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FAILURE TO LAUNCH

The Economic and Social Costs of Youth Unemployment
and their Long-term Impacts

November 2024



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EXECUTIVE SUMMARY



Executive Summary

Youth are society's future. However, getting their start is becoming increasingly difficult in Canada. In this context, The King's Trust Canada engaged Deloitte to prepare a socio-economic impact analysis of youth underemployment and unemployment. This report provides an overview of the current labour market and assesses the economic and social costs of youth unemployment. It also estimates the potential economic and fiscal benefit from addressing this issue, based on analysis using a structural macroeconomic model.

Young workers aged between 15 and 24 are disproportionately represented in the ranks of the unemployed. In July 2024, the youth unemployment rate hit 14.2%, its highest level since September 2012, excluding the pandemic affected years of 2020 and 2021. What's more, underemployment is becoming a growing issue. The number of youth working part-time involuntarily has been rising in recent months.

When unemployed, youth cannot develop and grow their skills and social networks. This results in short-term losses in wages and long-term reductions in their earning potential, referred to as wage scarring. What's more, unemployment has unequivocal negative consequences in terms of mental and physical health and numerous other social impacts. All said, these impacts result in much broader consequences for the economy and governments must contend with lost tax revenues whilst paying more for health, welfare and other social services.

Many youths aged between 15 and 29 are neither employed nor engaged in education or training (NEET). This group of over 850,000 individuals is particularly vulnerable to poor and persistent economic, social and health outcomes. Moreover, minority groups continue to face additional barriers including gaps in educational attainment, prejudice and a lack of support which prevent them from participating fully in the world of work.

Our analysis shows there is a tremendous economic opportunity in achieving higher levels of youth engagement in the workforce. Our estimates indicate that under the right conditions, overall real GDP could increase by \$18.5 billion by 2034 – more than Canada's entire arts, entertainment and recreation sector – and add an additional 228,000 jobs in the process. A significant windfall to our economy. What's more, this is likely a conservative estimate as it does not include the societal benefits of youth development initiatives such as afterschool programs and youth mentoring.

There are many initiatives that can help Canada seize this opportunity. Collaboration between governments, businesses and non-government organizations will be critical. It will also require a holistic and comprehensive set of policies, ranging from education and skills development, to, employment services, subsidized employment, and entrepreneurial support. For maximum impact, interventions should be tailored to the specific needs of at-risk groups. Most importantly, however, it requires a mindset shift to realize that this is indeed an important social and economic issue which if left unresolved can have material short- and long-term consequences.

Current Environment

For almost three decades unemployment amongst young people has consistently measured more than double that amongst the prime age working population.

Vulnerable Groups

Vulnerable youths – including immigrants, individuals with disabilities, Indigenous and other minority groups – consistently have higher unemployment rates than the non-vulnerable population.

Economic Impacts

A reduction of youth under and unemployment in Canada could result in an increase of real GDP by \$18.5 billion by 2034.

Opportunities

Education and skills training, entrepreneurship promotion, employment services and subsidized employment are key strategies to alleviate youth under and unemployment.

Keys to Success

A comprehensive holistic approach, effective collaboration, and targeted interventions, are three key elements in a strategy to alleviate youth under and unemployment.

Preface



Context

The King's Trust Canada has engaged Deloitte to prepare a socio-economic impact analysis of youth under and unemployment. This report defines youth as individuals between 15 and 24 years of age, which aligns with the data categorization standards available from Statistics Canada.

Alternative definitions of youth are used by some countries, organizations and analyses – for instance, to include individuals up to 29 years of age. This categorization of labour data by Statistics Canada prevents our analysis from incorporating the additional age segments. Therefore, caution is warranted when making international comparisons. When alternative measures of youth are used, this is noted in the text.

The inclusion of older age groups (e.g., up to 29 years old) in the analysis would be expected to increase the benefits to GDP and employment found in this report. As a result, the findings can be considered a lower bound estimate of the impact of youth under and unemployment.



Definitions and Technical Terms

There are a few technical terms used in this report, for each of which we provide here a brief description.

- Unemployment rate: The number of unemployed persons expressed as a percentage of the labour force.
- Employment rate: Calculated as the ratio of those employed of a particular age cohort to the population of the age cohort. Employment rates are defined as a measure of the extent to which available labour resources (people available to work) are being used.
- Labour force: Refers to the total number of people within a given population who are currently employed as well as the number of people who are unemployed and actively seeking work (otherwise referred to as workforce).
- Labour force participation rate: Defined as the ratio between the total labour force divided by the total working-age population.
- Not in labour force: Refers to persons who are neither employed nor unemployed (ie., not in the labour force)
- Working age population: The population aged 15 to 64 years.
- Prime working age population: The population aged 25 to 54 years.
- NEET (Not in Employment, Education, or Training): A term used to describe the proportion of the youth population who are not in employment, education or training.
- Minority Groups: The main groups designated as visible minorities include South Asian, Chinese, Black, Filipino, Arab, Latin American, Southeast Asian, West Asian, Korean and Japanese.



Landscape Overview

Key Challenges

Youth unemployment is a complex issue and one that evolves constantly over time. This section aims to establish a shared understanding of the basic facts and developments in youth employment in Canada. The analysis identified several key challenges for youth employment, which are outlined below.

1

More people, fewer jobs

The number of youth looking for work has increased, but the number of available jobs has not grown at the same rate.

2

Increased competition

Jobs in key youth employing sectors are seeing heightened competition amongst workers because of government policies, such as the Temporary Foreign Worker (TFW) program.

3

Fewer full-time jobs

Youth employment is becoming increasingly dominated by part-time and temporary roles, increasing the risk of involuntary part-time employment.

4

Some are more vulnerable

Educational attainment, qualification recognition and increasing prevalence of disabilities create additional barriers for certain youth groups.

5

Higher education costs

Youth are paying more for education to access the same level of employment opportunities and potentially leading to overqualification.

6

Less on-the-job training

Compared to other countries, Canadian employers invest less in the learning and development of their workers than international peers, slowing skills development and productivity.

Unemployment

Youth unemployment is trending higher.

Canada's youth, a population of more than 4.6 million people aged between 15 and 24 years old are facing ever greater challenges taking their first steps into the world of work. Businesses are hesitant to hire them often preferring skilled and experienced workers, while they are likely to be the first let go in the event of an economic downturn as they are less experienced and therefore less costly for firms to terminate. When youth cannot transition smoothly through the educational system and into the workplace, they face consequences for both their present and future lives.

A telling indicator of the barriers that youth face is the unemployment rate. While the national unemployment rate was 4.5% in 2023, youth unemployment averaged 10.7%. Moreover, this measure has started to trend up recently. In July 2024, the youth unemployment rate hit 14.2%, its highest level since September 2012, excluding the pandemic affected years of 2020 and 2021 (Figure 1). Unemployment amongst young people has consistently measured more than double the prime age working population since 1997, it appears to have become normalized and the urgency to address the issue has waned. This hasn't always been the case though. During the mid-to-late 1980s and early 1990s this ratio dropped below two (Figure 2).

This increase in unemployment rate is being driven by two complementary forces – more people are entering the labour force but there are fewer jobs to be found. As a result, young people are spending longer searching for a job and it's taking longer for the labour market to absorb these newly available workers.

After dropping precipitously during the pandemic, the youth labour force has recovered over the past two years to hit an all-time high of over 3.1 million individuals. Meanwhile, job vacancies are down significantly in the first quarter of 2024 and on a year-over-year basis across a wide variety of industries.¹ (See Appendix A for more detail). This has been most significant in manufacturing and utilities (down 35.3% year-over-year) but also in sales and service (down 33.7% y-o-y) and trades, transport and equipment operators (down 22.6% y-o-y) – the two largest employers of young people.

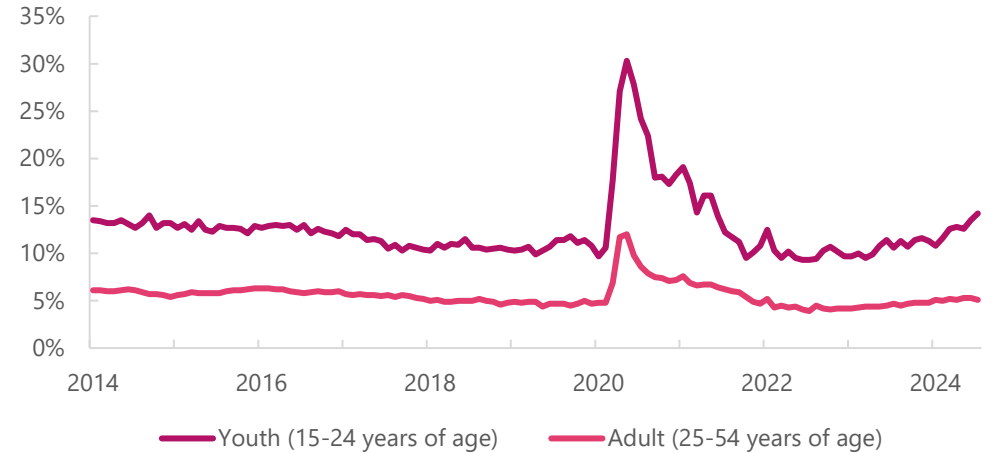
This means young workers are disproportionately represented in the ranks of the unemployed. Young workers comprise a relatively small share of the total labour force — 14.1% of all workers are aged 15 and 24 years old. However, young workers account for 27.9% of those unemployed, based on 2023 data. In other words, one in every four unemployed persons in Canada is under the age of 25.

Data suggests that firms have slowed their rate of hiring and that that is the main driver of the increase in unemployment, rather than increasing layoffs.² This means that job seekers (which includes a significant portion of young people) are disproportionately affected over those that already hold jobs (older people).

¹ Statistics Canada, Job Vacancy and Wage Survey, Table 14-10-0399-01.

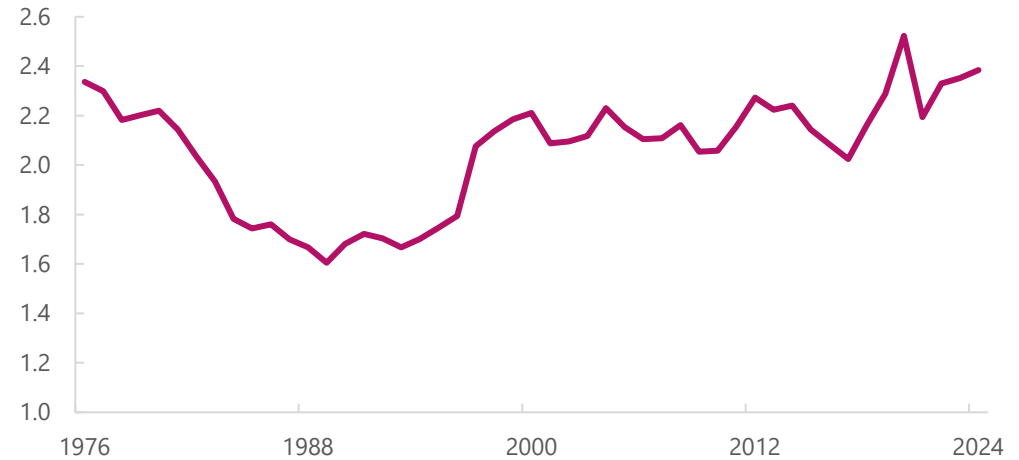
² RBC (2024), Proof Point: Students and new graduates are bearing the brunt of the labour market downturn

Figure 1: Unemployment rate, youth and adult cohorts



Source: Statistics Canada

Figure 2: Youth to adult unemployment ratio



Source: Statistics Canada

The Nature of Employment

Finding appropriate full-time employment has become more difficult, forcing many to instead take up part-time work.

The nature of youth employment has changed markedly over time. Over the past four decades, there has been a significant decline in the number of young individuals employed in full-time jobs – those which require at least 30 work hours per week. Part-time work as a share of overall youth employment has increased significantly since the 1970s, growing from less than a quarter to around half of all jobs. This shift has not been as dramatic for older working cohorts (Figure 3).

In addition, those finding full-time work are increasingly in temporary roles. Rates of temporary employment have more than tripled for youth since 1989.¹ The reduced prevalence of full-time work amongst young people has been attributed to changes in the types of jobs being offered, making finding full-time employment more difficult in an evolving labour market.² The Canadian labour market has experienced a shift from manufacturing to service-oriented industries over the past few decades. Service sectors, which often require flexible staffing arrangements, tend to have a higher prevalence of part-time jobs. This shift in industry composition has also contributed to the growth of part-time employment among Canadian youth. Another contributing factor is higher participation in post-secondary education – more youth are staying in education and delaying their entry into the labour market.

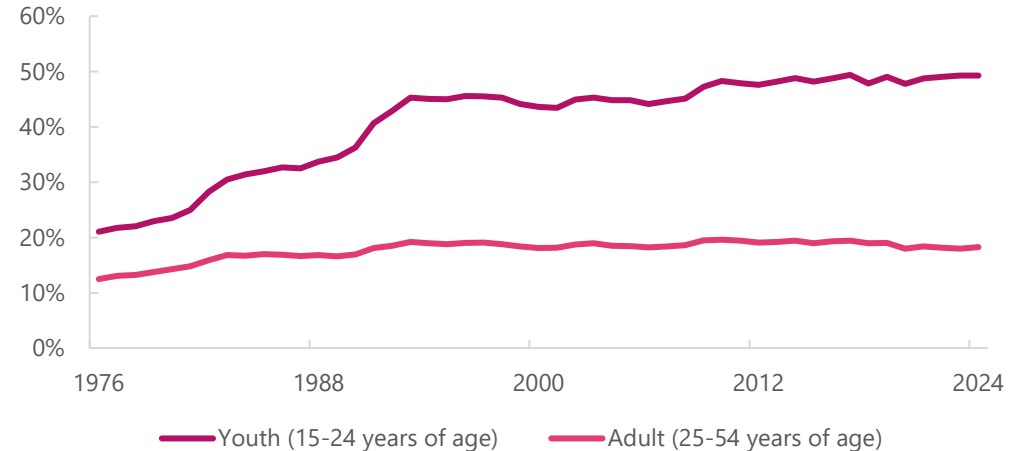
However, even when employed, youth may not be participating in the labour force to the extent they would like. In 2023, there were around 172,000 youth working part-time involuntarily (5.7% of the youth labour force), an increase of 26,000 from the year prior. Furthermore, this number is trending higher in 2024.

While not officially considered as unemployed, underemployment can mask the fact that a considerable number of workers work fewer hours, earn lower incomes, utilize fewer of their skills, and, in general, work less productively than they could and would like to do.

The prevalence of involuntary part-time work among young individuals has significant implications for both the affected individuals and the economy as a whole. From a personal perspective, it limits their ability to earn a sufficient income, gain valuable work experience, and develop the necessary skills to progress in their careers. This can lead to feelings of frustration, demotivation, and a sense of being trapped in a cycle of underemployment.

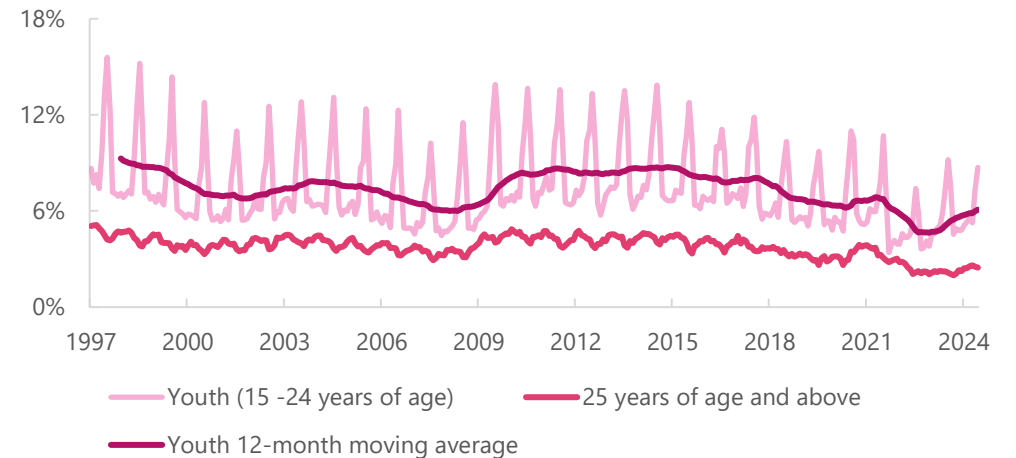
From an economic standpoint, youth underemployment has broader consequences. It hampers productivity and innovation, as the potential of young talent remains untapped. Moreover, it can perpetuate income inequality and hinder social mobility, as individuals struggle to break free from the cycle of low-paying, part-time jobs.

Figure 3: Part-time share of employment, by age group



Source: Statistics Canada

Figure 4: Share of involuntary part-time employment, by age group



Source: Statistics Canada

¹ Statistics Canada, Perspectives on the Youth Labour Market in Canada, 1976 to 2015

² Statistics Canada, Portrait of Youth in Canada: Data Report

Temporary Foreign Workers

Key sectors for youth employment are seeing increased competition for jobs from foreign workers.

The job market for young Canadians is becoming increasingly challenging, and there are concerns that the influx of foreign workers because of the Temporary Foreign Worker (TFW) program may be exacerbating this issue.

It is difficult to precisely determine the impact the TFW program has had on youth employment as data is not available by age cohort. However, the data that is available suggests it may be a contributing factor in making it more difficult for youth to find a job.

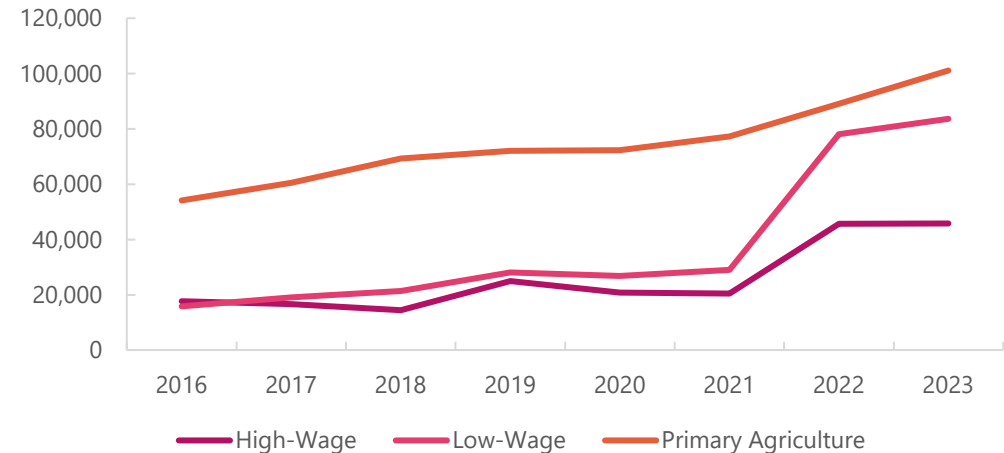
The number of people employed through the TFW program increased from around 90,000 in 2016 to 240,000 in 2023, an increase of 2.7 times. This was predominantly driven by growth in the low wage stream of the program, which increased by 5.3 times over the same period. In comparison, the high wage program increased by 2.6 times and the Primary Agriculture stream increased by only 1.9 times (Figure 5).¹ To the extent that youth typically begin their careers in lower paying jobs, this trend may be impacting on youth's abilities to find work.

Moreover, there has been rapid growth in the number of TFW positions in key youth employment sectors. For example, TFW positions in Health Care and Social Assistance increased by a factor of 9 between 2016 and 2023 while TFW roles in Accommodation and Food Services and the Retail Trade sector increased by 6.3 and 4.6 times, respectively. These sectors make up more than half of youth employment, individually representing 9%, 16% and 26% of youth employment, respectively (Figure 6).²

In addition to the TFW program, the number of workers on study permits has also grown and are competing for jobs with youth. Between 2010 and 2019, the share of people holding study permits working in the Retail Trade industry increased from 2% to 23.8%. Similar increases have been seen in the Accommodation and Food Service industry.³

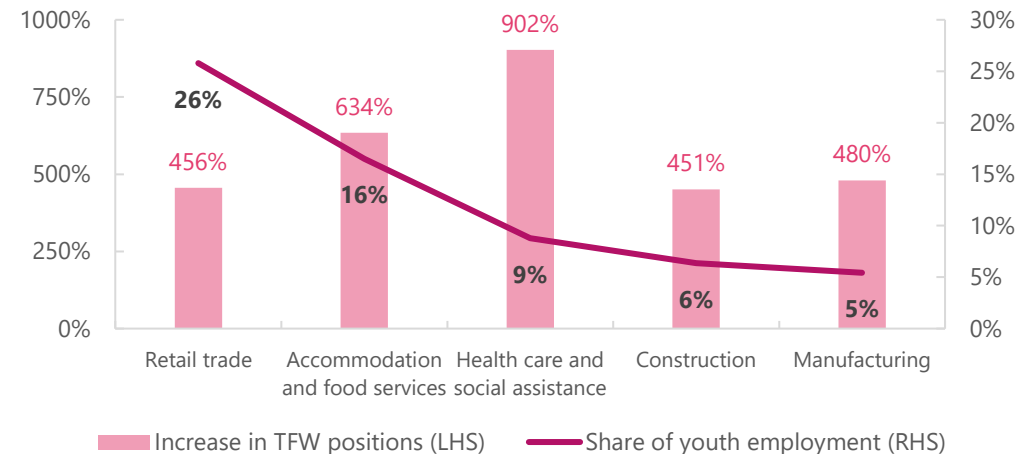
While not definitive, this data speaks to increasing competition and growing challenges youth are facing in securing a job.

Figure 5: Number of temporary foreign worker positions by stream



Source: Statistics Canada

Figure 6: Increases in temporary foreign worker positions in selected industries



Source: Statistics Canada

¹ Statistics Canada, Temporary Foreign Worker Program Labour Market Impact Assessment Statistics 2016-2023

² Statistics Canada, Table: 98-10-0592-01

³ Statistics Canada, Foreign workers in Canada: Distribution of paid employment by industry

Not Employed nor Engaged in Education or Training (NEET)

More than 800,000 young Canadians aged 15 to 29 are neither employed nor engaged in education or training.

With many youth facing difficulties in getting their start in the world of work, there is a risk that some youth may face persistent and prolonged barriers from entering the labour market. An especially vulnerable cohort are those who are neither employed nor engaged in education or training, referred to as NEET individuals. By not building their skills either on the job or through education, these youth face a high risk of prolonged detachment from the labour market and poor long-term outcomes.

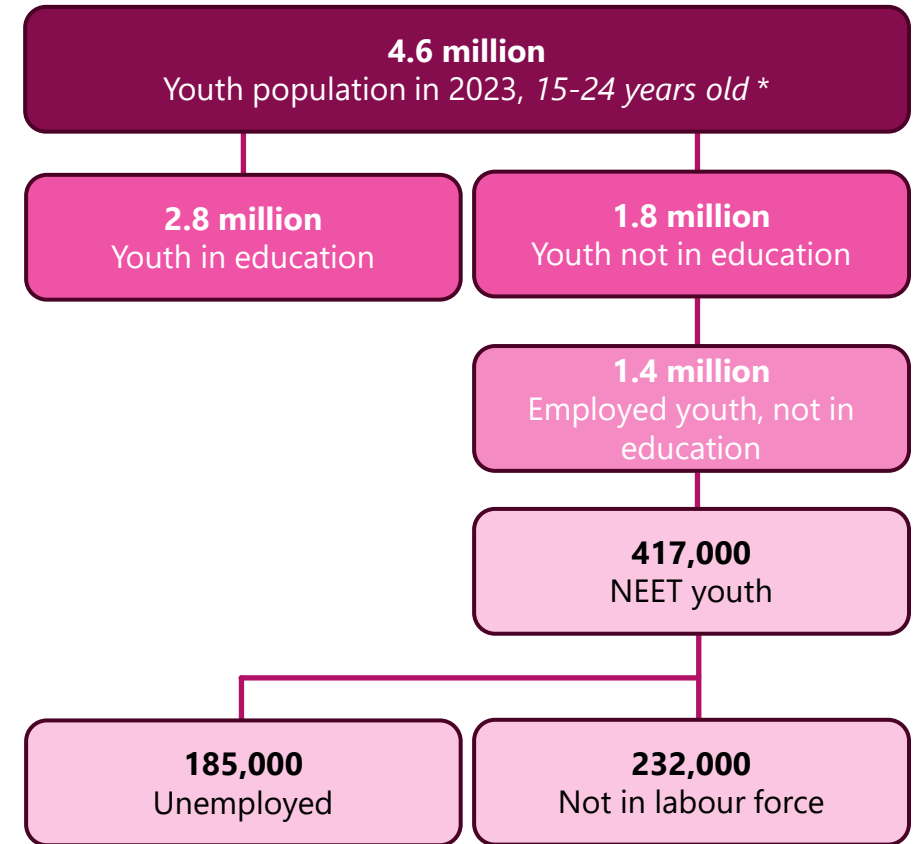
In 2023, 9% of Canada’s youth aged between 15 and 24 were NEET, equivalent to 417,000 people. A little less than half of this group (185,000) are searching for employment but were unemployed. The remaining 232,000 people had completely exited the labour force.

For those aged between 15 and 29 the NEET rate is even higher at 11%. As a group consisting of more than 7.7 million people, this equates to over 850,000 individuals.¹

Research indicates that young NEET individuals are disproportionately represented among those who require social service assistance. These NEET youth are more likely to self-report poorer physical and mental health, as well as lower levels of physical activity. Furthermore, they are more prone to mood and anxiety disorders and experiencing suicidal thoughts. In comparison to their non-NEET counterparts, youth who are NEET also exhibit lower levels of life satisfaction.² International evidence also suggests that NEET youth commit significantly more crime than non-NEET youth, and within Canada there is evidence suggesting that NEET youth in Canada may be arrested at a higher rate than non-NEET youth.^{3,4}

According to surveys of NEET youth, around half are planning to return to work or education. Their main challenge when looking for job opportunities, however, was a lack of work experience. Importantly as well, around a quarter (21%) of respondents noted that there were no adequate jobs in their local area.⁵ This points to the need for targeted, local action when trying to avoid chronic unemployment in NEET populations.

Figure 7: Breakdown of youth population by employment characteristics



* Data in this figures is for youths defined as people between the ages of 15 and 24, which aligns with the data categorization standards available from Statistics Canada.

Source: Statistics Canada

¹ Statistics Canada, Table: 37-10-0196-01

² Statistics Canada, A Profile of Youth Not in Employment, Education or Training (NEET) in Canada, 2015 to 2017

³ Belfield, Levin and Rosen (2012)

⁴ Henderson, Hawke, and Chaim (2017)

⁵ Labour Market Information Council, Insights Report no. 17

Youth Unemployment and Underemployment Across Canada

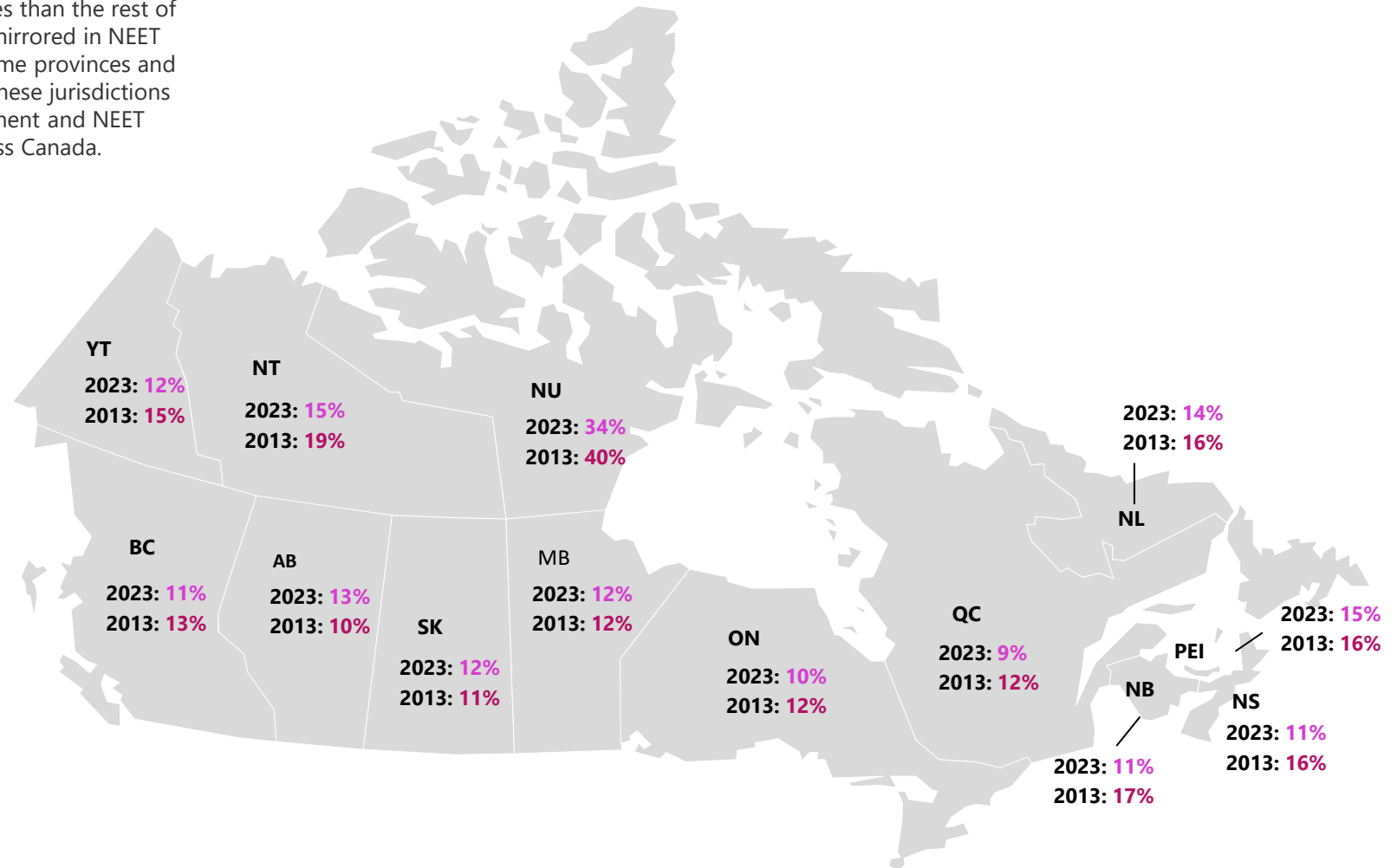
Unemployment and NEET rates vary greatly across Canada.

Youth unemployment rates vary greatly across Canada. In 2023, they ranged from as high as 19.4% in Nunavut to as low as 6.2% in Yukon. In general, Canada's maritime provinces and northern territories exhibit higher unemployment rates than the rest of the country. This distribution of unemployment rates are generally mirrored in NEET rates across Canada. The NEET rates also tend to be higher in maritime provinces and northern territories than the rest of the country. This suggests that these jurisdictions would serve as priority targets for assistive action. Youth unemployment and NEET rates have also been trending downwards over the last decade across Canada. However, Alberta and Saskatchewan is the exception of this trend.

NEET Rates Across Canada

Table 1: Youth unemployment rate by province, 2013 and 2023

Province	2013	2023
Newfoundland and Labrador	16.9	15.0
Prince Edward Island	17.4	12.2
Nova Scotia	17.4	12.1
New Brunswick	17.3	11.5
Quebec	12.7	7.5
Ontario	15.4	12.5
Manitoba	10.1	9.6
Saskatchewan	7.6	9.7
Alberta	8.4	12.3
British Columbia	12.7	9.3
Yukon	12.1	6.2
Northwest Territory	13.4	14.6
Nunavut	26.2	19.4
Canada	13.2	10.8



Youth Unemployment and Underemployment – International Comparison

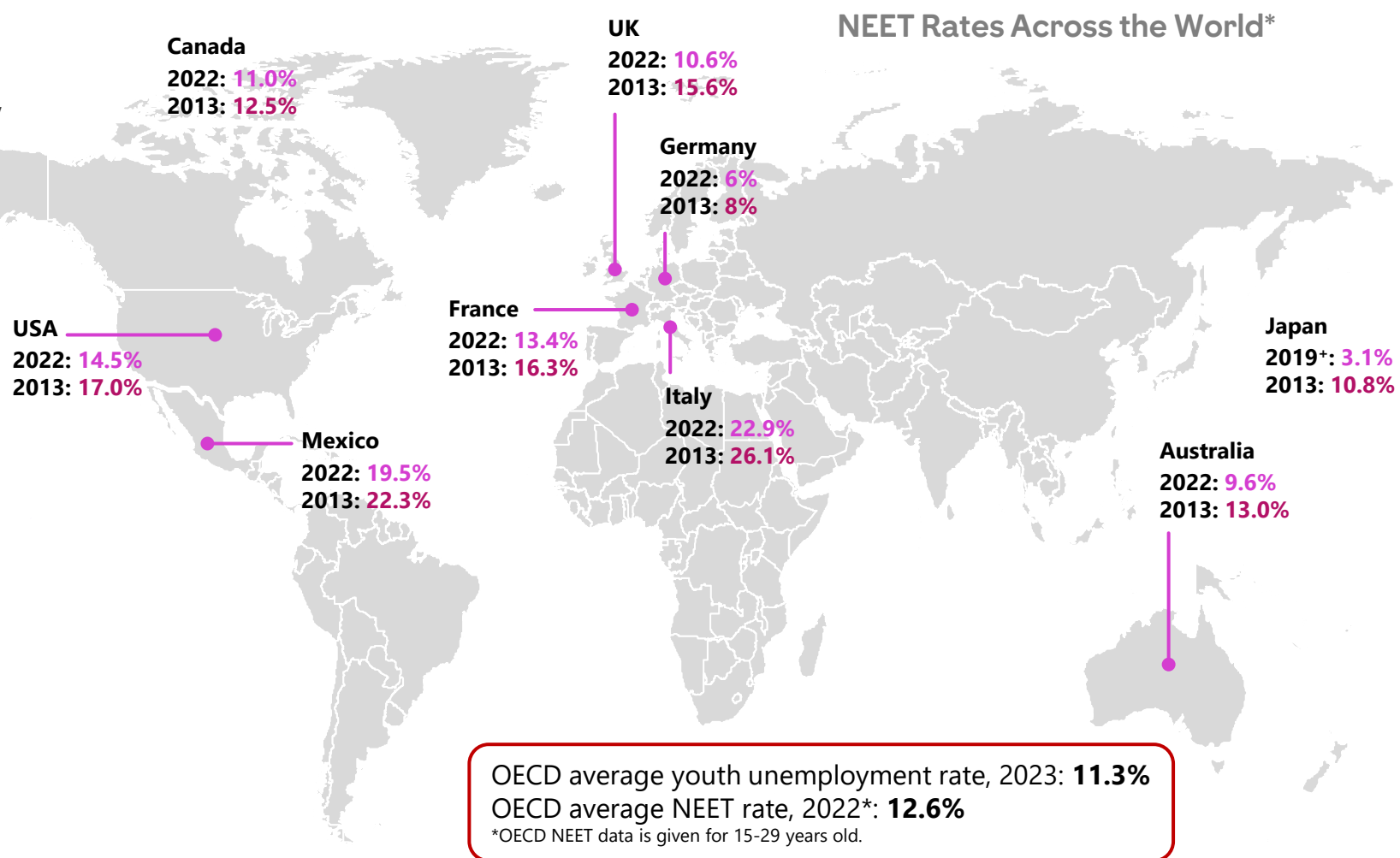
Unemployment and NEET rates vary greatly across the world.

Youth unemployment and NEET rates also vary greatly across world. Canada ranks in the middle among G7 and other selected OECD member counterparts. Both the unemployment rate and NEET rates have been declining over the course of the last decade, as the youth labour market has recovered from the scarring of the great financial crisis of 2008. It is noteworthy that Canada's NEET rate is very similar to its youth unemployment rate. When a country's NEET rate is significantly higher than its unemployment rate it suggests that there are a significant portion of young individuals who are not actively seeking employment but are also not engaged in education or training programs. On the other hand, if a country's NEET rate is significantly lower than its unemployment rate it suggests that a significant portion of the population who are not employed or seeking employment are engaged in education or training activities.

Table 2: Youth unemployment rate by country, 2013 and 2023

Country	2013	2023
Japan	6.8	4.1+
Germany	7.8	6.0
Mexico	9.4	6.1
United States	15.5	7.9
Australia	12.2	8.6
New Zealand	15.3	10.7
Canada	13.2	10.8
United Kingdom	20.5	12.5
France	24.4	17.1
Italy	40.1	22.7

Source: World Bank (2023), Statistics Canada



+ Last published data for Japan is 2019.

Source: OECD (2022)

A Deeper Dive: Newcomers to Canada

Some youth face more barriers than others when getting their start in the job market.

While Canada's youth experiences employment challenges, some groups face additional barriers and are more vulnerable. Monitoring the circumstances of these vulnerable groups is warranted to identify disparities, tailor interventions, ensure inclusivity, and track progress over time. Without such tracking, there is a critical risk that disparities will persist and continue. Thus, monitoring circumstances of vulnerable groups is a crucial step in addressing the unique challenges faced by different groups and promoting equal opportunities for all.

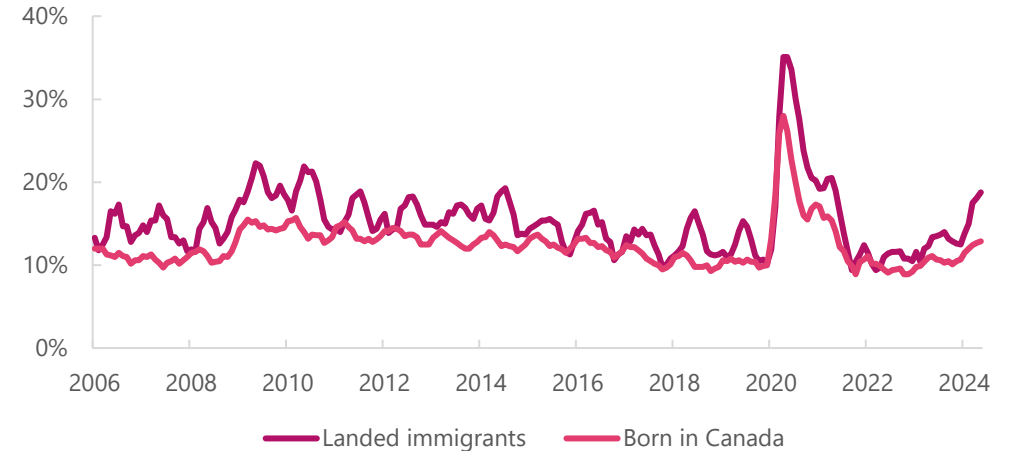
New arrivals to Canada are at a disadvantage when first establishing themselves in the country. In general, unemployment rates for landed immigrants have been consistently higher than people born in the country. This is the case for both young and older age cohorts.

Since March 2006, the average gap between the youth unemployment rate of landed immigrants versus that of individuals born in Canada was approximately 2.9 percentage points. This gap, however, has been widening recently and has reached approximately 5.9 percentage points in July of 2024. It should be noted that the unemployment gap tends to decline as the time that immigrants have spent in Canada increases. However, for immigrants who have landed in Canada more than 10 years earlier, the gap still remains, averaging about 1.9 percentage points above individuals born in Canada, since 2006.

When looking at employment rates – a measure of employed individuals relative to the total population of the age cohort – we also find a large rate gap between immigrants and individuals born in Canada. Albeit this gap is narrowing over time. While the gap averaged 10 percentage points since 2006, it has been reduced to 4.7 percentage points in 2023. This narrowing gap appears to be a hopeful trend, but the latest observations appear to indicate that this gap may be widening once again.

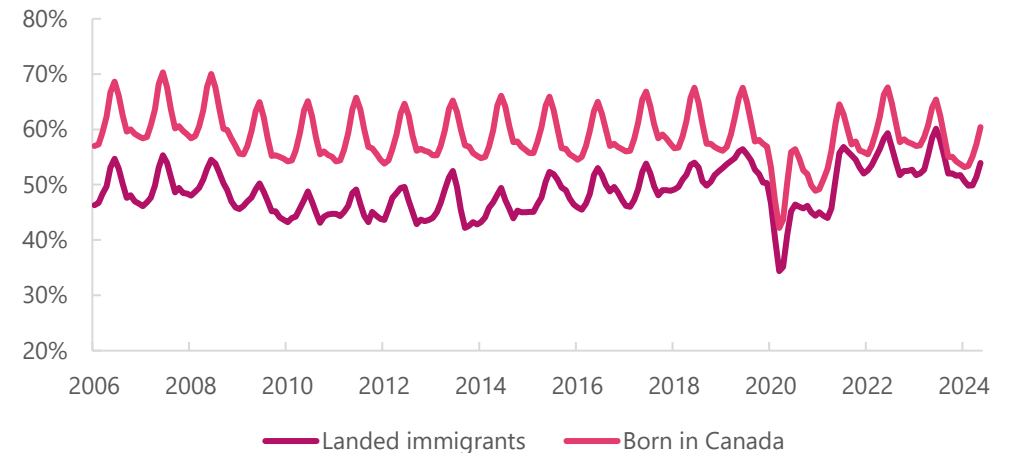
What's more, immigrant populations are at greater risk of underemployment when it comes to fully utilizing their skills. Newly arrived immigrants struggle to have their international qualifications recognized in Canada. For adults, rates of overqualification are much higher for immigrants with foreign degrees than those educated in Canada.¹ A similar rejection of foreign school transcripts and work credentials is a documented problem for youth.² Having university educated migrants working in a low-skilled job is clearly leaving a lot of talent on the table.

Figure 8: Youth unemployment rate by immigrant status, not seasonally adjusted



Source: Statistics Canada

Figure 9: Youth employment rate by immigrant status, not seasonally adjusted



Source: Statistics Canada

¹ Statistics Canada, Job Vacancy and Wage Survey, Table 14-10-0399-01.

² Nichols, Ha & Tyyskä (2020)

A Deeper Dive: Racialized Groups

Some youth face more barriers than others when getting their start in the job market.



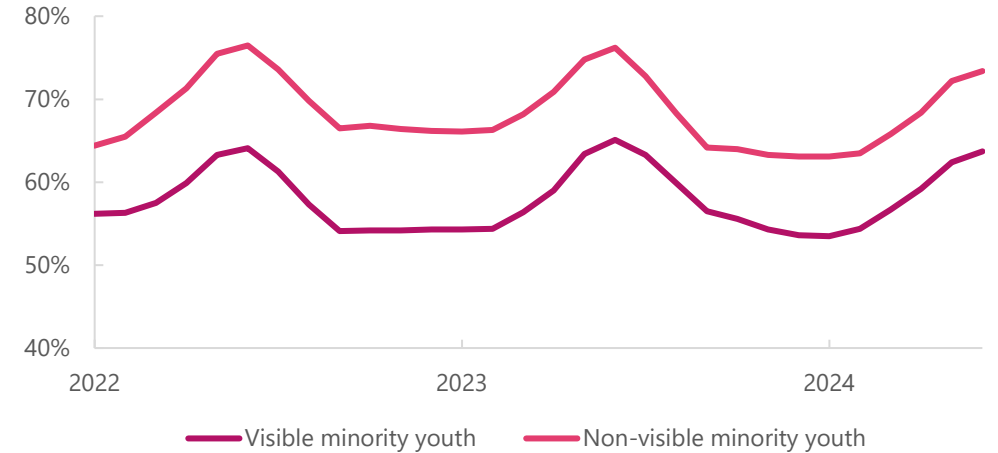
Visible minority groups, including South Asian, Chinese, Black and other non-Caucasian races, display higher levels of unemployment that are particularly acute amongst young people. This is the case despite racialized youth being more likely to earn a bachelor's degree or higher than their non-racialized, non-Indigenous counterparts. Even so, they are less likely to find jobs that offer the same pay and benefits in the years following graduation.¹

Historically, much of the information on the labour market characteristics of racialized groups has been derived from the Census. Unfortunately, this results in infrequent data samples with limited information to discern long-term trends. However, the Labour Force Survey has started to track labour market information on racialized groups since 2022, with data provided on a monthly frequency. This data indicates that there is a material difference in the youth labour force participation rate between the visible minority segment of Canada's youth population, and those that are not a visible minority. Since March 2022, the labour force participation rate for youth visible minorities averaged 58% - about 10.5% less than non-visible minorities, which averaged at 68.5% over the same period.²

There are several reasons that may explain this disparity in labour force participation. One factor may be the pursuit of education and training that restricts individuals from participating in the workforce. Data from the 2021 Census indicates that although racialized groups made up over one-third (33.9%) of the population aged 15 to 24, they made up nearly 38.3% of people in that age group with a post-secondary degree, diploma or certificate.³ It may also be an indication that there is a high degree of discouraged racialized youths who have given up on finding employment, leading them to withdraw from actively seeking work. This higher degree of discouragement may be caused by the higher rate of unemployment rate exhibited amongst visible minorities.

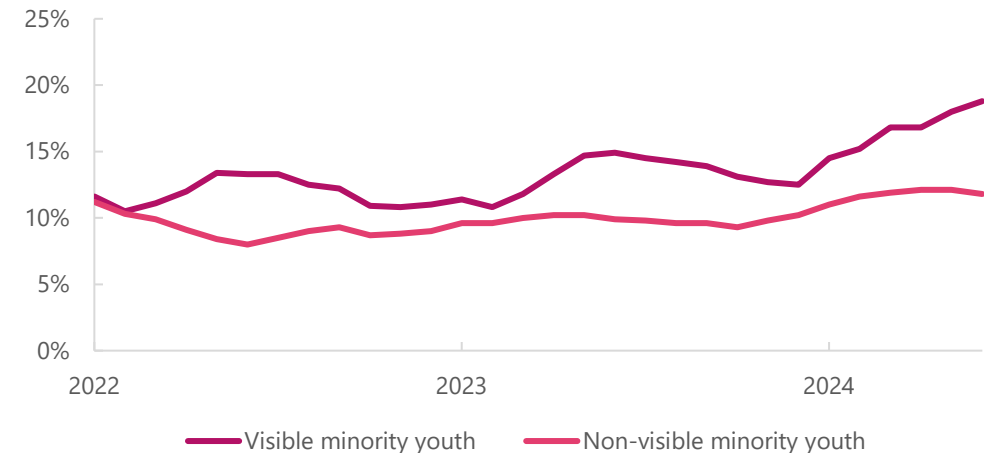
In general, youth unemployment amongst visible minorities has been higher than non-visible minorities. From 2022 to the end of 2023, the unemployment rate for visible minority youths averaged 13.4% percent while non-visible minorities averaged 10%, a 34% difference between the two groups. However, this gap has been widening since the start of 2024. While unemployment rates for both groups have increased during this period, the unemployment rate for visible minority youths has been growing at a faster pace – with the unemployment rate reaching 18.8% in August 2024, a rate 59% higher than non-visible minority youths, with an unemployment rate of 11.8%. This growing disparity is of concern, not only because it counters the policy efforts to promote an inclusive and equitable society, but it can contribute to social exclusion and marginalization.

Figure 10: Labour force participation rates, 3 month moving average



Source: Statistics Canada

Figure 11: Unemployment rates, 3-month moving average



Source: Statistics Canada

¹ Statistics Canada, Early career job quality of racialized Canadian graduates with a bachelor's degree, 2014 to 2017 cohorts

² Statistics Canada, Table: 14-10-0373-01 Labour force characteristics by visible minority group

³ Statistics Canada, Table: 98-10-0432-01, Highest level of education by visible minority and immigrant status

A Deeper Dive: Indigenous Peoples

Some youth face more barriers than others when getting their start in the job market.

Indigenous people are the fastest-growing and youngest segment of the Canadian population. However, their entry into the workplace remains troubled. In general, Indigenous people earn lower wages, are less represented in managerial positions and have higher reports of unfair treatment and discrimination at work.¹

Indigenous youth unemployment rates have historically been higher than non-Indigenous youth. From 2007 to 2019, the Indigenous youth unemployment rate averaged around 18.5%, while the rate for non-Indigenous youth averaged approximately 12.5%.²

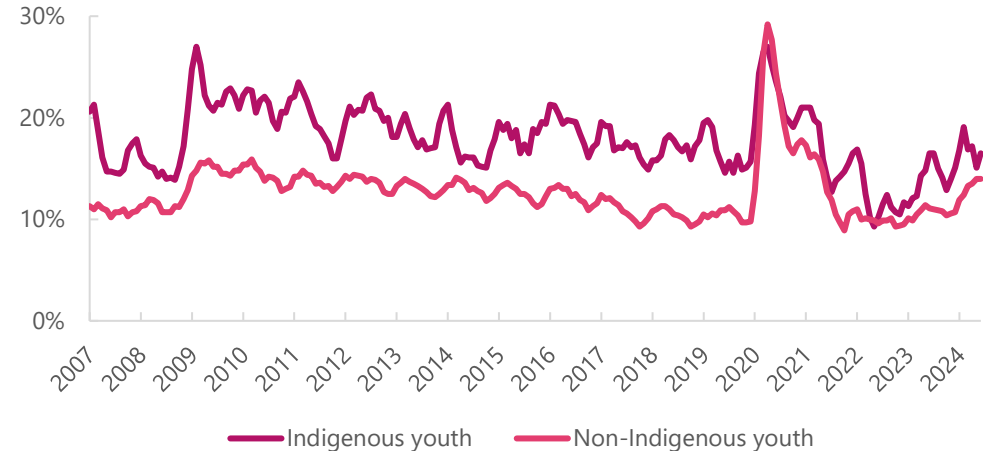
A key driver of these differences are gaps in educational attainment, a key link in employment. Indigenous youth are less likely to attend school than non-Indigenous youth, a gap that is particularly pronounced at university level and other post-secondary level. (Figure 13)

While not specific to youth, the additional employment income that could be generated by equalizing employment rates between Indigenous populations and other Canadians has been estimated at almost \$7 billion.³

Yet, there does appear to be promising signs in the labour market for Indigenous youths. While there has been a historical gap in the unemployment rate between the Indigenous and non-Indigenous youths, this gap has been narrowing over time, especially in the post pandemic period. In 2024 year-to-date, unemployment amongst Indigenous youth averaged 16.3%, compared with 12.6% for their non-Indigenous peers. Furthermore, this convergence has been found in other labour market metrics including employment rates and labour force participation rates (See Appendix A).

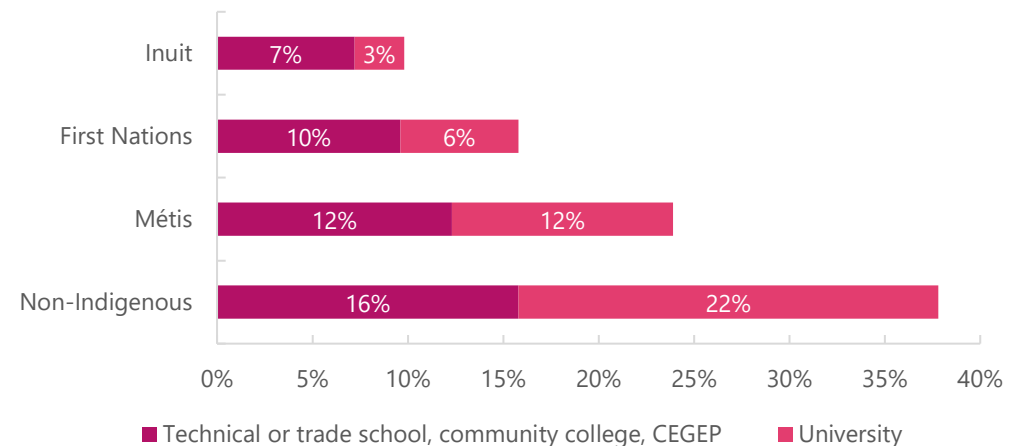
To be sure, there are still significant differences in outcomes between Indigenous and non-Indigenous youths. Moreover, some of the convergence is a consequence of the deterioration of labour market metrics for non-Indigenous youths. Nevertheless, public policy can play a key role in narrowing the gap further by creating opportunities for employment and economic empowerment for youths within these communities. Addressing this issue is crucial for achieving economic equality and reducing the wealth gap between Indigenous and non-Indigenous populations.

Figure 12: Unemployment rates by Indigenous status, not seasonally adjusted



Source: Statistics Canada

Figure 13: Proportion attending post-secondary education, 15–24-years of age, 2016



Source: Statistics Canada

¹ Statistics Canada, Quality of employment among First Nations people living off reserve and Métis, 2022

² Statistics Canada, Table: 14-10-0401-01 Labour force characteristics by detailed Indigenous group

³ Fiscal Realities Economists (2016), Reconciliation: Growing Canada's Economy by \$27.7 Billion

A Deeper Dive: Youth with Disabilities

Monitoring the increasing prevalence of disabilities among youth is essential for the future workforce.

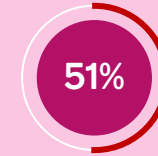
Transitioning from youth to adulthood can be a challenging time for many individuals. However, for those with disabilities, this can be even more difficult due to additional barriers they face, particularly in terms of employment. Canada faces an additional challenge due to the increasing prevalence of disabilities among youth.

Youth with disabilities had the lowest employment rate compared to other marginalized groups in 2023. Only slightly over half (51%) of young people with disabilities were employed.¹ This is concerning as it raises questions about the barriers preventing these individuals from accessing employment opportunities and achieving financial independence.

What makes this issue even more pressing is the fact that the rate of disability is on the rise among the youth population. Between 2017 and 2022, the disability rate among youth increased by 7 percentage points, reaching 20.1%, representing a more than 50% increase during this short time-period. This increase was higher than any other age group, including adults aged 25 to 44 years, who saw a 5-percentage point rise to 20.5%, a roughly 30% increase since 2017.² This upward trend in disability prevalence among young people will likely require additional attention to ensure their successful transition into employment.

The impact of these challenges is evident in the category of NEET youth. Three out of ten youth with more severe disabilities fall into the NEET category. This means that a significant proportion of NEET youth have disabilities, indicating the additional barriers they face in accessing education or finding employment opportunities. Overall, approximately one third of all NEET youth, totaling around 142,000 individuals, consist of youth with disabilities.³ This statistic highlights the magnitude of the issue and emphasizes the urgent need for targeted interventions and support systems.

It is important to recognize that having a disability does not mean that youth cannot realize their potential in the labour market. In fact, 81% of NEET youth with disabilities, equivalent to more than 114,00 people, have the potential to work if the labour market were to become more inclusive and accessible.⁴ By making workplaces more accommodating and breaking down barriers, the potential of these individuals can be unlocked and create a more inclusive society. A 2018 study, combining data from Statistics Canada with a national survey, estimated that improvements the accessibility of workplaces would allow 550,000 Canadians with disabilities to work more, increasing GDP by \$16.8 billion by 2030.⁵



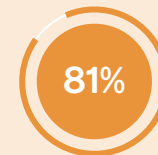
Employment rate for youth with disabilities



Youth disability rate in 2022, an increase from 13.1% in 2017



Number of NEET youth with disabilities in 2022



NEET youth with disabilities who have the potential to work if the labour market were to become more inclusive and accessible

¹ Statistics Canada (2023), Labour market characteristics of persons with and without disabilities

^{2, 3, 4} Statistics Canada (2022), Canadian Survey on Disability

⁵ Conference Board of Canada (2018), The Business Case to Build Physically Accessible Environments

A Deeper Dive: Education Levels

Some youth face more barriers than others when getting their start in the job market.

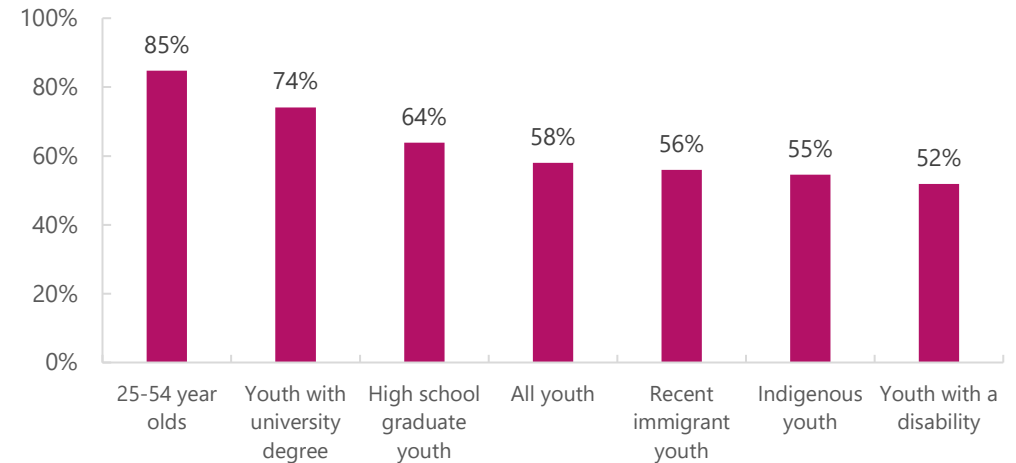
Research shows that having a strong educational background and relevant training significantly increases the chances of securing nonvulnerable jobs. Consequently, educational attainment and skills development is critical for Canada’s youth and minority groups to develop the skills demanded by employers and overcome barriers to employment.

Moreover, the Canadian labour market increasingly requires higher levels of education to compete. This means that youth with less education are particularly at risk. In 2023, youth with only a high school diploma had an employment rate of 63.9%, significantly lower than those who held a university degree (74.1%).¹ Moreover, less educated youth are more likely to be in part-time employment. Of all young workers holding a bachelor’s degree and not attending school full-time, more than two-thirds (70.7%) held full-time permanent jobs as employees in 2019. In contrast, less than half (48.9%) of their counterparts with no high school diploma did so.¹

Despite the benefits of education in terms of employment opportunities, the cost of achieving higher educational attainment is a growing concern. There is evidence to suggest that despite the rising costs of post-secondary education, and graduates struggling to find good jobs, higher level education remains a good investment. However, this is in part due to the rising opportunity costs of not participating in post-secondary education. While real average weekly wages for youth have risen from 1997 to 2019, the relative increase in real wages has been larger for youth with a university degree compared to youths with only a high school diploma.² This widening gap shows the stark opportunity cost of not participating in higher levels of education. (Figure 15).

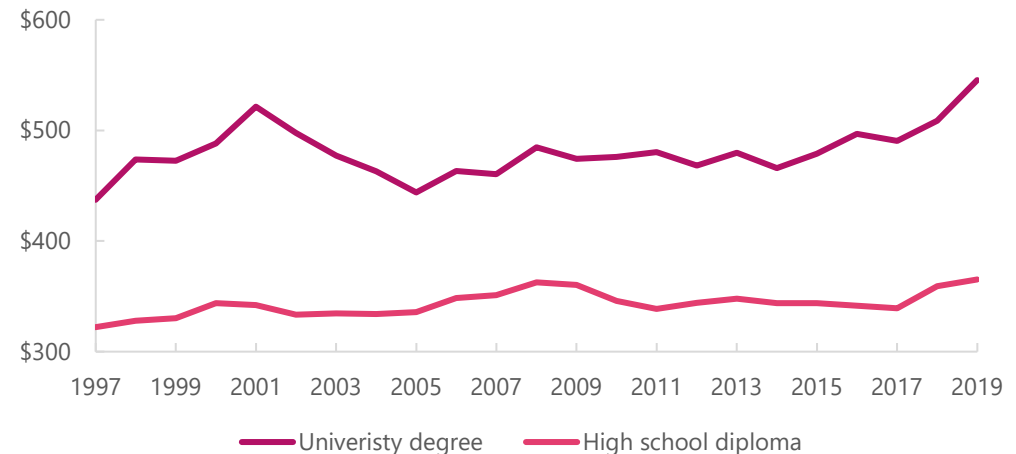
This increasing trend towards higher educational attainment, however, can result in a “pay to play” scenario where young individuals are required to bear an increasingly higher financial burden to gain access to the same level of employment opportunities. In addition, while the increasing levels of post-secondary educational attainment over the last 50 years have been a net positive for Canada, this dynamic can also result in high levels of education-job mismatch. This mismatch is a form of underemployment where a job requires lower educational qualifications than those possessed by an individual. Based on the 2021 Census, the total overeducation rate was 13.5% in 2021, while the marginally over education rate was 25.3%, leaving 61.2% of individuals with an education–occupation match.³ This overqualification can lead to frustration and dissatisfaction among employees, as they may feel underutilized and unable to reach their full potential.

Figure 14: Employment rates for selected cohorts, 2023



Source: Statistics Canada

Figure 15: Real Average Weekly Wages for Youth, by Educational Category



Source: Statistics Canada, Deloitte

¹ Statistics Canada, Table 14-10-0118-01, Labour force characteristics by educational degree, annual

² Statistics Canada, Wages by Education Level

³ Statistics Canada (2024), Trends in education–occupation mismatch among recent immigrants with a bachelor’s degree or higher, 2001 to 2021

A Deeper Dive: Skills Gaps and Employer-Sponsored Training

Canadian firms lag their US and international peers in the provision of job-related learning and development.

The disparity and skills gaps between young workers with and without post-secondary education is likely to be further exacerbated when considering recent data on worker participation in job-related training. In the 12 months ending in November 2022, just under a third (30.9%) of workers in Canada had participated in job-related training outside the formal education system. Notably, 39.8% of workers with a bachelor's degree or higher had participated in training, compared to 17.0% of those with a high school diploma or less. Public sector employees (42.9%) were more likely than self-employed (27.6%) or private sector workers (27.1%) to have participated in job-related training.¹

There is intermittent survey data that suggests that Canadian organizations' spending on learning and development per worker has been steadily increasing since the end of 2010, but it still lags their counterparts in the US by about 20% - rising from 57 cents per dollar of spending per US worker in 2006, to 81 cents per dollar in 2016 (See Figure 11). On a broader timescale however, the trend is not encouraging. Direct learning expenditure per employee in Canada (adjusted for inflation) has declined by almost 30% since 1993.² Compared to other international peers, Canadian workers spend fewer hours per year in education and training, and Canadian public investment in training as a percentage of GDP has consistently been lower than the OECD average for two decades.³ Furthermore, a recent benchmarking study found that the training and development budgets of Canadian employers are lower than recommended by human resources professionals.⁴ This is particularly worrisome given the fairly well-established link between work-related training and productivity.⁵

While well-structured and periodically updated data on employer-sponsored skills training in Canada is limited, a recent broad assessment of data from surveys and other sources, conducted by the Labour Market Information Council and Future Skills Canada, found that:⁶

- Canadian firms lag their international peers in both training expenditures and hours of instruction, investing an estimated \$240 per employee annually.
- The likelihood of training provision is skewed towards larger firms, firms in knowledge-intensive sectors such as utilities, finance, and public administration, and firms in the larger provinces.
- The likelihood of training provision is skewed towards employees with higher levels of education, employees in professional, scientific, and technology-focused roles, employees in prime working age (ages 25-54), and employees in full-time, permanent positions.

¹ Statistics Canada (2022), Quality of Employment in Canada: Training participation

² Conference Board of Canada (2018), Learning Cultures Lead the Way: Learning and Development Outlook—14th Edition

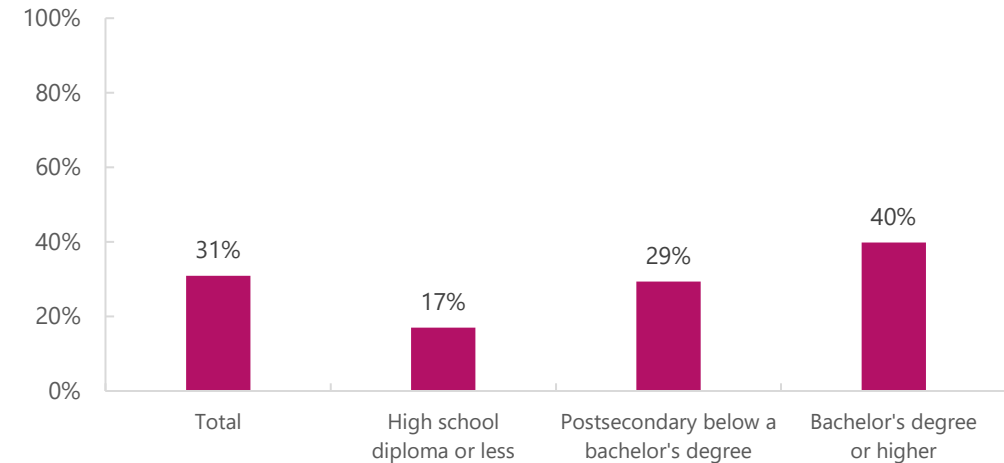
³ Employment and Social Development Canada (2021), Changing Nature of Work and Skills infographic.

⁴ Conference Board of Canada (2022), Canadian Human Resources Benchmarking: Investing in Employee Training and Development

⁵ Dearden, L., Reed, H., & Van Reenen, J. (2006)

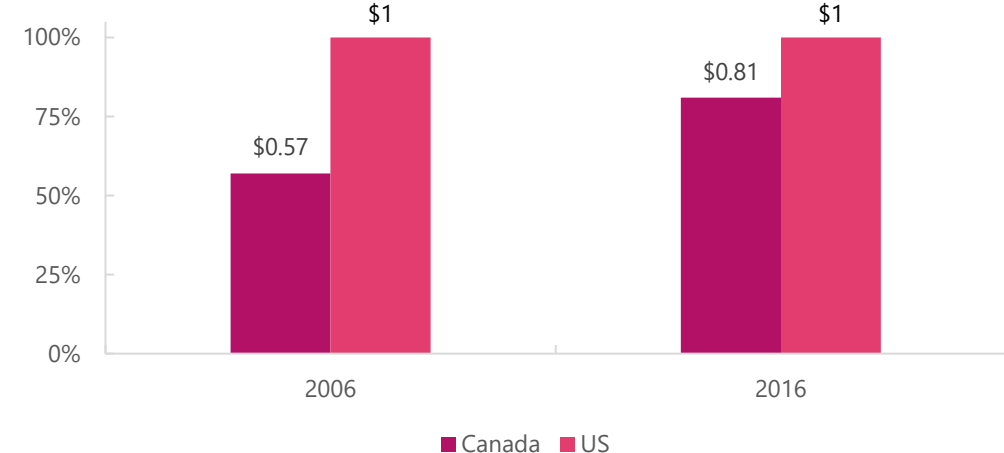
⁶ Labour Market Information Council (2023) Employer-sponsored skills training: A picture of skills training opportunities provided by Canadian employers

Figure 16: Participation of workers in job-related training, 12 months ending Nov 2022



Source: Statistics Canada

Figure 17: Relative average spending on learning and development per worker



Source: Conference Board of Canada



The Consequences of Youth Under and Unemployment

The Lasting Impact of Youth Unemployment

Youth unemployment results in detrimental economic and social outcomes that persist in people’s lives long after they have found a job.

Youth unemployment is not just an issue for the individual, it is also an issue for society. For individuals, unemployment means youth are unable to grow the human and social capital they need to make a good start. This **reduces wages in the short-term while limiting lifetime earning potential** and **leaves individuals at greater risk of unemployment as adults**.

These individual impacts create ripple effects for the rest of the economy. These **individual impacts add up to meaningful costs to the economy**. Lower incomes reduce tax payments, shifting the burden to the rest of the population. They also result in higher expenditures being necessary on a range of government services including the criminal justice system, health care and welfare.

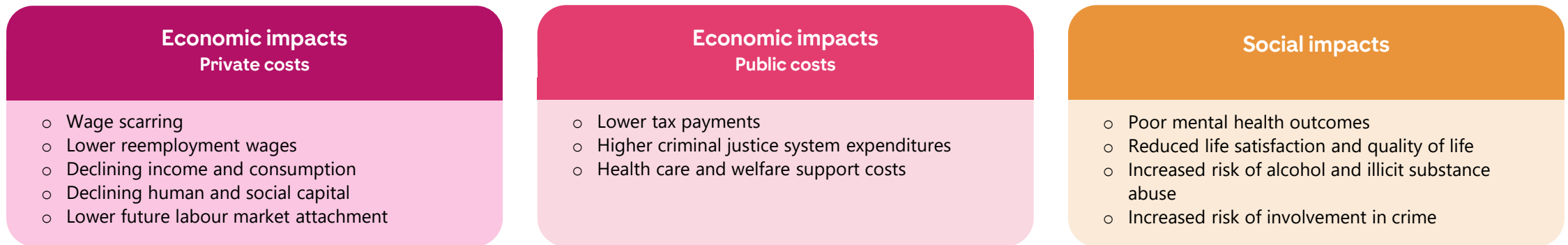
Research by TD Economics (2013) estimated that the cost to the Canadian economy in terms of wage losses due to the increase in youth unemployment following the 2008 financial crisis was equivalent to 0.6% of GDP in 2013. In addition, wage scarring over an 18-year period from 2013 to 2031 would result in an additional loss equivalent to 0.7% of GDP. These impacts added up to over \$23 billion lost from the Canadian economy in 2013.¹ As outlined in the next section of this report, we estimate that reducing youth under and unemployment would add \$18.5B to Canadian GDP by 2034, adding 228k jobs in the process.

Beyond the economic costs is the impact youth unemployment has on people themselves. Simply, **unemployment has unequivocal negative consequences for those affected and is an established predictor of psychological distress**. People who experience an early period of unemployment persistently report poorer mental health outcomes and life satisfaction than the rest of the population. Youth unemployment is also associated with increased risk of numerous factors, including abuse of alcohol and illicit substances and involvement in crime. What’s more, the effect of youth unemployment on both economic outcomes and mental health remains in adulthood, regardless of later unemployment experiences.

Early differences in labour market success can entrench economic inequalities in vulnerable groups. At its most extreme, failing to provide youth with the prospects of a better future can break the economic and social ties that makes for a cohesive society and create conflict between generations. People who are unemployed generally display lower levels of trust and engagement in civic activities.²

Clearly, to help Canada’s youth achieve their greatest potential requires ensuring they get the best start in the job market as possible. **Fighting youth unemployment can help reduce overall unemployment levels now and in the future.**

Figure 18: Socioeconomic impacts of youth unemployment



¹ TD Economics (2013) Assessing The Long-term Cost Of Youth Unemployment

² World Bank (2013) World Development Report

Wage Scarring Impacts From Unemployment and Underemployment

Wage scarring profoundly impacts youth unable to find a job over the short and long term.

The consensus of the economic research conducted on youth unemployment over the past three decades arrive at the conclusion that a period of unemployment early in a worker's career leads to long-lasting negative effects on an individual's future earnings. One of the primary drivers of the negative impact from unemployment is that it delays the accumulation of productive skills, work experience and knowledge. This means young people miss out on developing their skills and growing their professional network, known as a person's human and social capital, which are key determinants of wages.¹

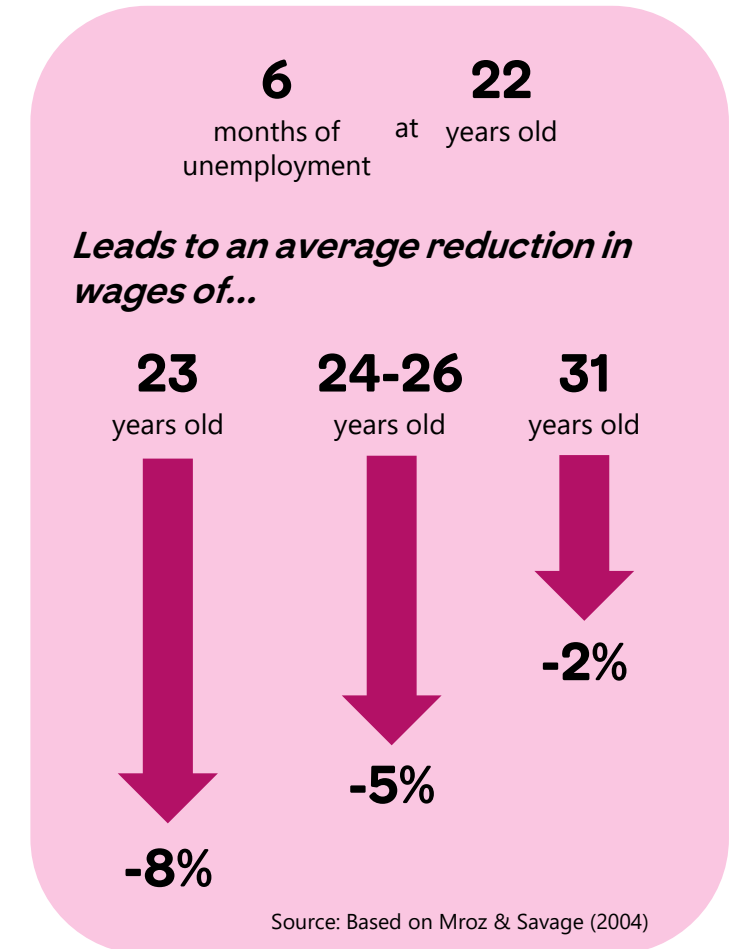
Studies vary both in their estimates of the magnitude and duration over which wages are likely to be depressed. For example, a person who experiences a period of unemployment lasting six months at the age of 22 could expect to see an average reduction of eight percent in their wage rate at the age of 23. This wage reduction persists, remaining more than 5% below their expected level until the age of 26. Even at the ages of 30 and 31, wages are still two to three percent lower than they would have been without the period of unemployment.²

Research in the UK suggests that youth unemployment can impact subsequent wage levels for more than twenty years. A year of unemployment during youth is associated with a 9 to 11% reduction in wages at age 42 if an individual can avoid further incidences of unemployment as an adult. However, if they struggle to find a job and have further periods of unemployment as an adult, this can reduce wages between 13 and 21%.³ These estimates for youth are similar to research conducted on adult workers where a spell of unemployment carries a wage penalty of about 6% on re-employment and remain 14% lower after three years.⁴

Given youth unemployment rates are higher for barriered cohorts such as Indigenous, racialized, newcomer migrants and those with a disability or lower education status., this means the wage scarring and total economic damages from youth unemployment are being compounded for these groups.

In addition to wage scarring, experiencing unemployment at a young age is associated with higher risk of unemployment later in life, with persistent negative effects over several decades.⁵ Research by Schmillen & Umkehrer (2013) illustrates that being previously unemployed increases the probability of being either unemployed or out of the labour force by approximately 5 percentage points.⁶ This may suggest that preventing the ill effects of youth unemployment can help reduce the likelihood of a worker's future unemployment spell.

Even underemployment can have a detrimental short- and long-term effect once people return to full time work. Initially, workers simply earn less than they would like. However, a long part-time employment history has also been associated with a reduction in full-time wages that persist for up to ten years once individuals enter full-time work.⁷ This observation has also been found for fixed-term employment.⁸ Given that part-time and fixed-term employment has been a growing phenomenon for youth in recent decades, many youths may be missing out on the necessary opportunities to grow their skills.



^{1, 2} Mroz & Savage (2004)

³ Gregg & Tominev (2005)

⁴ Aralampalam (2001)

⁵ Nilsen & Reiso (2011)

⁶ Schmillen & Umkehrer (2013)

⁷ Fourage & Muffels (2009)

⁸ Louzao et al. (2023)

The Health Impacts of Youth Unemployment and Underemployment

Youth unemployment has harmful impacts on mental health and quality of life.

Beyond economic costs, youth unemployment constitutes a significant public health problem whose social impacts must be considered. In sum, unemployment leads to increased risks of adverse psychosocial outcomes and permanent mental health scarring and can contribute to adult physical health problems.

Research points to youth as a particularly sensitive period. Rather than simply being a discrete phase, poor employment experiences early in life may have larger consequences than later exposure and compound to create negative social conditions over an individual's lifetime. Research by Strandh et al. (2014) surveying subjects over a 27-year period found a connection between youth unemployment and deteriorating mental health at 21, 30, and 42 years of age. Experiencing unemployment only as an adult, however, did not appear to have the same long-term negative impacts. Moreover, mental health outcomes were particularly poor if people experienced unemployment more than once as a youth and then as an adult, with compounding negative effects over the lifetime.¹

Unemployment as a youth has established links with lower life satisfaction and higher risks of depression, involvement in crime and alcohol and illicit substance abuse and morbidity.² Of particular concern is that unemployed youth are overrepresented among substance-related acute toxicity deaths caused by substances such as opioids.³ Among age cohorts, Canada's youth had one of the fastest-growing rates of opioid poisonings, increasing by 53% from 2013 to 2017.⁴ Further data shows that 15-24 year old users of opioid pain relief medications (OPRM) in Canada have a greater tendency for problematic use compared to the overall population.⁵

In general, unemployment makes it more difficult for people to meet their social needs that are typically fulfilled through work, like feeling respected and capable. These experiences can have a significant impact on people's self-esteem and influence how they feel about their social connections, overall happiness, financial situation, and mental well-being. These effects can last for a long time and can still be felt even if the person eventually finds a new job.⁶

Clearly, failing to consider the mental health consequences of youth unemployment would be a significant oversight. Estimates cited by the Centre for Addiction and Mental Health of the cost of mental illness to the Canadian economy range from \$51 billion per year in 2003 (equivalent to \$80.6 billion in 2024) to \$48.6 billion dollars per year in 2011 (equivalent to \$65.7 billion in 2024).^{7,8} With youth representing a rising share of mental illness prevalence, tackling youth unemployment can be part of a strategy to help reduce these impacts.



¹ Strandh et al. (2014)

² Fergusson et al. (2014)

³ Chang et al. (2024)

⁴ Statistics Canada (2022) Significant factors associated with problematic use of opioid pain relief medications among the household population, Canada, 2018

⁵ CIHI (2018) Opioid-related harms in Canada

⁶ Pohan (2019)

⁷ Lim et al. (2008)

⁸ Smetanin et al. (2011)

Social Costs of Youth Unemployment and Underemployment

Youth employment imposes fiscal costs that are borne by the government and taxpayers.

While the impact of youth unemployment is initially felt by individuals, it's true cost extends into the wider economy. The main channels through which this occurs is through lower tax payments to all levels of government, increased dependency on government for social security transfers, and higher incarceration and healthcare system costs.

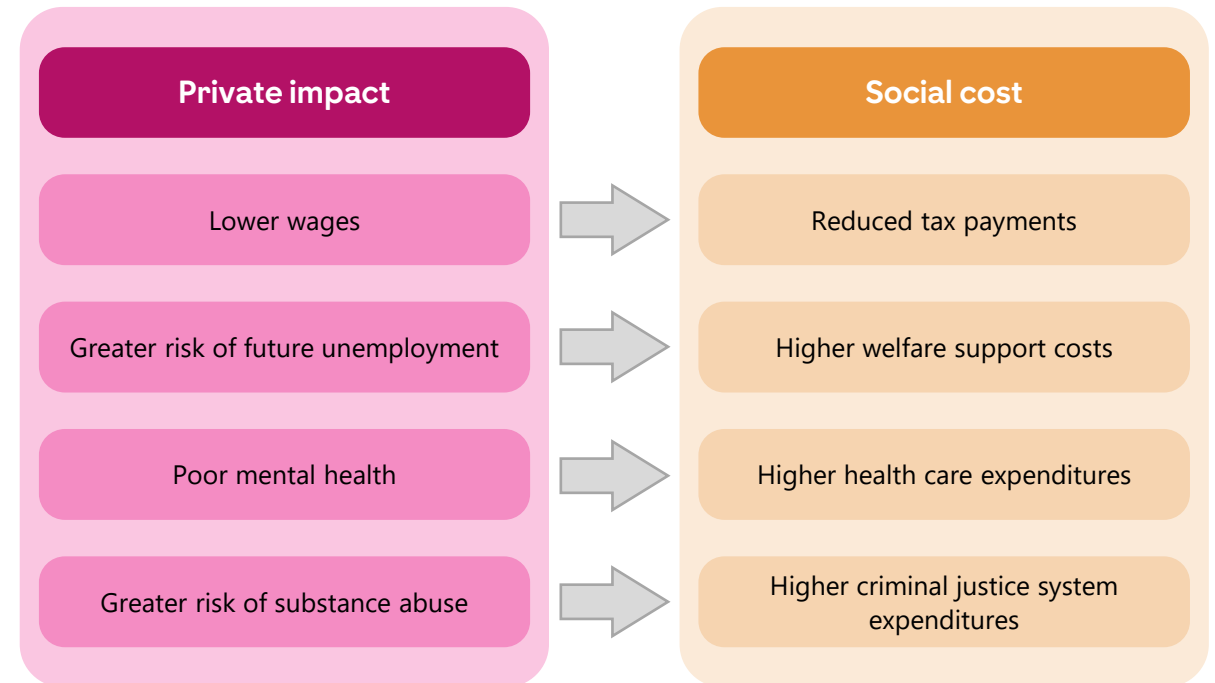
Youth unemployment leads to lower tax payments, as unemployed individuals are unable to earn an income, meaning income and payroll taxes do not get paid. Tax revenues are further reduced over the longer term by the chronically lower wages experienced by those who have lost a job. This effect is compounded since individuals who have experienced joblessness as a youth are at greater risk of future unemployment and therefore lowering the tax base in the future as well.

In addition, higher future levels of unemployment will mean greater demand for social assistance support, which inevitably will lead to higher public expenditures. Research from the UK suggests that the loss from foregone taxes and cost of a year of unemployment benefits paid to unemployed youth would equate to approximately 44% of their foregone annual earnings.¹ Applying this figure to Canada equates to \$4.3 billion in 2023 in costs of unemployment benefits and foregone taxes.⁺

With an established link to higher rates of involvement in criminal offending and arrests, youth joblessness can create an indirect demand for more resources to address these growing issues. Additional police resources, investigations, and potential incarceration all impose significant costs on the criminal justice system.

Unemployed youth are also likely to report worse physical and mental health status, which has fiscal consequences. The costs are compounded by the negative health impacts associated with increased use of alcohol, smoking and other risky substances that are associated with unemployed youth cohorts. Finally, the economic and social scarring from long-term youth unemployment can lead to distrust in the socio-economic and political systems, resulting in a less cohesive society in Canada.

Figure 18: Pathways through which private costs of youth unemployment result in costs for society



¹ The ACEVO Commission on Youth Unemployment (2012) Youth unemployment: the crisis we cannot afford

⁺ This estimate is based on the total number of unemployed youth (approximately 322,000 individuals) and their average earnings per year (approximately \$30,000), excluding self-employed individuals which represent a minor share of youth employment.

The Lasting Impact of Youth Unemployment

Finding appropriate work is even harder for youth facing barriers.

Some youth face unique barriers when searching for a job that prevents them from participating fully in work.

Indigenous

While outcomes are improving, the persistent barrier for Indigenous youth remains the gap in **educational attainment**. Approximately, 48% of First Nations youth do not hold a high school diploma or equivalent compared with 32% of non-Indigenous population. Postsecondary attainment is also lower. Only 13% of Indigenous youth hold postsecondary qualifications, half that of non-Indigenous youth at 26%.¹ Ultimately this places them at higher risk of unemployment while limiting the types of jobs Indigenous youth can attain.²

Beyond education, Indigenous youth struggle to find meaningful employment and continue you face prejudices from **stereotypes** and suffering from **intergenerational trauma**.³

Newcomer immigrants

Immigrant youth who have recently arrived often find themselves working in jobs that require lower skill levels. They also face considerable delays in securing employment, encounter challenges in having their foreign credentials recognized, and have **limited access to job markets**.⁴

Other key challenges for many immigrant and refugee youth include **language support**, accessing suitable **mental health services** and developing and tapping into **social capital networks**.⁵

Racialized groups

Racialized youth face barriers at societal, organizational, and individual levels when it comes to finding employment. **Discrimination** can be a significant issue, and racialized youth can face obstacles such as **limited career progression, underrepresentation in leadership positions, and microaggressions**. The absence of visible role models in certain industries can discourage racialized youth from pursuing employment in those fields. Additionally, they often **lack support from their peers** in pursuing their career and education goals. These exclusionary barriers and discrimination can lead to lower levels of confidence among racialized youth.⁶

Youth with disabilities

Youth with disabilities face strong attitudinal barriers both in themselves and with society. Many youth with disability have **low self-confidence** and feel they do not possess the interpersonal skills or confidence to apply for and successfully work at a job. Feelings of ineffectiveness can contribute to a **lack of motivation**. Some may also have difficulty with **communication skills** and effectively managing work relationships with colleagues and customers.⁷

What's more, social factors including **prejudice and discrimination** continue to exclude disabled youth. Young people are hesitant to disclose to employers about their disability for fear of discrimination.⁸

¹ Statistics Canada (2021) Highest level of education by census year, Indigenous identity and Registered Indian status

² Statistics Canada (2021) Portrait of Youth in Canada Chapter 4: Indigenous Youth in Canada

³ Youth Research and Evaluation Exchange (2023) Discrimination to Meaningful Work A Look into the Status of Urban Indigenous Youth Employment

⁴ Lauer et al. (2011)

⁵ World Education Services (2023) Going the Distance: Immigrant Youth in Canada's Labour Market

⁶ Diversity Institute, Toronto Metropolitan University (2023) Labour Market Implications for Racialized Youth

⁷ Youth Leadership Initiative (2022) Building Confidence: Attitudinal Barriers and Employment for Youth with Disabilities

⁸ McCreary Centre Society (2022) Negotiating the Barriers to Employment for Vulnerable Youth



The Economic Benefit of Increasing Youth Employment in Canada

The Economic Impacts of Youth Under and Unemployment

Tapping into unutilized and underutilized youth labour can provide economic benefits to all of society.

There is an economic cost to youth unemployment and underemployment. This cost is borne not just by the youth of Canada, but by the whole country. From higher government expenditures to provide unemployment support to the costs of dealing with this social ill, it impacts all citizens. Alleviating youth unemployment and underemployment can therefore provide economic benefits for everyone, not just youth. But naturally, the question remains as to what would be the potential economic benefit for Canada if we were to alleviate and solve this social ill.

To measure the economic impact a structural macroeconomic model is utilized. Using this type of model for measuring economic impacts offers several benefits. These models are designed to capture the complex interactions and interdependencies within an economy, allowing for a more comprehensive analysis on the effects of various policy changes or external shocks. They are built to allow for forecasting and scenario analysis, facilitate policy evaluation, enable counterfactual analysis, and provide insights into transmission channels.

In terms of estimating the value of economic impacts of youth under and unemployment in Canada, we construct a counterfactual scenario where youth have similar employment characteristics to that of the rest of the population. In other words, with this counterfactual scenario, we try to answer the question of what would be the economic benefits in getting young people to join the workforce in a manner that is comparable to other age cohorts in society.

We measure **economic impacts** in terms of:



Gross Domestic Product: a measure of “the total unduplicated value of the goods and services produced in the economic territory of a country or region during a given period.”^{1,2}



Employment: aggregate full-time and part-time employment in Canada, including self-employment.



Wages and salaries: monetary compensation and payments-in-kind to wage earners and salaried persons employed in Canada. Includes other forms of compensation, namely commissions, tips, bonuses, directors' fees and allowances such as those for holidays and sick leave, as well as military pay and allowances.



Government revenue: for all levels of government, including taxes on income from households, corporations and government business enterprises, contributions to social insurance plans, taxes on production and products (including imports), investment income, proceeds from the sale of goods and services, and other current transfers.

The Counterfactual Case

What is the economic dividend to Canada if the youth workforce were to be utilized similarly to other older age cohorts?

¹ Statistics Canada, Glossary.

² We measure *real* GDP impacts i.e. under chained (2017) prices.

Results

Reducing youth under and unemployment would add \$18.5B to Canadian GDP by 2034 and add 228k jobs in the process.



In our hypothetical counterfactual scenario, we incorporate the following four key adjustments to the economic characteristics of the model:

1. We assume that all youth who are currently out of the labour force due to economic reasons (discouraged, awaiting recall/reply, etc.) are able to join the labour force.
2. We assume that some involuntary part-time young workers (ages 15-24) find full-time employment, such that the proportion of involuntary part-time workers in the youth population equals that in the prime working age population (ages 25-54).
3. We assume that the natural rate of unemployment among young workers is equivalent to that of the rest of the population.¹
4. We incorporate productivity gains as a result of escalation in work experience from the assimilation of youth in employment. Economic research demonstrates that worker productivity increases with work experience: a more experienced workforce is a more productive workforce and higher productivity results in more economic output.² We use the impact of work-related training to estimate the macro-level productivity impact of the training and on-the-job skills gained by the now-employed young workers in this counterfactual scenario.

These adjustments are defined as supply-side “shocks” as they affect the supply variables in an economy. The shocks can be interpreted as the consequence of a set of hypothetical policies that would restructure the youth labour market in a way that would align its employment characteristics with that of other working age populations.

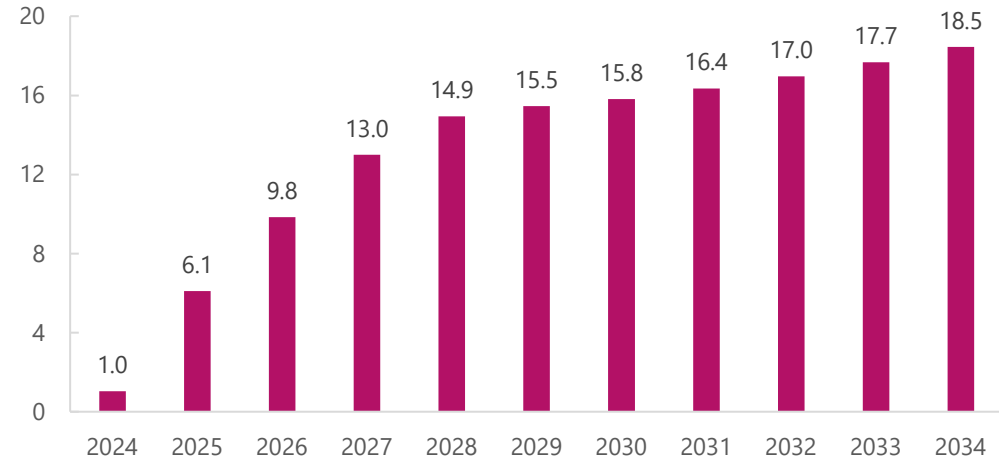
We configure the structural model of the Canadian economy with these four supply-side “shocks” and assess the impact on key economic metrics compared to current baseline projections. The differences between these two states of the economy highlight the economic impacts associated with reducing youth under and unemployment. The gains in aggregate workforce participation and productivity realized by increasing the youth labour force, transitioning more involuntary part-time young workers to full-time jobs, reducing structural unemployment among young workers, and from the productivity gains from formal and informal on-the-job training, all translate to an increase in the productive capacity of the Canadian economy.

It should be noted that the macroeconomic model is a dynamic model. This means that the model captures time-dependent relationships between economic variables, and because of this, the model allows for reactions and economic adjustments to policy shocks to occur over time. As such, the economic impacts from the introduction of the hypothetical policy will dynamically evolve through time before seeing the full fruits of the intervention.

¹ Note that we do not make any assumptions about the labour force *participation rate* of young workers.

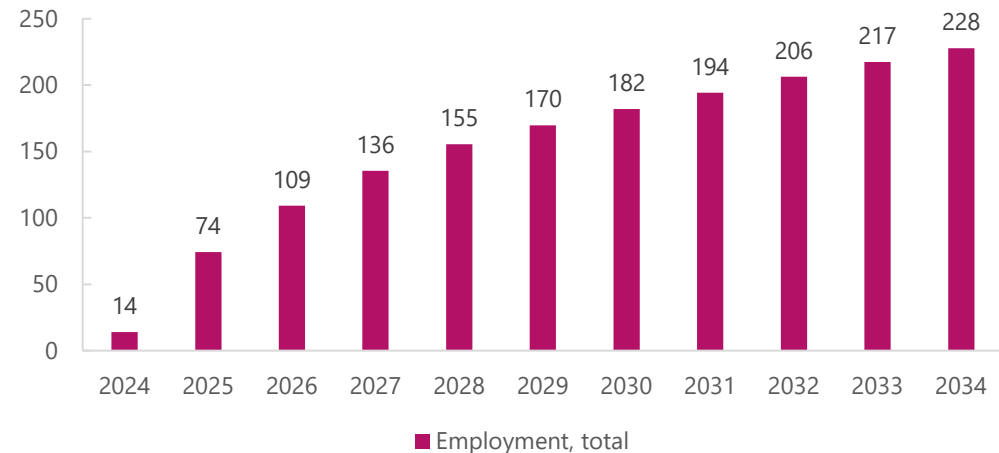
² Dearden, L., Reed, H., & Van Reenen, J. (2006)

Figure 20: Projected impact on GDP, \$Billions, chained 2017 prices



Source: Deloitte analysis

Figure 21: Projected impact on aggregate employment, in thousands



Source: Deloitte analysis

Results

Impacts also include an addition of \$5.3B to government revenues, and \$9.2B to wages and salaries income by 2034.



There are multiple economic channels in which the hypothetical shock is transmitted through the economy. Firstly, more individuals within the labour force earning money leads to higher level of economy-wide income and consumption, culminating in a higher level of real GDP for the country. However, the model also considers that business investments will increase from the rise in employment, in order to meet capacity requirements. Hence, there is a quick ramp-up in the level of business investment to meet capacity needs. The model assumes that there will be no capacity constraints or supply bottlenecks. As such, the ramp-up in investment occurs relatively quickly. With higher levels of economic activity, there is an increase in government revenue. Over time, however, with higher levels of income the country's economic output is tempered due to higher levels of imports.

Overall, the modelling results indicate that the reduction of youth under and unemployment in Canada through these four supply-side channels is projected to add \$18.5 billion to Canada's real GDP (measured in chained 2017 prices) by 2034, a gain of 0.63% over current projections, and boost employment by 228,000 over the same period corresponding to an increase of 0.99% in aggregate employment.

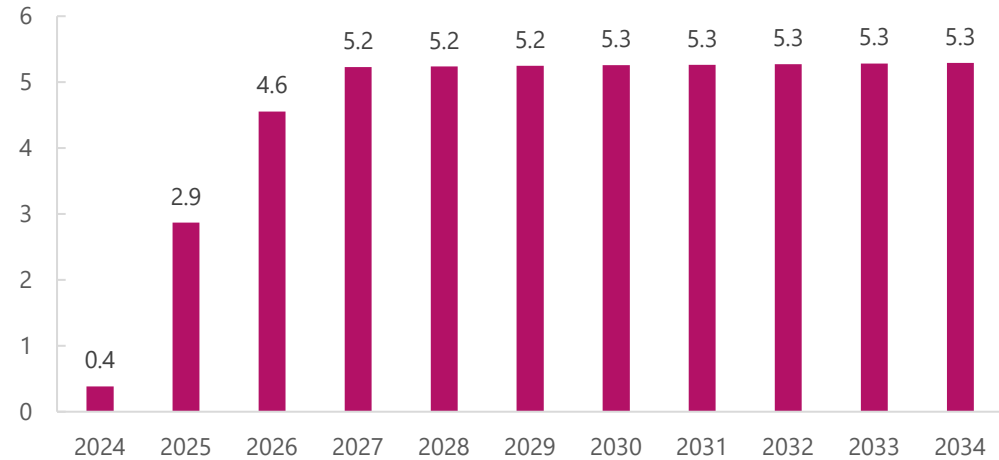
The net effect of these changes, over the ten-year period through to 2034, is to increase the projected annual growth rate (CAGR) of real GDP from 1.98% to 2.04% – a net increase of 0.06% in the annual growth rate of Canada's 2.3 trillion-dollar economy. A similar effect is also projected in aggregate employment in Canada over the ten-year period through to 2034. The annual growth rate of employment is projected to increase from 1.18% to 1.27% - a net increase of 0.09%.

Additional impacts from the reduction of youth under and unemployment include an increase in government revenues by 0.3% to the tune of \$5.3 billion by 2034, and an increase in labour income with aggregate wages and salaries in Canada projected to increase by \$9.2 billion by 2034, an overall increase of 0.46%. The projected increase in government revenues includes impacts greater tax revenues from greater value-added output, increased wages, and corporate profits. Over the ten-year period through to 2034, the compound annual growth rate of government revenues is projected to increase from 3.39% to 3.42%, a net increase of 0.03% in annual growth.

Growth in value-added output accrues as returns on the primary factors of production – including labour and capital – in the form growth in labour income and profits. In our modelled scenario, the impact of reducing youth under and unemployment is to increase the annual growth rate of wages and salaries, over the ten-year period through to 2034, from 4% to 4.04%, resulting in a net increase 0.04% in the annual growth rate of aggregate wages and salaries in Canada.

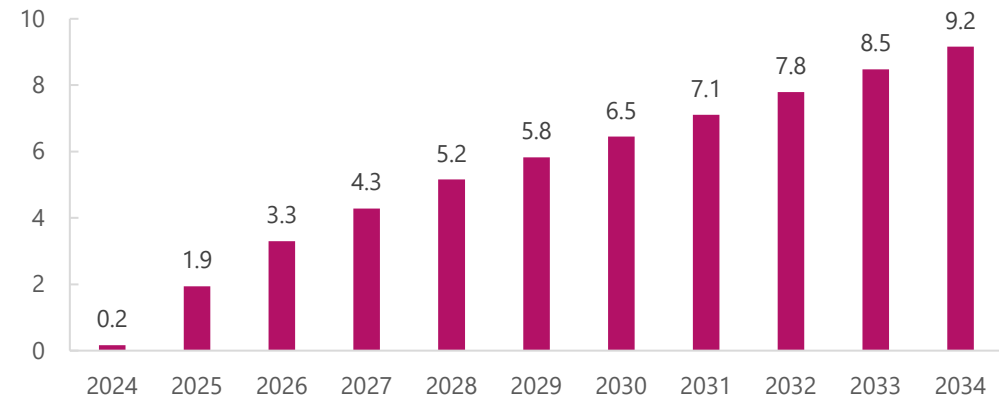
Overall, these impacts represent a significant economic opportunity. While these results are based on a hypothetical scenario, it does display what could possibly be achieved and some of the potential economic benefits foregone if the current business as usual set of policies and practices are maintained.

Figure 22: Projected impact on government revenue, \$Billions



Source: Deloitte analysis

Figure 23: Projected impact on aggregate wages and salaries, \$Billions



■ Wages and salaries, LCU

Source: Deloitte analysis

Broader Impacts

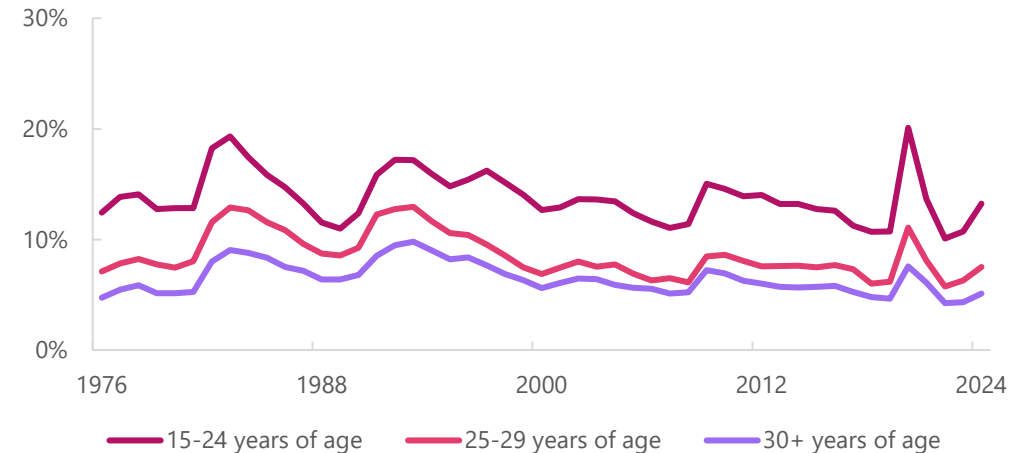
While the estimated economic impacts of youth under and unemployment are significant, they are likely to be conservative.

These estimates of the economic impacts of reducing youth under and unemployment are significant – \$18.5 billion in real GDP represents more in output than Canada’s entire arts, entertainment, and recreation sector,¹ and 228k jobs is greater than Canada’s current employment in transportation manufacturing, which includes all automobile, aerospace, rail, and ship manufacturing jobs.² That said, this estimate could quite likely be conservative.

The analysis in this report defines youth as individuals between 15 and 24 years of age, which aligns with the data categorization standards available from Statistics Canada, and the Organisation for Economic Co-operation and Development (OECD). Alternative definitions of youth are used by some countries, organizations, and analyses – for instance, they include individuals up to 29 years of age. Canadian employment data going back to 1976 shows that the cohort of the labour force aged 25–29 years old also tends to face higher unemployment rates than the older workforce aged 30 years and older, albeit this difference is not as stark as that of workers aged 15–24 years old. Moreover, a recent report by Statistics Canada has found that youth employment has become more precarious since the late 1980s, with the percentage of workers aged 15 to 30 in a permanent full-time job having dropped significantly between 1989 and 2019.³ The inclusion of this additional age group (25–29 years old) in the analysis would likely increase the benefits to GDP and employment estimated in this report.

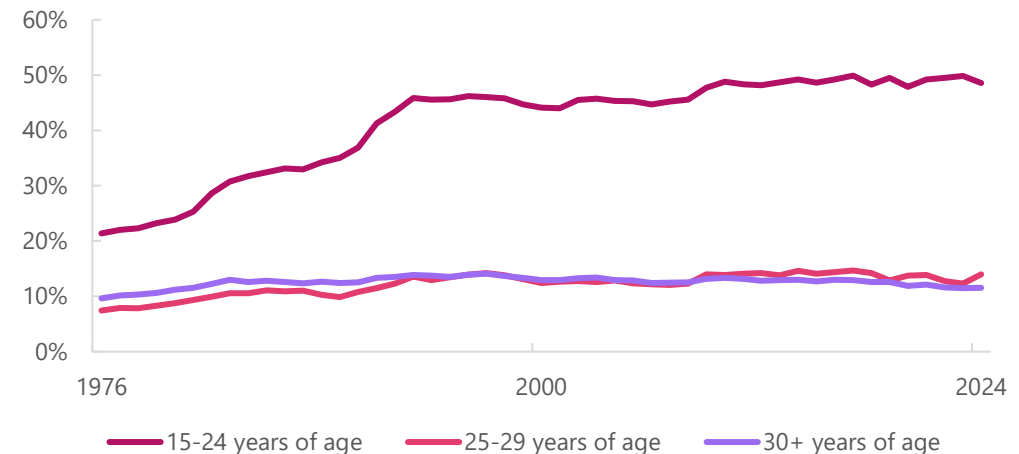
Furthermore, this analysis does not estimate the additional societal benefits of reducing youth under and unemployment. Youth development initiatives such as afterschool programs and youth mentoring have been shown to increase the earning potential of youth while also improving performance at school and reducing crime and juvenile delinquency. Several survey-based social return on investment studies of youth programs in the US have shown that such programs create large positive societal value.^{4,5} In Canada, a study by the Boston Consulting Group found that youth who received mentorship through the Big Brothers Big Sisters of Canada, on average, tended to have higher lifetime earnings, higher rates of volunteering and community service, higher donations to charitable causes, and scored higher in self-reported metrics of physical and mental health, social wellbeing, and financial literacy, compared to a control group of similar youths who had not gone through this program.⁶

Figure 24: Unemployment rate, by age group



Source: Statistics Canada

Figure 25: Part-time share of employment, by age group



Source: Statistics Canada

¹ Statistics Canada, Table 36-10-0434-03 Gross domestic product (GDP) at basic prices, by industry, annual average (x 1,000,000)

² Statistics Canada, Table 36-10-0489-01 Labour statistics consistent with the System of National Accounts (SNA), by job category and industry

³ René Morissette (2021), Portrait of youth in Canada: Data report, Chapter 2: Youth employment in Canada

⁴ Bruce and Bridgeland (2014)

⁵ Anton and Temple (2007)

⁶ Boston Consulting Group (2013). Investing in kids’ futures pays off in hard dollars

The Socio-economic Benefit of Increasing Youth Employment in Canada

Reducing youth under and unemployment would yield broad economic and societal benefits.

By constructing a counterfactual scenario where youth have similar employment characteristics to that of the rest of the population, we estimate the value of economic impacts of youth under and unemployment in Canada, across several metrics.

Value-added output (GDP)

Overall, our modelling results indicate that the reduction of youth under and unemployment in Canada is projected to **add \$18.5 billion to Canada's real GDP** (measured in chained 2017 prices) by 2034, a gain of 0.63% over current projections. This represents more in output than Canada's entire arts, entertainment, and recreation sector.¹

The net effect, over the ten-year period through to 2034, is to increase the projected annual growth rate (CAGR) of real GDP from 1.98% to 2.04% – a net increase of 0.06% in the annual growth rate of Canada's 2.3 trillion-dollar economy.

Employment and wages

Reducing youth under and unemployment is expected to lead to an **increase of 228,000 jobs** over the same period, greater than Canada's current employment in transportation manufacturing, which includes all automobile, aerospace, rail, and ship manufacturing jobs.²

The increase in economic activity will lead to higher output, and more jobs. In turn, this leads to higher levels of wage income earned. In our modelled scenario, the impact of reducing youth under and unemployment is to **increase the aggregate wages and salaries** in Canada **by \$9.2 billion by 2034**. This will increase the expected growth rate in wages and salaries, from 4% to 4.04%, over the ten-year period

Government revenues

The reduction of youth under and unemployment is also projected to **increase government revenues** by 0.3%, to the tune of **\$5.3 billion annually** by 2034. The projected increase in government revenues accrues from greater tax revenues associated with higher value-added output, increased incomes earned, and corporate profits.

Over the ten-year period through to 2034, the compound annual growth rate of government revenues is projected to increase from 3.39% to 3.42%, a net increase of 0.03% in annual growth.

Broader Impacts

While the modelled results focus on youths between 15 and 24 years of age, which aligns with the data categorization standards available from Statistics Canada, expanding the analysis to include youths aged 25-29 would likely increase the estimated economic benefits across all key metrics.

Moreover, youth development initiatives such as afterschool programs and youth mentoring have been shown to **increase the earning potential of youth** while also **improving performance at school** and **reducing crime and juvenile delinquency**. Several survey-based social return on investment studies of youth programs in the US and Canada have shown that they create large positive societal value.^{3,4,5}

¹ Statistics Canada, Table 36-10-0434-03 Gross domestic product (GDP) at basic prices, by industry, annual average (x 1,000,000)

² Statistics Canada, Table 36-10-0489-01 Labour statistics consistent with the System of National Accounts (SNA), by job category and industry

³ Bruce and Bridgeland (2014)

⁴ Anton and Temple (2007)

⁵ Boston Consulting Group (2013). Investing in kids' futures pays off in hard dollars



Policy Options

Policy Landscape Overview

The Canadian government has a range of initiatives in place to address the challenge of youth unemployment.

Federal level

Government policy is guided at a federal level by its Youth Policy which provides a comprehensive framework that guides its approach to improve youth-related issues, with employment as a key focus. This policy emphasizes the importance of youth engagement, empowerment, and inclusion and has a specific focus on helping youth facing barriers to employment.

The largest youth initiative is the Youth Employment and Skills Strategy (YESS) Program which focuses on providing young Canadians aged 15 to 30 with the necessary skills and work experience to succeed in the job market. The YESS program offers a range of employment services, including mentorship, wrap-around services (for example, dependent care support, mental health counselling) and paid work experiences. An important part of YESS is Canada Summer Jobs, an annual program that provides wage subsidies to employers, enabling them to hire students during the summer months.

Young Canada Works is a federal program that provides funding to employers to help them create job opportunities in the heritage, cultural, and official languages sectors. It offers a range of employment opportunities, including internships, summer jobs, and co-op placements. This not only supports youth employment but also promotes the development and preservation of Canada's cultural heritage.

The Federal Student Work Experience Program is designed to provide students with valuable work experience related to their field of study while contributing to public service. It offers a wide range of job opportunities within the federal government and includes specific inventories for Indigenous youth, young women and youth with disabilities.

In addition to specific policies and initiatives the Jobs Bank is an online platform that provides comprehensive labour market information to job seekers, including youth. It offers access to job postings, wage information, and employment trends, enabling young Canadians to make informed decisions about their career paths. The Jobs Bank also provides valuable insights to employers, helping them understand labour market demands and tailor their hiring strategies

Provincial and regional level

The Federal government also provides support for not-for-profit organizations such as the Toronto-based Youth Employment Services (YES). This organization offers a range of services and programs designed to support youth in their job search and career development including resume and cover letter assistance, job search workshops, interview preparation, and access to job postings. Additionally, YES provides mentorship programs, entrepreneurship support, and job placement services to connect youth with employment opportunities.

Beyond Federal government support, provincial governments also have programs and initiatives to support youth employment. Most directly, several provincial governments including British Columbia and Nunavut offer youth employment programs in the public service.

Many provinces provide additional Summer Employment Programs for Students offering wage subsidies to employers such as Newfoundland and Labrador and Prince Edward Island (PEI).

Prince Edward Island runs other youth targeted programs as part of its SkillsPEI office including a Graduate Mentorship Program, which aims to help unemployed recent post secondary graduates develop new skills and gain work experience in their field of study through on the job training. A temporary wage subsidy is provided to an employer to create long term employment opportunities and assist with the cost of hiring and training a new employee.

Ontario's Youth Job Connection program provides intensive support beyond traditional job search and placement opportunities to youth aged 15 to 29 facing multiple and/or complex barriers to employment. It offers paid pre-employment training, job matching and paid placements with supports, mentorship services, and education and work transitions supports. In addition, the Ontario Youth Apprenticeship Program (OYAP) is a school-to-work transition program offered through Ontario secondary schools.

Overall, each province provides assistance and help on exploring careers, gaining relevant education and skills, resources to help in finding a job and even to start a business.

Recommendations from the Expert Panel on Youth Employment

Examining innovative practices to improve job opportunities for vulnerable youth

The 2016 federal budget announced the creation of an Expert Panel on Youth Employment. This panel was tasked with assessing the barriers faced by vulnerable youth in finding and keeping jobs, and to examine innovative practices used by governments, nongovernmental organizations and employers both domestically and internationally to improve job opportunities for vulnerable youth. The expert panel published their report in 2017 entitled: **13 Ways to Modernize Youth Employment in Canada – Strategies for a New World of Work**.

The following list provides an overview of the 13 recommendations presented in the report¹:

- 1. Enhance the YES strategy:** to target those who need it most and make it less onerous for employers and service providers.
- 2. Focus on Indigenous youth:** the Government of Canada should create urban Indigenous healing and employment hubs; invest in basic and education infrastructure; develop distance education training; create an alumni fund to enable mentorship; and invest in entrepreneurial Indigenous youth.
- 3. Rethink the delivery of youth programming:** examine the feasibility of devolving federal youth employment programming to the provinces and territories.
- 4. Embrace civic technology:** to engage young thinkers interested in understanding and finding solutions to civic challenges through technology, design and public participation.
- 5. Hire more young people:** Government of Canada set goals for and report on the proportion of new hires who are between the ages of 18 and 29.
- 6. Convene a champions table:** Government of Canada should convene and sponsor a multi-sectoral roundtable of employers to establish a hiring goal or challenge.
- 7. Encourage mentorship:** Government of Canada should create a structure to partner with employers via the Champions Table and create more mentorship opportunities for vulnerable youth.
- 8. Update Canada's labour standards:** amend the Canada Labour Code Part III to increase job standards, rights and security for non-standard positions; regulate temporary placement agencies; eliminate unpaid internships; and promote respect for labour rights.
- 9. Broaden Employment Insurance (EI) eligibility:** modernize EI to increase eligibility for young workers, taking into consideration the realities of non-standard work.
- 10. Expand the definition of skills:** Government of Canada should complement the comprehensive listing of essential skills on the Job Bank with a holistic definition of the skills and competencies needed for a constantly evolving workplace.
- 11. Develop additional supports for young entrepreneurs:** Government of Canada should include young entrepreneurs in trade missions; expand intergenerational mentorship initiatives; create a mechanism allowing entrepreneurs under 18 to be directors of their own corporations; and make the cost of membership-based accelerators and incubators tax deductible. In addition, the government should tailor supports for young immigrant entrepreneurs.
- 12. Get better data:** key youth employment statistics should be redesigned to ensure that they accurately represent the unique dynamics of employment for youth; that the monthly Labour Force Survey be expanded to include a focus on vulnerable and NEET youth; that a youth category be added to the Statistics Canada website; and that outcome-based factors be collected for program evaluation.
- 13. Foster continuous improvement:** an advisory committee should be established to govern the YES strategy and provide continual, strategic advice on program design and best practices from service providers and stakeholders. This advisory committee should work in collaboration with a new organization, recommended by the Advisory Council on Economic Growth.

While action has been undertaken to implement some of these recommendations, many of them have not been fully executed.

¹ Report from the Expert Panel on Youth Employment (2017): 13 Ways to Modernize Youth Employment In Canada – Strategies for a New World of Work

Policy Interventions

What are the policy conditions that could lead to better outcomes?

Addressing youth unemployment and underemployment is a critical challenge that requires a comprehensive approach involving both public policy and business initiatives. Public policy plays a crucial role in creating an enabling environment, implementing necessary reforms, and providing support mechanisms to empower young individuals. Simultaneously, the private sector, including business and non-governmental organizations, also play a critical role.

There are many areas of focus that could enable a positive impact on youth employment prospects. The World Bank has identified various labour market interventions which empirical evidence shows yield positive statistically significant results. These interventions include¹:

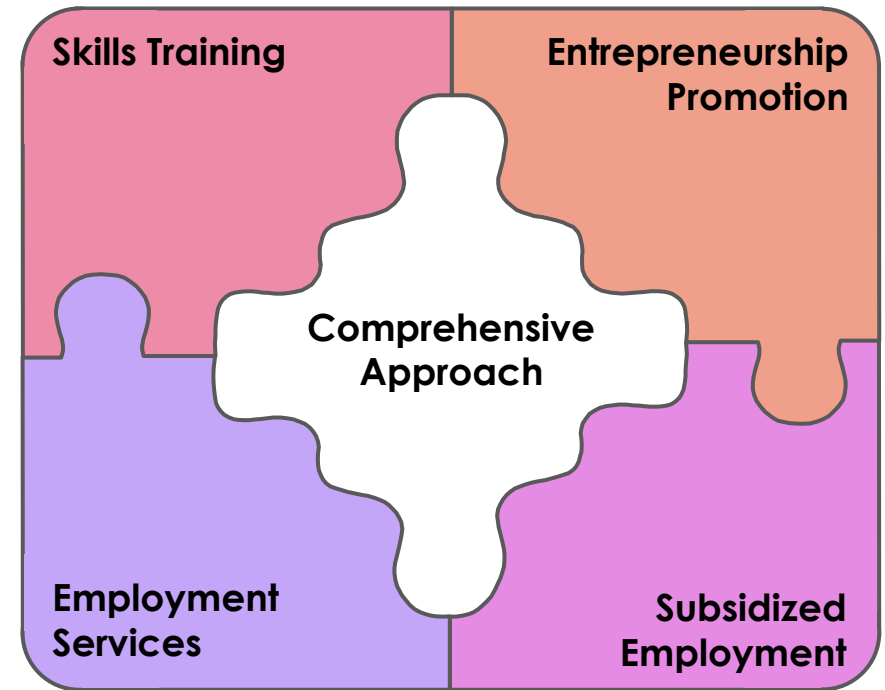
- Skills training
- Employment services
- Subsidized employment
- Entrepreneurship promotion
- Comprehensive multiservice intervention – (i.e., a combination of the above interventions)

Investing in education and skills development is crucial to equip young individuals with the necessary competencies demanded by the job market. Research has shown that having a strong educational background and relevant training significantly increases the chances of securing nonvulnerable jobs. However, the benefits of education and training are more likely to be realized when there are explicit connections between education policies and the world of work. Active labour market training programs for youth should aim to bridge this gap by enhancing the employment-relevant skills of job seekers. These skills encompass both job-specific technical skills and nontechnical skills.

It is critical for alignment of education and training policies with the needs of the labour market to ensure that young individuals acquire the skills necessary for successful employment. By focusing on both technical and nontechnical skills, active labour market training programs can effectively prepare youth for the demands of the job market and increase their chances of securing quality employment. Overall, the development of skills will not only improve the employment opportunities for youth, but it also has a broader impact on the Canadian economy. A recent report by the Conference Board of Canada has estimated Canada's GDP would be up to 1.8 per cent, or \$49 billion, larger today if there had been no skills shortages over the past 20 years.²

¹ World Bank (2015) Towards Solutions for Youth Employment – A 2015 Baseline Report

² Conference Board of Canada (2024) Skills and Productivity – Which Skills Shortages Are Impacting Canadian Productivity?



Canadian Example

Within Canada there are several organizations that offer solutions to help prevent or alleviate the ill-effects of youth under and unemployment. For instance, The King's Trust Canada operates various programs that provide foundational skills training, mentorship, work experience, and professional networks in order to help youth start their careers. The organization partners with employers and community organizations to provide these free skill-building and mentorship programs.

Policy Interventions

Private sector organizations must work together with governments for optimal outcomes.

Initiatives for entrepreneurship promotion should aim to provide entrepreneurial skills as well as facilitate access to capital for self-employment — including physical, financial, and social capital. The specific types of entrepreneurship interventions could range from business expertise development, business advisory services, and access to credits and/or grants. The World Bank has noted that entrepreneurship promotion interventions are reported to have the largest effects on employment outcomes and earnings.

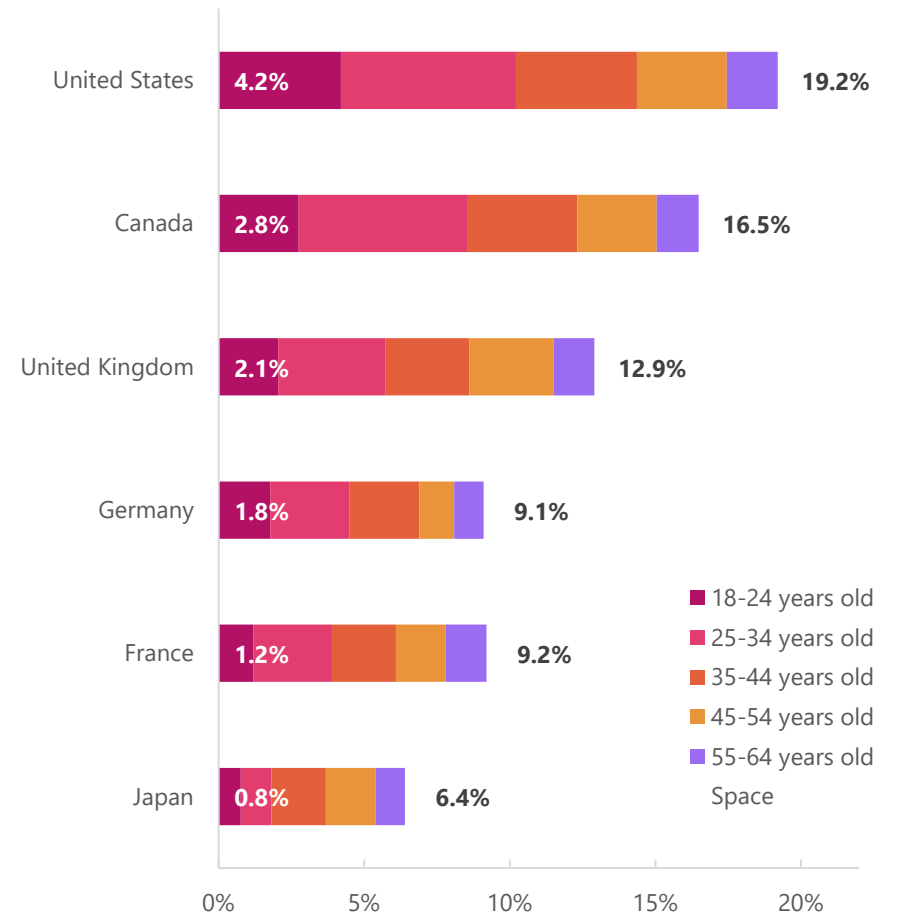
By a range of metrics, Canada has a relatively healthy entrepreneurial dynamism, especially among youth. Figure 26 showcases Canada’s entrepreneurial activity rate broken down by age cohort distribution, relative to G7 peers. Canada does well in entrepreneurial activity, its youth share only lagging the leading US economy. This strong entrepreneurial spirit provides a strong foundation to help youth participate fully in the Canadian economy.

Employment services aim to assist individuals in finding employment by providing job counseling, job-search assistance, mentoring services, and sometimes even job placements or financial support. The focus of these services for youth is to address the challenges they face in signaling their skills and credentials, as well as their lack of networks and knowledge in effectively searching for job opportunities and connecting with employers. Therefore, these programs should prioritize improving job-seeking skills and achieving a more effective match between workers and employers. Work conducted by Boston Consulting Group showed each dollar invested in youth mentorship can yield a \$23 social return on investment for the most economically disadvantaged participants.¹

Subsidized employment interventions include wage-subsidy programs which aim to reduce labour costs for employers and increase demand for labour. This intervention category also includes public employment programs which aim to increase aggregate demand for labour in times of crisis or in contexts where markets are unable to create jobs at the required scale and where unemployment is an ongoing challenge. The key purpose of this type of intervention is to facilitate first-time job seekers’ entry into the labour market and keep individuals, who are unskilled, disadvantaged or long-term unemployed, in contact with the labour market, preventing the depreciation of human capital. The design of these programs are short-term in nature but primarily work toward longer-term labour market goals.

These interventions are not solely the responsibility of governments. For the best results, private sector organizations - including businesses and NGOs - must work together with governments to design and carry out various initiatives. A combination of effective policy options and private sector initiatives is necessary to tackle the issues of youth unemployment and underemployment. Policy measures such as education and skills development, labor market reforms, and entrepreneurship support are crucial. At the same time, internship programs and collaborations with governments, businesses, and NGOs are important initiatives. By implementing these initiatives, governments and the private sector can create an environment that supports young individuals in finding meaningful employment opportunities, thereby fostering economic growth and social development.

Figure 26: Total entrepreneurial activity, by country and by age distribution



Source: GEM Canada (2022)

¹ Big Brothers Big Sisters and Boston Consulting Group (2013). Investing in kids’ futures pays off in hard dollars

Best Practices

Policies and practices that have worked around the world revolve around five central themes.

There are many policy vectors that can affect youth unemployment and underemployment. Thus, to provide an appropriate guide regarding best practices, the coverage of analysis should be as comprehensive as possible in order to maintain a holistic view of the various avenues that can affect youth unemployment and underemployment. Many organizations have already examined some of the best practices in this field. One of more critical organization includes Generation Unlimited – an institution anchored in UNICEF – which has looked at the particular policies and their efficacy in alleviating the social wounds of youth unemployment. Their assessment of effective policies covers the following categories or themes: (1) Secondary education and skills, (2) School to work transition, (3) Young people's participation and civic engagement, (4) Creating suitable jobs for youth, and (5) Youth entrepreneurship and self-employment. The following are some critical elements of what they have found to be successful measures, and which could be applied within the Canadian context.¹

Theme 1

Secondary Education and Skills

Establishing a solid education and skill set is important in ensuring a strong foundation for future employment. Some important elements to build this foundation are:

1. Investing in the implementation of multiple learning pathways for secondary-age adolescents.
 - a) Ensuring that alternative learning pathways lead to certifiable quality learning.
 - b) Ensuring strong technical and vocational education and training at secondary level, building on partnership with employers and workers in the private sector.
 - c) Harnessing innovations such as e-learning, peer learning, and accelerated learning so they target specific barriers.
 - d) Using early warning systems to make sure adolescents are channeled into alternative learning pathways before they drop out and to minimize drop-out from alternative learning pathways.

2. Improving learning outcomes for young people. Outcomes should focus on the development of knowledge and different types of skills (foundational, transferable, digital, core work and job-specific) for all learners throughout all learning pathways.

International best practice examples of youth unemployment policies

The EU Youth Guarantee is an initiative aimed at tackling the persistently high youth unemployment rates in European Union (EU) member states. Launched in 2013 when youth unemployment was over 20% in the EU region, this program ensures that all young people receive a good-quality offer of employment, continued education, an apprenticeship, or a traineeship within four months of becoming unemployed or leaving formal education. Originally open to those aged 24 and below, the initiative has recently been broadened to include individuals up to 29 years old.

The Youth Guarantee operates on the principle that early intervention is crucial in preventing long-term unemployment and social exclusion among young individuals. By providing targeted support and tailored opportunities, the program equips young people with the necessary skills and experiences to transition smoothly into the labour market.

One of the key aspects of the EU Youth Guarantee is its comprehensive approach. It combines various elements, such as career guidance, job matching, skills training, and financial incentives for employers, to address the multifaceted challenges faced by young jobseekers. This holistic approach ensures that both supply and demand sides of the labour market are addressed, increasing the effectiveness of the program.

Many of the features of the EU Youth Guarantee are common to successful policies globally. A systematic review of youth employment programs from around the world found that the specific types or combination of programs were not consistently superior. What was more important was that the approaches integrated multiple interventions at once. This made them more likely to succeed as they can more readily respond to the different requirements of beneficiaries. There is also strong evidence that profiling (identifying individuals with specific risk factors and assigning services accordingly), early intervention and individualized follow-up and monitoring systems are especially important for the most vulnerable groups.²

^{1,2} Generation Unlimited (2020), What Works? A guide to Action

Best Practices

Policies and practices that have worked around the world revolve around five central themes.

Theme 2

School to Work Transition

For many youths, the school to work transition can be a bit of a challenge. To ensure a smooth transition, the following are some elements that have illustrated to be successful measures:

1. Align the technical, vocational education and training with skills demanded in the labour market. Strong foundational and, in particular, transferrable skills help young people become agile learners. These skills will be a key determinant of a young person's employment trajectory later in their careers.
2. Career counselling and entrepreneurship education linked to financial literacy can help bolster future prospects.
3. Enhanced school-to-work linkages through formal quality apprenticeships, internships as well as greater private sector input into the educational curriculum. These elements can also help enhance job-specific skills.

Theme 3

Young People's Participation and Civic Engagement

Young people play an important role in strengthening civil society, by increasing accountability of governments and corporations and fostering greater social cohesion.

1. Fostering laws, policies and budget allocations supporting youth engagement.
2. Investing in young people's capacities, networks and partnerships: It is crucial for young people to have a strong voice within civil society. They need to be empowered with data, skills as well as opportunities to share information, experiences, and learn from each other.

Theme 4

Creating Suitable Jobs for Youth

It is essential to create a positive fiscal and labour policy environment for youth employment to flourish. To do so, it is critical to:

1. Instill macroeconomic policies that supports sustainable growth and enhance opportunities for young people to join the labour market.
2. Reform regulations and systems that hinder job creation and labour mobility.

Theme 5

Youth Entrepreneurship and Self- Employment

Entrepreneurship is one of the most effective means for youth to be engaged in the workforce, especially when opportunities in wage employment are scarce. The following are some measures that have shown to be successful in promoting a positive entrepreneurial environment:

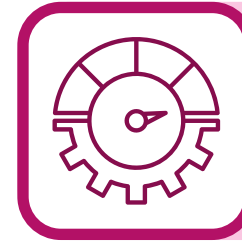
1. Matching skills development and entrepreneurship training: Develop skills and entrepreneurship capabilities through initiatives in partnership with the private sector and by integrating entrepreneurship into national education curricula.
2. Connecting youth to networks and markets: Investing in networks that support new businesses which help young entrepreneurs overcome other constraints such as, lack of access to financing, lack of information or access to productive assets, and lack of clientele.
3. Enable access to finance. This will require the building and enhancing the capacities of financial service providers to provide affordable, responsible and accessible financial services, tailored to the financing needs of youth.
4. Fostering of a positive peer environment: Young entrepreneurs can benefit from the guidance of more experienced entrepreneurs with prior experience and can help reduce unsuccessful ventures.

Best Practices

Cross-current themes that underpin best practices

In general, several organizations have developed best practice measures to deal with youth under and unemployment. In general, they come to approximately the same conclusion. Moreover, there is a common set of cross-walks or cross-current key notes that these best practice recommendations touch upon for effective implementation. These key notes include:

- 1. Holistic approach:** Adopting a holistic and comprehensive approach that addresses the multi-dimensional challenges of youth unemployment is crucial. This involves combining various interventions such as skills training, entrepreneurship promotion, employment services, and subsidized employment programs. By addressing different aspects of youth unemployment, a comprehensive approach can yield better outcomes.
- 2. Effective Stakeholder collaboration:** Collaboration among stakeholders is essential for successful youth employment initiatives. Governments, private sector organizations, educational institutions, civil society, and development agencies need to work together to design and implement effective programs. This collaboration ensures that efforts are coordinated, resources are maximized, and expertise from different sectors is leveraged.
- 3. Targeted interventions:** Tailoring interventions to the specific needs of different groups of young people is vital. Recognizing that youth unemployment is not a homogenous issue. Interventions should consider factors such as gender, geographic location, educational background, and socio-economic status. By understanding the unique challenges faced by different groups, interventions can be designed to address specific barriers and provide targeted support.



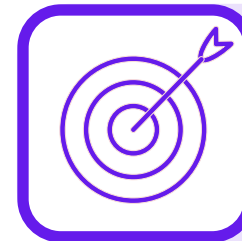
Holistic Approach

A comprehensive approach dealing with different aspects of youth unemployment and underemployment will yield better outcomes.



Effective Stakeholder Collaboration

Governments, private sector organizations, educational institutions, civil society, and development agencies need to work together.



Targeted Interventions

Tailoring interventions to the specific needs of different groups of young people is vital.



Conclusion

Bottom Line

The untapped potential

Canada's youth are a critical element of the country's future. As such, youth under and unemployment are vital issues that have significant consequences for individuals and society as a whole.

Unemployment or underemployment during the early stages of a person's career can have long-lasting effects, leaving them unable to contribute fully to the economy and to society. It can create a skills gap and lead to wage scarring, leading to a deterioration of human capital and potential productivity. Ultimately, there is a steep cost when young people are excluded from the world of work. It also means that governments may lose out on tax revenue, impacting on broader public services and infrastructure development.

Youth unemployment and underemployment can also lead to negative social consequences. When young people are unable to find suitable employment, they may experience negative social outcomes such as feelings of frustration, hopelessness, low self-esteem, and deterioration of mental health. This can lead to the deterioration of social cohesion, crime, and other social problems.

Increasing the inclusion of youth in the workforce could yield a tremendous economic benefit for Canada. Our estimates indicate that by 2034 overall real GDP could increase by 0.63% above current baseline estimate, representing an \$18.5 billion benefit to our economy.

To address these critical issues, it is essential for governments, educational institutions, and businesses to collaborate and implement robust policies and undertake effective initiatives. This may include investing in the education and skills necessary for successful employment, promoting entrepreneurship, creating job opportunities, and supporting youth-led initiatives.

In undertaking initiatives to help alleviate youth under and unemployment, it is important to understand what initiatives work – and to what degree – and what does not. It is also important to understand the required areas and policies that need improvement. Best practices have been developed from various organizations across the world. However, best practices can only provide strategic guidance. Successful implementation of initiatives will require more tactical and operational attention, in which domestic characteristics and considerations are taken into account.





Appendix A

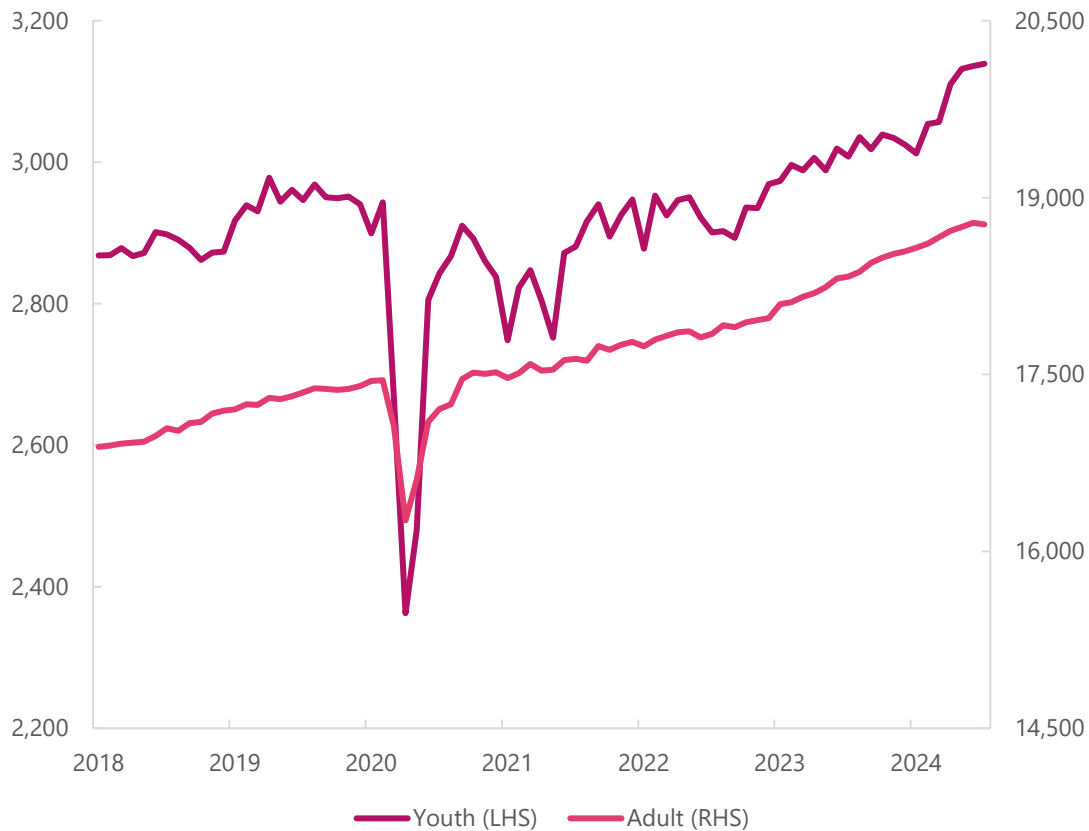
Additional Observations

Additional Observations on Youth Unemployment and Underemployment

Labour Force and Participation Rates

The youth labour force hit an all-time high of 3.14 million individuals in July 2024.

Figure A.1: Youth and adult (25+ years old) labour force ('000s)



Source: Statistics Canada, Table: 14-10-0287-01

Meanwhile, youth participation rates have been declining.

Figure A.2: Youth and adult (25+ years old) participation rate



Source: Statistics Canada, Table: 14-10-0287-01

Additional Observations on Youth Unemployment and Underemployment

Employment and Job Vacancy Rates

Youth employment rates have been decreasing since mid-2023.

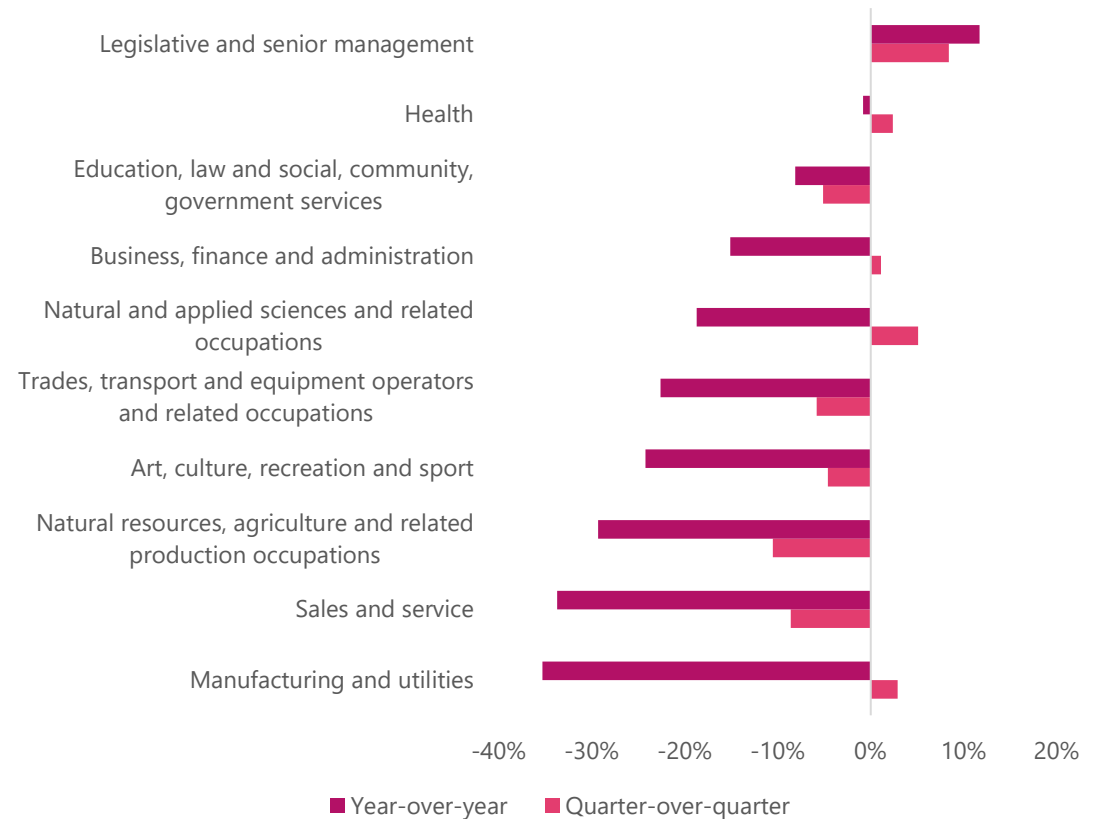
Figure A.3: Youth and adult (25+ years old) employment rate



Source: Statistics Canada, Table: 14-10-0287-01

Job vacancies are down significantly in the first quarter of 2024 in key youth employing industries including sales and service and trades, transport and equipment operators.

Figure A.4: Quarter-over-quarter and year-over-year percentage changes in job vacancies across occupation groups, first quarter 2024



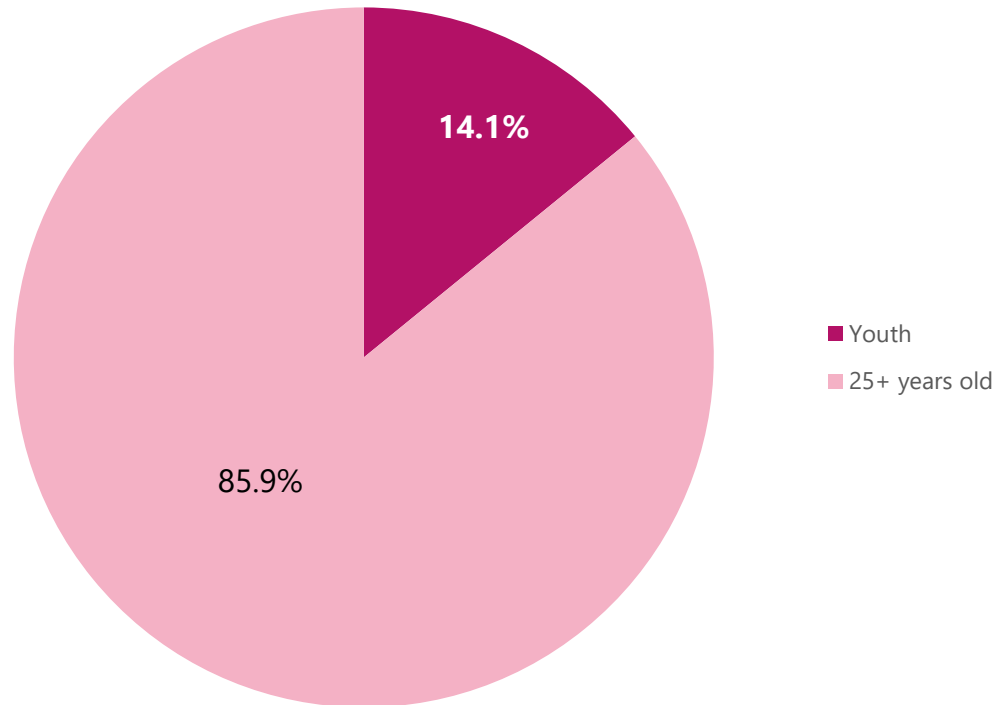
Source: Statistics Canada, Job Vacancy and Wage Survey (5217), Table 14-10-0399-01

Additional Observations on Youth Unemployment and Underemployment

Share of Labour Force versus Share of Unemployed

While 14% of all workers are aged 15 and 24 years old ...

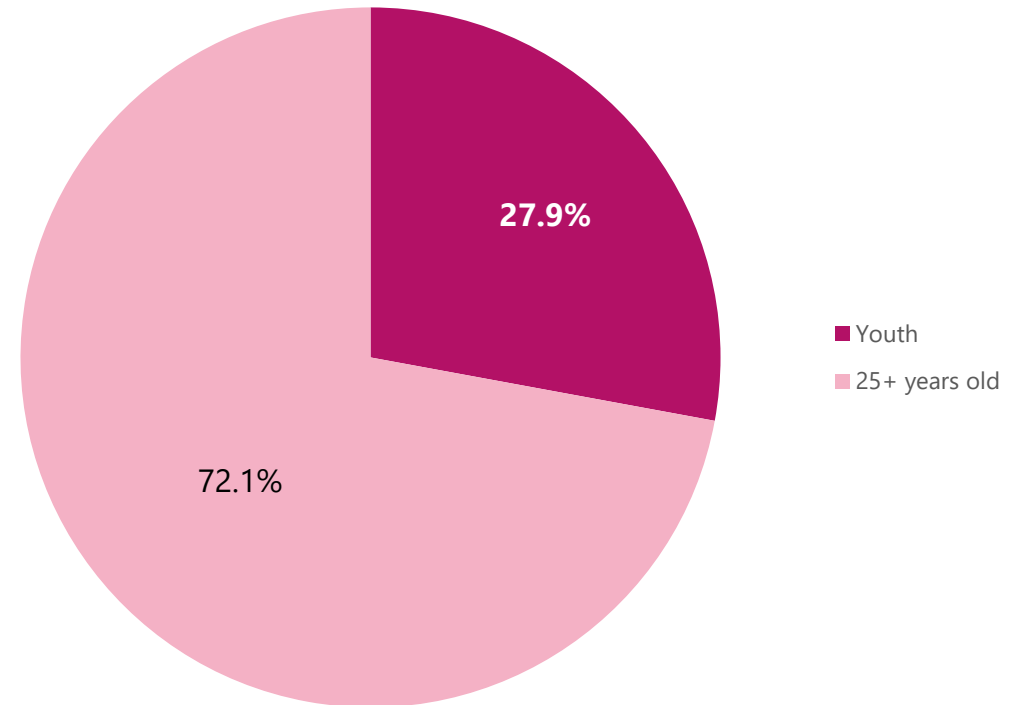
Figure A.5: Share of youth and adult labour force



Source: Statistics Canada, Table: 14-10-0287-01

... young workers account for 28% of all unemployed.

Figure A.6: Share of youth and adult unemployment rate



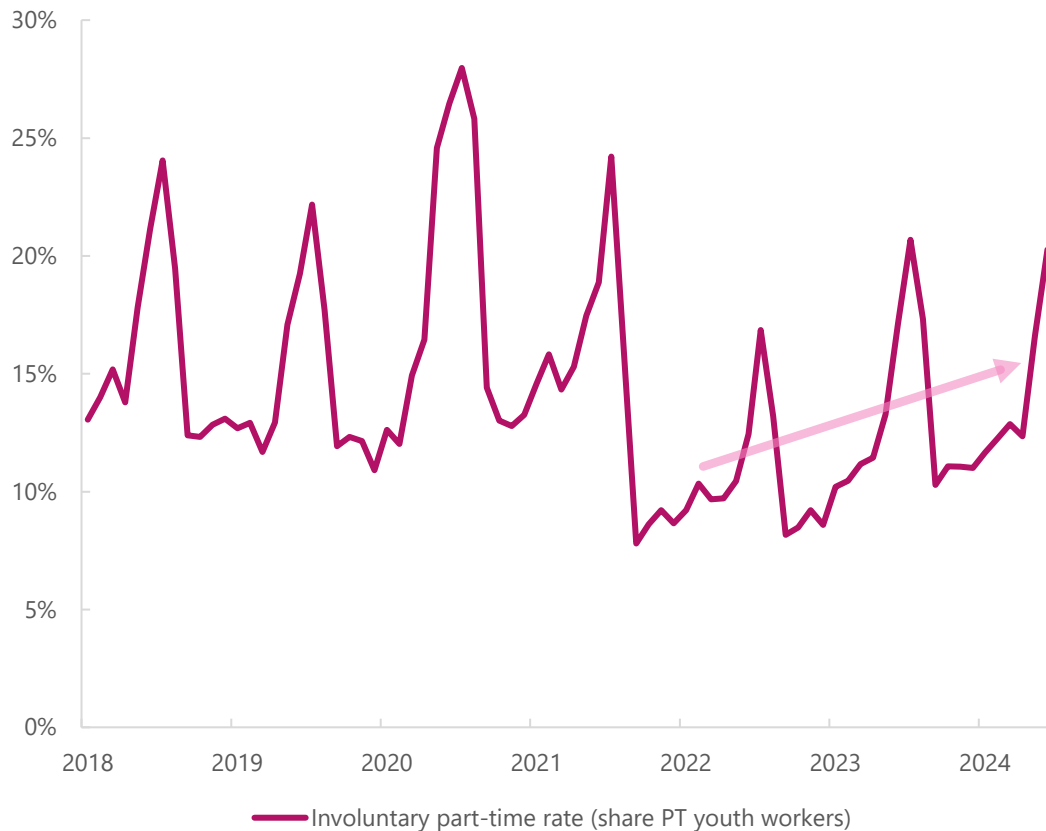
Source: Statistics Canada, Table: 14-10-0287-01

Additional Observations on Youth Unemployment and Underemployment

Involuntary Part-time Rate and NEET Rates

After hitting a low after the pandemic, the youth involuntary part-time working rate has begun to rise.

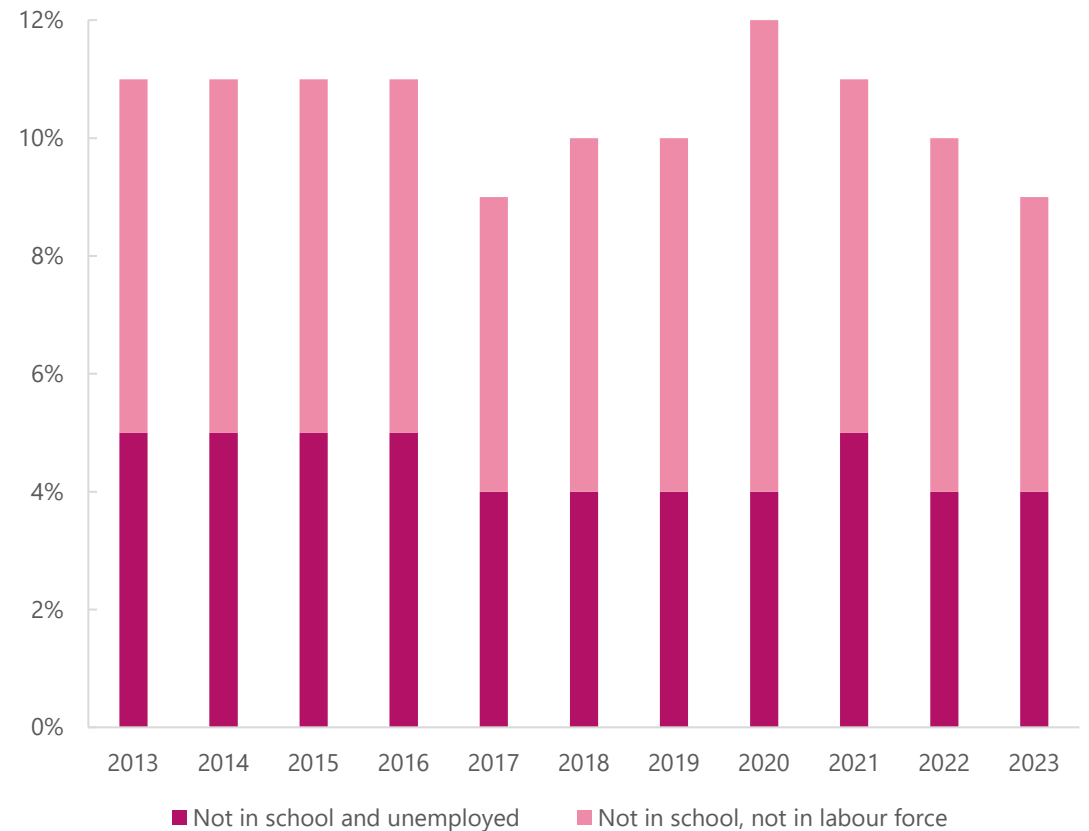
Figure A.7: Involuntary part-time rate, share of youth part-time workers



Source: Statistics Canada, Table: 14-10-0287-01

NEET levels amongst youth have been decreasing since the pandemic.

Figure A.8: Youth NEET rate



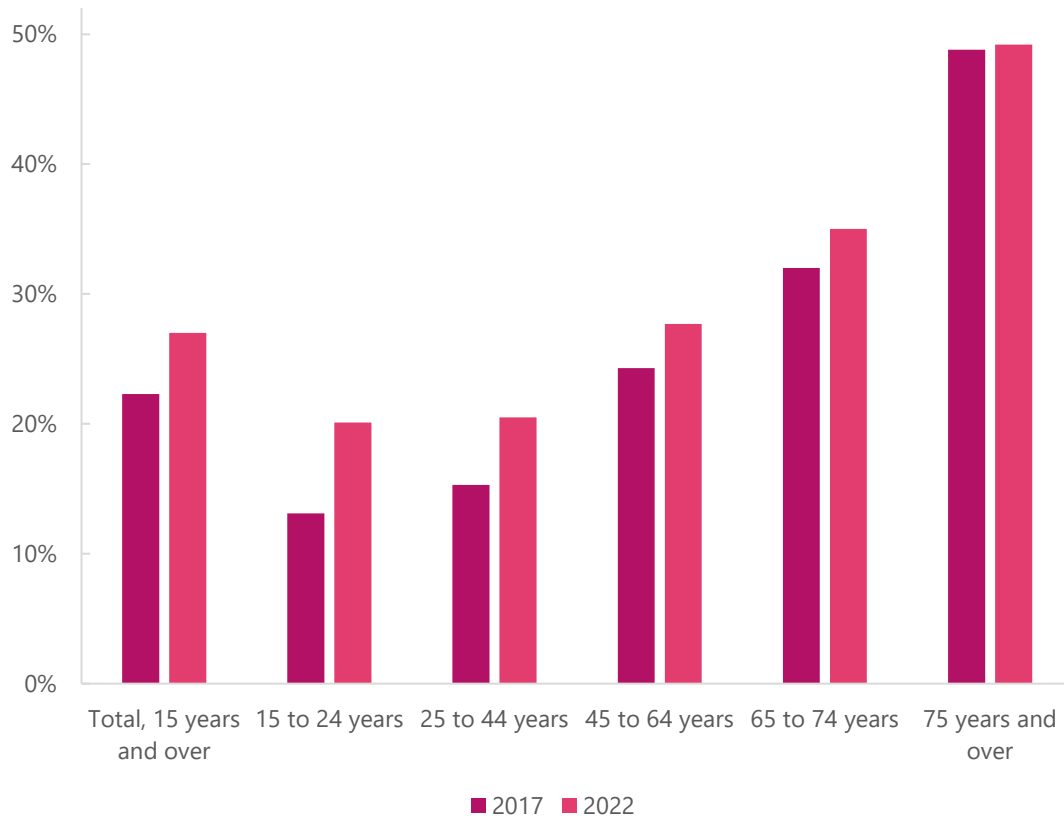
Source: Statistics Canada, Table: 37-10-0196-01

Additional Observations on Youth Unemployment and Underemployment

Disability Rates

Disability rates have been growing faster among the youth cohort relative to other age cohorts.

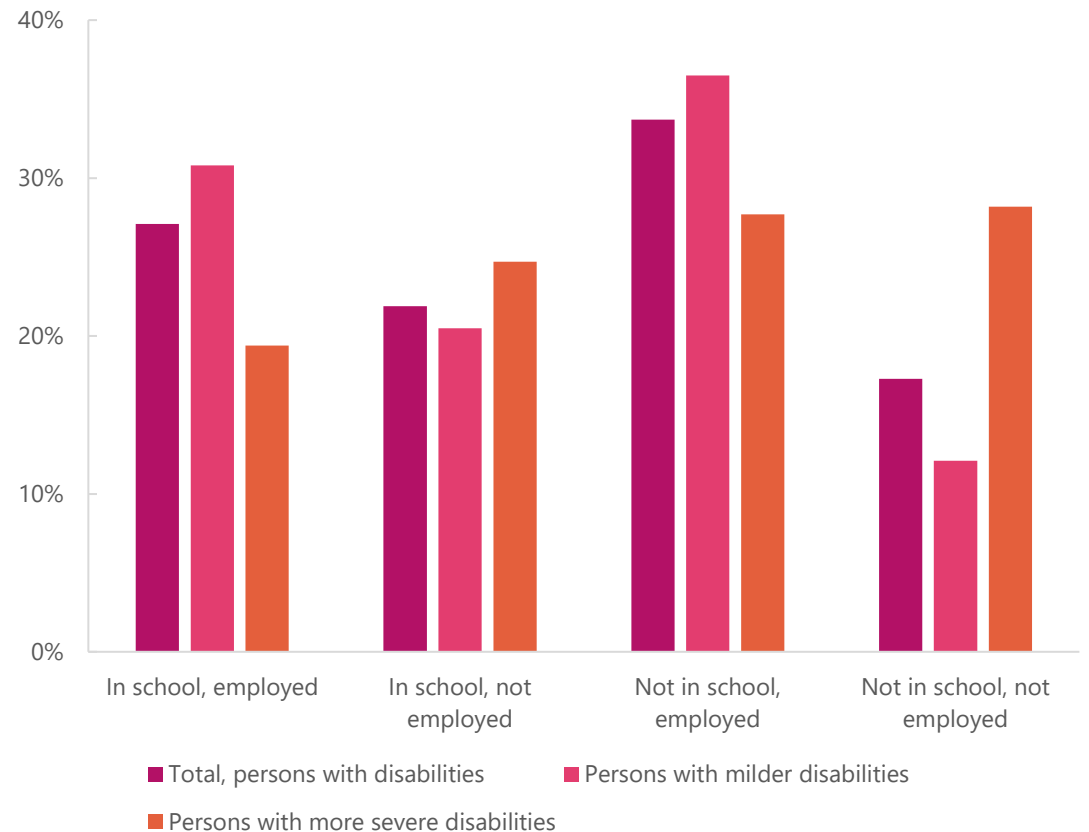
Figure A.9: Disability rate among persons aged 15 years and over, by age group, 2017 and 2022



Source: Statistics Canada, A demographic, employment and income profile of persons with disabilities aged 15 years and over in Canada, 2022

NEET rates for youth with disabilities vary greatly, depending on the severity of the disability.

Figure A.10: School enrollment / employment status among youth with disabilities aged 15 to 24 years, by disability severity, 2022



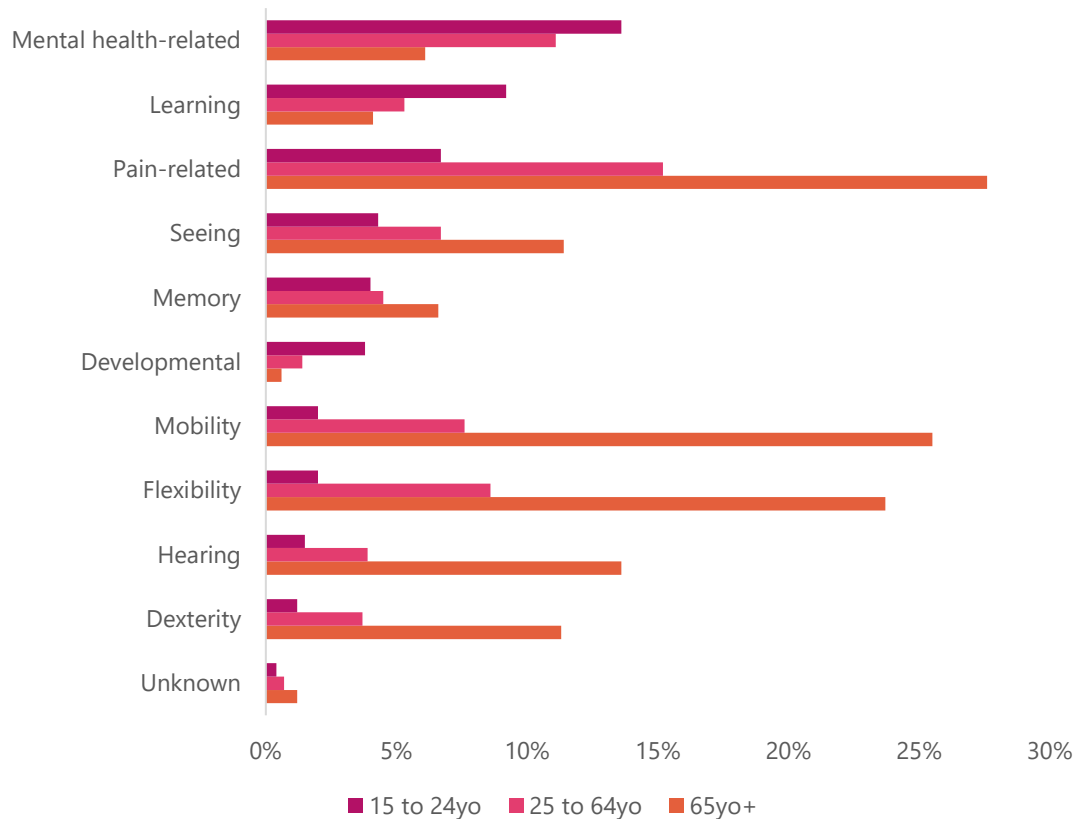
Source: Statistics Canada, A demographic, employment and income profile of persons with disabilities aged 15 years and over in Canada, 2022

Additional Observations on Youth Unemployment and Underemployment

Disability Profile by Disability Type

Among youth, mental health was the most common disability type.

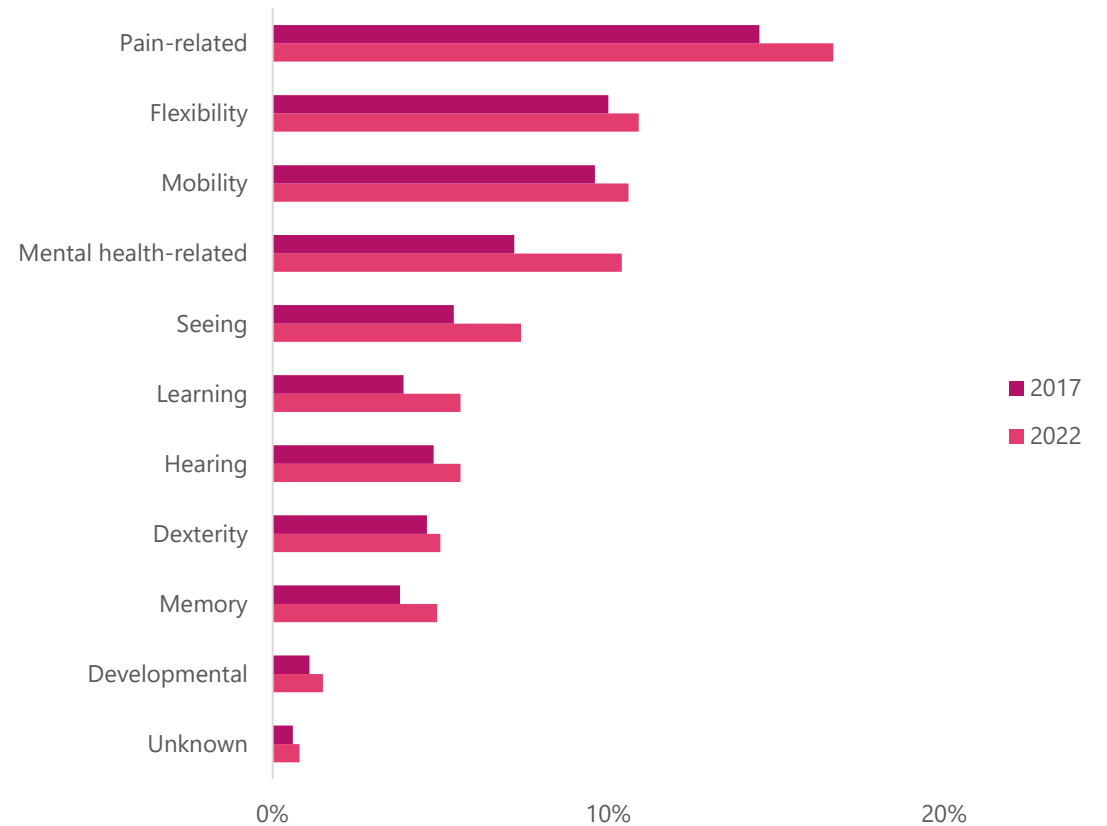
Figure A.11: Disability rate, by disability type and age group



Source: Statistics Canada, A demographic, employment and income profile of persons with disabilities aged 15 years and over in Canada, 2022

Mental health related disability was the fastest growing disability between 2017 and 2022.

Figure A.12: Youth disability rate, by disability type



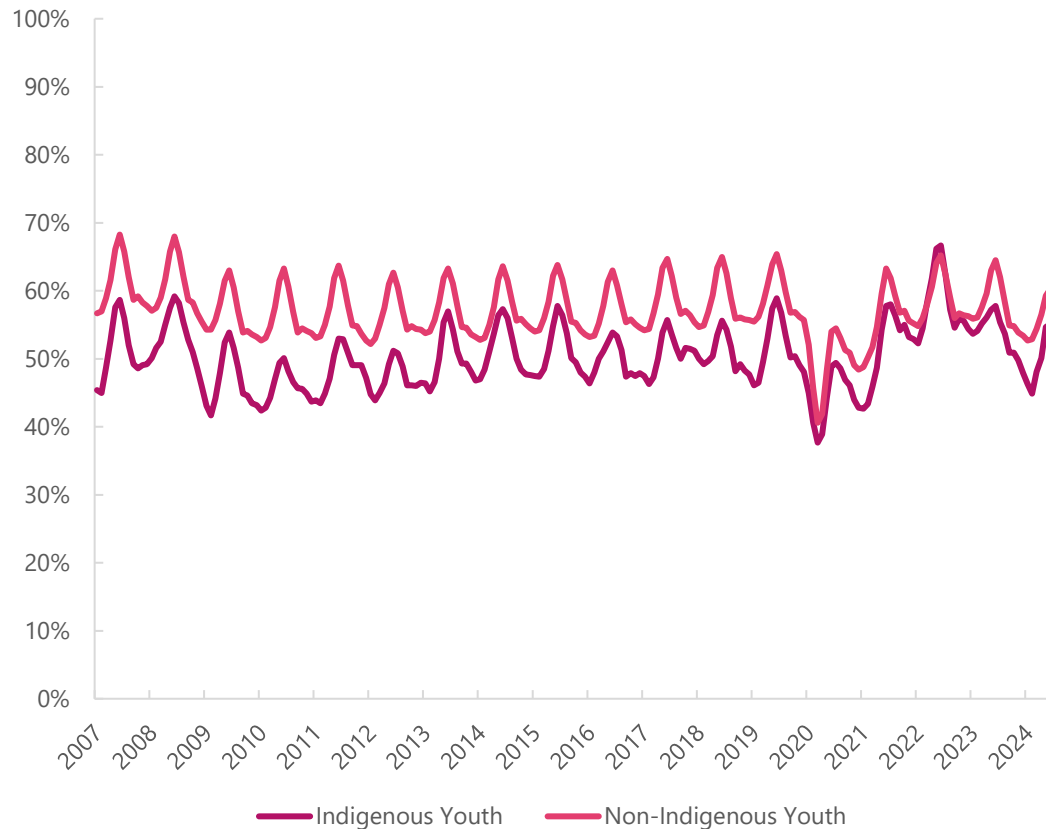
Source: Statistics Canada, A demographic, employment and income profile of persons with disabilities aged 15 years and over in Canada, 2022

Additional Observations on Youth Unemployment and Underemployment

Employment Rates and Labour Force Participation Rates for Indigenous Youths

The employment rate for Indigenous youth has been trending higher since 2010, narrowing the gap with the non-Indigenous youth population.

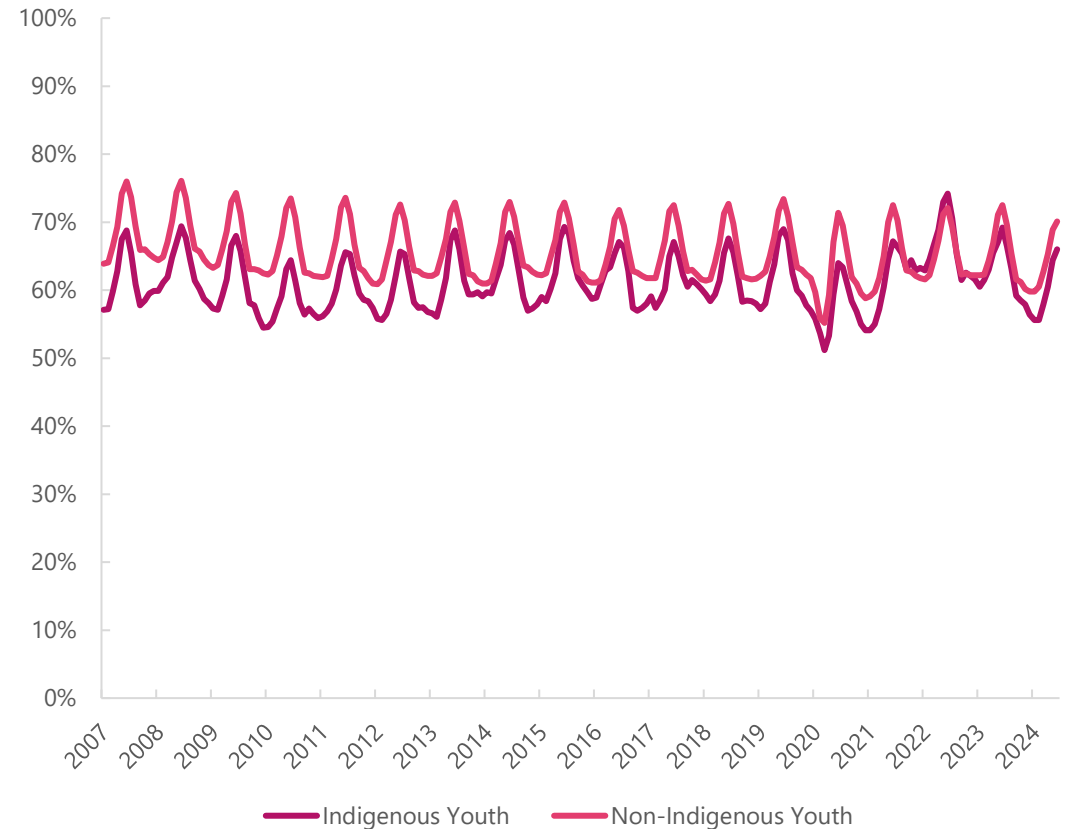
Figure A.13: Employment rates for Indigenous and non-Indigenous youths, not-seasonally adjusted



Source: Statistics Canada, Table: 14-10-0401-01

Meanwhile, labour force participation rates for Indigenous youth population has also narrowed the gap with that of the non-Indigenous youth population.

Figure A.14: Labour force participation rates for Indigenous and non-Indigenous youths, not-seasonally adjusted



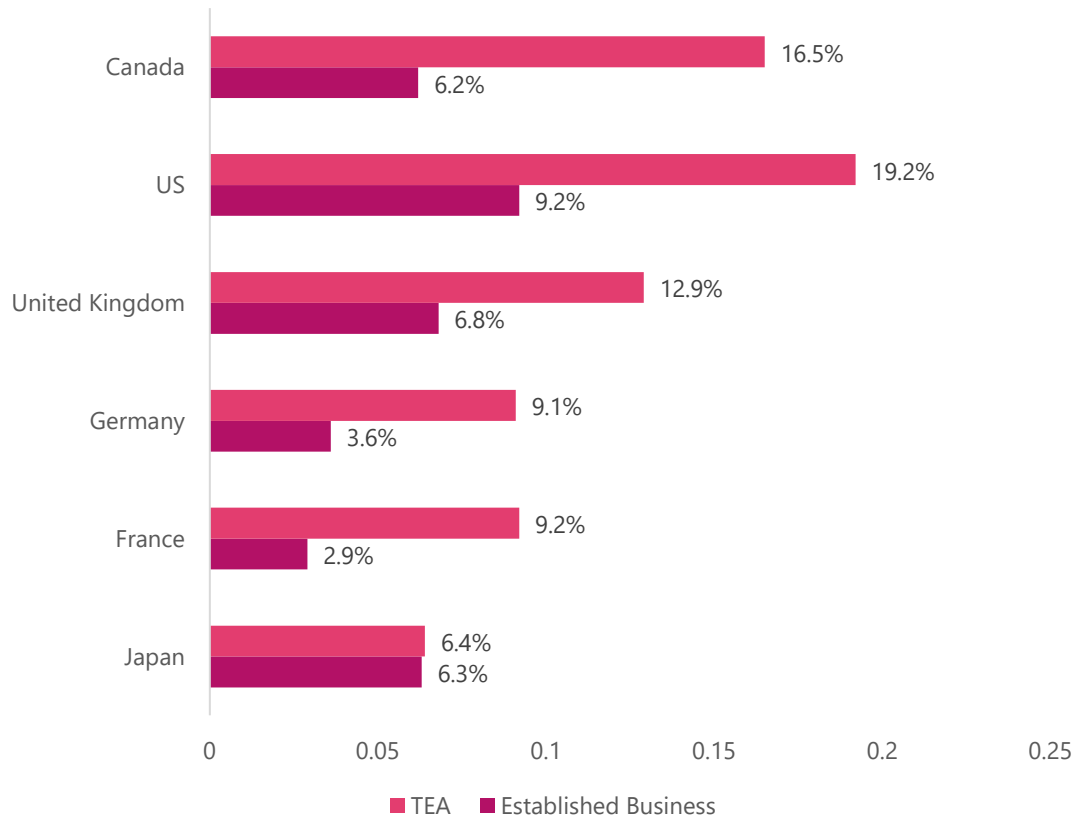
Source: Statistics Canada, Table: 14-10-0401-01

Additional Observations on Youth Unemployment and Underemployment

Entrepreneurial Activity

Canada's overall TEA rate is second highest among 6 of the G7 countries. Canada's overall TEA rate is second highest among 6 of the G7 countries.

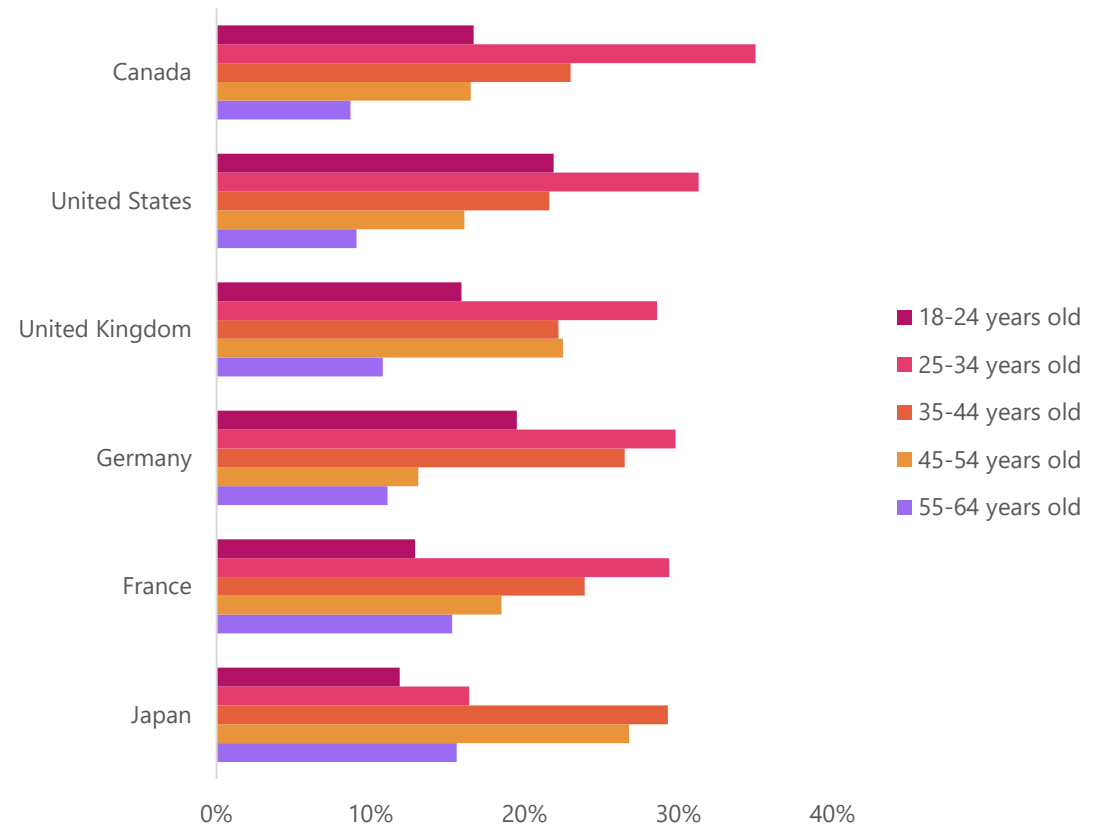
Figure A.15: Total Early-Stage Entrepreneurial Activity and Established Business Rate



Source: GEM Canada (2022)

One in six businesses that were considered TEA in Canada were owned by youths.

Figure A.16: Age Distribution of Total Early-Stage Entrepreneurial Activity



Source: GEM Canada (2022)



Appendix B

Methodology and Assumptions

Modelling Methodology and Assumptions



Modelling Approach

To estimate the economic impacts of youth under and unemployment in Canada, we configured a structural model of the Canadian economy with a counterfactual scenario where youth cohorts have similar employment characteristics to the rest of the population. Specifically, we incorporated four key supply-side shocks which affect the overall productive capacity of the Canadian economy and bring about consequent effects in aggregate demand.

The differences between these two states of the economy (the counterfactual scenario vs. current baseline growth) highlight the economic impacts associated with reducing youth under and unemployment.

The key supply-side shocks modelled included:

1. An increase in aggregate labour force participation by bringing all youth who are currently out of the labour force due to economic reasons (discouraged, awaiting recall/reply, etc.) back into the labour force.
2. An increase in the average hours worked in the economy by bringing the proportion of involuntary part-time workers in the youth population on par with that in the prime working age population (ages 25-54).
3. A reduction in the overall natural rate of unemployment by bringing the NAIRU among young workers to that of the rest of the population.
4. An increase in workforce productivity by incorporating the productivity impact of the training and on-the-job skills gained by the cohort of now-employed young workers in this counterfactual scenario.



Modelling Assumptions and Limitations

Our current approach is designed to estimate the economic impacts of reducing youth under and unemployment but does not account for the costs of any policies or programs to this end. As such it is not a cost-benefit analysis, nor does it examine the opportunity costs of such a use of resources to reduce youth under and unemployment.

The economic impacts modelled do not include an analysis of the impacts of reducing youth under and unemployment on mental and physical health, crime rates, and other quality of life measure, and any consequent economic impacts from these channels. The analysis also does not include an estimation of the overall impact of reduced youth under and unemployment on public expenditures such as criminal justice system expenditures, and health care and welfare support costs.

Structural macroeconomic models are widely used in economic analysis to understand the behavior of various macroeconomic variables and their interactions. However, like any modeling approach, they have some limitations. Macro models in general deal with aggregate impacts and do not explain the distribution of these impacts across various cohorts within the economy. Structural macro models often rely on assumptions about the behavior of economic agents. These assumptions may not fully capture the complexity of human behavior and decision-making, leading to potential discrepancies between model predictions and actual outcomes. Macroeconomic systems are highly complex and dynamic, involving interactions between several variables and multiple feedback loops. Structural macro models often simplify these dynamics, to make the models tractable and solvable. As a result, the models may not fully capture the complexity of real-world economic systems.

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Note to Reader

The results presented within this document have been provided to The King's Trust Canada for the purpose of estimating the socio-economic impacts of youth under and unemployment.

This study estimates the economic impact of reducing youth under and unemployment in Canada but does not currently estimate or account for investments required to bring about such an improvement in employment outcomes for youth. As such, it does not constitute a cost-benefit analysis, nor does it examine the opportunity costs of such a use of resources to improve youth under and unemployment.

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