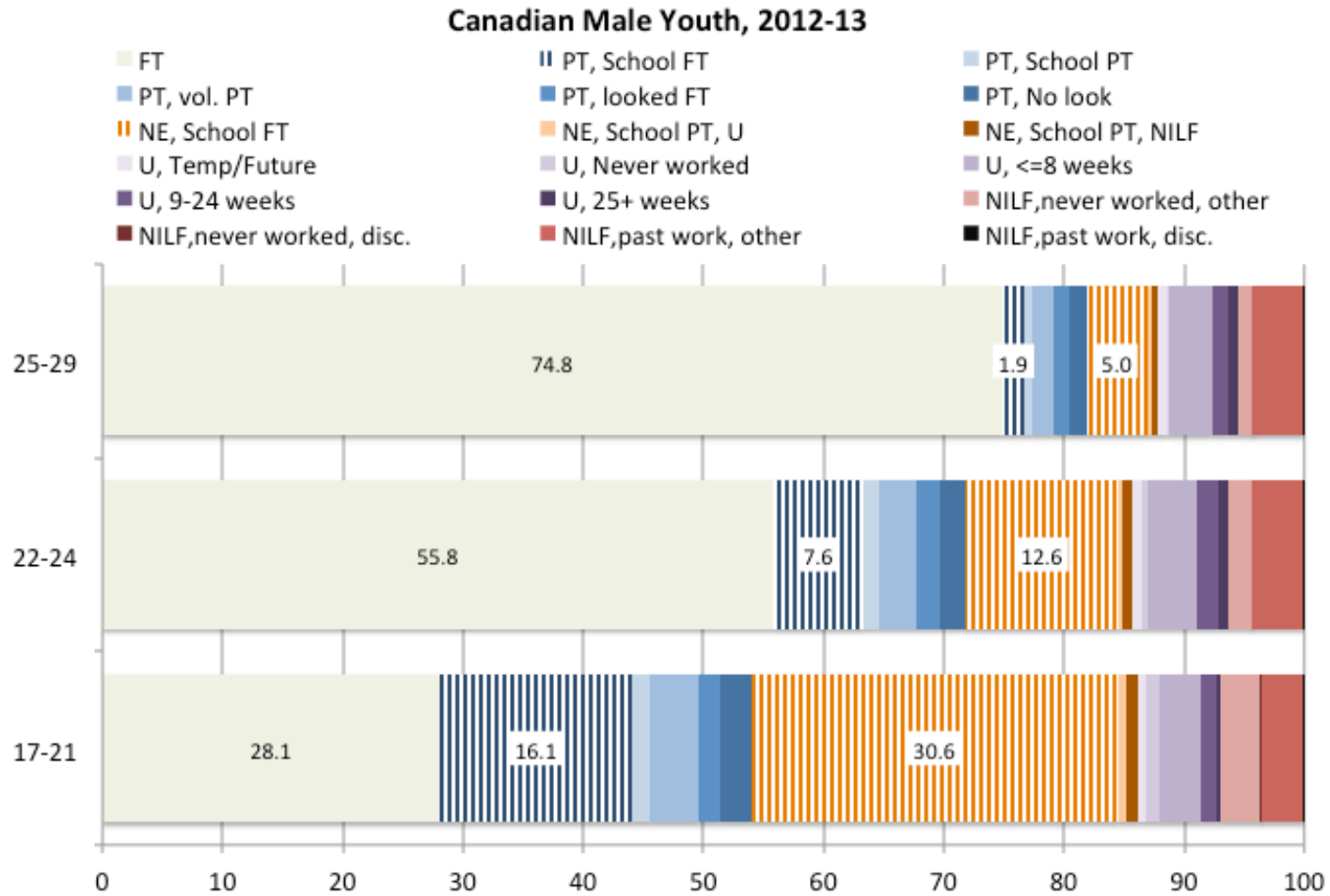
It is clearly time to assess and redesign our tax and transfer system to achieve greater transparency and to simply make it user friendly and easily understood. This assessment has not been done since the 1960s with the Carter Commission. I strongly recommend this committee consider the value of a new commission, framed with current and future Canadian family structures in mind, and which should probably involve experts born after the Carter Commission's report was first published.

With that, I thank you for your attention and I am happy to take questions.

Exhibits provided:

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EXHIBIT 1: Activities of Young Men, by Age group, 2012-2013



Notes: Constructed from the LFS. Please visit www.tammyschirle.org/research/youth.html for details.

EXHIBIT 2: Activities of Young Women, by Age group, 2012-2013

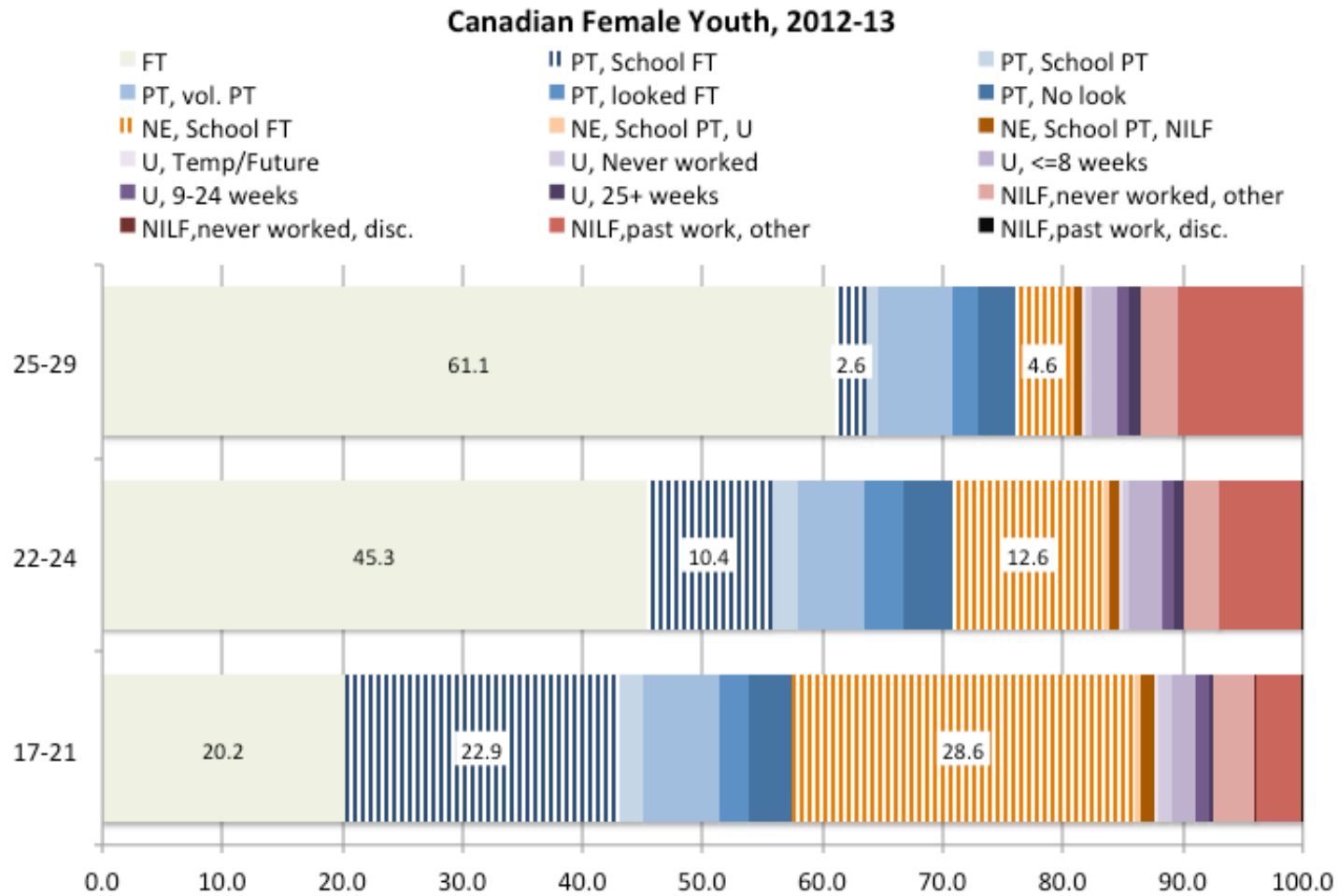


EXHIBIT 3: Detailed Activities of Men Aged 25-29, 2012-2013

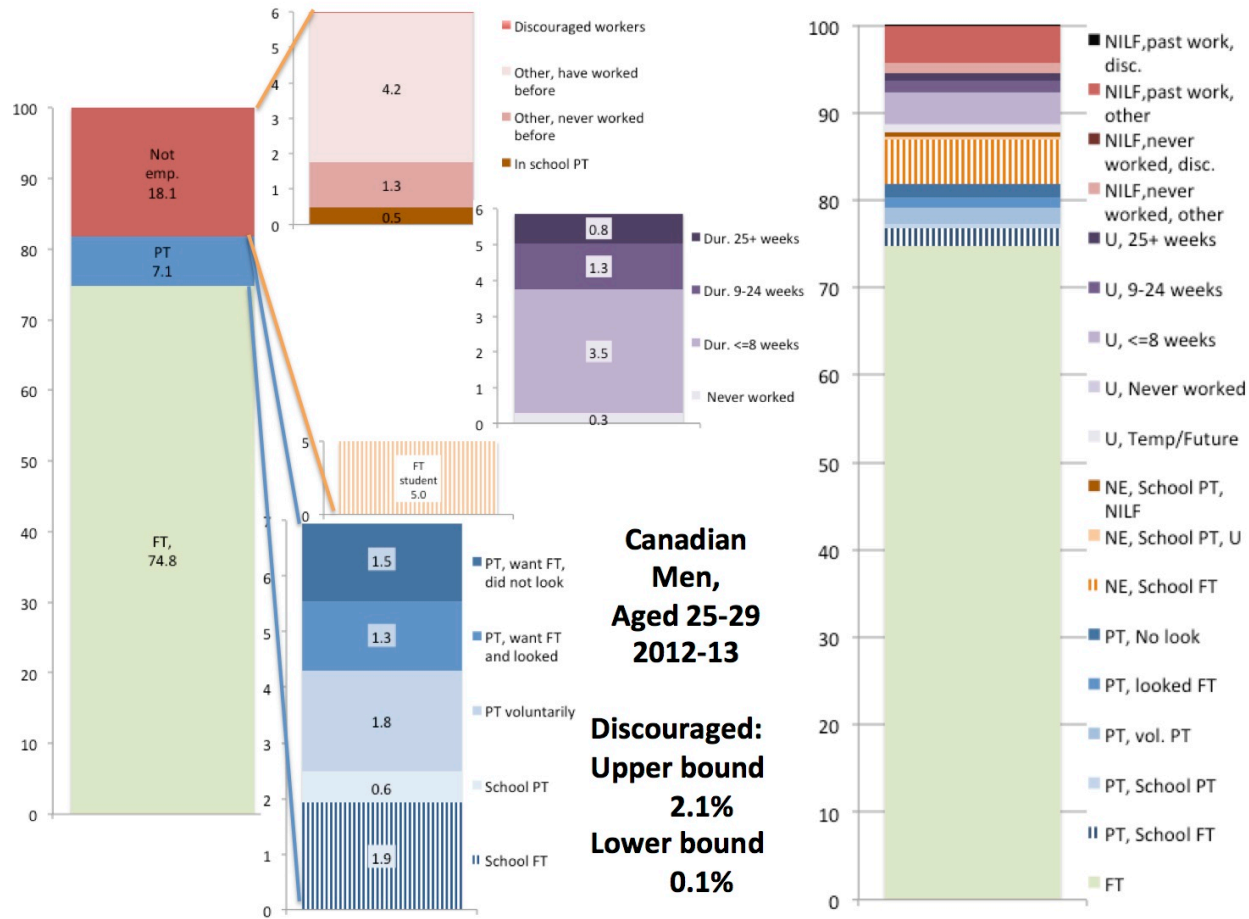


EXHIBIT 4: Activities of Young Men, by Age group, 2002-2003

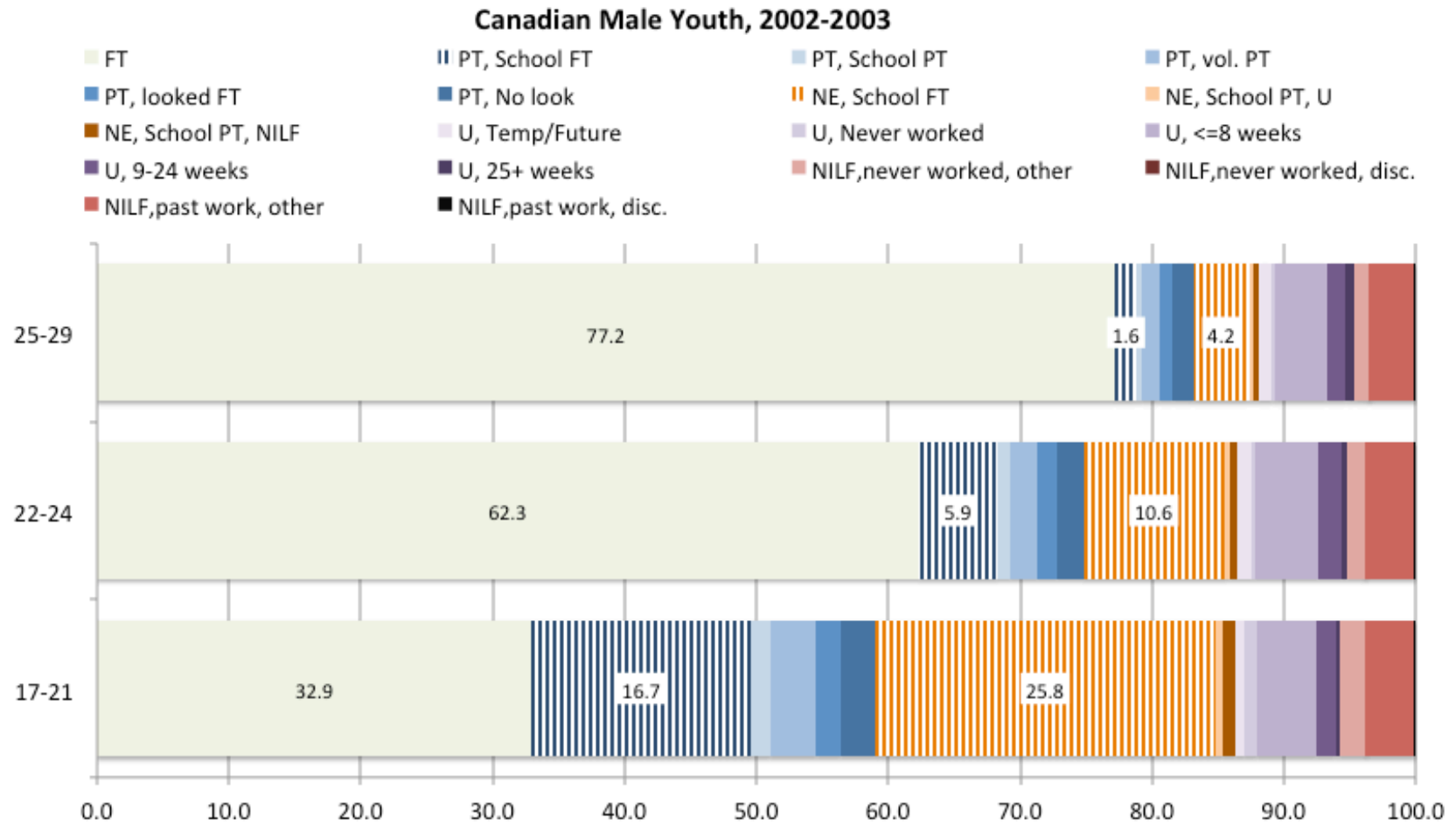


EXHIBIT 5: Activities of Men Aged 35-49, 2012-2013

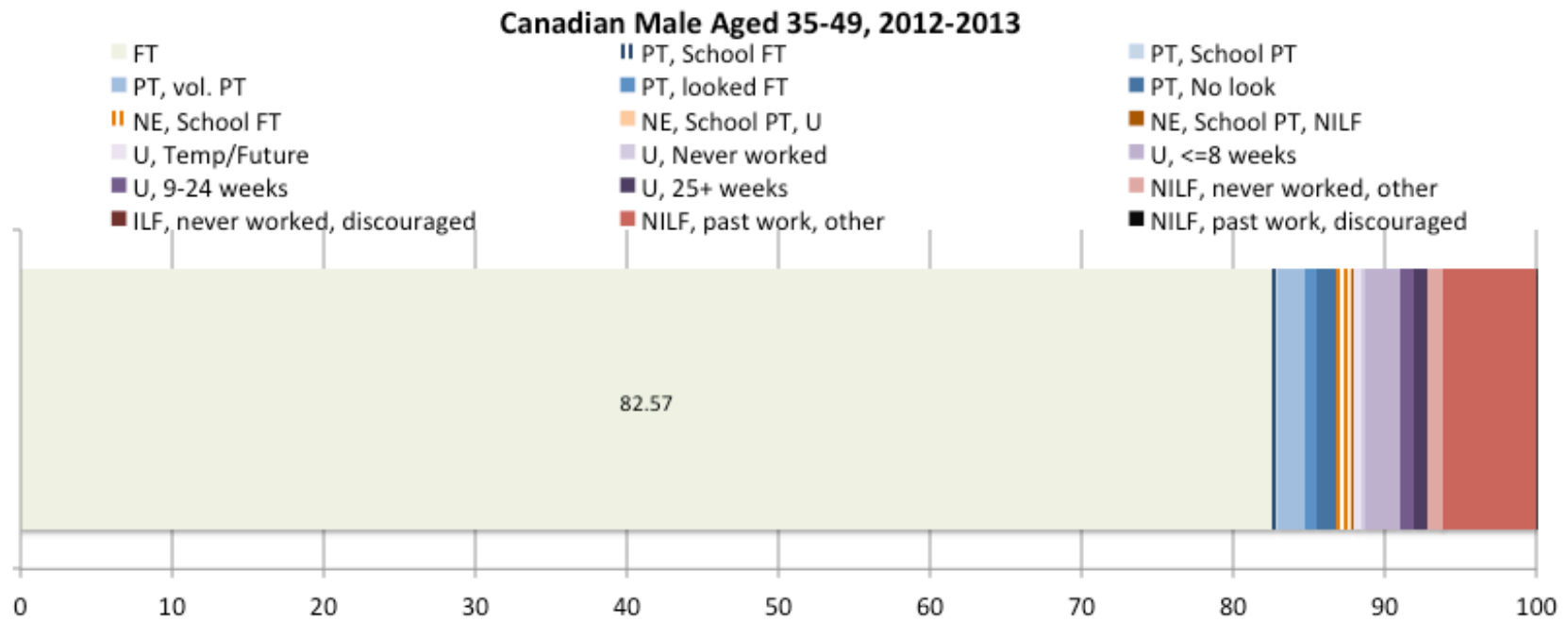


EXHIBIT 6. Trends in Job Stability - From Brochu (2013)



FIGURE 1 One-year retention rates

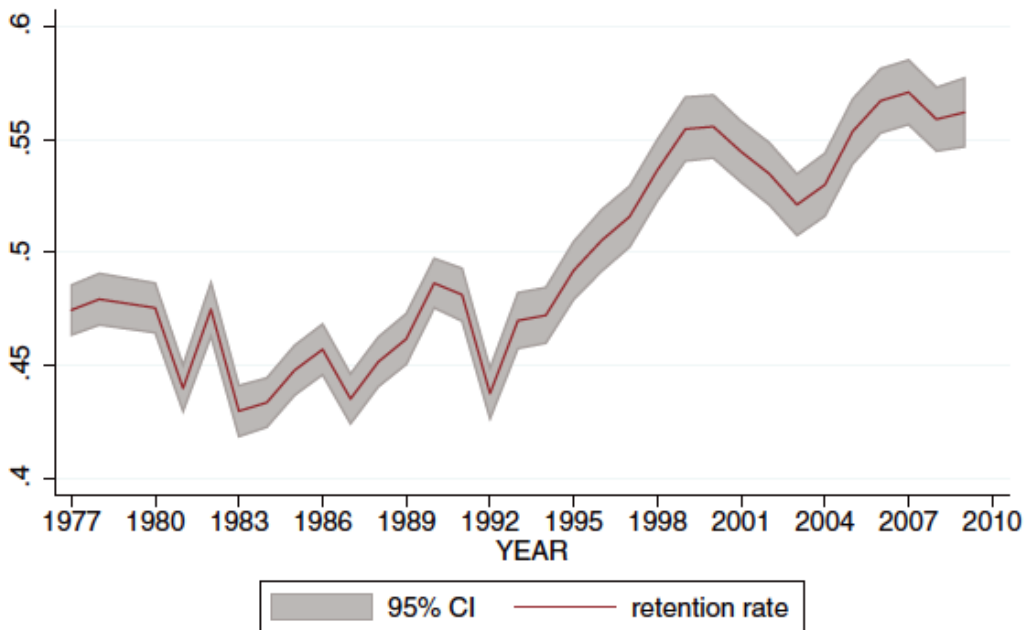


FIGURE 3 One-year retention rates: less than one year of tenure

Source: Reproduced from Brochu, Pierre. 2013. "The source of the new Canadian job stability patterns." *Canadian Journal of Economics*, Vol. 46 (2), pp. 412-440. The retention rate is the probability that the worker remains with the same employer for an additional year

EXHIBIT 7. Occupational Segregation 1987-2012, Portion Male in Select Occupations

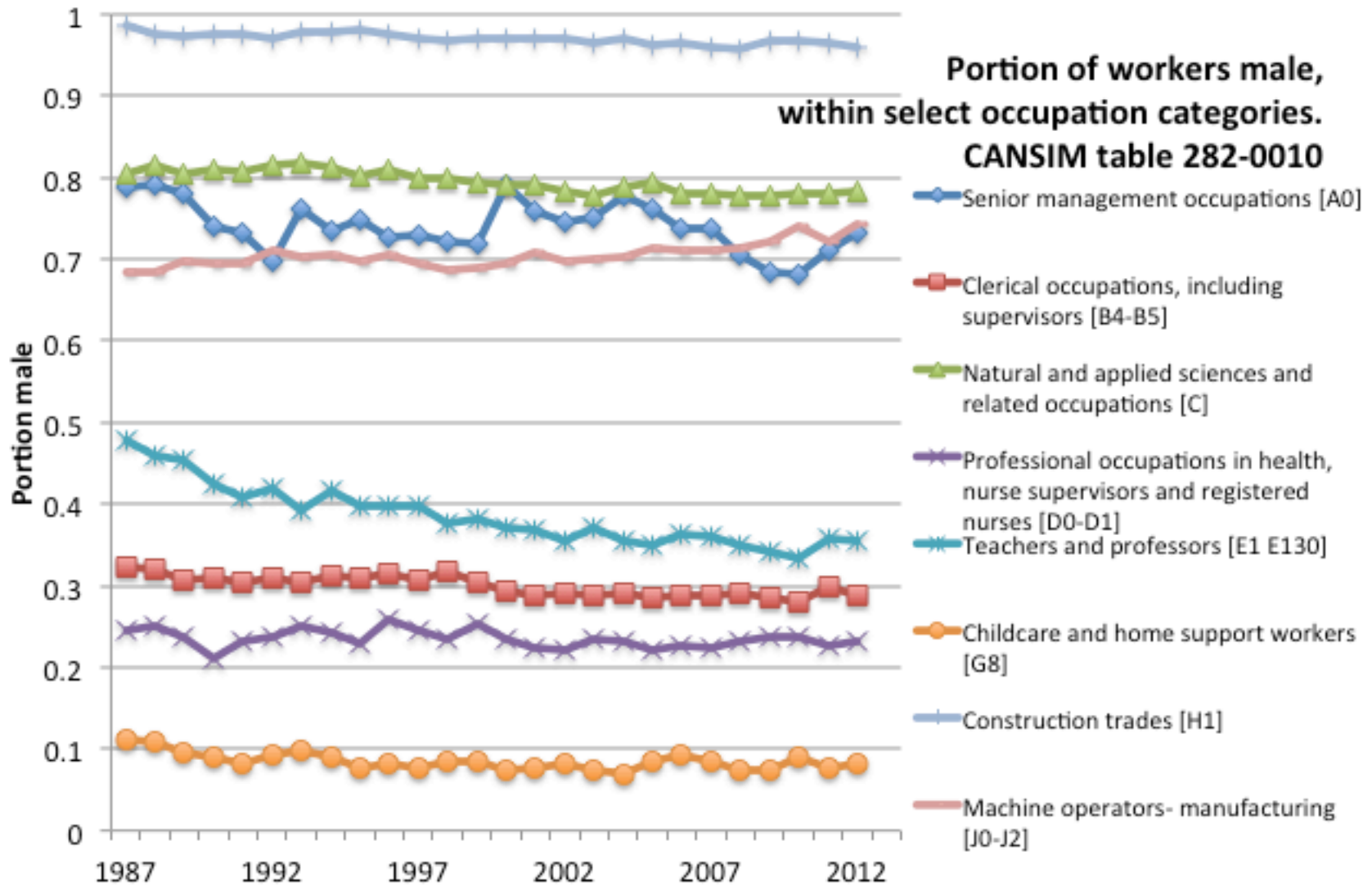
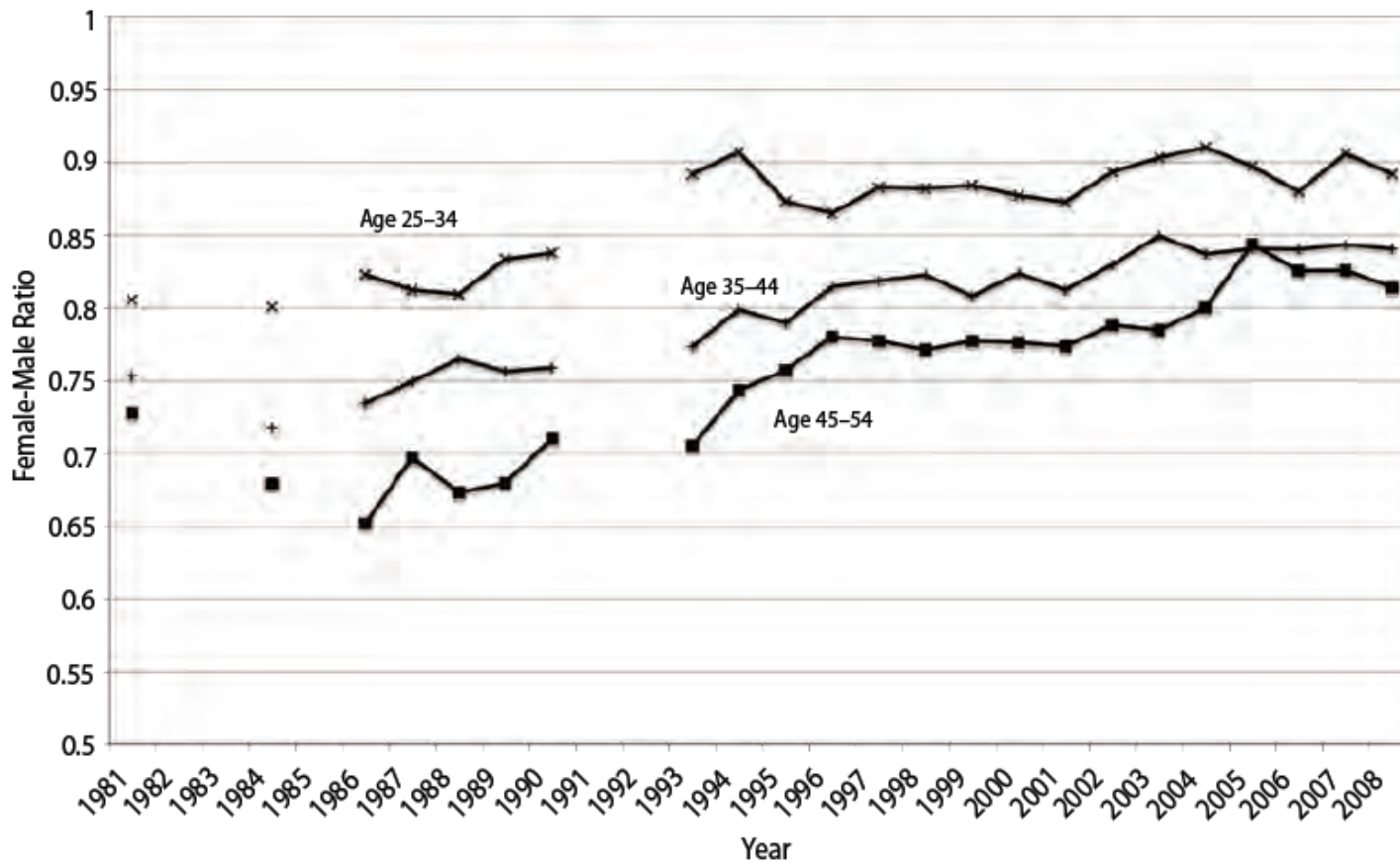


EXHIBIT 8. Female-Male Wage Ratio (Baker and Drolet, 2010)

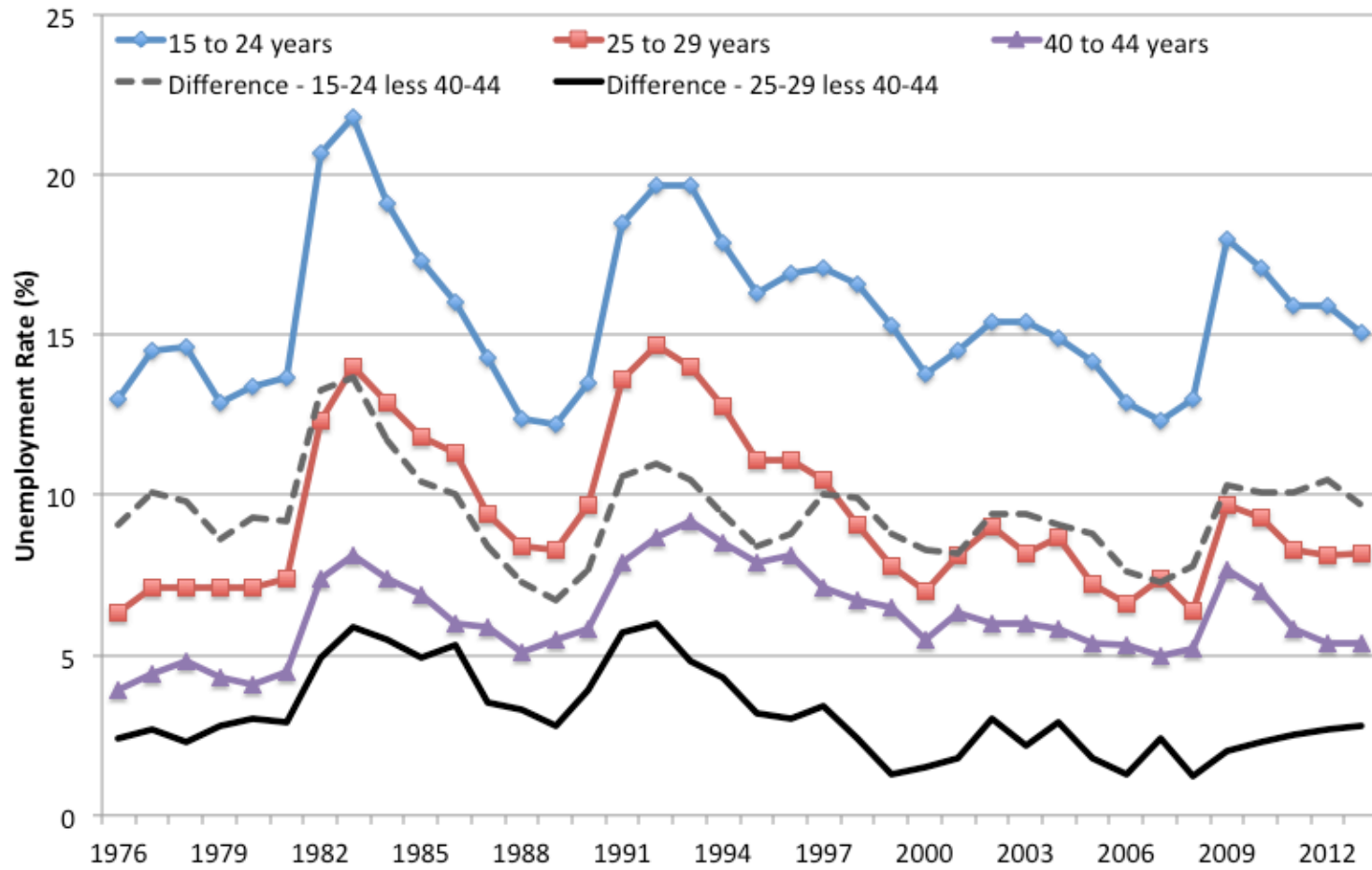
FIGURE 5

Female-Male Wage Ratios, Full-Time Workers, by Age



Source: Copied from Baker, Michael and Marie Drolet. 2010. "A New View of the Male/Female Pay Gap" *Canadian Public Policy*. Volume 36, No. 4. December 2010.

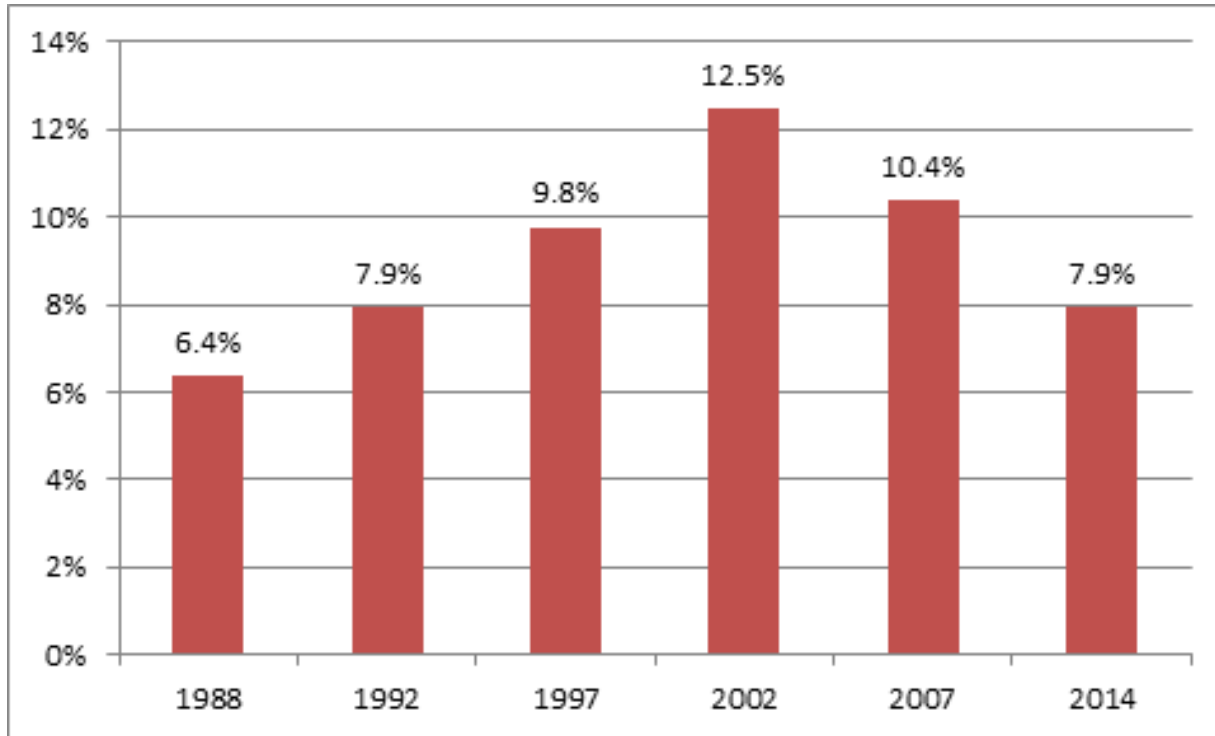
EXHIBIT 9. Unemployment rates of men 1976-2013 by age group, Canada



Source: CANSIM Table 282-0002.

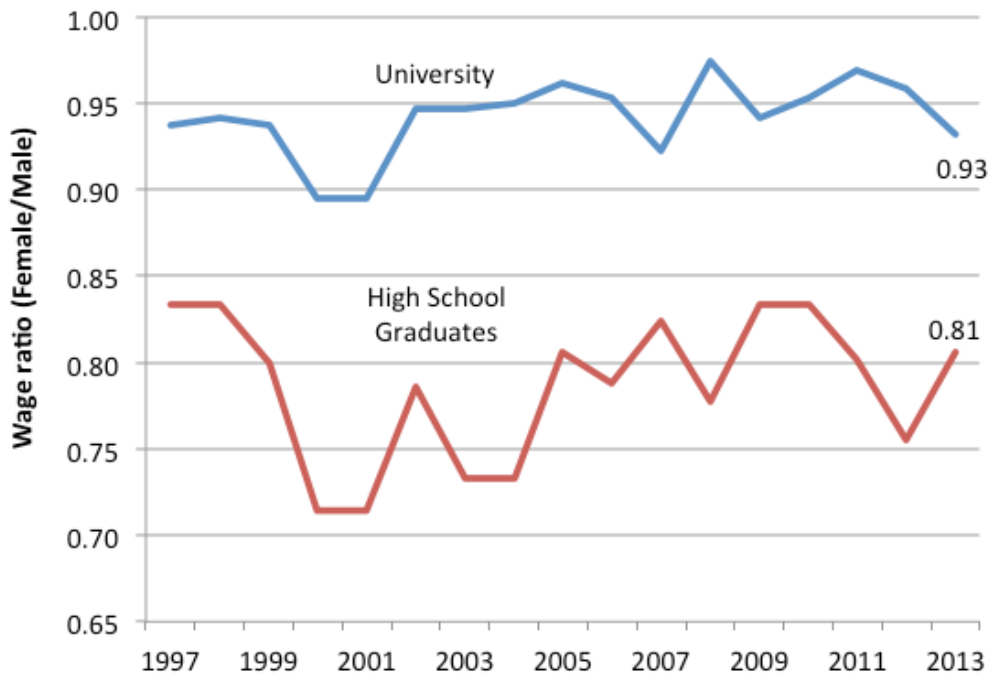
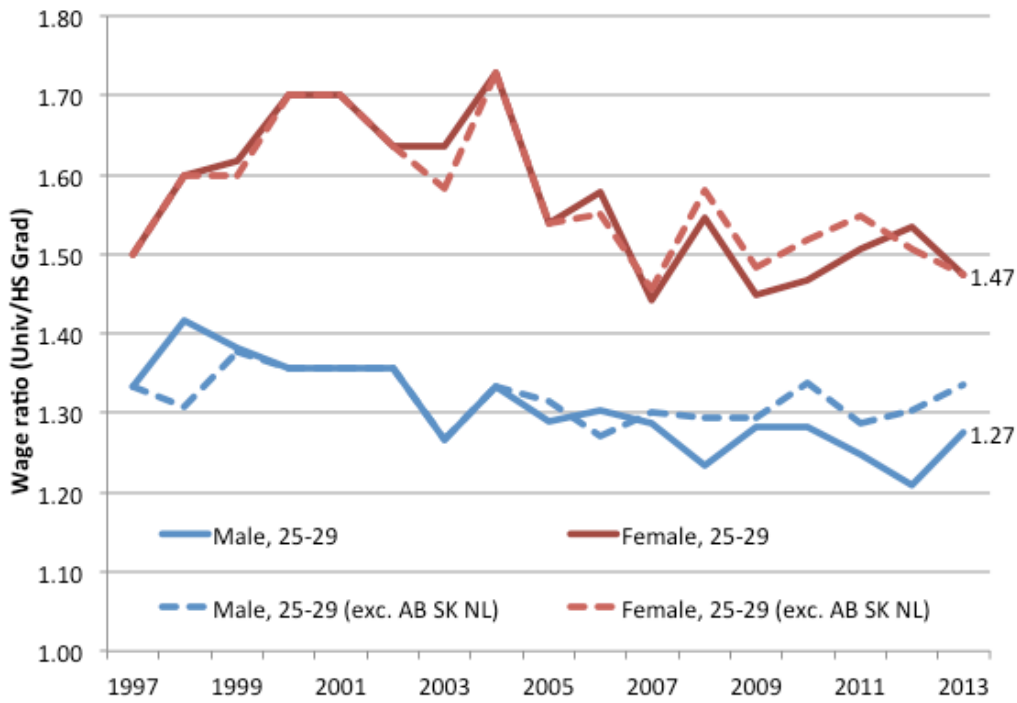
EXHIBIT 10. Debt Servicing of Student loans (Usher 2014)

Figure 1: Percentage of Average After-tax Earnings of Graduates, 2 Years Out, Required to Service an Average Student Loan



Source: Copied from Usher, Alex. 2014. "Why Student Debt Burden is Falling Like a Stone" January 28, 2014. Higher Education Strategy Associates (One thought blog) Accessed at <http://higherstrategy.com/why-student-debt-burden-is-falling-like-a-stone/>

EXHIBIT 11. Wage Ratios – Return to education and female-male wage gap



Source: Tabulations from the Labour Force Survey PUMF. Median hourly wage rates are used in the ratios.

EXHIBIT 12 : Further information on tax credits, transfers, and other programs

Individuals undertaking an apprenticeship program may qualify for the following:

- 1) Tuition tax credit
- 2) Education tax credit
- 3) Textbook tax credit
- 4) Canada employment credit
- 5) Tradesperson's Tools Deduction
- 6) Apprenticeship Job Creation tax credit (employer)
- 7) Apprenticeship Incentive Grant
- 8) Apprenticeship Completion Grant
- 9) EI benefits during in-class technical training and EI Part II
- 10) Canada Apprentice Loan (Canada Student Loans Program)

(Source: Budget 2014, Chapter 3.1 Connecting Canadians with Available Jobs, <http://www.budget.gc.ca/2014/docs/plan/ch3-1-eng.html>)

The individual will need to consider the following benefits and how each is affected by their plans

- 1) Universal Child Care Benefit (taxable)
- 2) National Child Benefit Supplement (income-tested)
- 3) Canadian Child Tax Benefit (income tested)
- 4) Child tax credit (non-refundable / 'wasteable')
- 5) Working Income Tax Benefit
- 6) GST credit
- 7) Provincial supplements and benefits
- 8) Canada Learning Bonds and Canada Education Saving Grants (RESP)

Kevin Milligan and many others have suggested reforming this web of benefits. One option is to collapse the system into a single refundable tax credit. See "A reset for the child tax benefit system" by Kevin Milligan at <http://www.inroadsjournal.ca/a-reset-for-the-child-tax-benefit-system/>

For more information on Canadian subsidies for education and the extent to which high-income families are the greatest beneficiaries, I suggest the following to start:

- Neill, Christine. 2013. "What you don't know can't help you: Lessons of behavioural economics for tax-based student aid." C.D. Howe Commentary no. 393. November 2013.
- Essaji, Azim, and Christine Neill. 2013. "Policy Forum: Delivering Government Grants to Students Through the RESP System - Distributional Implications" *Canadian Tax Journal* 60:3, 635-49.