



## *Jobs for Youth/Des emplois pour les jeunes* **Canada**

*Summary in English*

### **Canada has a dynamic youth labour market outperforming most OECD countries, but some groups are marginalised**

The recent performance of the youth labour market in Canada is very good compared with many other OECD countries. Sustained economic growth, at a rate of slightly above 3% per year on average over the past decade, and a very flexible labour market by international standards have both contributed to rising employment rates and falling overall unemployment, including for youth.

The youth unemployment rate decreased from 15.4% in 1996 to 11.6% in 2006, below OECD averages for both years (16.2% and 14.7% respectively in 1996 and 2006 based on labour force surveys). However, youth unemployment rates vary a lot across Canadian provinces reflecting regional economic factors. For example, Newfoundland and Labrador has a youth unemployment rate which is twice the Canadian average, while Ontario is close to the Canadian average and Alberta with a rate of 6.8% in 2006 is the best-performing province.<sup>1</sup>

The school-to-work transition is smooth for most young Canadians and the line between school and work is particularly blurred. Many young people combine both, delaying post-secondary attendance after high school, going back and forth between education and work, and starting their career rapidly with a permanent and full-time job. A good indicator is that more than three-quarters of first jobs are permanent and full time for school-leavers having at least an upper secondary diploma. Nevertheless, there is evidence that this pattern varies considerably across different sub-populations within Canada, as demonstrated by early school-to-work transitions among many low-educated

<sup>1</sup>. Throughout the report, regional variation across Canada will be documented principally for the three provinces visited by the OECD Secretariat (Alberta, Newfoundland and Labrador, and Ontario).

Aboriginal youth and late transitions for many highly-educated immigrant youth. According to the 2006 census, young immigrants perform on average relatively well on the labour market with an unemployment rate of 14% compared with 22% for Aboriginal youth and 13% for the national average.

Demand-side barriers to the hiring of young people are limited in Canada. Employment protection legislation is among the least strict in the OECD. As such, it is unlikely to cause temporary work traps for youth. The persistence of non-standard work is relatively low among youth not attending school full time, an indication that this type of work is typically a transitory phase preceding permanent and full-time employment. In addition, neither wages nor labour costs appear *per se* to be a barrier to the hiring of youth. Young Canadian workers have low entry wages, particularly while studying, and tend to move rapidly into higher-paid jobs over time.

The incidence of long-term youth unemployment is particularly low in Canada and has decreased over the past decade. It was 7% in 1996 and only less than 3% in 2006 compared with an OECD average persistently over 20%. In addition, while in 2005 almost 10% of Canadians aged 15-24 were neither in employment nor in education or training – denoted by the acronym NEET –, being NEET is temporary. Only 1% of young Canadians who were NEET in 1999 were still NEET in 2001 and in 2003.

In Canada, young people at risk of poor labour market outcomes and social exclusion constitute only a small group. Young people living in remote and rural areas are over-represented among this at-risk group, as well as Aboriginal youth, particularly those living on reserves.

## Education is the responsibility of each province

In Canada, the prime responsibility for education and training rests with the provinces. All levels of government recognise the importance of initial education and its relevance to labour market requirements. According to the 2006 OECD PISA (Programme for International Student Assessment) results, scores measuring the achievement of young Canadians aged 15 are well above the OECD average. In addition, no other OECD country has a higher proportion of youth attending university or college.

The flip side of this outstanding performance is that there is a strong “academic bias” in secondary education. This bias was already identified ten years ago in a previous OECD analysis of the Canadian school-to-work transition. The Canadian economy, like most OECD economies, being more knowledge-based can easily employ numerous college- and university-graduates. There is however a concern that Canadian high-school students have a low propensity to opt for vocational studies. Shortages of skilled workers are currently reported in many trade professions. And with the re-emergence of the commodity-based economy, sustained by an increased global demand, this trend is likely to persist.

Another source of concern in Canada is the school drop-out rate among youth aged 15-24 (8.7% in 2005) which is high compared with Norway (3.2%) or Korea (2.6%) for example, even if it is well below the OECD average of 13%. Alberta, Manitoba and Québec come out on top as the provinces with the highest drop-out rates. The booming labour market, itself a consequence of the oil-sands boom in Alberta, leads to rising opportunity costs of education and explains part of this province’s relatively high drop-out rate.

## **Labour market policies towards youth are a shared responsibility of the federal and provincial governments**

Young people have access to several passive benefits such as employment insurance (EI) benefits and social assistance benefits. EI is under the responsibility of the Government of Canada, while social assistance is under the responsibility of provinces. In contrast, active labour market policies (ALMPs) towards youth are organised both by the federal and provincial governments. The aim of ALMPs is to maximise youth opportunities all over the country. However, there is evidence that federal and provincial programmes often overlap. Furthermore, currently there are no activation policies for ALMPs and as a result some youth receiving passive benefits do not participate in ALMPs.

## **Recent reforms go in the right direction**

The federal government has taken several steps to help young people access education and pay for it. In November 2006, an economic roadmap for competitiveness called the “Advantage Canada” Strategy, was launched to strengthen Canada’s Knowledge Advantage, with the aim of “developing the best educated, most skilled and most flexible workforce in the world”.

Two other recent initiatives at the federal level are also worth stressing. One is targeted towards Aboriginal people. The federal government announced in 2007 new funding for the Aboriginal Skills and Employment Partnership (ASEP). ASEP’s overall objective is sustainable employment for Aboriginal people in major economic industries, leading to lasting benefits for Aboriginal communities, families and individuals. The second move is towards apprenticeship. In order to encourage young Canadians to enter the trades, Budget 2006 introduced Apprenticeship Incentive Grants and an Apprenticeship Job Creation Tax Credit.

As illustrated in the report, Alberta, Newfoundland and Ontario have taken major initiatives to increase and enhance youth education and employment. If these initiatives tend to vary across provinces, a number of them address the education system’s main problem, notably the high drop-out rate in secondary education. In this regard, it is worth stressing that Ontario has expanded the age of compulsory learning to 18 and has launched an apprenticeship training tax credit.

## **What remains to be done?**

Even if Canada has a well-performing youth labour market and is well ahead of most other OECD countries in responding to the education and labour market challenges faced by youth, more could be done to consolidate further the school-to-work transition. An effective strategy to ensure sustainable employment for all youth in Canada would ideally comprise two main components: ensuring that all youth leave education with recognised qualifications to set up a career and improving the design and coherence of the current activation strategy for youth, particularly for those at risk.

### *Ensuring that all youth leave education with recognised qualifications to set up a career*

Canada's educational system is working very well, especially when measured in terms of PISA scores at the age of 15 or access to post-secondary degrees. The current priority is first and foremost to reduce early school-leaving. No single measure will help to solve this problem.

One partial solution is to put a greater emphasis on early-age interventions in a life-long learning perspective. There is indeed a growing recognition that quality early childhood education provides young children, particularly from low-income or other disadvantaged background groups, with a good start in life, a lower risk of dropping out and more chances to have a successful school-to-work transition. Participation in early childhood *education* (and not simply daycare) is low in Canada by international standards. In 2003, the percentage of youth aged 15 who had spent more than one year in that form of education (39%) was well below the OECD average of 68.5%. There is evidence based on PISA of a positive link between early education and cognitive achievement at the age of 15.<sup>2</sup> Efforts to improve participation in education of disadvantaged groups before the age of 6 could well be more cost-effective than most training programmes that try to upgrade skills amongst early school-leavers.

Another partial solution is to raise the age of compulsory education as some other OECD countries have done recently (*e.g.* the Netherlands) or announced plans to do so (United Kingdom). However, simply raising the compulsory school-leaving age from 16 to 18 is no panacea. It could be effective only if it is accompanied by measures to diversify educational choices at the secondary level. Recent reforms by Ontario could perhaps inspire the rest of the country in this regard. In 2005, the province raised the age of compulsory learning from 16 to 18 and provided a range of positive incentives to stay on in schooling and to achieve a qualification in its Student Success Strategy. This includes a more diverse and vocational curriculum in upper secondary schools together with the development of the Ontario Youth Apprenticeship Programme (OYAP), which is a school-to-work transition programme offered through secondary schools.

It is also important to pay more attention to the *actual skills* possessed by individuals at the bottom of the educational distribution. Degrees and credentials are important, but basic skills also matter for employment and wages. There is some evidence that small improvements in literacy and numeracy skills lift both employment and incomes of school drop-outs.

Employers have also a role to play. They should be more involved in upgrading skills of employed youth as an investment that will benefit their industry over a longer term. In addition, employers should work more often in partnership with post-secondary institutions with the aim of better matching labour supply and their labour needs in the future.

Achieving a better combination of work and study is another worthwhile initiative. Combining work and study is to be encouraged to the extent that work is not harmful to studies. There is evidence that among high-school students who work for pay, drop-out rates are lowest for those who work a moderate number of hours weekly and highest for those who work the equivalent of full-time hours. Overall, students tend to work much

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<sup>2</sup>. See Figure 2.10.

more frequently in Canada than in many other OECD countries. There is evidence that most of the time, post-secondary students work to offset the costs of their studies. Nevertheless, paid work among teenagers starts very early in Canada. In Alberta, the minimum working age recently dropped from 14 to 12 (with a maximum of two hours per day on school days) while it is 14 in Newfoundland and Labrador and in Ontario. In contrast, in many European countries, the minimum working age is 16.

In Alberta, but also in Saskatchewan and British Columbia, where the opportunity cost of studying is particularly high, all the stakeholders should explore ways of reducing that cost. Staying on in education for young people who discount the future at a very high rate might be perceived as a waste of time and money.

Finally, an untapped resource now and for the future is Aboriginal youth, one of Canada's youngest and fastest growing populations. Educational performance of Aboriginal youth lags behind their peers and Aboriginal students are underrepresented in post-secondary institutions. For Aboriginal students attending on-reserve schools, a greater emphasis should be put on improving pupils' achievement in core topics. The counterpart of federal funding, in a context of devolution of educational authority to First Nations, should be more accountability based on a small number of well-defined and measurable performance objectives.

To ensure that youth have the basic skills needed to enter and progress on the labour market, the following measures could be envisaged:

- *Put a greater emphasis on early-age (i.e. before age 6) education of children from disadvantaged groups and ensure it is sustained. Monitoring the progress of these children once they enter primary education is also crucial to ensure that the benefits are sustained.*
- *Consider gradually increasing the school-leaving age to 18 in all provinces together with the development of high-school vocational programmes. The focus should be on retention until a qualification is obtained rather than simply on staying until a given age. A change in this direction would require secondary education to be able to cater for a broader age range and provide diversified learning pathways with strengthening pre-apprenticeship. Given the time it may take to develop an effective supply of vocational education and training or pre-apprenticeships within high schools and the cost to the public purse, this reform could be phased in over at least five years, as recently decided by the United Kingdom.*
- *Achieve a better balance of work and study among teenagers to prevent them from dropping out. Paid work should be forbidden below the age of 14. Between 14 and the end of compulsory schooling, teenager jobs of more than 20 hours per week during the school year should be discouraged by introducing in provincial employment standards the threshold of 20 hours per week above which employers are obliged to pay for employer benefits such as health and other insurance coverage.*
- *Explore ways of reducing the opportunity cost of studying or returning to study in buoyant labour markets. Special scholarships could be offered to those who accept resuming high school and take the necessary steps towards gaining their final diploma. Grants, scholarships and a flexible work schedule to allow for study time are examples of such incentives. Employers could also*

*be encouraged to introduce more training incentives to help youth to continue their post-secondary education. There is also a role for the authorities in communicating the actual long-term benefits of education and training.*

- *Encourage employers to work in partnership with post-secondary institutions. Employers should be consulted when revisiting post-secondary education curricula to ensure greater responsiveness and relevance to their labour needs in the future.*

### ***Improving the design and coherence of the current activation strategy for youth, particularly for those at risk***

Many existing youth programmes were designed in a labour market context of high youth unemployment. This context has changed and there is now a need to modernise the strategies for youth programming to keep pace with the labour market challenges of today. Current public expenditure on youth programmes, both at the federal and at the provincial levels, should be devoted to more intensive programmes targeted towards the small group of youth facing multiple barriers to employment. These programmes should aim to improve their career prospects and could include geographic labour mobility assistance.

Better co-ordination should be implemented between the different ALMPs available to youth in Canada. The federal government is responsible for ALMPs related to EI benefits, for the Youth Employment Strategy (YES) focussing particularly on youth ineligible for EI benefits and for the youth component of Aboriginal Human Resource Development Strategy (AHRDS). Each province has developed its own youth programmes with access through each provincial Public Employment Service, as well as specific programmes for at-risk youth. In particular, the Skills Link stream of the Youth Employment Strategy (YES), introduced in 2003 by the Government of Canada and directed at disadvantaged jobless youth, should be better co-ordinated with the existing provincial programmes designed to help at-risk youth living in underserved and very often remote and rural areas.

There is increasing recognition across OECD countries of the importance of effective activation strategies for promoting employment prospects of vulnerable youth. These strategies, in particular if they amount to devoting more public resources to this group, should ideally follow a “mutual obligations” principle with a mix of rights (effective active programmes, including geographic labour mobility assistance) and responsibilities (with the threat of moderate benefit reductions). In particular, such strategies include compulsory participation in active programmes after a period of unsuccessful job search.

Canada is one of the few OECD countries, with the Czech Republic and Japan, where participation of unemployment benefit recipients in an individual action plan is only voluntary. The intensity of activation requirements of social assistance beneficiaries varies also a lot by province. There is therefore a real risk that some of the most disadvantaged groups with poor employment prospects and low motivation to participate are excluded from activation. In order to minimise this risk, the design of the current youth activation strategy in Canada could be enhanced. The objective should be to reach out effectively to the most vulnerable disadvantaged youth and to move towards an activation strategy following a “mutual obligations” principle.

All provinces should more actively encourage eligible persons for social assistance to pursue, accept, and retain any reasonable offer of employment or retraining as an initial and continuing condition of benefit eligibility. This is particularly urgent for young people in Newfoundland and Labrador. Even if the overall income support caseload has dropped significantly in recent years in that province due to its Poverty Reduction Strategy, it remains significantly higher than in any other province.

There are little incentives *per se* in the EI system for young people entering the labour market to become long-term benefit recipients. There is however a real risk of repeat use of EI benefits. There is evidence that the younger individuals are when they make their first claim, the more likely they are to go on to become repeat users of EI benefits. It is particularly the case for youth facing employability barriers in remote areas where non-seasonal job opportunities are rare. Active intervention towards this group is particularly low in Canada. In the United Kingdom, for example, young people who reclaim unemployment insurance are obliged to enter the follow-through period of the New Deal for Young People (NDYP) programme. During this period, youth receive further intensive help in order to find a job and re-enter one of the four options of the NDYP (full-time education or training, work in the voluntary sector, work in an environmental taskforce or subsidised employment).

Both the federal and provincial governments rely a lot on NGOs to reach out effectively to youth and activate them. A drawback of this approach is that it may be too much of a patchwork. An interesting initiative is the Ontario Association of Youth Employment Centres (OAYEC) created in 1988. This organisation, which supports and advocates for a sustainable youth employment delivery network in Ontario, co-ordinates over 70 youth employment agencies and provides information and advocacy action on youth employment issues and joint initiatives between school boards and the PES involving job-search techniques, vocational training and self-employment.

Finally, while a number of solid evaluations have been conducted by Human Resource and Social Development Canada on youth employment programmes funded by the federal government, there are few evaluations of youth employment programmes funded by each province. The most recent evaluation on the implementation of the federally-funded YES programmes was completed in 2005. Another evaluation on their net impacts is currently underway and its results should be diffused widely and rapidly to inform decisions-makers about how best reform the YES programmes. Similar evaluations of provincial youth programmes are lacking. As a result, there are no comparisons of good practices across provinces.

The following actions are recommended:

- *Redirect the focus of existing youth programmes towards the small group of individuals facing multiple barriers to employment. Many existing youth programmes were designed in a labour market context of high youth unemployment that no longer exists in most of Canada's provinces. These programmes need to be redesigned to respond better to today's challenges.*
- *Enforce more strictly activation strategies among youth receiving welfare benefits. All provinces, and particularly Newfoundland and Labrador, should insist that eligible youth for social assistance must pursue, accept, and retain any reasonable offer of employment or retraining as an initial and continuing condition of welfare eligibility.*

- *Enforce a “mutual obligations” principle towards young repeat users of EI benefits.* Young repeat users are at relatively high risk of becoming repeat users as adults. They should be “activated” as from the initial day of re-registration. These activation measures should include a requirement of registration for placement taking place at the time of benefit application, direct referrals to job vacancies, an obligation of reporting at least monthly their job-search activities and the frequent verification of job-search in order to continue to receive EI benefits. After three months of unsuccessful job search, an individual action plan should be drawn up and this should include the referral to active programmes and encouragement to geographic mobility, if appropriate.
- *Design geographic mobility assistance programmes to help young repeat users of EI benefits, especially from rural and remote areas, to move where job opportunities exist.* Youth living far from urban centres should be better informed on labour market opportunities and living conditions in their, or others, provinces.
- *Better co-ordinate the different ALMPs available to youth in Canada.* There is a risk of duplication of ALMPs towards disadvantaged youth in Canada. In particular, the Skills Link stream of the federal YES devoted to disadvantaged youth should be better co-ordinated with the existing provincial programmes designed to help at-risk youth living in underserved and very often remote and rural areas.
- *Implement more co-operation between the many ALMP providers.* A good practice for a sustainable youth employment delivery network is the Ontario Association of Youth Employment Centres (OAYEC). This kind of co-operation between providers operating in each community, would likely improve the delivery of efficient ALMPs for youth, not only within each province but also across Canada.
- *Set up rigorous evaluations of ALMPs for youth in each province.* The knowledge base on what works and what does not work for youth needs to be expanded and be given more publicity. Each province should develop evaluations of their different youth programmes to assess their cost-effectiveness. Access to data on provincial programmes should be made available to researchers to implement rigorous evaluations.

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