

# What The Federal Government Could Do If It Really Wanted To Reduce Youth Unemployment

Submission to The House of Commons  
Standing Committee on Finance Study of Youth Unemployment

Armine Yalnizyan, *Senior Economist*<sup>1</sup>

**T**HANK YOU FOR the invitation to address the Committee. It is gratifying to see the issue of youth unemployment in Canada receive attention, as this has been a jobless recovery for the young, and the situation has deteriorated over the past year.

Youth unemployment rates were admittedly higher in the late 1970s and early 1980s than today, but the Progressive Conservative government of the day introduced numerous measures to counteract it, such as the Canada Jobs Strategy,<sup>2</sup> worth billions of dollars and involving hundreds of thousands of participants of whom youth were a target clientele.

Compare this to today: Actual spending on the Youth Employment Strategy fell by over \$50 million between 2010–11 and 2012–13, and are planned to fall a further \$30 million by 2015–16.<sup>3</sup> The latest federal budget announced \$35 million a year over the next 2 years to create up to 4,000 new paid internships.<sup>4</sup> This funding appears to be reallocated from inside the shrinking Youth Employment Strategy budget, rather than additional funds.



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Young Canadians are getting fewer of the jobs that are being created. And there are roughly 265,000 fewer young people with jobs than in 2008. This is almost unchanged since July, 2009, the trough of the recession. Over two-thirds of the vanished jobs were full-time positions.

The youth cohort is the only group which experienced continued job loss<sup>4</sup> over the past year.

It is striking that, at least until the 2011–12 scholastic year, the reduction in the number of young people with jobs was practically matched by increases in enrolments<sup>5</sup> at post-secondary educational institutes.

This does not let legislators off the hook. Young people are clearly doing everything they can to attain or upgrade skills to make themselves more employable.

It has not been enough to prevent unemployment or underemployment.

And it is a costly gamble. Yesterday the Hill Times reported<sup>6</sup> that student debt is rising since the recession. The group with the most debt on graduation, over \$30,000, saw the fastest growth since 2009, up by 33%.

Not surprisingly, they are grabbing what employment they can. Many are underemployed, in terms of hours or skills.

Solutions for youth unemployment often focus on training and education, changing the supply of labour. But the demand for labour is changing too.

It is a buyer's market. Employers have bigger pool of people to pick from. Newcomers, older workers and younger workers are all competing for job openings in a context of sluggish growth.

Not surprisingly we have been hearing more about unpaid internships. Some young people use them to put something relevant or interesting on their resume. Some employers use them to exploit desperation.

We don't know if this is a new phenomenon. We have no official statistics to compare to previous recessions. But it makes intuitive sense: whether low- or high-skilled, it's getting harder to get a toe-hold in the job market. Sadly this is partly due public policy.

Let's say this meeting signals a genuine search for options to address these problems. Here are seven policy alternatives from which to choose.

### **1) First: Don't make things worse – help people find the jobs that exist**

The use of the low-skill pilot project under the temporary foreign worker program<sup>7</sup> has grown from 13,000 to over 30,000 since 2007 (present on December 1<sup>st</sup>); the international youth work experience program has more than doubled to over 63,000 people.

Canadian youth need experience too. **Make sure companies seeking Labour Market Opinions and foreign work exchange students post those opportunities on the national jobs board<sup>8</sup> for several weeks at least.**

Better information about where the jobs are, by industry, level of experience and geography is critical for better skill matching.

## 2) Boost labour market mobility – help people get to the jobs

Though Toronto is the biggest job market, with the most job opportunities, the rate of job growth is most rapid in Alberta, Saskatchewan, the North – all expensive locations for debt-ridden students to travel to. First-and-last-month's rent is never cheap where job markets are hot. Temporary foreign workers may be matched with employers before they land in a new place, but young Canadians are often not so lucky.

Just last week the Bank of Canada<sup>9</sup> delivered its analysis of slow growth and suggested a cure was removing barriers to labour migration. **Mobility could be enhanced by offering a cost offset of up to \$5,000 for those under age 30 who move more than 100 kilometers to look for work.**

## 3) Wage subsidies for the young can spur private sector job creation in slow growth markets

Many communities with slower job growth are caught in a troubling spiral: fewer opportunities means more young people leave, making future prospects more challenging. **A \$10/hour wage subsidy could be made available to employers who hire workers under age 30 in slow growth/high unemployment regions for the first two months of employment.**

## 4) Expand paid internships and summer hires with a fifty cent dollar for provinces, municipalities

The federal government could easily double, even triple the number of paid internships and summer hires in the public sector by **matching funds with provinces and municipalities**. There's no shortage of work to do in our communities, and waiting lists are long for summer opportunities for children.

## 5) Cost-free interventions?

The federal government has already allocated \$4 billion in the Building Canada Fund.<sup>10</sup> It could **reserve 1/5th of jobs created by federally funded infrastructure projects for Canadian youth**

## 6) Set the example, set the tone

The federal government should lead by example, and set the rules of the playing field.

**Amend the Canada Labour Code so it specifically prohibits unpaid internships**

## 7) Track unpaid internships

We don't know what we don't know. That's no way to conduct public policy.

**Provide additional funds to Statistics Canada to monitor unpaid internships on a monthly basis through additional questions on the Labour Force Survey**

These solutions, taken together, could cost less than \$200 million.

Compare that to the billions of dollars promised by the federal government to implement just two new tax cuts, tax cuts Finance Canada has determined will primarily benefit older, more affluent Canadians.

- *Doubling the Tax Free Savings Account contribution:* What proportion of Canadians under 30 do you think have \$10,000 to spare after they've maximized their RRSP contributions (which would put cash in their pocket this year)?

This program cost an estimated \$305 million<sup>11</sup> in foregone revenues in 2012. Professor Kevin Milligan, economist at the University of British Columbia, estimates the plan could easily cost the public purse up to \$10 billion<sup>12</sup> on maturity.

- *Introducing Income Splitting for Young Families:* Few young families can take advantage of income splitting. A growing group of young people are struggling with underemployment and temporary jobs. Increasingly it takes two workers working full-time for households to get into, and stay in, the middle-income range. The government's campaign promise since 2011 is estimated to reduce federal revenues by \$2.7 billion<sup>13</sup> and benefit only 14% of Canadians.<sup>14</sup>

I am hopeful that the Government of Canada will take steps to address youth unemployment in our country. But if they choose to focus on other priorities, these hearings will surely offer food for thought to all parties considering how to shape the elements of their platforms for the 2015 election.

Young Canadians matter, not just as voters, but as the shoulders on which our collective future rises or falls. Public policies must ensure we do not squander our gifts from the natural world or in our people. After years of neglect (or worse) young people need to become a political priority. We need an action plan. A youth action plan. If the government doesn't come up with one, I'm sure the opposition parties will.

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## Endnotes

- 1 Founded in 1980, the Canadian Centre for Policy Alternatives is an independent, non-partisan research institute concerned with issues of social, economic and environmental justice. It is a non-profit registered charity, supported by over 12,000 members across Canada.
- 2 Canada Jobs Strategy [http://www.oag-bvg.gc.ca/internet/English/parl\\_oag\\_198711\\_14\\_e\\_4222.html#0.2.L39QK2.VEHTEFB.0R2ZWE.3C](http://www.oag-bvg.gc.ca/internet/English/parl_oag_198711_14_e_4222.html#0.2.L39QK2.VEHTEFB.0R2ZWE.3C)
- 3 Supplementary Information Tables from Reports on Plans and Priorities of Employment and Social Development Canada, various years: Actual spending: [http://www.esdc.gc.ca/eng/publications/dpr/2011\\_2012/supplementary.shtml](http://www.esdc.gc.ca/eng/publications/dpr/2011_2012/supplementary.shtml), [http://www.esdc.gc.ca/eng/publications/dpr/2012\\_2013/supplementary.shtml](http://www.esdc.gc.ca/eng/publications/dpr/2012_2013/supplementary.shtml) Planned spending: [http://www.esdc.gc.ca/eng/publications/rpp/2013\\_2014/supplementary.shtml](http://www.esdc.gc.ca/eng/publications/rpp/2013_2014/supplementary.shtml)
- 4 See Government of Canada, Budget Plan 2014, pp. 73 and 74. <http://www.budget.gc.ca/2014/docs/plan/pdf/budget2014-eng.pdf>
- 5 Statistics Canada, Labour Force Survey, seasonally adjusted monthly labour force estimates <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=2820087&pattern=282-0069..282-0089&tabMode=dataTable&srchLan=-1&p1=-1&p2=31>
- 6 Statistics Canada, Post-Secondary Enrolments <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=4770019&paSer=&pattern=&stByVal=1&p1=1&p2=31&tabMode=dataTable&csid=>
- 7 The Hills Times, Youth Policy Briefing March 24, 2014 [http://www.hilltimes.com/policy\\_briefing/03-24-2014](http://www.hilltimes.com/policy_briefing/03-24-2014)
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- 9 Government of Canada Job Bank <http://www.jobbank.gc.ca/home-eng.do?lang=eng>
- 10 Bank of Canada, Stephen Poloz, Redefining the Limits to Growth, March 18, 2014. <http://www.bankofcanada.ca/wp-content/uploads/2014/03/remarks-180314.pdf>
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- 14 Steven Chase, Oliver Says He Will Study Income Splitting Pledge, Globe and Mail, March 19, 2014 <http://www.theglobeandmail.com/news/politics/joe-oliver-jim-flaherty-income-splitting/article17576503/>
- 15 David MacDonald, Income Splitting In Canada: Inequality by Design, Canadian Centre for Policy Alternatives, Jan 2014 <https://www.policyalternatives.ca/publications/reports/income-splitting-canada>



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