Jobs for Youth

CANADA

Des emplois pour les jeunes

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Jobs for Youth
(Des emplois pour les jeunes)

Canada

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FOREWORD

The OECD's Employment, Labour and Social Affairs Committee has decided to carry out a thematic review of policies to facilitate the transition from school to work and to improve the career prospects of youth. This review is a key part of the implementation of the Reassessed OECD Jobs Strategy.

Sixteen countries (Australia, Belgium, Canada, Denmark, France, Greece, Japan, Korea, Netherlands, New Zealand, Norway, Poland, Slovak Republic, Spain, United Kingdom and United States) have decided to participate in this review which will take place between 2006 and 2009. Once all these countries have been reviewed, a synthesis report will be prepared highlighting the main issues and policy recommendations. The policies recommended in the synthesis report will be discussed at the OECD's Employment, Labour and Social Affairs Committee, preferably within the framework of a High-level Forum which would be devoted to "Jobs for Youth".

In this thematic review, the term "youth" encompasses teenagers (*i.e.* youth aged 15/16-19) as well as young adults (aged 20-24 and 25-29).

This report on Canada was prepared by Anne Sonnet (Project Leader) and Vincent Vandenberghe, with statistical assistance provided by Sylvie Cimper and Thomas Manfredi. It is the seventh such country report prepared in the context of this thematic review. A draft of this report was presented at a seminar which was organised in Ottawa on 12 February 2008 by the Department of Human Resources and Social Development of the Government of Canada.

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SUMMARY AND MAIN RECOMMENDATIONS

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

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

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

The school-to-work transition is smooth for most young Canadians and the line between school and work is particularly blurred. Many young people combine both, delaying post-secondary attendance after high school, going back and forth between education and work, and starting their career rapidly with a permanent and full-time job. A good indicator is that more than three-quarters of first jobs are permanent and full time for school-leavers having at least an upper secondary diploma. Nevertheless, there is evidence that this pattern varies considerably across different sub-populations within Canada, as demonstrated by early school-to-work transitions among many low-educated Aboriginal youth and late transitions for many highly-educated immigrant youth. According to the 2006 census,

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

young immigrants perform on average relatively well on the labour market with an unemployment rate of 14% compared with 22% for Aboriginal youth and 13% for the national average.

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

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

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

Education is the responsibility of each province

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

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

the re-emergence of the commodity-based economy, sustained by an increased global demand, this trend is likely to persist.

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

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

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

Recent reforms go in the right direction

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

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

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

What remains to be done?

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

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

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

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

2. See Figure 2.10.

of 6 could well be more cost-effective than most training programmes that try to upgrade skills amongst early school-leavers.

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

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

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

Achieving a better combination of work and study is another worthwhile initiative. Combining work and study is to be encouraged to the extent that work is not harmful to studies. There is evidence that among high-school students who work for pay, drop-out rates are lowest for those who work a moderate number of hours weekly and highest for those who work the equivalent of full-time hours. Overall, students tend to work much more frequently in Canada than in many other OECD countries. There is evidence that most of the time, post-secondary students work to offset the costs of their studies. Nevertheless, paid work among teenagers starts very early in Canada. In Alberta, the minimum working age recently dropped from 14 to 12 (with a maximum of two hours per day on school days) while it is 14 in Newfoundland and Labrador and in Ontario. In contrast, in many European countries, the minimum working age is 16.

In Alberta, but also in Saskatchewan and British Columbia, where the opportunity cost of studying is particularly high, all the stakeholders should explore ways of reducing that cost. Staying on in education for young

people who discount the future at a very high rate might be perceived as a waste of time and money.

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

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

- *Put a greater emphasis on early-age (*i.e. *before age 6) education of children from disadvantaged groups and ensure it is sustained.* Monitoring the progress of these children once they enter primary education is also crucial to ensure that the benefits are sustained.

- *Consider gradually increasing the school-leaving age to 18 in all provinces together with the development of high-school vocational programmes*. The focus should be on retention until a qualification is obtained rather than simply on staying until a given age. A change in this direction would require secondary education to be able to cater for a broader age range and provide diversified learning pathways with strengthening pre-apprenticeship. Given the time it may take to develop an effective supply of vocational education and training or pre-apprenticeships within high schools and the cost to the public purse, this reform could be phased in over at least five years, as recently decided by the United Kingdom.

- *Achieve a better balance of work and study among teenagers to prevent them from dropping out.* Paid work should be forbidden below the age of 14. Between 14 and the end of compulsory schooling, teenager jobs of more than 20 hours per week during the school year should be discouraged by introducing in provincial employment standards the threshold of 20 hours per week above which employers are obliged to pay for employer benefits such as health and other insurance coverage.

- *Explore ways of reducing the opportunity cost of studying or returning to study in buoyant labour markets.* Special scholarships could be offered to those who accept resuming high school and take the necessary steps towards gaining their final diploma. Grants, scholarships and a flexible work schedule to allow for study time are

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

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

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

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

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

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

particular, such strategies include compulsory participation in active programmes after a period of unsuccessful job search.

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

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

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

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

youth employment issues and joint initiatives between school boards and the PES involving job-search techniques, vocational training and self-employment.

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

The following actions are recommended:

- *Redirect the focus of existing youth programmes towards the small group of individuals facing multiple barriers to employment.* Many existing youth programmes were designed in a labour market context of high youth unemployment that no longer exists in most of Canada's provinces. These programmes need to be redesigned to respond better to today's challenges.

- *Enforce more strictly activation strategies among youth receiving welfare benefits.* All provinces, and particularly Newfoundland and Labrador, should insist that eligible youth for social assistance must pursue, accept, and retain any reasonable offer of employment or retraining as an initial and continuing condition of welfare eligibility.

- *Enforce a "mutual obligations" principle towards young repeat users of EI benefits.* Young repeat users are at relatively high risk of becoming repeat users as adults. They should be "activated" as from the initial day of re-registration. These activation measures should include a requirement of registration for placement taking place at the time of benefit application, direct referrals to job vacancies, an obligation of reporting at least monthly their job-search activities and the frequent verification of job-search in order to continue to receive EI benefits. After three months of unsuccessful job search, an individual action plan should be drawn up and this should include the referral to active programmes and encouragement to geographic mobility, if appropriate.

- *Design geographic mobility assistance programmes to help young repeat users of EI benefits, especially from rural and remote areas, to move where job opportunities exist.* Youth living far from urban centres

should be better informed on labour market opportunities and living conditions in their, or others, provinces.

- *Better co-ordinate the different ALMPs available to youth in Canada.* There is a risk of duplication of ALMPs towards disadvantaged youth in Canada. In particular, the Skills Link stream of the federal YES devoted to disadvantaged youth should be better co-ordinated with the existing provincial programmes designed to help at-risk youth living in underserved and very often remote and rural areas.

- *Implement more co-operation between the many ALMP providers.* A good practice for a sustainable youth employment delivery network is the Ontario Association of Youth Employment Centres (OAYEC). This kind of co-operation between providers operating in each community, would likely improve the delivery of efficient ALMPs for youth, not only within each province but also across Canada.

- *Set up rigorous evaluations of ALMPs for youth in each province.* The knowledge base on what works and what does not work for youth needs to be expanded and be given more publicity. Each province should develop evaluations of their different youth programmes to assess their cost-effectiveness. Access to data on provincial programmes should be made available to researchers to implement rigorous evaluations.

RÉSUMÉ ET PRINCIPALES RECOMMANDATIONS

Au Canada, le marché du travail des jeunes est dynamique et plus performant que dans la plupart des pays de l'OCDE. Certaines catégories de jeunes y sont toutefois marginalisées.

La récente performance du marché du travail des jeunes au Canada est très bonne comparativement à celle de nombreux autres pays de l'OCDE. La croissance économique soutenue, d'un peu plus de 3 % en moyenne par année au cours de la dernière décennie, et la très grande souplesse du marché du travail par rapport à ce que l'on observe ailleurs ont toutes deux contribué à la croissance des taux d'emploi et à la réduction du chômage dans l'ensemble de la population, de même que chez les jeunes.

Entre 1996 et 2006, le taux de chômage des jeunes est tombé de 15.4 % à 11.6 %, se situant ainsi pour les deux années considérées sous les moyennes de l'OCDE (16.2 % et 14.7 % respectivement en 1996 et 2006, d'après les enquêtes sur la population active). Cela dit, le taux de chômage des jeunes varie considérablement selon la province, sous l'effet de divers facteurs économiques régionaux. Par exemple, le taux de chômage des jeunes est deux fois supérieur à la moyenne canadienne à Terre-Neuve-et-Labrador. Il est proche de la moyenne canadienne en Ontario tandis qu'en Alberta, il était de 6.8 % en 2006[3], ce qui représente la meilleure performance au Canada à cet égard.

La transition de l'école vers le travail est relativement facile pour la plupart des jeunes Canadiens. En fait, il n'y a pas de démarcation claire entre études et travail au Canada. Beaucoup de jeunes

3. Dans le présent rapport, l'examen des variations selon la région ou la province portera, le plus souvent, sur les variations dans les trois provinces dans lesquelles se sont rendus les représentants du Secrétariat de l'OCDE, à savoir : l'Alberta, l'Ontario, de même que Terre-Neuve-et-Labrador.

choisissent soit de cumuler études et travail, d'intégrer le marché du travail pendant un certain temps avant d'entreprendre des études postsecondaires ou encore d'alterner entre études et travail, pour enfin, au terme de leur scolarité, entrer de plain-pied dans la vie active en décrochant un emploi permanent à temps plein. Ainsi, pour plus des trois quarts des titulaires d'au moins un diplôme d'enseignement secondaire supérieur, le premier emploi est permanent et à temps plein. En revanche, diverses données suggèrent que le schéma varie considérablement à l'intérieur de certaines sous-populations, comme en témoigne le passage hâtif à l'emploi de nombreux jeunes Autochtones avec de faibles niveaux d'éducation et les longues transitions pour de nombreux jeunes immigrants avec de forts niveaux d'éducation. D'après le recensement de 2006, la plupart des jeunes immigrants s'intègrent assez facilement au marché du travail, le taux de chômage chez ces derniers s'établissant à 14 %, comparativement à 22 % et à 13 % respectivement pour les jeunes Autochtones et l'ensemble des jeunes Canadiens.

Il existe peu de facteurs constituant des obstacles à l'embauche des jeunes du côté de la demande de travail. Au Canada, la législation sur la protection de l'emploi compte parmi les moins contraignantes des pays de l'OCDE. Il y a donc peu de risque que les jeunes se fassent piéger dans des emplois temporaires. Chez les jeunes qui ne sont pas aux études à temps plein, la durée des emplois atypiques demeure relativement courte. Cela suggère que le travail atypique constitue une étape transitoire avant l'emploi permanent à temps plein. De plus, ni les salaires, ni les coûts de main-d'œuvre ne semblent, *en soi*, constituer des obstacles à l'embauche des jeunes. Au Canada, les jeunes travailleurs, surtout ceux aux études, touchent une faible rémunération à leur entrée sur le marché du travail, mais tendent cependant à faire rapidement leur chemin et à occuper des emplois sans cesse plus rémunérateurs.

L'incidence du chômage de long terme chez les jeunes est particulièrement faible au Canada et va en diminuant depuis dix ans. En effet, entre 1996 et 2006, le taux de chômage de long terme des jeunes est tombé de 7 % à moins de 3 %. À titre de comparaison, celui de long terme des jeunes des pays de l'OCDE est en moyenne systématiquement supérieur à 20 %. De plus, alors qu'en 2005, près de 10 % des Canadiens de 15 à 24 ans étaient ni aux études, ni en emploi, ni en formation, cette situation est généralement d'assez courte durée. En effet, 1 % seulement des jeunes Canadiens dans cette situation en 1999 l'étaient toujours en 2001 et en 2003.

Au Canada, les jeunes dont la situation sur le marché du travail est relativement mauvaise ou qui risquent l'exclusion sociale sont globalement peu nombreux. Cependant, les jeunes en région éloignée ou rurale sont particulièrement à risque de se retrouver dans ce groupe, de même que les jeunes Autochtones, surtout ceux vivant dans les réserves.

L'éducation est de compétence provinciale

Au Canada, l'éducation et la formation relèvent essentiellement de la compétence des provinces. Compte tenu des exigences du marché du travail, tous les ordres de gouvernement reconnaissent l'importance de la formation initiale. D'après les résultats de 2006 de l'enquête PISA (*Programme international pour le suivi des acquis des élèves)* réalisée par l'OCDE, les résultats des jeunes Canadiens âgés de 15 ans sont nettement supérieurs à la moyenne de l'OCDE. De plus, dans aucun autre pays de l'OCDE la proportion des jeunes fréquentant le collège ou l'université n'est aussi élevée.

Mais abstraction faite de cette excellente performance, il existe au Canada un biais important en faveur des filières académiques dans l'enseignement secondaire. Ce biais a d'ailleurs été mis en évidence il y a dix ans dans une autre étude de l'OCDE sur la transition études-emploi au Canada. L'économie canadienne est axée sur les connaissances, comme du reste la plupart des économies de l'OCDE, et peut de ce fait absorber un nombreux effectif de diplômés collégiaux et universitaires. Étant donné que les élèves du secondaire sont peu enclins à s'orienter vers une filière technique ou professionnelle, il s'ensuit qu'il y a actuellement au Canada pénurie de travailleurs qualifiés dans de nombreux métiers et professions techniques. Et puisque la demande globale pour les biens du secteur primaire est de nouveau vigoureuse, cette pénurie est appelée à durer.

Le décrochage chez les 15-24 ans est un autre sujet de préoccupation au Canada. En 2005, par exemple, le taux de décrochage chez les Canadiens de cet âge (8.7 %), bien que nettement inférieur à la moyenne des pays de l'OCDE (13 %), était néanmoins supérieur au taux correspondant en Norvège (3.2 %) et en Corée (2.6 %). L'Alberta, le Manitoba et le Québec sont les provinces où les taux de décrochage sont les plus élevés. En Alberta, l'extraordinaire dynamisme du marché du travail, attribuable à la force du secteur des sables bitumineux, a fait grimper le coût d'opportunité des études, ce qui explique, pour une part du moins, le taux de décrochage assez élevé qu'on y observe.

Les politiques du marché du travail pour les jeunes : compétence partagée entre gouvernement fédéral et provinces

Les jeunes ont accès à plusieurs prestations passives, comme par exemple, les prestations d'assurance-emploi et d'aide sociale. L'assurance-emploi relève du gouvernement fédéral et l'aide sociale, des provinces. Parallèlement, les paliers de gouvernements fédéral et provincial offrent tous deux des programmes actifs du marché du travail (PAMT) à l'intention des jeunes. Ces programmes ont pour objet d'accroître les possibilités d'emploi des jeunes d'un bout à l'autre du Canada. Toutefois, d'après certaines données, il y a souvent du chevauchement entre les programmes fédéraux et provinciaux. De plus, il n'y a actuellement pas de politiques d'activation pour les PAMT et par conséquent, certains jeunes touchant des prestations passives ne participent pas aux PAMT.

Les récentes réformes vont dans la bonne direction

Le Gouvernement canadien a mis en place plusieurs mesures pour aider les jeunes à accéder à l'éducation et à financer leurs études. En novembre 2006, il lançait *Avantage Canada*, un plan économique axé sur la compétitivité, dont l'une des dimensions vise à accroître l'avantage du savoir dont jouit le Canada et à faire des travailleurs canadiens « la main-d'œuvre la plus scolarisée, la plus qualifiée et la plus souple au monde ».

Deux autres mesures fédérales récentes méritent d'être soulignées. La première s'adresse aux Autochtones. En 2007, le gouvernement fédéral a annoncé l'injection de fonds supplémentaires dans le programme Partenariat pour les compétences et l'emploi des Autochtones (PCEA), lequel a pour but de favoriser « l'emploi stable des Autochtones dans de grands projets de développement économique au Canada et d'offrir des avantages durables aux communautés, familles et personnes autochtones ». La deuxième mesure, à savoir l'adoption dans le cadre du budget de 2006 de la Subvention incitative aux apprentis et du Crédit d'impôt pour la création d'emplois d'apprentis, a pour objet d'encourager les jeunes Canadiens à s'inscrire à des programmes d'apprenti dans les filières technique ou professionnelle.

Comme on le verra plus loin, l'Alberta, Terre-Neuve-et-Labrador et l'Ontario ont adopté d'importantes mesures pour améliorer le

niveau d'éducation et l'emploi chez les jeunes. Bien que les mesures adoptées par les provinces varient, bon nombre d'entre elles s'attaquent à un problème commun : le décrochage avant la fin du secondaire. À cet égard, l'une des mesures prises par l'Ontario a été de rendre l'éducation obligatoire jusqu'à l'âge de 18 ans (obligation scolaire) et d'offrir un crédit d'impôt pour les apprentis.

Et maintenant, que reste-t-il à faire?

Bien que le Canada ait un marché du travail pour les jeunes qui soit performant et qu'il réponde mieux que la plupart des autres pays de l'OCDE aux besoins et difficultés des jeunes du point de vue de l'éducation et de l'intégration au marché du travail, il y a encore des efforts à faire pour optimiser la transition études-travail. Pour assurer des emplois durables pour les jeunes au Canada, il faudrait, idéalement, que la stratégie mise en place vise les deux grands objectifs suivants : veiller à ce qu'au terme de leurs études, tous les jeunes aient les qualifications requises leur permettant de faire carrière dans le domaine correspondant à leur formation ; améliorer, du point de vue de la conception et de la cohérence, l'actuelle stratégie d'activation à l'intention des jeunes et plus spécialement à l'intention des jeunes à risque.

Veiller à ce qu'au terme de leurs études, tous les jeunes aient les qualifications requises leur permettant de faire carrière dans le domaine choisi

Le système d'éducation canadien fonctionne très bien : le nombre de jeunes détenant un diplôme d'études postsecondaires et les résultats de l'enquête PISA, menée auprès de jeunes de 15 ans, en sont l'illustration. Ainsi, à l'heure actuelle, le problème qui demeure et auquel il faut s'attaquer en toute priorité est le décrochage scolaire. Il n'existe cependant pas de solution unique à ce problème.

Dans une optique d'apprentissage continu (ou de formation tout au long de la vie), une solution partielle pour prévenir l'abandon scolaire consiste à intervenir tôt et ce, d'une manière accrue. En effet, il est de plus en plus largement admis qu'un programme d'éducation de la petite enfance de qualité permet aux jeunes enfants, en particulier à ceux issus de familles à faible revenu ou d'autres groupes défavorisés, de partir du bon pied, ce qui, plus tard, réduira le risque de décrochage scolaire et améliorera les transitions écoles-travail. Par rapport à ce que l'on observe ailleurs dans les pays de l'OCDE, le pourcentage d'enfants qui participent à un programme d'*éducation de*

la petite enfance (c'est-à-dire à un programme ne se limitant pas à de simples services de garde) est faible au Canada. En 2003, la proportion des jeunes Canadiens de 15 ans ayant participé pendant plus d'une année à ce genre de programmes s'élevait à 39 %, ce qui est bien en deçà de la moyenne pour les pays de l'OCDE (68.5 %). D'après les résultats de l'enquête PISA, la participation à un programme d'éducation de la petite enfance serait positivement corrélée au niveau cognitif atteint à l'âge de 15 ans[4]. Il se pourrait donc qu'une participation accrue des moins de six ans issus de groupes défavorisés à des programmes éducatifs soit plus rentable que ne le sont la plupart des programmes de formation visant la mise à niveau des compétences à l'intention des décrocheurs.

Une autre solution partielle, qui pourrait contribuer à réduire le décrochage, consisterait à rendre l'éducation obligatoire jusqu'à un âge plus avancé, comme l'ont fait récemment d'autres pays de l'OCDE (les Pays-Bas notamment) ou comme entendent le faire d'autres pays membres (le Royaume-Uni, par exemple). Toutefois, le simple fait de porter l'obligation scolaire de 16 à 18 ans n'est pas une panacée. Pour être efficace, une telle mesure doit s'accompagner d'une diversification des choix éducatifs au secondaire. À cet égard, on pourrait s'inspirer des réformes récentes en Ontario. En 2005, la province a porté l'obligation scolaire de 16 à 18 ans et, dans le cadre de la stratégie visant la réussite des élèves, a adopté un ensemble de mesures incitatives pour favoriser la persévérance scolaire et l'obtention du diplôme d'études secondaires. Cela inclut la diversification du programme de cours offerts sous sa filière professionnelle au second cycle du secondaire. Cela inclut aussi le développement du Programme d'apprentissage pour les jeunes de l'Ontario (PAJO), qui est un programme de transition études-travail offert dans les écoles secondaires.

Il faut également se préoccuper davantage des compétences réellement acquises par les individus peu scolarisés. On ne saurait trop insister sur l'importance des diplômes et des titres de compétences. Cela dit, la nature même des compétences de base transmises aux élèves se répercute sur les perspectives d'emploi de ces derniers et sur leurs salaires. Certaines données montrent qu'une amélioration, même petite, en termes de littératie et de numératie améliore les perspectives d'emploi des décrocheurs et leur assure un meilleur revenu.

4. Voir le graphique 2.10.

Les employeurs ont, eux aussi, un rôle à jouer. Ils doivent s'intéresser davantage au perfectionnement des jeunes travailleurs et y voir un investissement qui, à terme, sera bénéfique pour leur industrie. De plus, les employeurs doivent veiller à travailler plus souvent en partenariat avec les établissements d'enseignement postsecondaire pour que l'offre de travail réponde davantage à leurs besoins futurs en termes de main-d'œuvre.

La recherche de la combinaison optimale entre le temps passé au travail et celui aux études constitue une autre initiative intéressante. Il faut encourager les jeunes à exercer une activité rémunérée pendant l'année scolaire, du moment que cela ne nuit pas aux études. Divers travaux de recherche ont montré que, parmi les élèves du secondaire ayant exercé une activité rémunérée, les taux de décrochage les plus bas s'observaient chez ceux dont le nombre d'heures de travail hebdomadaires était modéré ; et les taux les plus élevés, chez ceux qui travaillaient à temps plein. En général, les jeunes du Canada sont relativement plus nombreux que ceux de nombreux autres pays de l'OCDE à combiner études et travail rémunéré. D'après les données disponibles à cet égard, la première motivation des étudiants du postsecondaire qui travaillent est de payer leurs études. Cela dit, il convient ici de souligner qu'au Canada, les adolescents peuvent dès un très jeune âge exercer une activité rémunérée en marge de leurs études. À Terre-Neuve-et-Labrador et en Ontario, l'âge minimum au travail est de 14 ans. En Alberta, cet âge a été ramené de 14 à 12 ans (le nombre maximum d'heures de travail a été fixé à deux les jours de classe). Par contre, dans beaucoup de pays européens, l'âge minimum est de 16 ans.

En Alberta, mais aussi en Saskatchewan et en Colombie-Britannique, le coût d'opportunité des études est très élevé. Tous les acteurs devraient donc s'employer à le réduire. Pour les jeunes, très nombreux à vivre surtout dans le présent sans trop se préoccuper de l'avenir, demeurer aux études peut sembler une perte de temps et d'argent.

Enfin, les jeunes Autochtones, qui constituent l'une des populations les plus jeunes et dont la croissance démographique est l'une des plus rapides au Canada, demeurent une source de main-d'œuvre sous-exploitée. Les jeunes Autochtones ont de moins bons résultats scolaires que les autres jeunes Canadiens et sont sous-représentés au postsecondaire. On devrait veiller à ce que les jeunes qui fréquentent un établissement scolaire dans les réserves améliorent leurs résultats dans les matières de base. Le financement fédéral, dans le contexte de la dévolution des compétences en matière d'éducation aux Premières Nations, devrait être assorti d'une

obligation en termes de reddition de comptes établie à partir d'un nombre restreint de critères bien définis et aisément quantifiables.

Pour que les jeunes puissent posséder les compétences de base dont ils ont besoin pour intégrer le marché du travail et pour y progresser, les mesures suivantes peuvent être envisagées :

- *Favoriser une plus grande participation des moins de six ans, issus de groupes défavorisés, à un programme d'éducation de la petite enfance et veiller à ce que cette participation s'inscrive dans la durée*. Il faut par ailleurs veiller à suivre les progrès faits au primaire pour s'assurer que les élèves conservent leurs acquis.

- *Porter l'obligation scolaire à 18 ans dans toutes les provinces, et cela, de façon progressive, en plus de développer une filière technique et professionnelle au secondaire*. L'objectif visé ici devrait être d'encourager le jeune à obtenir une qualification, et non plus simplement à rester aux études jusqu'à l'âge minimum pour l'abandon scolaire. À cette fin, il s'agirait pour les écoles secondaires de répondre aux besoins d'une clientèle dans un intervalle d'âges plus large et de proposer des programmes plus variés, en particulier des programmes ouvrant sur une formation d'apprenti. Étant donné, d'une part, le temps qu'il faut pour mettre en place dans les écoles des programmes techniques et professionnels, de même que des programmes efficaces de formation et d'apprentissage et, d'autre part, les coûts que cela représente pour l'État, il conviendrait d'échelonner la réforme sur au moins cinq ans (à l'instar du Royaume-Uni).

- *Pour réduire le décrochage chez les jeunes, déterminer la combinaison optimale entre temps aux études et celui au travail.* Les jeunes de moins de 14 ans ne devraient pas avoir le droit de travailler. Entre 14 ans et l'âge minimum pour l'abandon scolaire, le temps consacré à une activité rémunérée ne devrait pas être supérieur à 20 heures par semaine durant l'année scolaire. Pour que ce plafond ait un impact sur les comportements, les provinces pourraient introduire une disposition dans leurs normes du travail selon laquelle les employeurs seraient tenus, au-delà du plafond de 20 heures de travail, de payer pour des avantages sociaux (par exemple, assurance médicale et autres assurances).

- *Là où le marché du travail est particulièrement vigoureux, trouver des moyens de réduire le coût d'opportunité des études ou de la reprise des études*. Des bourses spéciales pourraient être

offertes aux jeunes qui reprennent leurs études secondaires et qui se conforment aux exigences posées pour obtenir leur diplôme. Des subventions, des bourses, de même que des horaires de travail souples prévoyant du temps pour les études, sont quelques exemples d'incitations possibles. On pourrait en outre encourager les employeurs à offrir davantage d'incitations à la formation pour aider les jeunes à poursuivre des études postsecondaires. Pour leur part, les gouvernements doivent faire connaître les avantages concrets à long terme de l'éducation et de la formation.

- *Encourager les employeurs à travailler en partenariat avec les établissements d'enseignement postsecondaire.* Dans le cadre de l'évaluation des programmes, les employeurs devraient être consultés sur le contenu des programmes d'enseignement pour s'assurer que l'offre future de main-d'œuvre répondra davantage à leurs besoins.

Améliorer, du point de vue de la conception et de la cohérence, l'actuelle stratégie d'activation à l'intention des jeunes et plus spécialement des jeunes à risque

De nombreux programmes pour les jeunes ont été conçus dans un contexte de chômage très élevé chez ces derniers. Le contexte a cependant changé. Il y a donc lieu de moderniser les stratégies sous-jacentes à ces programmes pour qu'ils soient mieux adaptés aux réalités du marché du travail d'aujourd'hui. Les dépenses publiques courantes, tant fédérales que provinciales, devraient faire une plus large part aux programmes à l'intention du petit effectif de jeunes aux prises avec des obstacles multiples à l'emploi. Ces programmes devraient viser à améliorer leurs perspectives de carrière et pourraient inclure une aide à la mobilité géographique.

Le Canada doit veiller à mieux coordonner ses divers programmes d'intervention directe sur le marché du travail pour les jeunes. Le gouvernement fédéral dispense des programmes semblables dans le cadre du régime d'assurance-emploi, de la Stratégie emploi jeunesse, qui vise plus directement les jeunes n'ayant pas droit aux prestations d'assurance-emploi, et du volet « jeunesse » de la Stratégie de développement des ressources humaines autochtones (SDRHA). Pour ce qui est des provinces, chacune a ses propres programmes actifs à l'intention des jeunes, programmes auxquels la clientèle accède par le service public de l'emploi provincial, ainsi que des programmes s'adressant expressément aux jeunes à risque. Il faudrait veiller, plus particulièrement, à assurer une meilleure coordination entre le

programme Connexion compétences, lancé en 2003 par le Gouvernement canadien dans le cadre de la Stratégie emploi jeunesse et ciblé sur les jeunes défavorisés sans emploi, et les programmes provinciaux conçus pour aider les jeunes à risque dans les régions mal desservies, qui sont bien souvent rurales ou éloignées.

Un nombre croissant de pays de l'OCDE s'entendent sur l'importance de stratégies d'activation efficaces pour améliorer les perspectives d'emploi des jeunes à risque. Ces stratégies doivent s'articuler autour du principe des « obligations réciproques » et à plus forte raison si l'on envisage d'accroître le financement public pour aider cette clientèle. Ainsi, suivant ce principe, on établira des droits (par exemple, droit à des programmes actifs efficaces, dont une aide à la mobilité géographique) et des responsabilités (assorties de sanctions, parmi lesquelles une réduction modérée des prestations). Enfin, dans le cadre des stratégies retenues, il faudra exiger des jeunes qu'ils participent à des programmes actifs lorsque la recherche d'emploi s'avère infructueuse durant un certain temps.

Le Canada, avec le Japon et la République tchèque, est l'un des rares pays de l'OCDE où les chômeurs indemnisés par l'assurance-chômage ne sont pas tenus de participer à un plan d'action individuel. En outre, les exigences en matière d'activation varient considérablement d'une province à l'autre pour les personnes touchant des prestations d'aide sociale. Il y a donc réel danger que certaines catégories de jeunes défavorisés, dont la motivation et la probabilité de trouver un emploi sont faibles, ne puissent, par le fait même, bénéficier de la stratégie d'activation. Pour réduire ce danger, le Canada doit veiller à améliorer sa stratégie pour atteindre les jeunes chômeurs défavorisés les plus vulnérables et les amener à adhérer à la stratégie d'activation fondée sur le principe des « obligations réciproques ».

En ce qui concerne les conditions d'admissibilité initiale ou continue à l'aide sociale, toutes les provinces doivent encourager plus activement les personnes admissibles à chercher du travail, à accepter toute offre d'emploi raisonnable et à conserver l'emploi ainsi obtenu ou encore, à suivre toute formation jugée pertinente. Il est particulièrement urgent d'agir en ce sens auprès des jeunes de Terre-Neuve-et-Labradror. En effet, malgré une forte réduction ces dernières années du nombre de bénéficiaires de soutien du revenu, grâce à la Stratégie de réduction de la pauvreté, cette clientèle demeure en proportion sensiblement plus nombreuse que dans les autres provinces.

Le régime d'assurance-emploi ne comporte pas vraiment de mesures susceptibles d'encourager les jeunes qui entrent sur le marché du travail à devenir des utilisateurs de longue durée. Mais il y a quand même réel danger que certaines personnes deviennent des utilisateurs fréquents. En effet, certaines études ont montré que plus un individu est jeune lorsqu'il présente sa première demande de prestations, plus il risque de devenir utilisateur fréquent. Le risque est particulièrement élevé chez les jeunes en région éloignée qui doivent composer avec des obstacles à l'emploi et où les emplois autres que saisonniers sont rares. Le Canada s'est doté de très peu de mesures d'intervention active pour venir en aide à cette catégorie de travailleurs. Au Royaume-Uni, par exemple, les jeunes qui présentent une deuxième demande de prestations doivent se soumettre à une période de suivi, dans le cadre du programme *New Deal for Young People* (NDYP, Nouvelle donne pour les jeunes). Au cours de cette période, le jeune reçoit un soutien additionnel important à la recherche d'emploi et il doit, en contrepartie, choisir l'une des quatre options du NDYP : études ou formation à temps plein, travail dans le secteur bénévole, travail dans le secteur de l'environnement ou emploi subventionné.

Le gouvernement fédéral et les provinces ont abondamment recours aux ONG pour les aider à atteindre les jeunes et amener ceux-ci à participer à des mesures d'activation. Le recours à de multiples ONG peut toutefois présenter des inconvénients du point de vue de la cohérence et de l'uniformité. Pour parer à cette éventualité, une initiative intéressante a été prise en 1988 en Ontario. En effet, on assistait cette année-là à la création de l'*Ontario Association of Youth Employment Centres* (OAYEC, Association ontarienne des centres d'emplois jeunesse). Cette association, qui soutient un réseau de prestation de services visant un accès à des emplois durables pour les jeunes, coordonne l'activité de plus de 70 centres d'emploi jeunesse, diffuse de l'information et des conseils sur une foule de questions touchant à l'emploi des jeunes. Enfin, en collaboration avec les commissions scolaires et le service public de l'emploi, l'OAYEC participe à des projets sur les techniques de recherche d'emploi, sur la formation technique et professionnelle, de même que sur le travail autonome.

Enfin, si le gouvernement fédéral, par l'entremise de Ressources humaines et Développement social Canada, a produit beaucoup d'évaluations circonstanciées sur les programmes pour les jeunes qu'il finance, les provinces, pour leur part, en ont produit très peu. L'évaluation la plus récente de l'implantation des programmes financés dans le cadre de la Stratégie emploi jeunesse remonte à 2005. Une autre évaluation, celle-là sur les effets nets de ces programmes, est en cours et

ses résultats devraient être diffusés largement et rapidement pour fournir aux décideurs l'information dont ils ont besoin pour mener à bien les réformes envisagées. En revanche, du côté des provinces, les programmes n'ont pas fait l'objet d'évaluations suffisantes permettant de comparer les « meilleures pratiques » adoptées par chacune.

Les pistes d'action suivantes sont dès lors recommandées :

- *Rediriger les programmes existants pour les jeunes vers ceux ayant à composer avec des obstacles multiples à l'emploi.* De nombreux programmes pour les jeunes ont été conçus dans un contexte de chômage très élevé chez ces derniers, ce qui n'est plus le cas dans la plupart des provinces canadiennes**.** Il y a donc lieu de moderniser ces programmes pour les adapter aux défis actuels rencontrés sur le marché du travail.

- *Veiller à ce que les stratégies d'activation soient appliquées avec plus de rigueur auprès des jeunes qui touchent des prestations d'aide sociale*. En ce qui concerne les conditions d'admissibilité initiale ou continue à l'aide sociale, toutes les provinces, en particulier Terre-Neuve-et-Labrador, doivent encourager plus activement les jeunes admissibles à chercher du travail, à accepter toute offre d'emploi raisonnable et à conserver l'emploi ainsi obtenu ou encore, à suivre toute formation jugée pertinente.

- *Veiller à ce que les jeunes utilisateurs fréquents de l'assurance-emploi souscrivent au principe des « obligations réciproques ».* Plus un individu connaît d'épisodes multiples de prestations d'assurance-emploi dans sa jeunesse, plus la probabilité est grande qu'il devienne utilisateur fréquent à l'âge adulte. Les jeunes doivent donc se voir imposer des mesures d'activation dès qu'ils présentent une deuxième demande de prestations. Parmi celles-ci : obligation d'accompagner la deuxième demande d'une inscription à un stage de placement, renvoi direct aux emplois disponibles, obligation de faire état, au moins une fois par mois, des démarches entreprises pour trouver du travail et obligation de se soumettre à une vérification fréquente des démarches en termes de recherche d'emploi pour maintenir l'admissibilité aux prestations d'assurance-emploi. Si au bout de trois mois, le jeune n'a toujours pas trouvé de travail, il s'agira d'établir un plan d'action dans le cadre duquel l'intéressé sera, par exemple, inscrit à des programmes actifs et, si approprié, encouragé à migrer vers une région où il aura plus de chances de trouver un emploi.

- *Concevoir des programmes de soutien à la mobilité géographique pour aider les jeunes utilisateurs fréquents de l'assurance-emploi, notamment des régions rurales ou éloignées, à s'établir dans une région où les possibilités d'emploi sont plus nombreuses.* Les jeunes qui vivent loin d'un centre urbain devraient être mieux informés des possibilités d'emploi et des conditions de vie dans leur province et au Canada.
- *Assurer une meilleure coordination des programmes actifs du marché du travail offerts aux jeunes Canadiens.* Il y a risque de chevauchement entre les programmes actifs du marché du travail offerts aux jeunes Canadiens défavorisés. En particulier, il faudra veiller à assurer une meilleure coordination entre le programme Connexion compétences pour les jeunes défavorisés, qui s'inscrit dans le cadre de la Stratégie emploi jeunesse, et les programmes provinciaux existants conçus pour aider les jeunes à risque dans les régions mal desservies, qui sont souvent rurales ou éloignées.
- *Accroître la collaboration entre les nombreux organismes chargés de la prestation des programmes actifs du marché du travail*. L'Ontario a pris une initiative intéressante en ce sens, à savoir la création de l'Ontario Association of Youth Employment Centres (OAYEC, Association ontarienne des centres d'emplois jeunesse), qui a mis en place un réseau de prestation de services visant un accès à des emplois durables pour les jeunes. Une collaboration semblable entre les organismes chargés de la livraison de programmes actifs du marché du travail à l'intention des jeunes dans chaque collectivité serait profitable non seulement dans chaque province, mais aussi dans tout le Canada.
- *Veiller à ce que dans chaque province, les programmes actifs du marché du travail à l'intention des jeunes soient rigoureusement évalués.* Le but est double : accroître l'information dont on dispose sur ce qui fonctionne bien dans les programmes pour les jeunes et diffuser cette information plus largement. Chaque province devrait mettre en place des évaluations de ses programmes pour les jeunes afin d'en mesurer l'efficacité. Les données concernant les programmes provinciaux devraient être facilement disponibles pour les chercheurs dans le but de les aider à mener de rigoureuses évaluations.

INTRODUCTION

Improving the performance of youth in the labour market is a crucial challenge in OECD countries. Declines in the number of new entrants to the labour force and ageing populations in many countries have not so far translated into better labour market outcomes for youth. It is thus key that young people possess the skills required by the labour market and that countries develop effective policy instruments to help them accomplish a successful transition from school to work.

The recent performance of the youth labour market in Canada is better than in most OECD countries. The major reforms implemented at the federal and provincial levels in the early 2000s in education and in the labour market contribute to the improvement of the lifelong employment chances for the youth entering the labour market. While the overall framework seems appropriate to achieve sustained employment outcomes for all youth, some fine-tuning is necessary. In particular, falling unemployment has left behind a small but hard-to-place group of disadvantaged youth.

The purpose of this report is to point to areas where further improvement is necessary and possible and to discuss how policies may help improve the school-to-work transition. *Chapter 1* presents basic facts on the situation of youth in the Canadian labour market. The role of education and training in shaping the transition from school to the labour market is analysed in *Chapter 2*. The demand-side barriers to youth employment are explored in *Chapter 3*. Finally, *Chapter 4* analyses the role of welfare benefits and public employment services in helping non-employed youth get a job.

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CHAPTER 1

THE CHALLENGE AHEAD

Over the past decade, sustained economic growth in Canada has contributed to falling unemployment and increased labour market participation. At the same time, the share of youth in the working-age population has declined considerably as a result of population ageing. The purpose of this chapter is to examine how the Canadian youth labour market has performed in this context of sustained economic growth and of rapid population ageing and how it compares with other OECD countries. The chapter draws a picture of youth demographics and the position of Canadian youth in the labour market (Section 1). It also examines the specificities of the school-to-work transition process in Canada (Section 2), and the characteristics of jobs held by youth (Section 3).

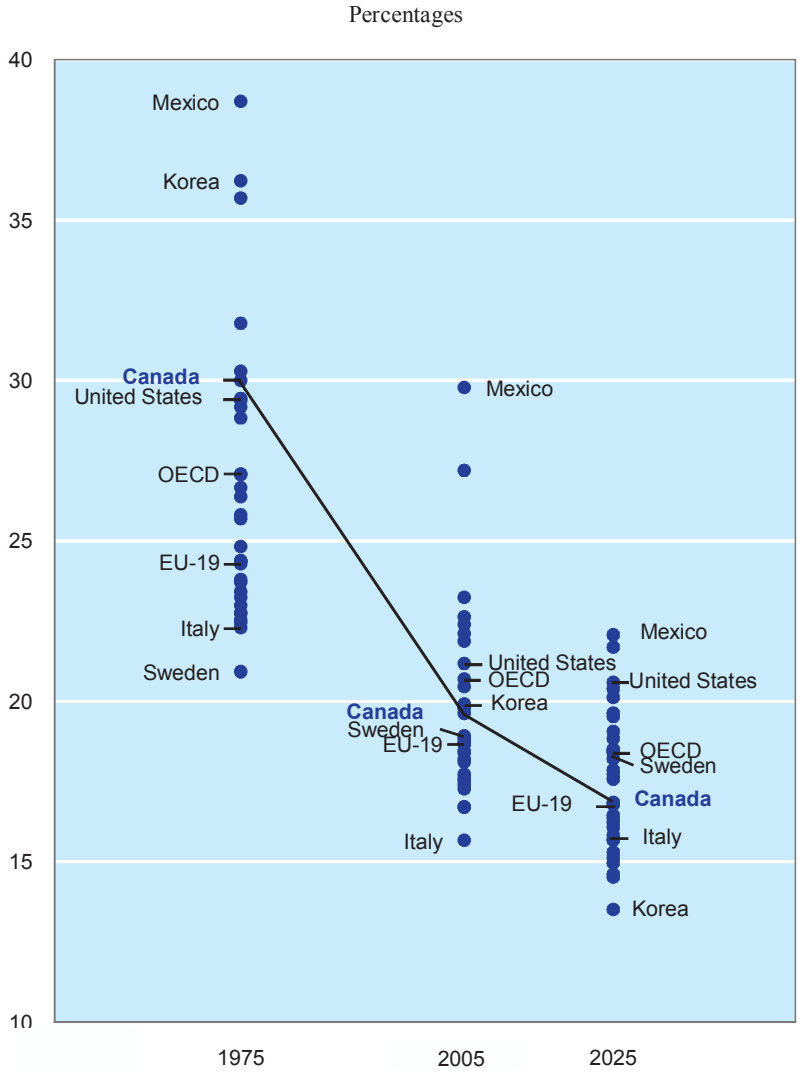
1. Demographics and labour market outcomes

A. The share of youth in the working-age population has declined significantly since the 1970s

Since the mid-1970s, Canada has experienced the sharpest fall in the share of youth in the working-age population in the OECD after Korea (see Figure 1.1 based on national and United Nations projections).[5] As a result, the size of the younger cohorts has declined, relative to that of their older counterparts. Youth aged 15-24 accounted for just one fifth of the population aged 15-64 in 2005, down from almost one third in 1975. A further reduction is expected over the next two decades. By 2025, youth could account for only 17% of the working-age population, below the OECD average.

5. Projections in Figure 1.1 are based on the medium variant for each country with respect to the assumptions made about fertility, mortality and migration rates. In particular, for Canada, fertility is assumed to be 1.5 children per woman; life expectancy is 81.9 for men and 86.0 for women; immigration rate is 7.0‰ and emigration rate is 1.5‰ (see Bélanger *et al.*, 2005).

Figure 1.1. **Decreasing share of youth in the working age population in OECD countries, 1975-2025**[a]



a) Ratio of the population aged 15-24 to the population aged 15-64.

Source: National projections and United Nations projections for 2006 for Australia, Denmark, New Zealand and Spain; 2004 for Luxembourg; 2005 for all other countries.

These trends mainly reflect the rapid fall in fertility rates experienced over the past four decades: the fertility rate fell to an all-time low of 1.49 in 2000 and is still around 1.5 in 2005. To some extent, the ageing process has

been offset by immigration. The annual inflows of immigrants with a share of 0.85% of the population in 2005 is the 7th highest in the OECD area and almost double the OECD average of 0.45% (OECD, 2007b). During the 1990s, the major source regions of immigrants shifted from Europe to Asia. A salient indication of such change is a three-fold increase in the country's visible minority (non-white, non-Aboriginal) population between 1981 and 2001 (Hou and Bourne, 2004).

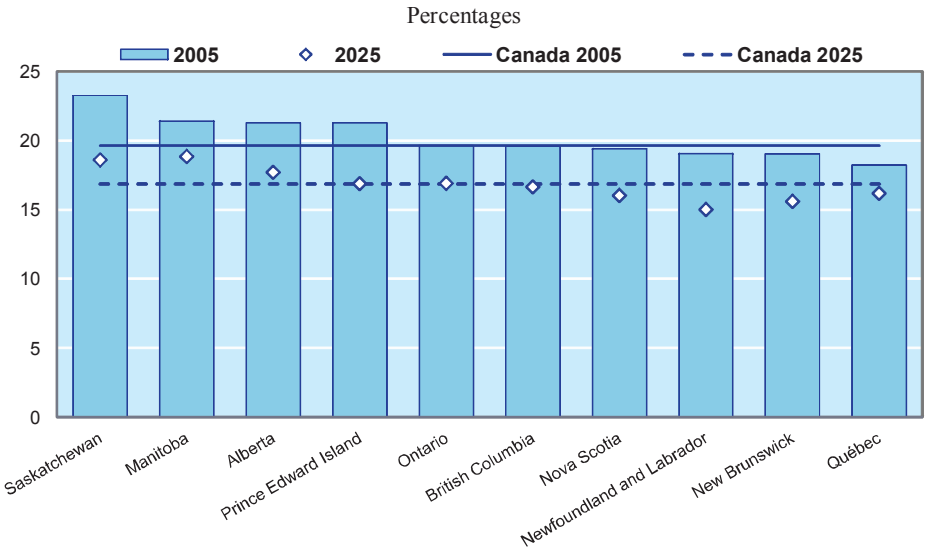
Regional variation in population growth is another important factor.[6] Alberta, the province that has experienced the greatest rate of population growth since 1997, owes its growth to a combination of a relatively high natural increase compared with the other provinces, in particular in Newfoundland and Labrador, a considerable increase in inter-provincial migration and, to a lesser extent, international migration. In contrast, Ontario's population growth depends largely on immigration. Ontario, Alberta and British Columbia are the only provinces in which the projected average annual growth would exceed the growth rate for Canada as a whole. These provinces would see an increase in their population share between 2005 and 2031 (Bélanger *et al.*, 2005).

There are also large differences in population growth between urban and rural areas (Malenfant *et al*., 2007). The highest growth occurs in the largest metropolitan areas and in the neighbouring rural areas. For the three largest metropolitan areas – Toronto, Montréal and Vancouver – gains are due to international migration whereas in neighbouring rural areas and in other metropolitan areas growth is mainly due to internal migration. Beaujot *et al.* (2007) suggest that these patterns brought an increased gap in ethno-cultural diversity between Toronto-Montréal-Vancouver and the rest of the country. Even though the most rural areas of the country have the highest fertility, they have nevertheless experienced a weak demographic growth or even a decline in population.

As a result, the share of youth aged 15-24 in the working-age population is expected to decline in all ten provinces between 2005 and 2025, but from different starting points. In 2005, the share was the highest in Saskatchewan (23.3%) and the lowest in Québec (18.2%), Alberta and Ontario were at the Canadian average or higher and Newfoundland and Labrador was below the Canadian average. By 2025, youth could account for 18% of the working-age population in Alberta, 17% in Ontario and only 15% in Newfoundland and Labrador (Figure 1.2).

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

Figure 1.2. **Decreasing share of youth in the working-age population by Canadian province, 2005 and 2025**[a, b]



a) Ratio of the population aged 15-24 to the population aged 15-64.
b) Provinces are ranked by descending order of the youth share in 2005.

Source: Medium scenario of Statistics Canada, see Bélanger *et al.* (2005).

B. Sustained economic growth has benefited the youth labour market

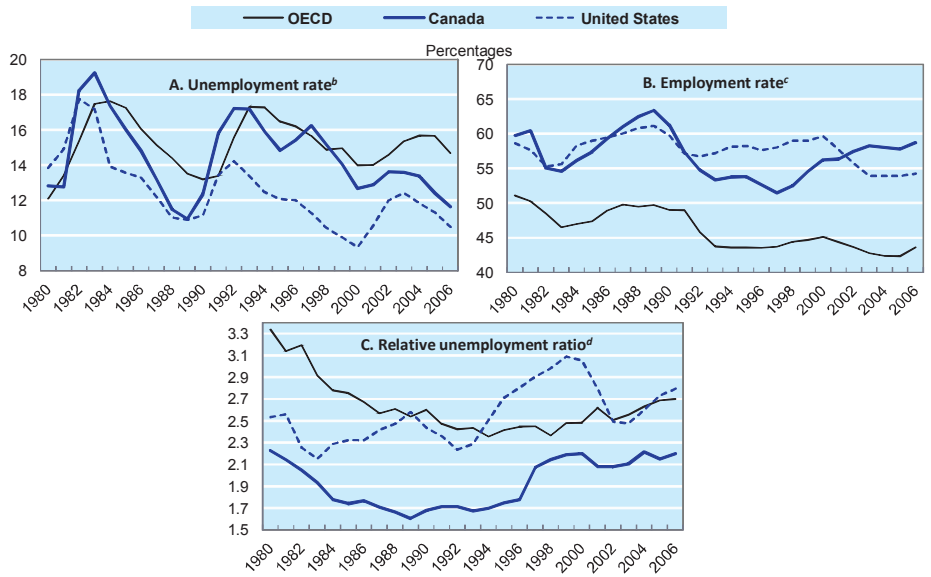
Between 1994 and 2004, the country has experienced sizeable employment growth at a rate of 2% per year on average, compared with 1.2% in the United States and 1% in OECD Europe (OECD, 2007c). In 2006, 73% of the population aged 15-64 was employed, almost 7 percentage points higher than the OECD average. The standardised unemployment rate, at 6.3% in 2006, was somewhat higher than the OECD average (6%) but on a decreasing trend since 2002. Against this good macroeconomic background, the overall youth labour market situation has been improving since the late 1990s (Bergeron *et al*., 2004).

The youth unemployment rate has decreased since the late 1990s but was still at two digits in 2006

In 1997, the youth unemployment rate stood at 16%. Since then, it has fallen to less than 12% in 2006, below the OECD average of over 14% and

just above the United States of 10% (Figure 1.3, Panel A). This is behind the best OECD performers where youth unemployment rates are below 8% (Mexico, Denmark, Netherlands and Switzerland). However, because youth unemployment rates are strongly affected by the business cycle, the ratio of youth to adult unemployment is perhaps a more relevant indicator of how youth unemployment has evolved over the past decade. While the youth unemployment rate was less than twice that of adults between 1983 and 1996, the ratio has stabilised at just over 2 since the late 1990s (Figure 1.3, Panel C). Youth are relatively less vulnerable to unemployment in Canada than in the United States and on average in the OECD where the youth/adult ratio is often above 2.5.

Figure 1.3. **Unemployment and employment rates, youth aged 15-24,[a] Canada, United States and OECD, 1980-2006**



a) Youth aged 16-24 for the United States.
b) Unemployed as a percentage of the labour force in the age group.
c) Employed as a percentage of the population in the age group.
d) Unemployment rate of youth (15/16-24) to unemployment rate of adults (25-54).

Source: National labour force surveys.

Youth employment is well above the OECD average

The youth employment rate, another indicator of youth labour market performance – at about 59% – stood well above the OECD average of 43% in 2006 and also 4.5 percentage points above the corresponding rate for the United States (Figure 1.3, Panel B).

Young women are doing better than young men in the labour market

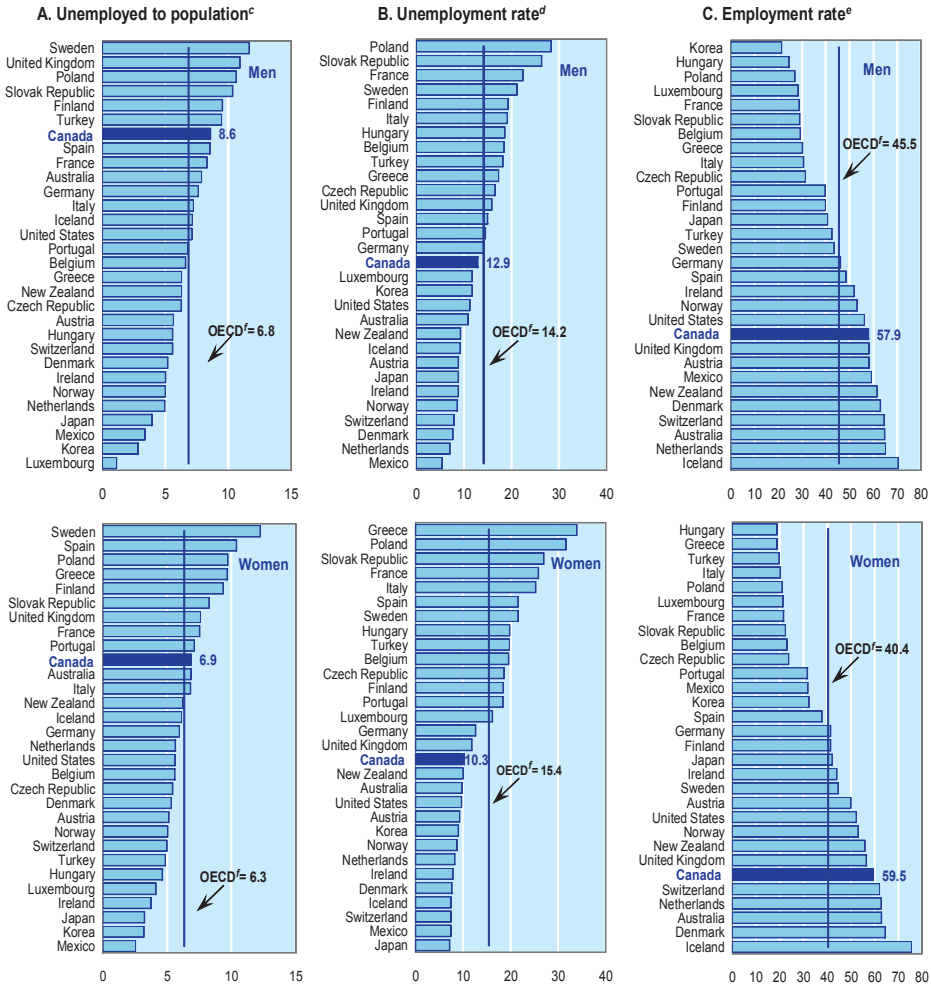
In many OECD countries, gender differences in labour market performance emerge at a relatively young age. In Canada, contrary to many other OECD countries, young women face less unemployment and are more often in employment than their male counterparts (Figure 1.4). The ranking of Canada across OECD countries is slightly higher for young women than for young men. With an employment rate of 59.5%, young women rank 6th while with an employment rate of 57.9%, young men rank 10th among OECD countries.

Historically, during periods of economic upswing, young men have had higher rates of employment than young women in Canada. However, as argued by Usalcas (2005), since 1997 this trend has reversed, with young women experiencing larger increases in their employment rates than young men. One explanation is that most employment growth took place in industries more likely to hire young women, such as retail trade, accommodation and food services, while in some of the industries such as manufacturing and construction that are more likely historically to hire young men, economic activity was not as strong during this period.

Another important explanation is related to the fact that in Canada and on average in OECD countries, young women are now better educated than young men (see Chapter 2) and thus have a higher chance of being employed. According to OECD and CPRN (2005), 91% of young women among 20-24-year olds not in education had achieved upper secondary education or more in 2002 but only 87% of young men (the corresponding percentages for the OECD are 87 and 83, respectively). In particular, young women not in education aged 20-24, and with a post-secondary education, had a higher employment rate than their male counterparts in 2002 (87% and 84%, respectively), while on average for the OECD there is practically no gender gap (Figure 1.5). This is, however, not the case in three provinces (Prince Edward Island, Québec and British Columbia).

Figure 1.4. **Youth[a] unemployment and employment indicators, by gender, OECD countries, 2006[b]**

Percentages

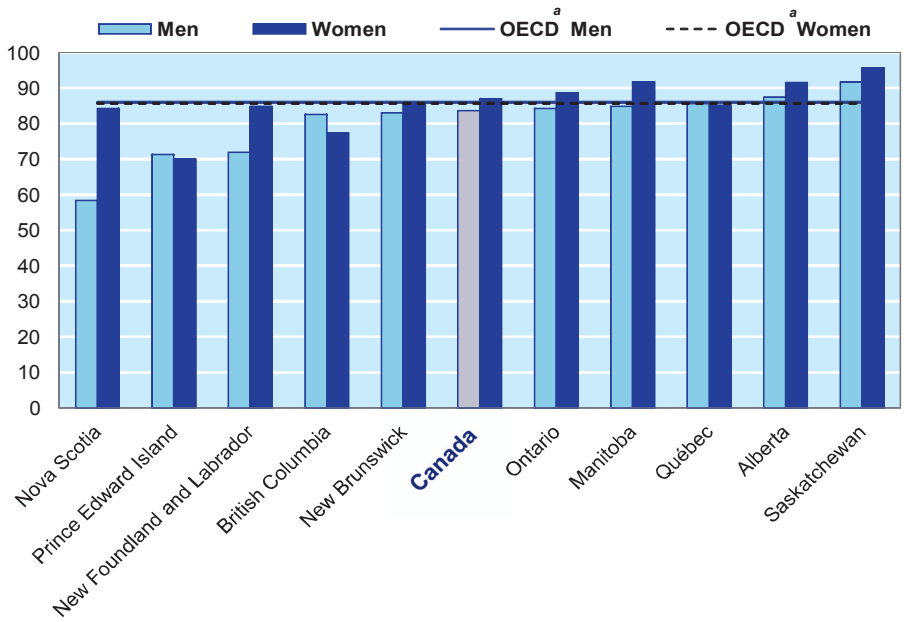


a) Youth aged 16-24 for Iceland, Norway, Spain, Sweden, the United Kingdom and the United States; and 15-24 for all other countries.
b) Data for Luxembourg refer to 2005.
c) Unemployed as a percentage of the population in the age group.
d) Unemployed as a percentage of the labour force in the age group.
e) Employed as a percentage of the population in the age group.
f) Unweighted average.

Source: National labour force surveys.

Figure 1.5. **Employment rates of youth aged 20-24, not in education and with a post-secondary education, by gender and Canadian province, 2002**

Percentage of the population in the age group



a) Unweighted average for OECD countries.

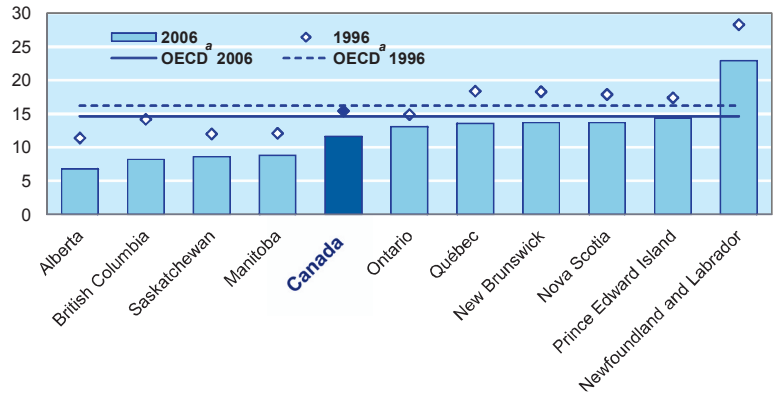
Source: OECD and CPRN (Canadian Policy Research Networks) (2005); and de Broucker (2005).

Youth unemployment disparities are pronounced across provinces

The average youth labour market performance masks pronounced disparities across provinces, particularly concerning unemployment. Canada is not only a vast country, but it is also quite varied in terms of industrial structure and economic conditions. Resource-rich provinces, such as Alberta, have surged ahead, but economic growth has also been rather strong elsewhere (see OECD, 2006a). Regional disparities in the labour market have persisted but the youth unemployment rate has decreased in all provinces. The youth unemployment rate ranged from 6.8% in Alberta to 22.9% in Newfoundland and Labrador in 2006, down respectively from 11.4% and 28.3% in 1996 (Figure 1.6). In 2006, Newfoundland and Labrador is the only Canadian province still having a youth unemployment rate above the OECD average, while it was also the case of four other provinces in 1996 (Québec, New Brunswick, Nova Scotia and Prince Edward Island).

Figure 1.6. **Youth unemployment rates by Canadian province, 1996 and 2006**

Percentage of the labour force in the age group



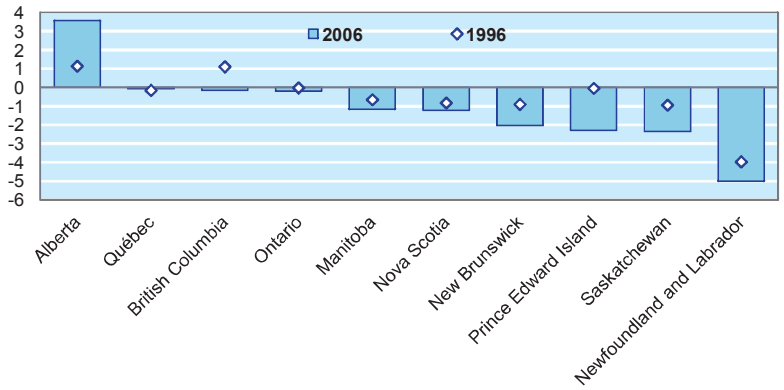
a) Unweighted average for OECD countries.

Source: Statistics Canada; and OECD Secretariat estimates based on national labour force surveys.

The persistence of these pronounced youth unemployment disparities across provinces has been accompanied by relatively high geographic mobility of Canadian youth (Figure 1.7). Youth internal mobility in Canada is traditionally high. Audas and McDonald (2003) indicate that 50% of youth aged 15-29 changed residence between 1996 and 2001 and 5% moved to a different province. Young people often move to enrol in college or university, join the job market, or get married. However, migration rates decline after young adulthood as older people develop tighter family ties and social networks.

Figure 1.7. **Internal net migrants aged 15-24 by Canadian province, 1996 and 2006**

Percentage of the population in the age group

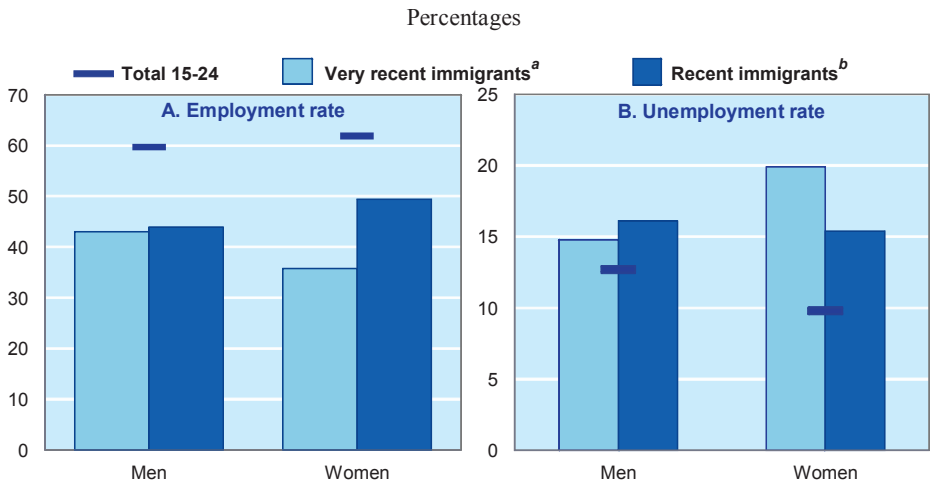


Source: Statistics Canada, Cansim Table 051-0011.

Recent young immigrants, especially young women, face barriers finding a job

According to new data on immigrants, young immigrants aged 15-24 had more difficulty in 2006 in finding a job than their Canadian born counterparts (Zietsma, 2007).[7] On the whole, young immigrants who had been in Canada for five years or less had an unemployment rate of 17.2% in 2006, and only 39.5% of their age group are employed. This is a poorer labour market performance than for their Canadian born counterparts (with 11.2% and 60.8%, respectively). Those who have arrived in Canada between five and ten years prior to 2006 had an unemployment rate of 15.8% and an employment rate of 46.4%, which is an improvement but still significantly worse than the performance of Canadian born youths.

Figure 1.8. **Employment and unemployment rates of youth aged 15-24, by gender and immigrant type, Canada, 2006**



a) Data refer to immigrants for five years or less.
b) Data refer to immigrants for five up to ten years.

Source: Statistics Canada, Labour Force Survey (LFS).

Young men who have recently immigrated have a better labour market experience in 2006 than young women (Figure 1.8). While the labour market performance of young immigrant men is worse compared with

7. To better understand the labour market experiences of immigrants, the Labour Force Survey (LFS) began collecting information in January 2006 that specifically identifies working-age immigrants (aged 15 and over) in the survey population.

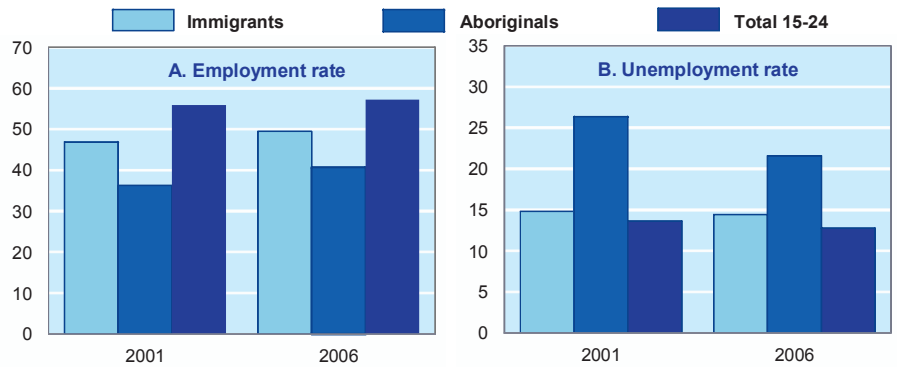
young men born in Canada, it does not vary much according to the time spent in Canada. In contrast, the longer young immigrant women remain in Canada, the better they fare in the labour market – even better that their male counterparts – and the more the gap narrows between them and Canadian born women. It is important to stress that most young immigrants live in big cities, particularly in Toronto, Vancouver or Montreal.

Aboriginal youth have particularly high unemployment rates

Young Aboriginals face more challenges than other young people in the same age group in Canada, except for Aboriginal youth who have a university degree. According to the 2006 census, Aboriginal youth, representing 5.1% of the total Canadian youth population, had an unemployment rate of 21.6%, compared with 12.8% for all youth (Figure 1.9). Factors such as discrimination and the fact of living on reserves and in remote rural areas may help explain this gap, together with lower than average education levels (Jackson, 2005). They generally have shared the overall improvement in Canadian labour market performance with a higher employment rate in 2006 compared with 2001.

Figure 1.9. **Employment and unemployment rates of youth aged 15-24, by status, Canada, 2001 and 2006**

Percentages



Source: Statistics Canada, 2001 and 2006 censuses.

Beaujot and Kerr (2007) highlight the fact that Aboriginal youth leave their studies at a significantly younger age than is true for other Canadians, and in particular immigrant youth who are more likely to continue with their education. For example, in 2001, by age 18 less than half of Aboriginal youth reported studying full time (49.4%), which compares with 67.5% of

Canadians overall and 78.9% of immigrant youth. Consistent with expectations, given that Aboriginal youth are more likely to leave school early, they are also more likely to work full-time as adolescents. However, as they move into their twenties, they become significantly less likely to be employed full time because they lack basic education.

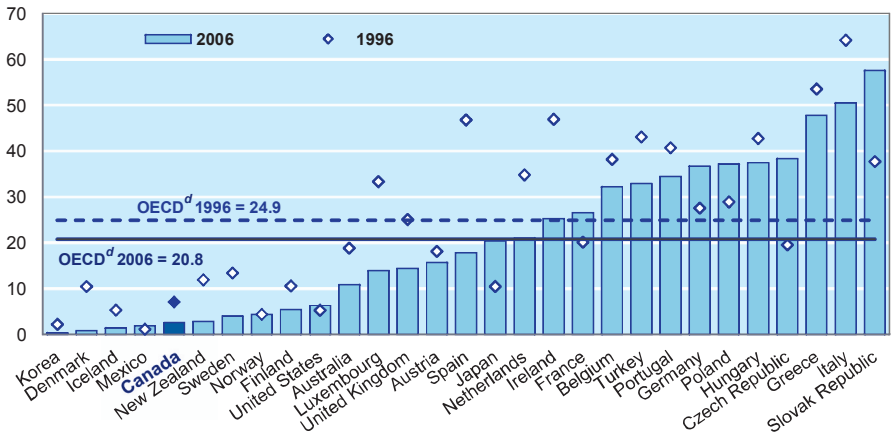
According to new data, labour market conditions improved for off-reserve Aboriginal youth in 2005, compared with 2001 (Statistics Canada, 2005). However, the unemployment rate for Aboriginal youth was more than double that of non-Aboriginal youth in 2005 – 20.8% compared with 10%. Aboriginal youth in Alberta fared best with an unemployment rate of 16%, but this was still more than twice the rate (7.7%) for non-Aboriginal youth.

The incidence of long-term unemployment among youth is one of the lowest in the OECD

In 2006, less than 3% of unemployed youth in Canada had been unemployed for 12 months or longer (Figure 1.10). This marked a significant improvement since 1996 when the incidence of long-term unemployment was already low at 7.1%. In terms of this indicator, Canada is among the best performing countries in the OECD.

Figure 1.10. **Incidence of long-term unemployment[a] among youth,[b] OECD countries, 1996 and 2006[c]**

Percentage of unemployed youth



a) 12 months and over.
b) Youth aged 16-24 for Iceland, Norway, Spain, Sweden, the United Kingdom and the United States; and 15-24 for all other countries.
c) Data for Luxembourg refer to 2005.
d) Excluding Switzerland. Unweighted average of countries shown.

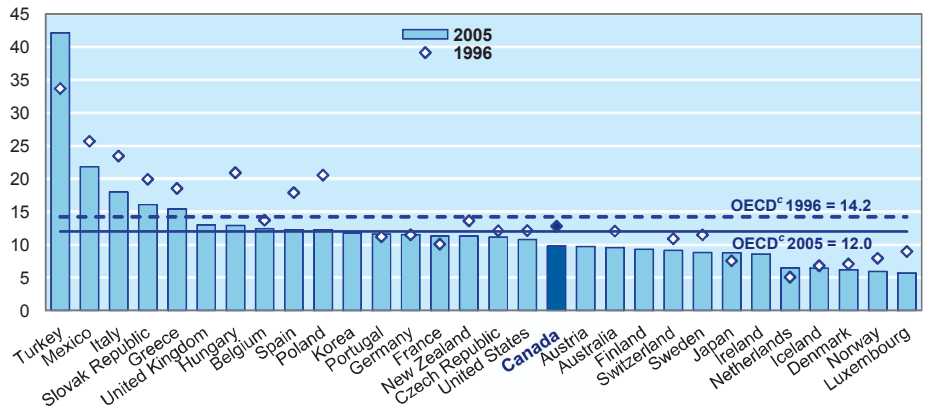
Source: National labour force surveys.

Less than one in ten young people was neither in employment, nor in education or training in 2005

While the youth unemployment rate remains a useful indicator, youth who face employment difficulties may be out of the labour force instead of unemployed. The increase in the out-of-the labour-force rate is partly accounted for by the growing share of youth who tend to stay in school. The proportion of young people neither in employment nor in education or training (NEET) provides another key indicator of labour market performance for youth. In Canada, 9.8% of youth were NEET in 2005 (Figure 1.11) – below the OECD average of 12%. Relative to 1996, the NEET rate has fallen by about 3 percentage points, a little more than the OECD average.

Figure 1.11. **Share of youth[a] neither in education nor in employment or training, OECD countries, 1996 and 2005[b]**

Percentage of the youth population



a) Youth aged 16-24 for Iceland, Norway, Spain, Sweden, the United Kingdom and the United States; and 15-24 for all other countries.

b) For Germany, Finland and the Netherlands, data refer to 1997 instead of 1996; for Italy, to 1998 instead of 1996; for Japan, 2003 instead of 2005; and for Mexico and Norway, 2004 instead of 2005.

c) Unweighted average.

Source: OECD Education database.

Quintini and Martin (2006) point out that in general in OECD countries, teenagers aged 15-19 have a lower NEET rate than young adults aged 20-24. This better picture for teenagers reflects compulsory education requirements. Also in Canada in 2003, only 6.7% of teenagers aged 15-19 in

Canada were NEET compared with 13.2% for young adults. Youth aged 15-24 with post-secondary education qualifications had a significantly lower NEET rate (7.3%) while both youth who left school without qualifications or with an upper secondary education had NEET rates of at least 10%. In Canada, NEET rates by educational attainment are very close for young men and young women while this is not the case on average in OECD countries.

2. The transition from school to work in Canada

The line between school and work is particularly blurred in Canada. It is common for young people to pursue work and school at the same time and go back and forth between training and work. There is also often a gap between high school and enrolling in college or university during which young people usually accumulate some work experience instead of continuing their studies directly, as reported by Andres (2006). Finnie (2004) indicates that, particularly for post-secondary graduates, the school-to-work transition is clearly a gradual process, rather than a distinct event, with most outcomes improving significantly from two to five years following graduation. Consequently, in Canada contrary to what happens in some European countries (*e.g.* Belgium), there is no abrupt move from school to work (OECD, 2007e).

The school-to-work transition process is no longer as straightforward as it was in 1971. As Clark (2007) suggests, using census data to compare young adults in 1971 with those in 2001, the transitions of today's young adults are both delayed and elongated: delayed, because young adults take more time to complete their first major transition (leaving school), thus postponing all subsequent transitions; and elongated, because each subsequent transition takes longer to complete and stretches the process from their late teens to their early 30s. In contrast, the 1971 cohort packs more transitions into the years from their late teens to their mid-20s and fewer into their late 20s. More children delay their exit from the parental home until they complete their studies and are financially independent. In 2001, for example, in Canada, 40% of men and 27% of women aged 25 were living with their parents, compared with 22% of men and 11% of women aged 25 in 1971. However, the percentage of youth living with their parents in Canada remains much lower than in some OECD countries. In Italy, for example, 60% of youth aged 25-29 still lived with their parents in 2002 compared with only 18% in Canada (OECD and CPRN, 2005).

A. Young women on average leave education later then young men

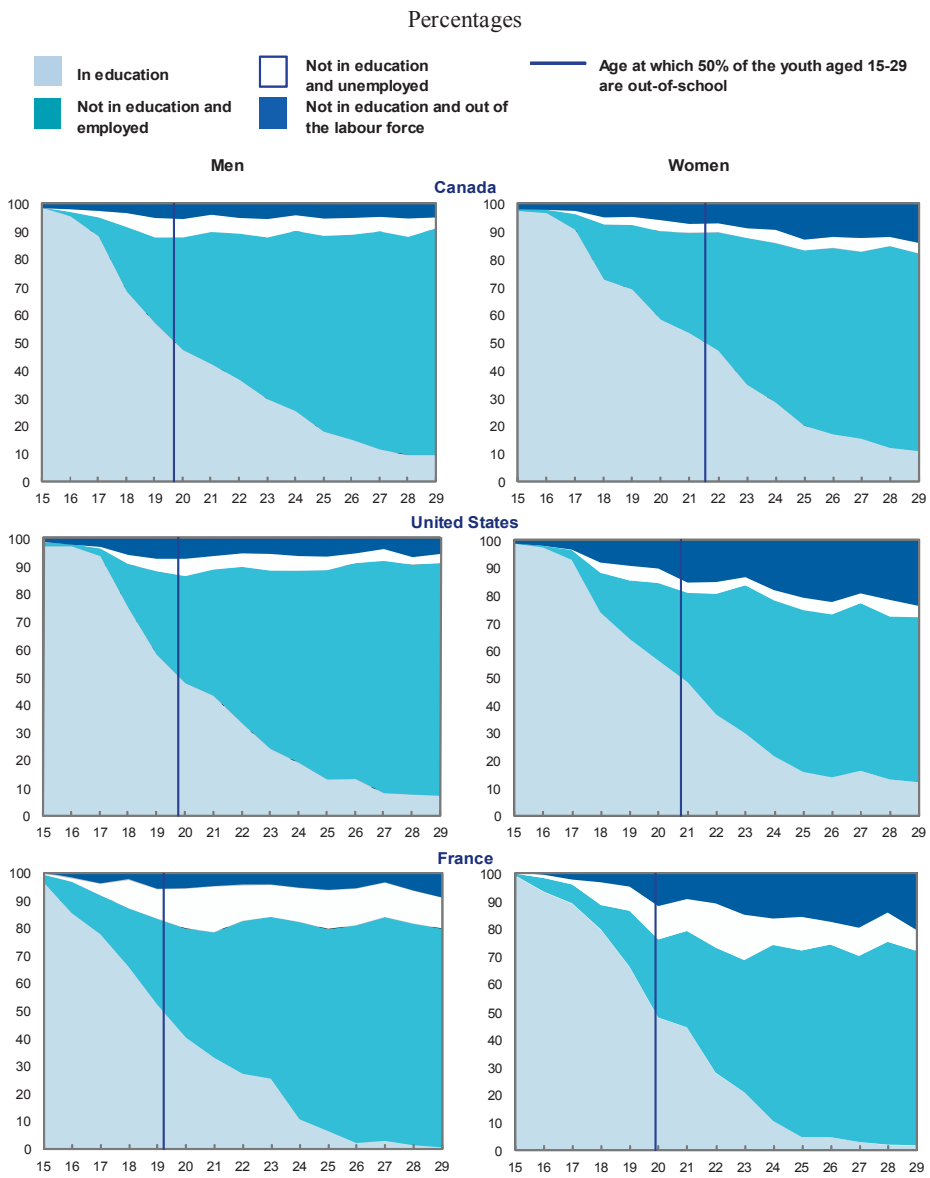
The transition process from school to work is relatively smooth in Canada. Figure 1.12 shows the activity status of youth by gender and per single year of age in 2006. The share of youth in education decreases slowly with age for young women and much faster for young men. By the age of 19½, about half of young men had left education in Canada, quite early compared with young women who leave education about two years later. A median school-leaving age lower than 20 is also encountered among young men in the United States and young men and women in France. In contrast, young women in Canada leave school nearly two years after their French counterparts and one year after their counterparts from the United States. The figure also highlights labour market activity and non-activity among youth who have left education. It is interesting to note that the share of youth not in education and out of the labour force tends to increase with age for women while it is not the case for men.

B. Specificities of the school-to-work transition in Canada in the early 2000s

While Figure 1.12 illustrates *aggregate* differences in the transition process in Canada compared with other OECD countries, it sheds no light on movements between different labour market situations and on what happens to *individuals* when they leave education. To do so, it is necessary to ask individuals about their past labour market experience or to follow young people over time. In Canada, different longitudinal surveys follow either individuals or graduates on the labour market (see Box 1.1) and can be used to better analyse the school-to-work transition.

As the cohort of youth followed between 1999 and 2003 in the Youth in Transition Survey (YITS) grows older, the proportion of youth who were in school decreased from 58% when they were aged 18-20 to 32% when they were aged 22-24 (Shaienks *et al*., 2006). However, students acquire at the same time work experience while studying, – up to 66% of post-secondary students aged 22-24 work, mostly (64% of them) on a part-time basis.

Figure 1.12. **Share of youth aged 15-29 by activity status and gender, Canada, United States and France, 2006**[a]



a) Data for the United States refer to 2005.

Source: Statistics Canada, Labour Force Survey for Canada; Eurostat, European Union Labour Force Survey for France; and US Department of Labor, Bureau of Labor Statistics, October Supplement of the Current Population Survey for the United States.

Box 1.1. **Longitudinal surveys to analyse the transition from school to work in Canada**

Three surveys managed by Statistic Canada are used in this review: the Survey of Labour and Income Dynamics (SLID), the National Graduates Survey (NGS) and the Youth in Transition Survey (YITS).

SLID, introduced in January 1993, is an annual household longitudinal survey which collects information related to the standard of living of individuals and their families and complements traditional survey data on labour market activity and income with an additional dimension: the changes experienced by individuals over time. By interviewing the same people over a period of six years, changes and the causes of these changes can be monitored. A labour and income interview is collected each year for all respondents aged 16 years and over.

NGS provides every four/five years since 1982 information on the labour market experiences of graduates of trades and college and university graduates. Each graduating class is interviewed twice: two years after graduation and five years after graduation. Results of these surveys have been used extensively in research on school-to-work transitions. The NGS is especially valuable for comparative analyses of labour market performance of different types of post-secondary graduates. The most recent wave of the NGS was conducted in 2005 on graduates from the class of 2000 but very few results have been published so far.

YITS is a longitudinal survey launched in the late 1990s to examine the patterns of, and influences on, major transitions in young people's lives, particularly with respect to education, training and work. This survey contacts the same respondents every two years to collect information on their education and work activities in December. Data from two age groups (15 and 18-20) were collected in the first cycle of the survey in December 1999. The younger age group also participated in the Programme for International Student Assessment (PISA). The most interesting available results to analyse the school-to-work transition are those collected in 2006 for the reference period December 2005, when the older cohort was aged 24-26. They provide an overview of the school and labour market pathways of Canadian youth between December 1999 and December 2005. Results on their participation in post-secondary education were recently published (Shaienks and Gluszynski, 2007), but results on their work activities are not yet available.

YITS' target population for the 18-20-year-old cohort comprises residents of the ten provinces of Canada who were born between 1979 and 1981. The sample consisted of 29 164 individuals but a total of 23 594 individuals (81%) responded in December 1999. Respondents who refused to answer were taken out of the sample. In the following cycles, the response rates were 84% in December 2001, 79% in December 2003, and 84% in December 2005. For the next cycle, 12 360 young adults will constitute the YITS sample. The attrition rate between 1999 and 2005 is by consequence close to half.

The school-to-work transition between 18 and 24 is particularly blurred

A general overview of school-to-work transitions youth experienced between December 1999 and December 2003 in their early twenties is presented in Table 1.1, based on YITS. The most common one is from school to full-time work: 25% of youth who were in school in December 1999 had left school and were working full time four years later. However, while 21% of the cohort was in school in 1999 and 2003, 11% of those who were no longer in school in December 1999 were back in school in December 2003, particularly those who were working in 1999. The share of youth who were NEET (*i.e.* not in school and not in employment) in December 1999 and in December 2003 was only 2% of the cohort.[8]

In addition, Shaienks *et al.* (2006) find that while being NEET is not persistent in Canada, the NEET share of youth aged 22-24 in December 2003 was relatively high at 14%. This share differs by province, ranging from 12% in Ontario to 24% in Newfoundland and Labrador, Alberta having a NEET rate just above the Canadian average (16%).

Table 1.1. **School/work status[a] of youth aged 22-24 in December 2003 by their status in December 1999 when they were 18-20, Canada**

Percentages

	Status in December 2003			
	In school	Not in school		
		Working full-time	Working part-time	Not working
Status in December 1999				
In school	21	25	5	7
Not in school				
Working full-time	4	13	1	3
Working part-time	4	4	1	2
Not working	3	4	1	2

a) The total of all school/work status is 100.

Source: Shaienks *et al.* (2006) based on YITS (Youth in Transition Survey), Table 5.1.

8. Based on three observations, less than 1% of youth were not working and not in school in December 1999, December 2001, and in December 2003.

A majority of youth aged 16-29 transit first through different labour force states before getting a full-year job

According to data from the Survey of Labour and Income Dynamics (SLID) for the period 2002 to 2004, 56.1% of youth aged 16-29 had a mixed labour force status in 2002, meaning that they were employed part year and unemployed part year or not in the labour force part year.[9] Only a very low proportion of them, 1.8%, were unemployed all year, and 24.4% and 17.7% respectively, were employed and not in the labour force all year. The transition rates between 2002 and 2003 to full-year employment were low, at less than 10% for those not in the labour force and nil for those who were unemployed. In contrast, the transition rates were much higher into the mixed labour force states (respectively, 40.2% and 52% between 2002 and 2003 for those all year not in the labour force and all year unemployed). What is interesting too is that the transition rates from this mixed labour force status to the status "employed all year" were relatively high and reached 30.2% between 2003 and 2004.

Many educational pathways are not straightforward

A recent paper of Hango and de Broucker (2007) based on YITS uses retrospective information from youth aged 22-24 no longer in education in December 2003 to identify up to ten different educational pathways ranging from high-school drop-outs to university completion (Table 1.2).[10] A distinction is also introduced between "gappers" and "non-gappers" based on whether young people delayed post-secondary attendance following high-school graduation or not. Finally, "second chancers" are distinguished and defined as all individuals who had dropped out of high school but who as a separate group went back to high school and/or received some type of post-secondary training.

9. These data were estimated by Statistics Canada for youth aged 16-29 between 2002 and 2004 by combining panels 3 and 4 of SLID and by using the annual labour force status.

10. This study forms a part of a project "Pathways for Youth to the Labour Market" initiated in 2006 by Canadian Policy Research Networks (CPRN). CPRN has originally identified 20 distinct paths in the transition from school to the labour market in Canada. The CPRN's project is stressing public policy issues and options associated with the need to provide young people with the learning opportunities and support from educational institutions and community-based services to help them in their pathway from school to a fulfilling career.

Table 1.2 shows that about a third of young people aged 22-24 no longer in education in December 2003 did not delay post-secondary attendance while about 22% delayed post-secondary attendance. The two more common pathways among young men are either to stop school after obtaining a high-school diploma (20.4%) or leaving education with a college diploma with or without a gap of at least four months (20.3%). Dropping out from high school is also common among men aged 22-24 (16.9%) and in any case much more frequent than among women aged 22-24 (9.3%). In fact, for young women, the more common pathways include leaving education with a post-secondary degree, most frequently straight after high school (non-gappers college graduates representing 15.6% or non-gappers university graduates, 13.9%). Some pathways such as acquiring a trade certificate or a university degree after a gap are not common for both genders at the ages 22-24. However, the outcomes observed with YITS in December 2003 are short term outcomes and completing a long post-secondary programme, in particular after a gap, takes time.

Table 1.2. **Educational pathways among youth aged 22-24 no longer in education, Canada, December 2003**

Percentages

	Total	Men	Women	Aboriginal	Born outside Canada	No work in high school	More than 20 hours worked per week in high school
1. High-school drop-outs	**13.3**	16.9	9.3	23.4	17.1	15.5	15.7
2. 2nd chancers – High school or more[e]	**10.4**	10.0	10.9	20.3	12.7	10.4	12.9
3. High-school graduates only	**17.9**	20.4	15.0	21.4	13.1	16.3	21.2
Non-gappers[b]	***31.2***	***26.5***	***36.5***	***6.5***	***30.0***	***34.4***	***21.8***
4. Post-secondary drop-outs[c]	**7.4**	7.7	7.0	..	4.8	7.5	7.1
5. Completed college	**12.7**	10.2	15.6	6.5	9.2	13.6	9.6
6. Completed university	**11.1**	8.6	13.9		16.0	13.3	5.1
7. Completed trade[d]	**4.6**	4.4	4.9	..	..	3.9	5.4
Gappers[e]	***22.6***	***22.0***	***23.5***	***3.6***	***24.6***	***19.4***	***23.0***
8. Post-secondary drop-outs[c]	**7.5**	8.6	6.3	3.6	7.7	7.3	7.4
9. Completed college	**10.9**	10.1	11.9	..	10.0	8.2	12.0
10. Completed university	**4.2**	3.3	5.3	..	6.9	3.9	3.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

.. Data not available.

a) All individuals who had ever dropped out of high school but who then went back to high school and/or received any type of post-secondary training.

b) "Non-gappers" refer to youth who went to post-secondary studies immediately – within four months – after graduating from high school.

c) Post-secondary leavers who did not finish the post-secondary programme started.

d) Youth who obtained a trade certificate or some other type of post-secondary degree.

e) "Gappers" refer to youth who had delayed more than four months post-secondary attendance after high school.

Source: Hango and de Broucker (2007) based on YITS (Youth in Transition Survey).

Few Aboriginal youth succeed in completing a post-secondary degree and are more frequently high-school drop-outs (23.4%) or high-school graduates only (21.4%). They are, however, overrepresented in the "second chancer" group. In contrast, young people born outside Canada perform unevenly: while 16% of youth born outside Canada are more often fast achievers than youth from any other group, 17% of young immigrants are high-school drop-outs.

Table 1.2 also presents two indicators of the intensity of work during high school. Having worked more than 20 hours in high school is relatively more frequent among high-school drop-outs, second chancers and young people with only a high-school degree. Fast achievers (non-gappers college or university graduates) much less often combined work and study while in high school. However, young people who did not work at all in high school are also relatively more likely to have dropped out of high school. Hango and de Broucker (2007) suggest in particular that working less than twenty hours in high school can be beneficial. For example, almost 16% of those who worked on average 10 to 20 hours a week did not delay post-secondary attendance and had a college degree at the age of 22-24.

Poor labour outcomes of youth aged 22-24 no longer in school for drop-outs and second chancers

For each educational pathway, Hango and de Broucker (2007) also analyse several indicators of short-term labour market outcomes for youth aged 22-24 no longer in school in December 2003. Table 1.3 presents two of them: the employment rate and median hourly earnings.[11] While almost 80% of youth aged 22-24 who have left education were employed in December 2003, high-school drop-outs had the lowest employment rate at 71.4%, followed by second chancers at 72% and gappers post-secondary leavers at 73.3%. In contrast, the highest employment rates are recorded for youth who follow the gapper-college or university path and the non-gapper/college path. On average, post-secondary graduates (regardless of whether they delayed post-secondary attendance following high-school graduation) earned more than the median. High-school drop-outs (whether or not they returned to school) and those who enter, but did not complete, a post-secondary programme earned less. Youth who delayed their post-secondary attendance following high-school graduation did not earn more than youth who did not delay, suggesting that taking time off between high school and a post-secondary programme does not translate into greater earnings between ages 22 and 24.

11. These indicators are only available for the total group of youth in each pathway.

Table 1.3. **Labour market outcomes by educational pathways among youth aged 22-24 no longer in education, Canada, December 2003**

Percentages

	Employment rate (percentage of non-students aged 22-24)	Median hourly earnings Total = 100
1. High-school drop-outs	71.4	95.3
2. 2nd chancers - High school or more[a]	72.0	95.3
3. High-school graduates only	79.6	99.4
Non-gappers[b]		
4. Post-secondary drop-outs[c]	78.9	99.4
5. Completed college	85.1	116.0
6. Completed university	79.6	131.2
7. Completed trade[d]	82.8	112.7
Gappers[e]		
8. Post-secondary drop-outs[c]	73.3	99.4
9. Completed college	86.2	114.3
10. Completed university	87.5	121.6
Total	**79.1**	**100.0**

a) All individuals who had ever dropped out of high school but who then went back to high school and/or received any type of post-secondary training.
b) "Non-gappers" refer to youth who went to post-secondary studies immediately – within four months – after graduating from high school.
c) Post-secondary leavers who did not finish the post-secondary programme started.
d) Youth who obtained a trade certificate or some other type of post-secondary degree.
e) "Gappers" refer to youth who had delayed more than four months post-secondary attendance after high school.

Source: Hango and de Broucker (2007) based on YITS (Youth in Transition Survey).

The labour market outcomes of high-school drop-outs are also analysed by Campolieti *et al.* (2007) in using the 2003 YITS results. The labour market consequences of dropping out are compared with the situation of completing high school (excluding those continuing on to post-secondary education). Dropping out generally has a negative effect on employment and wage outcomes after controlling for other factors that might affect those outcomes. Drop-outs have a 0.18 lower probability of being employed or of having a stable job compared with high-school graduates. Drop-outs are also less likely to have a full-time job when they first start working. With respect to earnings outcomes in their last job, drop-outs have wages that are 18% lower than high-school graduates. The authors also find that drop-outs are not able to compensate for their lack of formal education by acquiring skills through subsequent training.

Post-secondary graduates perform well in the labour market

Based on the results of the 2000 National Graduates Survey, Allen and Vaillancourt (2004a) also find that the majority of young Canadian graduates from college and university programmes did not enter college or university directly from high school. As a result, these graduates enter the labour market with varying degrees of previous work (or life) experience. Many students are older than 25 and many of the graduates from the Class 2000 had taken time off after high school. Only 44% of university graduates and 36% of college graduates from the Class 2000 started their programme within 12 months of completing high school. Moreover, many graduates from the Class 2000 went on to further education (41% of university graduates and 26% of college graduates). Two years after graduation, about 90% of college and university graduates who had not pursued further education had jobs, and at least 81% had full-time jobs. The likelihood of being unemployed or out of the labour force is low for both genders. Female graduates were slightly more likely to be employed than their male counterparts, however less likely on a full-time basis.

3. Characteristics of jobs held by youth

A. Finding a first job does not take a long time

The time taken to obtain a first job after leaving full-time education is short in Canada. The measure assessed with YITS is defined as the average time elapsed between the end of full-time education and the first job recorded. Table 1.4 presents an estimation in December 2005 for two YITS cohorts, a cohort aged 21 and a cohort aged 24-26. The duration to obtain a first job after leaving full-time education is about four months for both cohorts. However, about 40% of young people in each cohort already had a job before the end of full-time education.

B. First jobs of school leavers having at least an upper secondary education are mainly full time and permanent

According to SLID, the first job of school leavers aged 16-29 in the early 2000s having at least an upper secondary education was permanent for 78% of them, regardless of whether they had an upper secondary or a post-secondary diploma, and full time on average for 84% of them, up to 86% if they had a post-secondary diploma (Table 1.5). This first job is more often permanent for women than for men. In contrast, the first job is less often full time for women than for men.

Table 1.4. **Time to find a first job after leaving full-time education, Canada, December 2005**

	Cohort aged 21[a]			Cohort aged 24-26[b]		
	Number	%	Months	Number	%	Months
Job found before leaving full-time education[c]	85 625	*42.1*	0.0	453 381	*40.2*	0.0
Job found after leaving full-time education[d]	117 562	*57.9*	4.0	675 173	*59.8*	4.3
Total[e]	**203 187**	***100.0***	**..**	**1 128 554**	***100.0***	**..**

.. Data not available.
a) Youth aged 15 by December 1999 and 21 by December 2005.
b) Youth aged 18 to 20 by December 1999 and 24 to 26 by December 2005.
c) Youth having left full-time education and continuing to work in a job they already had while studying.
d) Youth starting their first job after leaving full-time education.
e) In addition youth still in school are respectively 145 294 at 21 (42% of the cohort aged 21) and 91 678 at 24-26 (7.5% of the cohort aged 24-26).

Source: Statistics Canada, Cycle 4 of YITS (Youth in Transition Survey).

Table 1.5. **Characteristics of the first job after leaving upper secondary education between 2002 and 2004, youth aged 16-29, by gender and educational attainment, Canada**

Percentages

	Upper secondary		Post-secondary		Upper and post-secondary	
	Permanent	Full-time	Permanent	Full-time	Permanent	Full-time
Men	75.7	86.9	75.7	90.3	75.7	88.5
Women	80.6	75.6	78.4	83.2	79.3	80.1
Total	**77.8**	**82.1**	**77.2**	**86.4**	**77.5**	**84.3**

Source: Statistics Canada, SLID (Survey on Labour and Income Dynamics), Panels 3 and 4.

This finding is surprising given the fact that for young Canadians aged 15-24, part-time and temporary work represented in 2006 about 45% and 29% of employment, respectively (see the scoreboard in Table 1.7). In fact, according to labour force surveys which set the threshold between full-time and part-time work at 30 hours a week, teenagers worked in 2004 on average part time (a little more than 21.2 hours a week), while youth aged 20-24 worked on average full time (32.4 hours a week) (Usalcas, 2005). In other words, there is a significant difference in terms of hours

worked between teenagers, most of the time still students, and young adults, many of whom have already left school. Part-time jobs are thus mainly related to the "student" (*i.e.* teenage) labour market. Many full-time students have part-time work during the school year and seasonal jobs during the summer break. Once they graduate and enter the labour market, youth tend to work full time, full year.

C. Student jobs are non-standard compared with youth jobs

Students tend to work on non-standard jobs. According to a longitudinal survey of youth in Alberta seven years after having graduated from high school (see Box 1.2), 21% of students aged 25 were in part-time jobs in 2003 compared with 13% or less of youth who had left education (Table 1.6). Students were also more likely to hold more than one job at the time of the interview. Temporary employment is, however, more common among university graduates. A possible explanation put forward by Krahn and Hudson (2006) is that temporary employment has become widespread in some professions (*e.g.* teaching, nursing), particularly for young people.

Box 1.2. **What happened to Albertan youth in the period 1996-2003 after leaving high school?**

Around 2 700 high-school graduates were interviewed in Alberta in 1996, aged 18 on average, and seven years later in 2003, aged 25 on average (Krahn and Hudson, 2006).

Between 1996 and 2003,

- 88% had enrolled in a post-secondary programme at some point;
- 60% had at least one post-secondary degree: 32% had obtained a university degree, 15% a community college diploma, 15% a technical school diploma and 4% an apprenticeship diploma;
- on average, respondents had held 5.6 different jobs, half of them being student jobs;
- 50% have been unemployed at least once, with six months on average of unemployment.

In 2003, on average by the age of 25,

- 34% of them had still not completed their formal education;
- 71% of them were employed in a single job, 14% were holding more than a job, 6% were unemployed and 9% were out of the labour force;
- Non-students with a post-secondary degree had a much lower unemployment rate than the ones without a post-secondary degree (4.3% and 7.6%, respectively);
- Concerning the main job, 63% of the employed were working in managerial, professional or skilled occupations and the proportion was higher (70% or more) among those with a post-secondary degree.

Table 1.6. **Types of non-standard jobs, seven years after having graduated from high school, Alberta, 2003**

Percentage of all employed

	Part-time[a]	Multiple jobs	Self-employed	Temporary[b]
Total	**12**	**16**	**7**	**17**
Men	8	14	9	17
Women	16	18	5	17
Still students	21	21	7	27
Left school				
Upper secondary level	13	15	11	8
Tertiary non-university	6	12	7	8
Tertiary university	8	17	4	24

a) Employed less than 30 hours per week (in main job, if more than one).
b) Jobs having a specific end date.

Source: Krahn and Hudson (2006).

D. Compared with 30 years ago, more young women and fewer young men move to full-year, full-time work before they turn 30

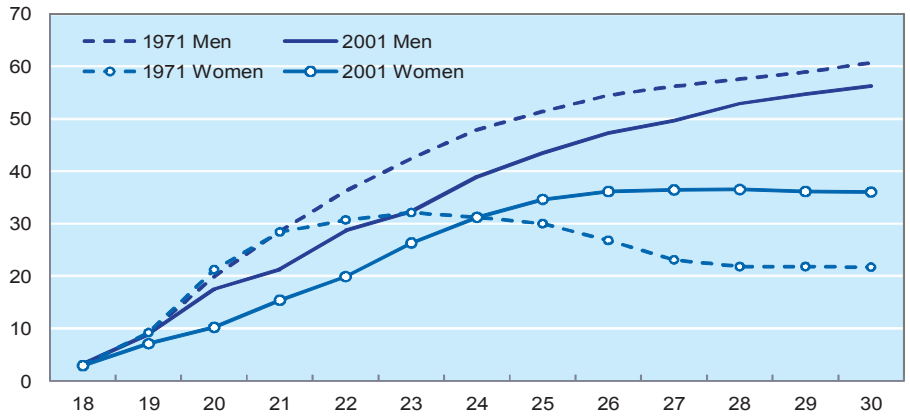
Based on 2001 census data, men on average have full-year, full-time employment at a younger age than women[12] (Figure 1.13). However, compared with their counterparts in 1971, young men are less likely to be working full time, full year while young women aged 24 and older are more likely to do so. Clark (2007) stresses that the main underlying factor is the longer time spent in education. However, this factor affecting both men and women had a much larger effect for women.

This pattern also shows that women today tend to stay in the labour market after having children. Back in 1971, few mothers of pre-school children had full-year, full-time work (9%), but by 2001, this proportion had tripled to 27% (Clark, 2007). On the other hand, women without children reported little change over the period, with about one-third holding full-year, full-time work in both periods.

12. Full year is defined as working for at least 49 weeks during the last year.

Figure 1.13. **Full-year, full-time work by single age and gender, Canada, 1971 and 2001**

Percentage of single-age population



Source: Clark (2007) based on census.

E. "Overqualification" is widespread and its persistence is subjectively perceived

The phenomenon of "overqualification" arises when a worker performs jobs which require much less skills than they have acquired in initial education. Studies based on NGS consider the extent of "overqualification" among Canadian graduates two and five years after graduation. These studies are based on self-assessed measures of overqualification. High rates of overqualification among recent graduates are not unusual in international surveys.[13] In Canada, Frenette (2004) finds that about 30% of recent graduates were overqualified in the 1980s and 1990s, although that proportion declined slightly, in spite of the large increase in post-secondary attainment among younger Canadian cohorts over the same two decades. Frenette (2004) also suggests that an individual's perception of overqualification tends to persist over time: those who are overqualified two years after graduation are far more likely to still be overqualified five years later.

13. See Quintini and Martin (2006) for more on this issue

Li *et al*. (2006) define, using SLID data, an overqualified worker as someone who holds a university degree and has worked for at least one month between 1993 and 2001 in an occupation that requires at most a high-school education.[14] They find no persistence in overqualification among university graduates in Canada, even if many of them experienced overqualification at some point during this study period. Among young people under the age of 30 at the beginning of the six-year follow-up, almost one half (48%) experienced overqualification at some time during the period under review. Younger workers were more likely to be overqualified, as were immigrants and people who had studied commerce as well as arts and humanities in school. Across industries, overqualified people were most likely to work in the retail/wholesale sector. While the number of university graduates overqualified for their job was nearly one third higher in 2001 than in 1993, the shares were rather similar. Among younger workers who had been overqualified at least some point during the six-year period, only 18% were in the same situation continuously.

4. Key points

Canadian growth has been strong since the mid-1990s and youth employment has benefited from general job creation and a flexible labour market. The share of youth neither in employment nor in education or training (NEET) was reduced over the past decade, as well as the youth unemployment rate. As shown in Table 1.7, these two indicators, while lower than the OECD average, are still close to or at two digits in 2006. In particular, the youth unemployment rate remains high in absolute terms (12% of the labour force in 2006) and has increased in relative terms (*e.g*. relative to adult rates) since 1996. However, youth unemployment spells tend to be relatively short as indicated by the very low incidence of long-term unemployment among young unemployed Canadians.

The line between school and work is particularly blurred in Canada. Many young people combine both, delaying post-secondary attendance after high school, going back and forth between education and work, and starting their career rapidly with a permanent full-time job. While more complex, the school-to-work transition is smooth for most young Canadians. A good indicator of this dynamic and healthy youth labour market is the high proportion of first jobs that are permanent and full time for school-leavers having at least an upper secondary diploma. The nature of these patterns

14. Only people with a strong labour market attachment – who have worked for more than 54 months (or 4½ years) out of the 72 months – were included in this analysis.

also varies considerably across different subpopulations within Canada, with early school-to-work transitions among many low-educated Aboriginal youth and late transitions for most highly educated immigrant youth, for example.

Table 1.7. **Scoreboard for youth aged 15-24,[a] Canada, Europe and OECD, 1996 and 2006**

	1996			2006		
	Canada	EU[b]	OECD[b]	Canada	EU[b]	OECD[b]
Employment rate (% of the age group)	**52.7**	38.8	43.5	**58.7**	37.9	43.0
Unemployment rate – UR (% of the labour force)	**15.4**	19.5	16.2	**11.6**	17.4	14.7
Relative UR youth/adult (25-54)	**1.8**	2.4	2.4	**2.2**	2.7	2.7
Ratio unemployed to population (% of the age group)	**9.6**	8.7	7.8	**7.7**	7.2	6.6
Incidence of LTU (% of unemployment)	**7.1**	32.3	24.9	**2.6**	27.2	20.8
Incidence of temporary work (% of employment)[c]	**25.1**	29.8	27.9	**29.2**	35.5	32.4
Incidence of part-time work (% of employment)	**45.7**	14.5	19.5	**44.1**	20.5	23.9
NEET rate (% of the age group)[d]	**12.8**	14.2	14.3	**9.8**	11.3	12.0
School drop-outs (% of the age group)[e]	**9.6**	13.9	16.7	**8.7**	11.0	12.9
Relative UR low skills/high skills(<ISCED 3)/(>ISCED 3)[f]	**2.6**	2.6	2.5	**2.7**	2.2	2.2

ISCED 3: International standard of education referring to upper secondary education; LTU: long-term (more than one year) unemployment; NEET: neither in education nor in employment or training; UR: unemployment rate.

a) Youth aged 16-24 for Iceland, Norway, Spain, Sweden, the United Kingdom, and the United States; and 15-24 for all other countries.

b) Unweighted averages for the 19 OECD and EU countries and for the 30 OECD countries.

c) 1997.

d) 2005.

e) Share of youth not in education and without an upper secondary education; 2005 instead of 2006.

f) 1997 and 2005.

Source: National labour force surveys; and OECD Education database.

While youth labour market outcomes in Canada have been improving in recent years for most youth, young people with lower levels of education, young people living in rural and remote areas and Aboriginal youth continue to experience more difficulties in the labour market than the average. The next chapters will look at the policies that might be responsible for these mixed labour market outcomes, and suggest ways of improving the situation.

CHAPTER 2

INITIAL EDUCATION AND ON-THE-JOB TRAINING

The quality of initial education is a key factor in facilitating the transition from school to work and putting youth on a promising career track. Also, training on the job at the beginning of active life allows youth to fill the gaps of school-based education and acquire the skills required by firms. In many OECD countries, and particularly in Canada, young people start working during their studies and there is no marked separation between education and work.

This chapter addresses the key question of whether the education system gives Canadian youth a good start in the labour market. Section 1 sets out the structure of the education system and its main principles of governance. Section 2 presents different performance indicators of the education system. Section 3 focuses on strategies to reduce the number of school drop-outs. Section 4 discusses what is available for youth to acquire practical work-based experience while in school. The final section reviews young people's participation in on-the-job training.

1. Structure of the education system

A. Federalism and governance

In Canada, the prime responsibility for education rests with the provinces and territories. Nonetheless, the federal government plays a role, as the mandates of several of its departments intersect with education – in areas such as official languages, post-secondary education funding (research), and human resource development. In addition, the federal government has responsibilities relating to the elementary and secondary education of Registered Indian children attending Aboriginal-administered or federal schools on reserves, or provincially-administered schools off reserves. It also provides financial assistance to these students at the post-secondary level (grants or loans). It is also worth mentioning the role of the Council of Ministers of Education (CMEC). It was established in 1967

as an intergovernmental body by the Provinces' Ministers of Education to serve as a forum to discuss common policy issues and a means by which to consult and cooperate with national education organisations and the federal government.

The basic structures of provincial and territorial education systems across Canada are relatively similar. Each has three tiers – elementary, secondary, and post-secondary – although the ages at which each level begins and ends tend to vary slightly. All jurisdictions provide universal, free elementary and secondary schooling for twelve years, with the exception of Québec where it is for eleven years. Education is compulsory to the age of 15 or 16 in most jurisdictions. In Manitoba, it is compulsory until the age of 17 and in New Brunswick, until the age of 18 or graduation from high school. Ontario has recently (May 2005) raised the school leaving age from 16 to 18, in order to reduce school drop-outs[15] (*i.e.* the Learning to 18 legislation, part of the Student Success Strategy initiated in 2003-2004 presented in Box 2.5).

Canada also has a large number of private or independent schools (some of which are religious in orientation) and private career colleges. Private schools and colleges may operate in any province or territory if they meet the standards prescribed by that government's authority. Although they may closely follow the curriculum and diploma requirements of the department or ministry of education, they function independently of the public school system and charge fees. Five provinces – Alberta, British Columbia, Manitoba, Québec, and Saskatchewan – provide some form of financial assistance to those schools.

B. Compulsory education

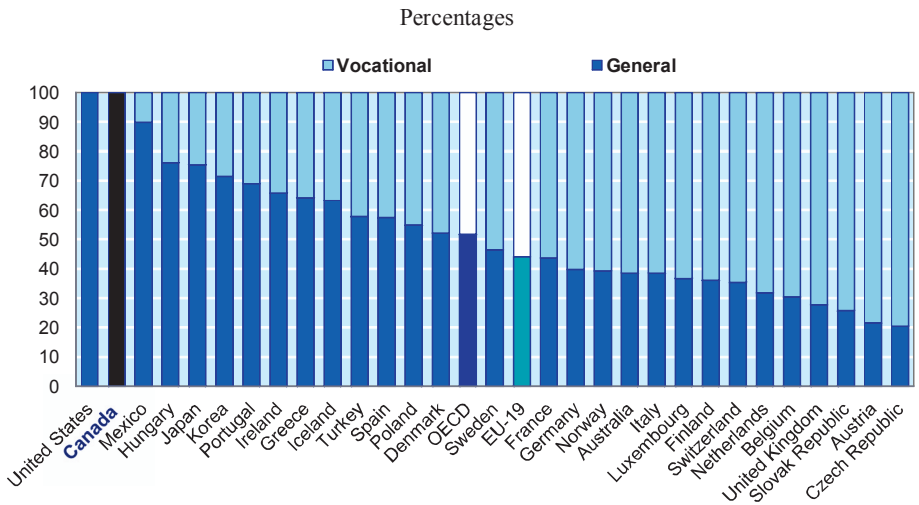
Primary education to Grade 12 (end of upper secondary education, age 18) is publicly funded and free to all Canadian citizens and permanent residents. The situation of kindergarten is less homogeneous as is varies a lot by province, in terms of starting age, public provision and funding (see Section F).

The provincial nature of education policy in Canada creates some heterogeneity across provinces. However, a common feature is that vocational education is statistically non-existent within secondary schools (Figure 2.1). Nonetheless, a closer scrutiny reveals that substantially efforts have recently been made in various provinces to diversify the upper

15. This increase apparently came into force immediately and was not phased in over several years like in the United Kingdom.

secondary curricula, by creating various "pathways"; some of them, like pre-apprenticeships, explicitly preparing young people to directly enter the labour market (see Box 2.5 below for the case of Ontario). Still, the bulk of vocational skills are delivered within non-university post-secondary institutions (*i.e.* colleges), at a relatively advanced age (over 18). And the quasi-absence of fully-fledged vocational or "customised" programmes within secondary schools is now[16] perceived as problematic (HRDC, 2001).

Figure 2.1. **Enrolment in general *versus* vocational education in upper secondary education, OECD countries,[a] 2005**



a) Data for EU-19 and OECD refer to unweighted averages. Excluding New Zealand for OECD.
Source: OECD (2007d).

First, the lack of technical skills could make it more difficult for students to gain access to attractive and stimulating jobs.[17] Second, inside schools the academic nature of the curriculum makes it difficult for teachers and educators with students who become disruptive because they are not receptive to abstract thinking. In turn, this could entice some at-risk young

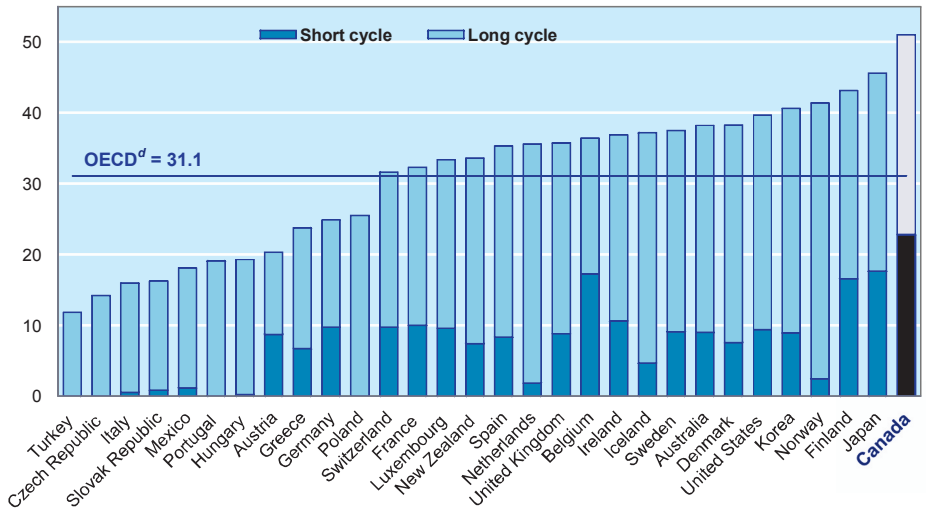
16. The current state of mind contrasts somewhat with that of the 1960s and 1970s. There was, at that time, a conscious and explicit move away from vocational education in the Canadian school system.

17. There is some evidence that completing high school offers a higher wage or employment premium in countries with a more developed VET system (OECD and CPRN, 2005).

people to drop-out before completion of secondary education. But, the drop-out rate in Canada (8.7% in 2005) is well below the OECD average (13.2%), and was reduced during the 1990s (see Section D).

Figure 2.2. **Population aged 25-34 that has attained post-secondary education: long[a] *versus* short[b] cycles in OECD countries, 2005[c]**

Percentages



a) ISCED 5A and ISCED 6.
b) ISCED 5B.
c) 2003 for the Czech Republic, Japan, Poland, Portugal and Turkey.
d) Unweighted average.

Source: OECD (2007d).

C. Post-secondary education

A general trait of the Canadian system is to outperform most OECD countries with respect to post-secondary education rates. The country relies heavily on widely available access to post-secondary education in order to equip young people with the skills they need to enter the labour market and develop successful careers. Canada has indeed the highest proportion among OECD countries of young adults with a post-secondary degree. More than one out of two persons aged 25-34 graduated from either

post-secondary vocational (short cycle)[18] or academic (long cycle) programmes in 2005.

Universities but also colleges/Cégeps

There are 77 universities in 46 towns and cities covering 10 provinces across Canada. The country also counts 146 colleges – known as *Cégeps* (*Collèges d'enseignement général et professionnel*) in Québec – in 115 towns and cities covering 13 provinces and territories.

Virtually all post-secondary institutions in Canada have the authority to grant academic credentials. Universities offer undergraduate degrees (bachelor's and honours) and postgraduate degrees (master's degrees and doctorates), while colleges most often grant vocationally oriented certificates and diplomas, although a few applied arts degrees are granted that are equivalent to, or lead to, the university level. Post-secondary education in Québec begins with the *Cégep* system following graduation from grade 11. Students take a two-year general programme (leading to university admission), or a three-year professional programme in preparation for the labour force.

Fees and student financial support

Canada is characterised by a relatively high level of private contributions to post-secondary education costs. This shows in the level of tuition fees for university students (Box 2.1). In Québec, college-level education (non-university, post-secondary) in the *Cégeps* is free to Québec residents, but tuition is charged for university education. All other Canadian students pay tuition fees to attend either colleges or universities. The current level of fees reflects the reduction in the share of government support to post-secondary education in the late 1980s and early 1990s. Ouellette (2006) indicates that post-secondary education tuition fees rose throughout the 1990s and into the new decade. University tuition fees have been increasing steadily at a faster rate than inflation: between 1990-1991 and 2002-2003, tuition fees increased at an average annual rate of 8.1%, four times the average rate of inflation of 1.9%.

18. Like other OECD countries, Canada in currently debating how to apply the ISCED classification to its diplomas and certificates. Many observers dispute the relevance of classifying some college (particularly *Céceps*) degrees as ISCED 5B. Considering them as ISCED 3 (upper secondary) would perhaps be more in line with what is done in some European countries. The point is that adopting a more restrictive definition of ISCED 5B would deflate Canada's current high percentage of individuals with an ISCED 5 or 6 (post-secondary) attainment.

Box 2.1. **High (and rising) tuition fees at universities**

Students attending Canadian universities for undergraduate studies in 2007-2008 face a smaller increase (2.8%) in tuition fees on average than they did in 2006-2007 (3.2%). This compares with an average annual increase of 9.6% during the 1990s (Statistics Canada, 2007).

The tuition fees for Canadian full-time students in graduate programmes increased at a lower rate than for undergraduate students in 2007/2008 with an increase of 1.1% over last year.

Canadian full-time undergraduate students are paying an average of CAD 4 524 in tuition fees for the 2007-2008 academic year while Canadian full-time graduate students are paying an average of CAD 5 447.

Tuition fees declined in two provinces: Prince Edward Island and Nova Scotia. They remained virtually unchanged in Newfoundland and Labrador and Saskatchewan and rose in the six other provinces. Tuition fees in professional fields still appear to be the highest.

Unlike countries such as the Netherlands (OECD, 2008a), tuition fees across Canada vary. They do moderately from university to university, or from province to province, and widely across programmes. Degrees in professional schools such as law, medicine and MBA will cost much more than average. Also Canadian graduate studies tend to be more costly than undergraduate studies, and university programmes are more expensive than colleges. *A priori*, variable tuition fees make economic sense, particularly for professional studies. The cost of medical studies for example, exceeds that of a bachelor degree in mathematics. The private rate of return may also depend on the field of study chosen. Heterogeneous career earnings justify the presence of *variable* fees, signalling cost, quality and labour demand differences that would help the prospective student make more "informed" choices. While uniform prices are easier to administer, they increase the risk of misallocation of resources within post-secondary education.

Regardless of the cost of the programme, most post-secondary students use more than one type of funding to pay for their education (Ouellette, 2006). Some, such as government student loans, bank loans and private loans from parents, family and friends, have to be paid back. Other sources are non-repayable such as money provided by parents, family and friends and non-financial contributions such as room and board and meals for students living at home which reduce total costs. Students may also use personal savings from jobs held before starting their post-secondary or family investment income such as Registered Education Savings Plans (RESPs), Registered Retirement Savings Plans (RRSPs) and savings bonds. They may also rely on earnings from jobs they have while they pursue their studies. Grants, bursaries, awards and scholarships represent other sources of non-repayable funding for eligible students.

The sources of funding most often used by young post-secondary students in 2001-2002 were: *i)* personal savings; *ii)* income from current employment; *iii)* non-repayable money given to them by family members, partners or friends (Ouellette, 2006); and *iv)* government student loans. Up to 41% of 2000 college students and 45% of 2000 bachelor students graduated with government student debts (Allen and Vaillancourt, 2004b).

Financial assistance to students in Canada is dominated by student loans and grants provided by the federal government, essentially through the Canada Student Loans Programme (CSLP) or the Canada Millennium Scholarship Foundation (for grants and scholarships). Most provinces have complementary loans and loan remission programmes for Canadian residents requiring financial assistance. In addition, universities and various private-sector organisations offer scholarships to students of exceptional ability (*i.e.* "merit" grants) or need.

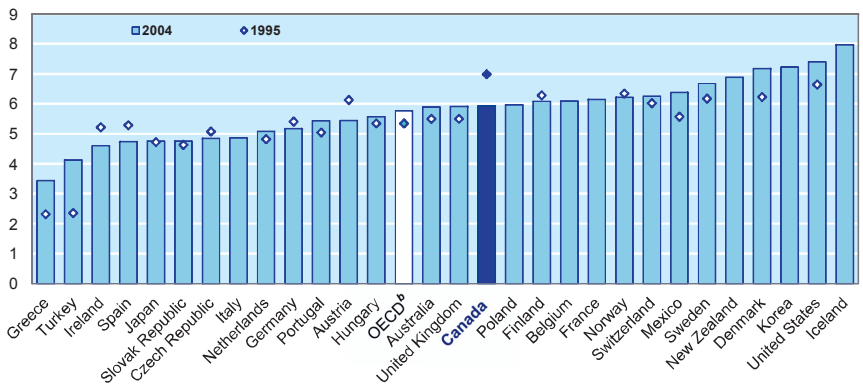
2. Performance of the education system

A. PISA scores of 15-year olds are above the OECD average

Canada's total spending on education, at 5.9% of GDP in 2003, was equal to the 2004 OECD average (Figure 2.3). But according to the 2006 OECD PISA (Programme for International Student Assessment) results, scores measuring the achievement of young Canadians aged 15 are well above the OECD average (Figure 2.4).

Figure 2.3. **Expenditure on educational institutions, OECD countries, 1995 and 2004**[a]

Percentage of GDP for all levels of education

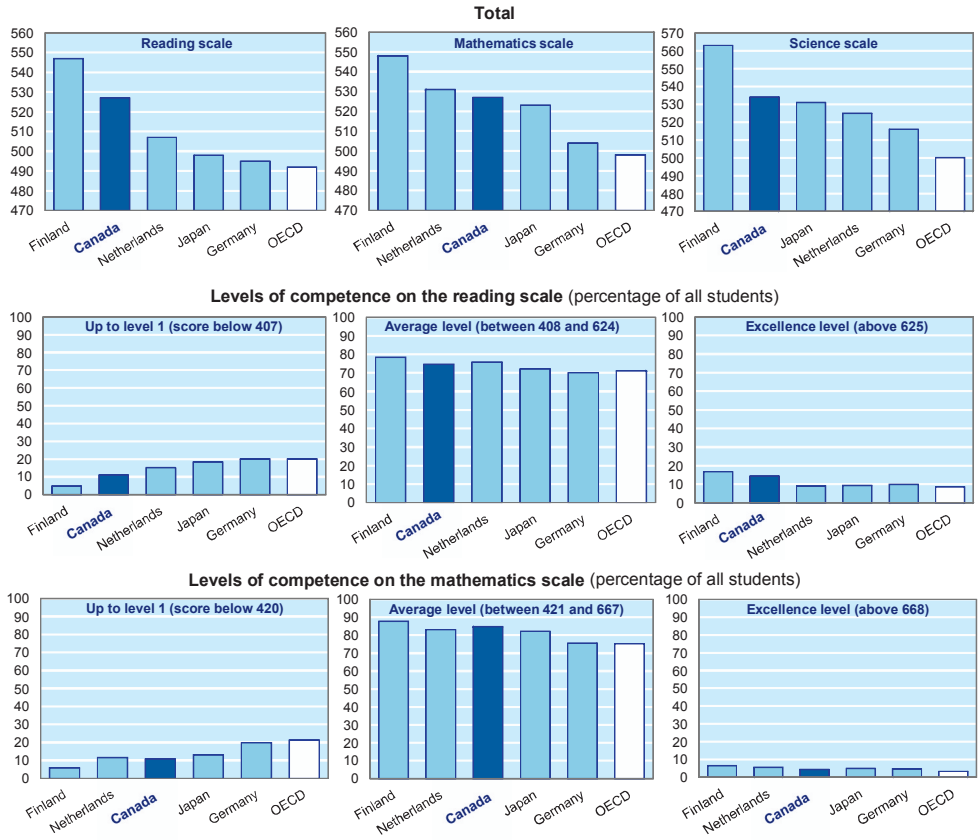


a) Data for Canada refer to 2002.
b) Excluding Luxembourg.

Source: OECD (2007d).

This was also the case with the 2003 PISA results but despite significant gains in science, Canadian students did not make improvements to their relatively strong standings in literacy and mathematics.

Figure 2.4. **Canadian students' performance in PISA, 2006**



Source: OECD PISA 2006 database.

A closer look at the *distribution* of the 2006 PISA scores suggests that above-average performance also holds for the extremes in Canada. The Canadian proportion at the lowest level[19] on the numeracy scale was approximately half the OECD average (10% *versus* 21%, respectively). Only Finland had a significantly smaller proportion of students than Canada

19. Level 1 or below on the PISA scale.

at that low level.[20] In contrast, a significantly higher proportion of Canadian students performed at the top numeracy level[21] or above in mathematics. In short, PISA results underline the continuing excellence of the Canadian education system.

Most provinces performed well in science. All provinces exceeded the OECD average in the science scale (Table 2.1). Some provinces are almost on a par with the top ranked countries. For example, the performance of students in Alberta matched that of the best OECD performer, Finland.

Table 2.1. **Canadian students' performance in science (identifying scientific issues) by Canadian province, based on PISA 2006**

	Estimated average score	Confidence interval - 95% lower limit	Confidence interval - 95% upper limit
Alberta*	546	538	553
British Columbia	536	526	546
Ontario	533	523	543
Canada	**532**	**527**	**536**
Québec	531	521	540
Newfoundland and Labrador	525	519	531
Manitoba**	519	512	525
Nova Scotia**	516	509	523
Saskatchewan**	515	507	523
New Brunswick**	512	508	517
Prince Edward Island**	505	500	510
OECD average	**500**	**499**	**501**

* Performed significantly higher than Canada.
** Performed significantly lower than Canada.

Source: Bussière *et al.* (2007).

20. One must stress, however, that young aboriginals, attending schools located on reserves, did not participate in PISA. Although they only represent a fraction of the aboriginal youth total, their absence may cause an underestimation of Canada's actual share of low achievers.

21. Level 5 on the PISA scale.

B. First-generation immigrants and second-generation Canadians are doing relatively well

A distinct feature of Canada's recent waves of immigrants is their high level of formal education. In 2001, fully 42% of recent[22] adult immigrants had a university degree, and a historically high 54% entered under the "economic" admissions class (only 31% in the "family" class).[23] The situation was very different 20 years earlier. In 1981, only 19% of recent immigrants had degrees, and during the early 1980s, 37% entered in the "economic" class (43% in the "family" class). Immigrants of the late 1990s were increasingly selected because of their potential contribution to the Canadian economy.

A debate on the labour market performance of new waves of immigrants is at the heart of recurrent policy discussions and proposals to reform the immigration policy. Many research papers tend to confirm that, despite their advanced degrees, recent cohorts of immigrants' takes more time to converge towards the Canadian average, both in terms of employment rate and pay (Picot and Sweetman, 2005).

Yet, the evidence about their children' scholastic achievement is comparatively reassuring. Young Canadians of immigrant origin are doing very well at school, and much better than their peers in other, especially EU, countries. This is visible in PISA 2006. Figure 2.5, displaying the relative performance of immigrants in mathematics,[24] basically suggests the absence of score gap between young Canadians of immigration background and Canadian born ones. The performance is particularly strong amongst second-generation Canadians. Being computed solely with the "within parental education categories" score variance, the estimates displayed in Figure 2.5 are "purged" from the mechanical contribution of parental

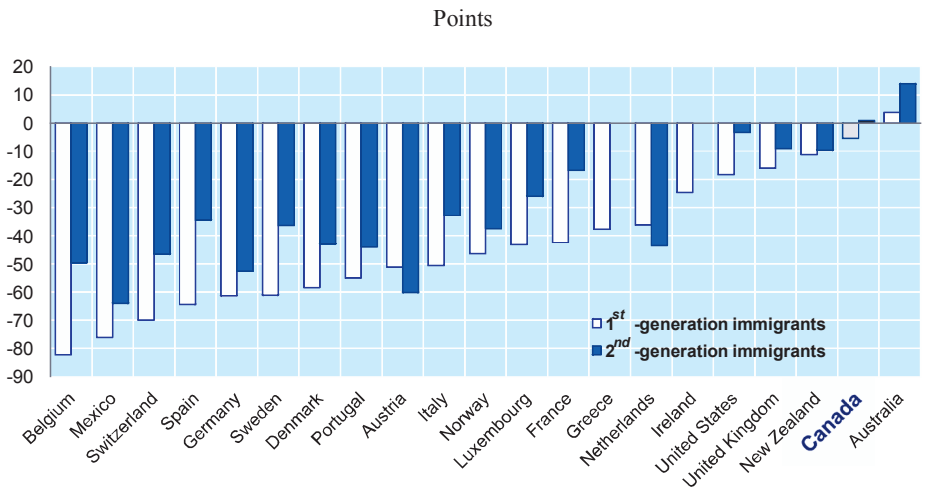
22. Those arriving during the previous five years.

23. There are different immigration programmes in Canada: *i)* Skilled workers and professionals; *ii)* Investors, entrepreneurs and self-employed persons; *iii)* Sponsoring your family; *iv)* Provincial nominees; *v)* Québec-selected skilled workers. By international standards, the system favours immigration for "economic" reasons. Programmes *i), iv)* or *v)* aim at attracting workers in possession of skills (degrees, command of English or French, or work experience). Programme *ii)* targets individuals with enough capital to start a business. While programme *iii)* allows "family" reunification (see Citizenship and Immigration Canada: *www.cic.gc.ca*).

24. *A priori* less influenced by background variables than reading scores.

education.[25] In other words, the reported results control for structural differences in terms of parental education that characterise native *versus* immigrant pupils. Canada distinguishes itself from almost all other OECD countries by displaying a performance amongst young first- and second-generation immigrants that is equal to the one of natives. Only Australia fares better.

Figure 2.5. **Score gap[a] in mathematics between natives and first-generation immigrant and second[b]-generation Canadians for youth aged 15, OECD countries, 2006**



a) Corrected for parental education background influence (see Annex).
b) Called "second-generation Canadians" in Canada.

Source: OECD PISA 2006 database.

C. But Aboriginal youth seriously lag behind

Contrary to young people of immigrant origin, Aboriginal youth's scholastic performance is a major source of concern. By 2001, just over one third (35%) of Aboriginal people (compared to 17% for non-Aboriginal people) aged 25-44 had not completed high school (Wotherspoon, 2006). Moreover the progress in closing the education gap for students living on reserves has been slow, according to 2004 report of the Auditor General (Auditor General of Canada, 2004). At the current rate of progress, it will

25. See annex for a presentation of the methodology.

take 28 years for them to reach parity in academic achievement with other Canadians. Such a performance is clearly unsatisfactory.

Reasons for this performance gap are numerous. Many Aboriginal students and communities face social problems and illnesses[26] that are more prevalent for them than for other Canadians and may impede their educational achievement. Although the Aboriginal population is growing fast, many communities remain very small, with fewer than 500 residents. Thus, their schools have difficulty providing a wide range of educational services. A large majority of students must go to the public system off-reserve to attend high school due to a lack of programs and services on-reserve.

The authority for elementary/secondary education provided on reserves falls under First-Nations jurisdiction. But the federal government of Canada funds the provision of these educational services. The federal government transferred the responsibility for education of programs and services to First Nations Education Authorities with the condition that teachers are accredited and the programme of study is certified by the province. Yet, this devolution mechanism does not seem to work effectively (Auditor General of Canada, 2004) and this may contribute to the overall poor performance.

In principle the education delivered in schools located on reserves is comparable with what provinces offer off reserves and students are able to transfer without academic penalty. However, available evidence indicates that many students do not perform at their current grade level, suggesting that they cannot transfer to the same grade in the provincial education system or cannot expect their education credentials to be regarded by employers as equivalent as those delivered elsewhere. End of term exams do not incorporate references to provincial achievement standards, and not enough corrective action is taken.

While devolution and differentiated curricula is perfectly understandable, it must be accompanied with clearly defined roles and responsibilities agreed to by all parties. The minimal requirement needs to be the publication of performance indicators that adequately measure skills in some of the topics (mathematics, language and sciences) that are crucial for developing autonomous and successful lives, on- and off-reserves.

26. Overcrowding in housing, higher crime rates, poorer health and higher rates of disabilities.

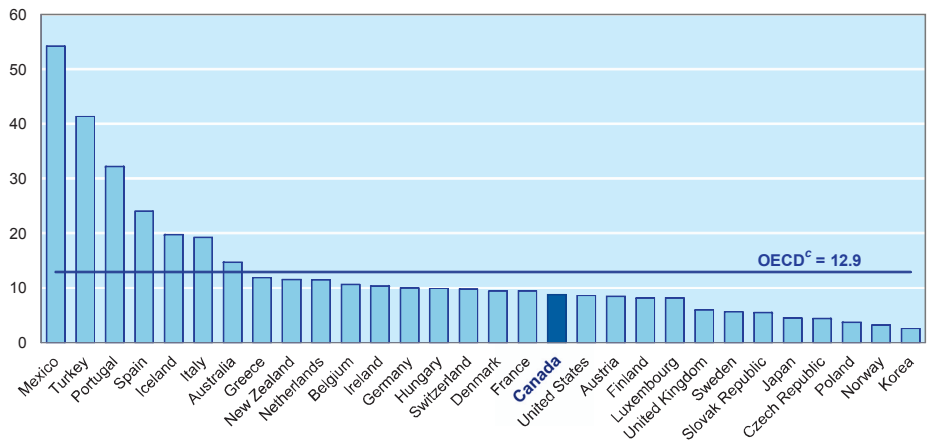
D. School drop-out rate is low and decreasing

Young people who leave high school without achieving the final diploma are at a clear disadvantage, both in the labour market and in their daily activities.

The school drop-out rate[27] in 2005 (8.7%) remains high in Canada compared with the best performers across the OECD such as Norway (3.2%) or Korea (2.6%) (Figure 2.6). But it is well below the OECD average of 12.9%. Another very positive point is that drop-out rates have declined significantly in Canada (Bowlby, 2005). During the 1990-1991 school year, the first year for which drop-out rates can be calculated using the Canadian Labour Force Survey (LFS), 16.7% of 20-24-year olds were neither attending school, nor had a high-school diploma. But by 2004-2005, the drop-out rate of the 20-24 age group had fallen to 9.8% using this data source (Table 2.2). This is true for both men and women.

Figure 2.6. **School drop-outs,[a] OECD countries, 2005[b]**

Percentages



a) Percentage of youth leaving school without an upper secondary degree (ISCED 3). Youth aged 16-24 for Iceland, Norway, Spain, Sweden, the United Kingdom and the United States, and those aged 15-24 for all other countries.
b) 2003 for Japan, 2004 for Mexico and Norway.
c) Unweighted average.

Source: OECD Education database.

27. Defined as the percentage of 15-24-year-olds leaving school without an upper secondary degree (ISCED 3).

Table 2.2. **Drop-out rates[a] by Canadian province, early 1990s and early 2000s**

Percentage of the population in the age group

	Early 1990s[b]	Early 2000s[b]
Canada	**15.7**	**10.1**
Newfoundland and Labrador	20.0	8.0
Prince Edward Island	19.1	9.7
Nova Scotia	17.9	9.3
New Brunswick	15.4	9.2
Québec	17.4	11.9
Ontario	14.7	9.1
Manitoba	16.1	13.0
Saskatchewan	16.3	10.7
Alberta	15.8	12.0
British Columbia	13.3	7.5

a) Defined as 20-24-year olds without a high-school diploma and not in education.
b) Average over three-year periods, 1990 to 1993 and 2002 to 2005, respectively.

Source: Statistics Canada, Labour Force Survey (LFS).

A point worth stressing is that the drop-out rate of men (12.2%) remains significantly higher than that of women (7.2%) (Figure 2.7). Shaienks *et al.* (2006), using the Youth in Transition Survey (YITS)[28] observe that the school drop-out rates for males (13%) exceeded those for females (7%) in all provinces. The gap is also visible among specific sub-groups. Aboriginal males for example fell further behind their Aboriginal female counterparts in terms of high-school completion between 1981 and 2001 (Canadian Council on Learning, 2008).

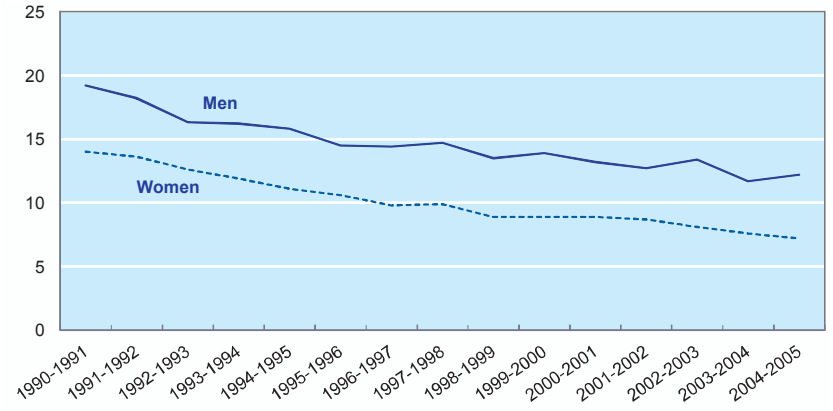
Alberta was the province with the highest drop-out rates for both males and females. The very strong demand for labour in Alberta, itself a consequence of the oil-sand boom in that province, is a factor explaining this high drop-out rate (see Box 2.2). Provinces with a much higher rate of unemployment, such as Newfoundland and Labrador and New Brunswick (unemployment rates of 23% and 15%, respectively, among those aged 20-24 in 2003), had a lower school drop-out rate than Alberta.

But as stated above, Canada's overall performance remains relatively good regarding drop-outs. It might be partially due to the importance of late re-entrances into education and the "second chance" system. The longitudinal analysis done with YITS reveals that up to 27% of high-school drop-outs eventually manage to graduate. One quarter of those initially identified as drop-outs took advantage of the second-chance system to pursue post-secondary education (Shaienks *et al.*, 2006).

28. YITS is described in Box 1.1, p. 53.

Figure 2.7. **Young people aged 20-24 not in education and without an upper secondary degree, by gender, Canada, 1990-2005**

Percentage of the population in the age group



Source: Statistics Canada, Labour Force Survey (LFS).

Box 2.2. **The peculiar meaning of the school drop-out in Alberta**

The relatively high drop-out rate in Alberta probably needs to be analysed in different terms than in other provinces. Alberta is currently undergoing very strong economic growth, mainly as a consequence of the exploitation of the abundant oil sands. This booming industry is directly affecting the construction and transportation sectors, with the consequence that relatively low skilled labour is in strong demand. Hourly wages of unskilled young workers are rising fast and may even exceed those of university graduates in other parts of the country. In economic terms, such a situation means that educational attainment and labour market outcomes are no longer closely linked. More education no longer lowers the risk of unemployment, for example. And a similar argument applies to wages. When this occurs, the opportunity cost of education becomes extremely high, particularly for young men.

Strong empirical evidence is still missing, but it seems reasonable to assume that rising opportunity costs of education could explain (a certain part) of Alberta's relatively high drop-out rate. And policy intervention might be needed. Although young people see dropping out as non-problematic, they may still underestimate the handicap of a low education attainment at a later stage in their careers. Moreover, the oil sands bonanza that is currently driving the demand for low-skilled workers may not last forever.

Alberta is using its Outreach programmes (Alberta Learning, 2003) to tackle this problem. These are different from regular school programmes. Students are able to follow a customised curriculum, at their own pace. They are required to attend classes for only one or two hours per week in order for teachers to monitor their progress. Outreach programmes cater to students who have daytime work schedules. For example, the school may open one evening a week and/or during the summer break.

E. Girls outperform boys in terms of educational performance but not in numeracy skills

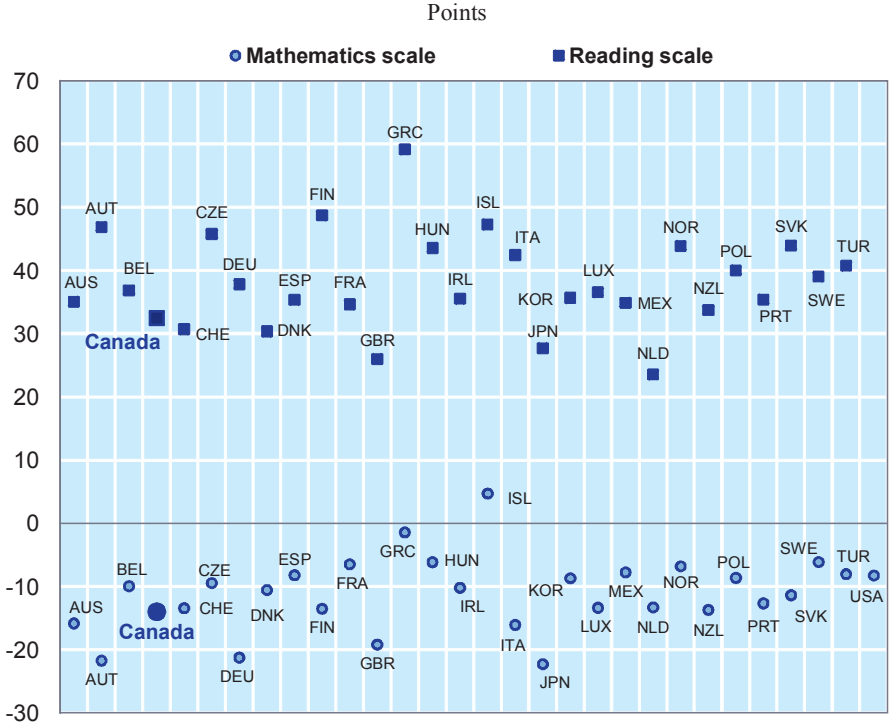
There is plenty of evidence to suggest that girls now outperform boys in terms of years of schooling successfully completed. As mentioned in Section D, girls have a significantly lower drop-out rate than boys (Figure 2.7). Ouellette (2006) indicates that in 2001 there were more females (55% overall) than males attending post-secondary education. PISA 2006 shows that girls, across most OECD countries – including Canada – do better than boys in terms of reading literacy (Figure 2.8). But this is not true for mathematics and numeracy skills in general. In Canada, 15-year-old boys outperformed girls in mathematics by 14 points, which is marginally above the OECD average (11 points). This result is valid even after controlling for potential differences in the socio-economic background. Adult males also tend to outperform females in the ALL[29] survey on the numeracy scale (National Centre for Educational Statistics, 2005).

It is possible that small differences in mathematics scores at the age of 15 could later influence domains and fields of study choices.[30] Boys might more systematically go for programmes that require more mathematics credentials and, in turn, be exposed to curricula that further develop their numeracy skills. The classical example would be that of engineering and other scientific fields where males outnumber females (Figure 2.12), and where passing entrance exams requires advanced mathematics skills.

29. The Adult Literacy and Lifeskills (ALL) survey is an international comparative study designed to provide participating countries, including Canada, with information about the skills of their adult populations. ALL measured the literacy and numeracy skills of a nationally representative sample from each participating country.

30. There is some evidence, mainly from the United States, on the positive effect of mathematics scores at high school (secondary education) and the propensity to opt for a mathematics/science major (or field of study) at post-secondary education (Maple and Stage, 1991).

Figure 2.8. **Difference between girls and boys scores[a] in mathematics and reading,[b] OECD countries, 2006**



a) A positive value indicates that girls outperform boys; and a negative one that boys outperform girls.

b) Corrected for parental education background influence (see Annex).

Source: OECD PISA 2006 database.

F. Access to early education is relatively limited, by international standards

It is difficult to assess the incidence of childcare and pre-school education in Canada. The private nature of much Canadian childcare could explain why systematic information on rates of provision is lacking. Access to services is apparently dependent on available places, meeting eligibility criteria for subsidy assistance, ability to pay fees, and finding a programme that meets child/family needs. Access is relatively low and varies depending on the province/territory. Approximately 24% of children aged 0-6 have access to regulated childcare spaces, the majority of which are provided by

non-profit, community organisations. These centre-based community services (including a small number of publicly-operated services) account for 80% of regulated child-care provision for children aged under 12. Except in Québec, access to regulated childcare is not treated as an entitlement in any province/territory (OECD, 2006b).

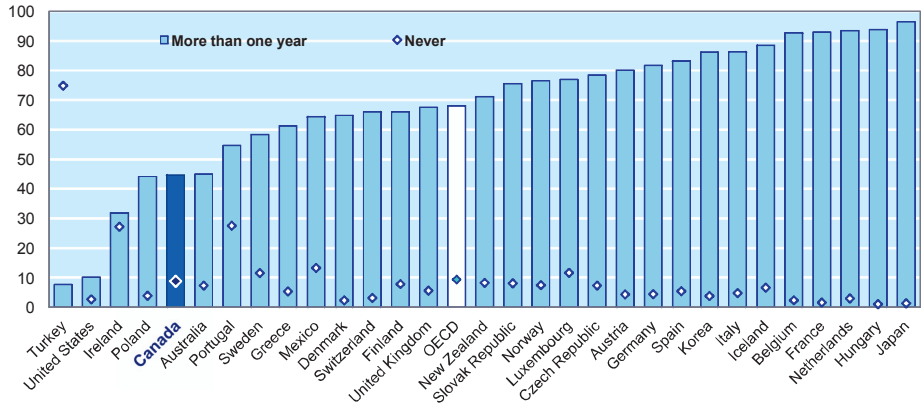
In Québec, 34% of 0-3-year olds, 48% of 3-4-year olds, and 50% of 4-5-year olds have access to licensed services (OECD, 2005b). From 4 years onwards, nearly all children in Ontario have access to state-funded pre-kindergarten and kindergarten (OECD, 2006b). Across Canada, there is a well-established early education network within the primary school system for children over 5 years; every province/territory provides a publicly funded kindergarten programme in the year before primary school, usually part time (full time in Québec). This service is considered a public responsibility in all Canadian provinces. Approximately 95% of Canadian children attend kindergarten from the age of 5-6. Kindergarten benefits from stable funding, trained teachers, structured programming and regular monitoring and evaluation. Age eligibilities vary by service and province. In Ontario and Québec (48% in 2003), most 4-year-old children also participate in junior kindergarten, while in other jurisdictions access is limited to a small number of at-risk children. Compulsory schooling generally begins at age 6 (OECD, 2006b, Annex on Canada).

The only available source of international comparison regarding access to pre-school is PISA 2003. Participants were asked to report their pre-school experience before they started primary schooling. This source reveals that more than 80% of children in Canada had spent some time in pre-school/kindergarten before entering primary school. But Figure 2.9 shows that the percentage of those who have spent more than one year in that form of education (45%) was well below the OECD average of 68%. Unless patterns have evolved dramatically over the past 10 to 15 years, these figures indicate there could still be significant room to expand and enrich early schooling participation in Canada. This could be good for children with a disadvantaged background, as it could encourage children from an early age to get used to being in school (reducing drop-out tendencies as well as, in the longer term, facilitating school-to-work transitions).

There is indeed a growing recognition that *quality* early childhood education provides young children, particularly those from low income or other disadvantaged backgrounds, with a good start in life (Box 2.3). However, evaluation of reforms aimed at expanding attendance before the age of five in Québec is much less supportive (Lefebvre *et al.*, 2006 in Box 2.3). But the Québec initiative was aimed at making daycare more affordable, and not necessarily promoting early exposure to educational content.

Figure 2.9. **Pre-schooling incidence,[a] OECD countries, 2003**

Percentages



a) Percentage of 15-year olds who declare having spent either *i)* more than one year in kindergarten, or *ii)* no time at all before starting primary school.

Source: OECD PISA 2003 database.

Box 2.3. **The benefits of pre-school education and daycare**

Much has been written about the performance of pre-school programmes mainly in the United States where state-run pre-school programmes have proliferated over the past two decades, inspired by the good outcomes of Head Start, a Federal-level pre-school programme first introduced in 1965. Carneiro and Heckman (2003) review several evaluation studies of the long-term effects of pre-school programmes on children from low-income families. The studies find evidence of positive sizeable long-term effects on school achievement and grade repeating, particularly when efforts are sustained beyond the pre-school period. Positive effects of pre-school education (*i.e.* less school failure and grade repetition) have been found in France, where pre-school is almost universal among 3-5-year olds (Caille and Rosenwald, 2006). Boocock (1995) reviews kindergarten in Sweden and concludes that participation in pre-school has benefits in terms of cognitive development and successful education, and that these are more positive for children of low-income families.

Elsewhere, the evidence is more limited. Exploiting Dutch data, Leuven *et al.* (2006) present quasi-experimental estimates of the effect of expanding early schooling enrolment possibilities on achievement. These researchers use two features of the Dutch system. The first is rolling admissions: children are allowed to start school immediately after their 4th birthday instead of at the beginning of the school year. The second is that children having their birthday before, during and after the summer holiday are placed in the same class. These features generate sufficient exogenous variation in children's maximum length of schooling to identify its effects on test scores. One additional month of time in pre-school increases language scores of disadvantaged pupils by 0.06 of a standard deviation and their mathematics scores by 0.05 of a standard deviation. For non-disadvantaged pupils, they find no effect.

For Canada, Lefebvre *et al.* (2006) evaluate the benefits of a policy initiated in 1997 by Québec: the so-called "$5 per day childcare". Providers of childcare services began offering daycare spaces at the reduced parental contribution of CAD 5 per day per child for children aged 4. In successive years, the government reduced the age requirement and engaged in a plan to create new childcare facilities and to pay for the cost of additional CAD 5 per day childcare spaces. By September 2000, the low-fee policy applied to all children aged 0 to 59 months and the number of partly subsidised spaces increased from 77 000 in 1998 to 170 000 spaces, totally subsidised, by mid-year 2003. In addition, as from September 1997, all public schools offered full-day rather than part-day kindergarten for 5-year-old children. No such important policy changes for pre-school (including kindergarten) children were adopted in the other Canadian provinces over the years 1994 to 2003. Using biennial data drawn from Statistics Canada's National Longitudinal Survey of Children and Youth (NLSCY), conducted since 1994-1995, Lefebvre *et al.* (2006) estimate the effect of the policy on Québec's cognitive test scores for pre-school children. The results show that the policy had no effects on the cognitive development of 4-year olds and a substantial negative impact on the scores of 5-year olds.

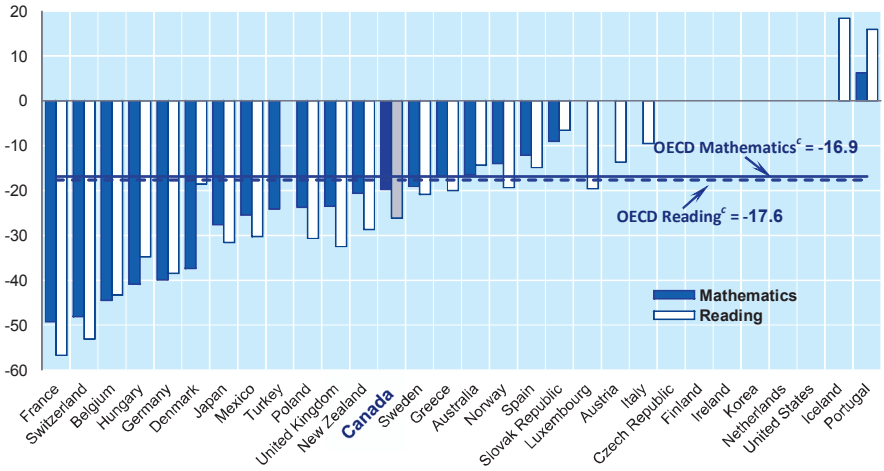
These results are in line with those of Baker *et al.* (2005) which show that the programme had negative effects on several non-cognitive dimensions (a variety of behavioral and health dimensions, ranging from aggression to motor-social skills to illness).

One possible explanation for these surprising results is that children are simply spending too much time, especially when they are less than 3, in daycare for the policy to have any positive effect. This could be explained by the structure of the programme which creates strong incentives for families to let the child spend long hours in daycare at a very young age and for all other ages. Further on, one could also assume that "daycare" does not necessarily equate with "early education". Daycare time may simply be poor in "educational" content. Daycare centres may not employ staff with adequate pre-school teacher training.

A relatively unknown feature of the PISA 2003 survey is that it can be used to measure the *correlation* between early education and cognitive achievement at the age of 15. The results (Figure 2.10) for Canada, and most other OECD countries, support the idea that early education matters. Reported score differences between those who spent two years or more in kindergarten and those who spent no time, range from 14 to 22 points on the PISA scale (or 0.14 to 0.20 of a standard deviation). Note that the reported coefficients are *net* of what should logically be attributed to background variables that are beyond the control of education and social policy. The latter include the level of education of parents (both mother and father), the immigration status as well as the socio-economic and cultural status of parents.

Figure 2.10. **Kindergarten non-attendance and score gap[a] at the age of 15, based on PISA 2003**

No kindergarten attendance *versus* two or more years of attendance[b]



OLS: Ordinary Least Squares.

a) OLS coefficients not statistically significant at the 5% level are set to zero. OLS regression with the following control variables: mother education, father education, immigration status, index of socio-economic and cultural status.

b) Reference group.

c) Unweighted average.

Source: OECD PISA 2003 database.

G. Post-secondary education: beyond massification

As noted above, Canada has the highest attainment rates at post-secondary level among OECD countries. This performance is mainly due to the importance of Community Colleges/*Cégeps* offering short-cycle post-secondary education (Drewes, 2006). Compared to the United States *(i.e.* Canada's main competitor) the share of university graduates is lower, as is the number Masters and PhDs per capita. This may be problematic if the future of the economy is highly dependent on high-tech and skill-intensive industries.[31] However, the importance of colleges probably makes the

31. Canada, like many OECD countries, has endeavoured to increase its supply of highly-skilled researchers (OECD, 2006a). However, the marginal net rate of return for a master's degree (compared with a bachelor's degree) in science is barely positive and significantly smaller than for non-science fields. The overall net rate of return for any doctorate compared to a master's degree is even smaller. This suggests that there is currently no excess demand for such qualifications. If so, increasing the supply may simply lead to increased migration of highly-skilled workers to the United States, in particular, where the returns are significantly larger.

system more flexible and more need-oriented than in countries where universities dominate (OECD, 2007d). A few problems remain, however, regarding Canada's post-secondary education.

How to make access to universities more equitable?

Frenette (2007) stresses that economically disadvantaged students in Canada are less likely to pursue a university education than students from well-to-do families. Echoing international evidence, he notes that 50% of youth from families in the top quartile of income distribution attend university by age 19, compared with only 31% of youth from families in the bottom quartile. This large gap in university attendance according to socio-economic status has raised concerns among policy analysts and education planners, since they potentially have negative implications for the intergenerational transmission of earnings.

Reflecting the high level of tuition fees (see Box 2.1), private contributions to costs in Canada are higher than in most other OECD countries, but below those observed in Asia (Korea) or the United States (Figure 2.11). It would, perhaps, be tempting to reduce tuition fees, or to increase grants, in order to further stimulate demand and make access more equitable. But Frenette (2007) finds for Canada that 96% of the total gap in university attendance between youth from the top and bottom income quartiles can be accounted for by differences in observable characteristics (*e.g.* previous achievement, parental education, etc.). He concludes that only 12% of the cohort is facing liquidity constraints and is prevented from attending due to lack of funds. This result is in line with other Canadian results (Finnie *et al.*, 2004) as well as international evidence (see Box 2.4).

Box 2.4. **The limited role of financial factors in predicting post-secondary education attendance**

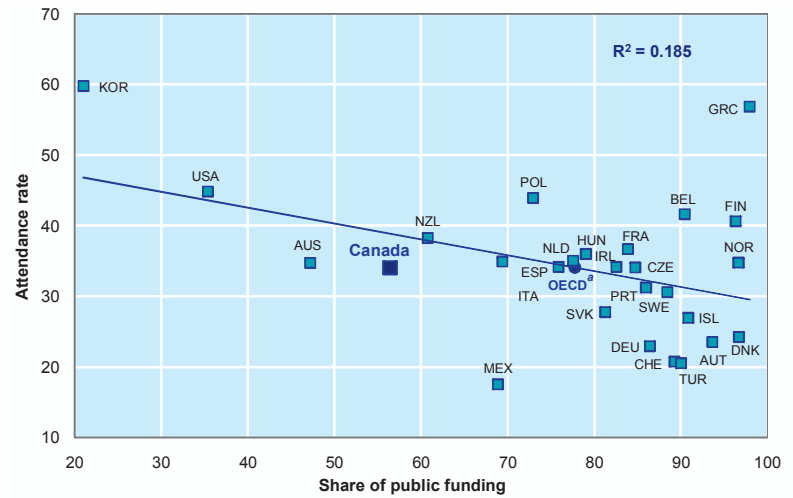
Empirical evidence points to the fact that participation in post-secondary education depends primarily on non-monetary factors, *e.g.* the distribution of educational achievement at the end of secondary education (performance in science for example), the degree of selectivity of admission, or simply the way supply was organised historically. The US evidence reviewed by Carneiro and Heckman (2002) suggests that factors operating during the early childhood years (see Box 2.2) and culminating in adolescence, in the form of crystallised cognitive abilities, attitudes, and social skills, play far more important roles than tuition fees or family liquidity constraints during the university-going years in explaining gaps in socio-economic attainment. This finding suggests that tuition reduction or elimination may not be very effective in increasing post-secondary education attendance.

Overall, Carneiro and Heckman (2002) claim that there is little evidence that short-term liquidity constraints (*i.e.* belonging to lower parental income quartiles) explain much of the gap in college participation. They obtain a range of 0 to 1% for white females, no gaps for black and Hispanic females, and a range of 0 to 5% for Hispanic males. Dearden *et al.* (2004) conclude that for the United Kingdom the percentage of males facing liquidity constraints remains fairly minor (2 to 3%). It is slightly higher for females (3 to 6%).

If significant liquidity constraints hinder access to post-secondary education, policies such as student benefits or tax credits probably need to be maintained and developed, in order to expand post-secondary education attendance, particularly among underprivileged segments of the population. If, however, these constraints do not exist, financial aid to families or students may be a very ineffective way of reaching this goal.

Figure 2.11. **Participation in post-secondary education at the age of 21 and share of educational costs covered by public funding, OECD countries, 2005**

Percentages



a) Excluding Japan, Luxembourg, and the United Kingdom. Unweighted average of countries shown.

Source: OECD Education database; and OECD (2007d).

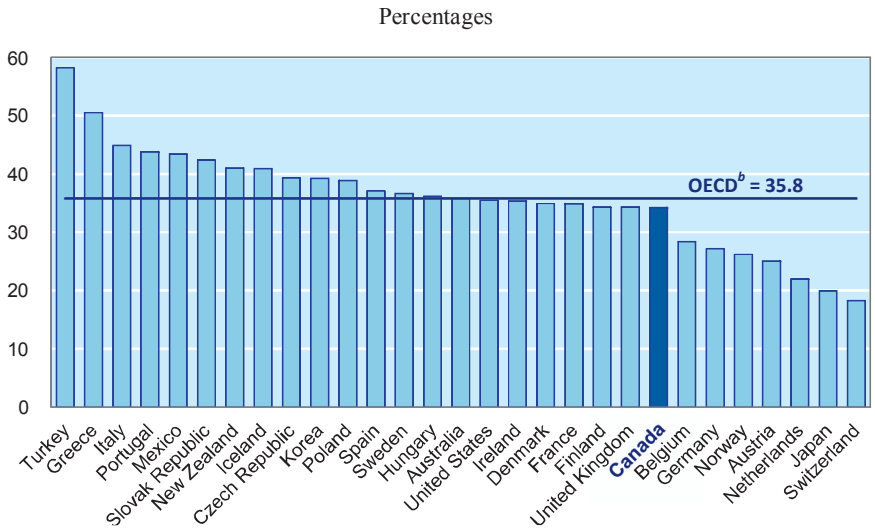
Persistent gender differences in fields of study and post-graduation earnings

Despite dramatic educational gains by Canadian women in terms of university participation and completion, advances in terms of labour market outcomes have been less important (Andres and Adamuti-Trache, 2007). Undergraduate enrolment statistics show that female students largely outnumber male students since the end of the 1980s. The same trend is observable in the completion or graduation rates. However, Betts *et al.*

(2007, statistical appendix) show that typical female graduates still earn only 85% of average male graduates, five years after graduation.

Part of the explanation is to be found in enrolment patterns that are still gender-biased. In the past, the type of programmes (or fields of study) in which women and men enrolled and completed, varied dramatically. To a large extent, this is still the case today. OECD data show that women aged 25-34 are underrepresented among science graduates (Figure 2.12), representing only 34.2% of the total. Canadian data to be found in the statistical annex of Betts *et al.* (2007) (Figure 2.13) confirm that women are underrepresented among engineers or commerce/business graduates. And they are strongly overrepresented in education-related programmes.

Figure 2.12. **Share of women aged 25-34 among science graduates,[a] OECD countries, 2004**



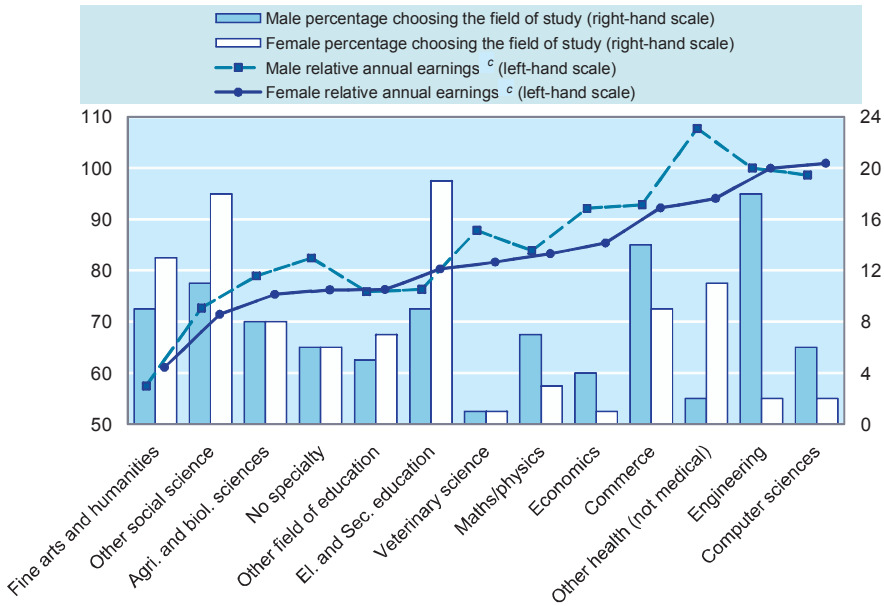
a) Science fields include life sciences; physical sciences, mathematics and statistics; computing; engineering and engineering trades, manufacturing and processing, architecture and building.

b) Excluding Luxembourg. Unweighted average of countries shown.

Source: OECD (2006c).

At the same time, the field of study commands sizeable earnings differences, as is also visible in Figure 2.13. Overall, there is a gap in predicted earnings in Canada between the most highly paid fields (Engineering, computer sciences) and the lowest paid fields (Arts and humanities) of 40 to 50%, for both men and women. Moreover, women outnumber men on the left-hand part of Figure 2.13, synonymous with lower-paid occupations.

Figure 2.13. **Field of study at university and relative annual earnings[a] five years beyond graduation,[b] by gender, Canada**



Agri. and biol. sciences:	Agricultural and biological sciences
Commerce:	Commerce
Computer science:	Computer sciences
Economics:	Economics
El. and sec. education:	Elementary and secondary education
Engineering:	Engineering
Fine arts and humanities:	Fine arts and humanities
Maths/physical sciences:	Mathematics and physical sciences
No specialty:	No specialty
Other field of education:	Other fields of education
Other health (not medical):	Other health (not medical)
Other social science:	Other social science
Veterinary science:	Veterinary science

a) Relative earnings are computed using the estimated coefficients of the field-of-specialisation dummies (reference = engineering) of a log-linear model predicting the level of annual earnings, five years after graduation. The list of control variables includes university fixed effects, age, age squared, labour market experience prior to graduation, province of residence, marital status, language spoken, parental education, graduation wave dummy. The field-of-study percentages are the regression sample frequencies.

b) For 1982, 1986 and 1990 waves of graduates.

c) Engineering = 100.

Source: Betts *et al.* (2007), statistical annex.

3. Strategies to reduce early school-leaving

A. The case for expanding the age of compulsory learning from 16 to 18

Recent reforms by Ontario could perhaps inspire the rest of the country. The province has recently decided to keep youth learning (in a classroom or workplace programme) until 18 instead of 16 (Box 2.5). The key research and policy question is, however, to know whether such a measure is likely to improve medium- to longer-term prospects of youth on the labour market. Research using Canadian data reaches the conclusion that the benefits are real. Oreopoulos (2006), using historical census data covering the 1900-2000 period, examines the impact of successive law modifications across provinces on educational attainment and on subsequent socio-economic outcomes for individuals compelled to stay in school. The findings are that mandatory education increased adult income and decreased the likelihood of being below the poverty line, unemployed, and in a manual occupation. In brief, compulsory schooling legislation was effective in generating lifetime gains to would-be drop-outs.

But this optimistic view is challenged by research focussing on the benefits of holding a high-school degree, done on data covering the 1981-1996 period. Parent (1999) observes that the wage premium to such a degree, starting from about the same level as that in the United States in 1981, has stagnated and even decreased since then. Parent's results are confirmed by OECD figures, covering a more recent period (Table 2.3): wage premia appear higher in the United States than in Canada, particularly for the youngest group (15-24). Stimulating and persuading young people to complete high school may thus be hampered by a relatively low economic return to holding a high-school degree.

Box 2.5. **Some key features of reforms in Ontario aimed at increasing the degree of job-readiness of secondary-school graduates: Ontario's Student Success Strategy and the Youth Apprenticeship Programmes**

In 2005, Ontario adopted an ambitious target of a high-school graduation rate of 85% by 2010-2011 – a significant increase from 68% in 2003-2004. In order to achieve such a goal, the provincial government has introduced many reforms under the umbrella of its Student Success Strategy. Besides the Learning to 18 Legislation enacted in December 2006, it introduced in 2006 innovative new programmes in order to diversify the curriculum of its secondary schools. Simultaneously, the Ministry of Training, College and Universities (MTCU) took steps aimed at expanding apprenticeship programmes for youth in the PES (Employment Ontario).

A more diverse and vocational curriculum in secondary schools

Along with additional high-school teachers and resources, Ontario's high schools are being transformed to address the individual learning needs and career interests of all students and increase their level of job-readiness:

- Changing requirements for the Ontario Secondary School Diploma (OSSD) to give status to co-operative education credits which are now eligible to count toward the compulsory credit requirements, and opening up recognition for approved forms of learning outside the Ontario curriculum such as college-delivered dual credit. Since 2005, students may earn up to four optional credits toward OSSD through successful completion of approved dual credit courses and apprenticeship in-school training programmes.
- Introducing the Specialist High Skills Major (SHSM): a ministry-defined and approved specialised programme that allows students to acquire knowledge and skills that are of particular importance in specific economic sectors and earn certifications recognised in these sectors, as they work towards meeting the requirements of a high-school diploma. Currently SHSMs are available in twelve sectors: arts and wellness, transportation, horticulture and landscaping, forestry, mining, agriculture, tourism and hospitality, and the environment. More sectors will be added in the future.
- Continuing to promote more choice in programme pathways to meet the interests and aspirations of students wherever they are headed after high school, whether to college, university, an apprenticeship, direct entry to the workplace or community living. Under current provincial policy governing secondary education, school boards must provide school-work transition programmes for students who wish to go directly into the work force.

Ontario Youth Apprenticeship Programme

In parallel, MTCU developed the Ontario Youth Apprenticeship Programme (OYAP). This consists of a co-operative education programme offering senior (*i.e.* upper secondary) high-school students cooperative education and work-based learning experiences in skilled trades. For those facing multiple barriers, MTCU has also established a Pre-Apprenticeship Training Programme helping potential entrants to the apprenticeship system to develop their job skills and trade readiness so that they will be prepared to gain employment as apprentices.

Financial provisions supporting apprenticeship have been developed. The Apprenticeship Training Tax Credit is a refundable tax credit for companies and businesses employing apprentices in certain skilled trades during the first three years of an apprenticeship programme. The employer can claim up to CAD 5 000 each year to a total of CAD 15 000 per apprentice. There are also Apprenticeship Scholarships and Employer Signing Bonuses. Ontario offers CAD 1 000 scholarships to young people (16-24 years of age) who have dropped out from school but returned to complete upgrading in order to become registered as an apprentice. A CAD 2 000 support per apprentice signing bonus is also available for the employer who supports at-risk youth and provide training.

Source: Ministry of Training, Colleges and Universities, Labour Market and Training and Ministry of Education, Strategic Policy Branch Division, March 2007.

Table 2.3. **Gross wage premium[a] associated with holding a high-school degree, Canada and United States, 1997 and 2003**

Ratios

	Year	15-24	25-29
Canada	**1997**	**1.56**	**1.15**
	2003	**1.40**	**1.12**
United States	1997	2.64	1.44
	2003	2.27	1.36
	2004	2.29	1.41

a) Premium = gross wage of those with ISCED 3/gross wage of those with less than ISCED 3.
Source: OECD Education database.

B. Develop vocationalism at the level of secondary schools

So, the question is how to increase the private return on holding a high-school degree. One option is to better equip high-school graduates with more specific/vocational skills, in order to increase their job-readiness. Many recent provincial initiatives apparently aim at achieving such a goal.

Alberta is currently discussing how to better connect learning and work environments (Connecting Learning and Work). Its Common Credential Project entices secondary-school students to attend non-traditional (out-of-the-classroom) training sessions as part as their high-school curricula. Ontario introduced in 2006 innovative new programmes to reform a curriculum perceived as too focussed on preparation for university (see Box 2.5 for a detailed presentation of Ontario's reforms). The consensus among policy-makers is that some room needs to be made for teaching content that is less academic, more customised to students' preferences and better connected to real-life situations. More and more Canadian students can now select courses that are taught outside traditional classrooms and accumulate credits for graduation (*via* so-called "dual credit" or "common credential" mechanisms).

Similar efforts are made within post-secondary education to enhance the attractiveness of college education (more vocational in essence) relative to universities. Within universities, efforts are also made to ensure that students get in contact with firms. Programmes include the so-called co-op jobs or traineeships. Using the 2000 National Graduate Survey, Walters (2006) compares the earnings and employment outcomes of post-secondary

graduates with conventional post-secondary credentials to graduates of co-op programmes. Co-op programmes combine academic studies with paid work experience in almost every existing field of study. They last generally longer than one year in length, and the work-experience portion generally makes up between 30 and 50% of the programme. College graduates are more likely to complete co-op programmes than are university graduates. Approximately 58% of post-secondary graduates completing a co-op programme come from community colleges, in comparison with 42% of graduates with university degrees. However, at the university level alone, there were nearly three times as many graduates of co-op programmes in 2000 than there were in 1990. Because co-op programmes are smaller and more selective than non-co-op programmes, the observed difference between relative outcomes may partly reflect the selection bias at entry (Lacroix, 2007).

In comparing labour market outcomes, college and university graduates who have completed co-op programmes can expect to earn approximately CAD 4 000 more per year than their counterparts of traditional, non-co-operative, programmes. Walters (2006) finds strong evidence to support the commonly held belief that co-op programmes help to ease school-to-work transitions for post-secondary graduates in the new economy. However, the relative labour market advantages experienced by graduates of co-op programmes depend on whether the outcome is earnings or employment, and which level of post-secondary education is considered (college *versus* university). In terms of securing full-time employment, co-op programmes provide the greatest advantages to male college graduates and female university graduates. With respect to earnings, co-op programmes provide the strongest advantage at the university level, particularly among males.[32]

Apprenticeship in Canada developed predominantly as a programme for (young) adults wanting to enter into *trades* employment. These were historically set up by provinces and their role was to control the access to professions, but also to train (*via* apprenticeship) young adults opting for these professions. In Canada, the high level of worker mobility inevitably raises the question of how locally delivered certificates acquire nationwide coverage and recognition. An interesting initiative is the Interprovincial Standards Red Seal Programme. It was established more than 45 years ago

32. When the five-year follow-up to the 2000 NGS becomes available at Statistics Canada's research data centres, social and policy researchers will be able to determine whether recent graduates of co-operative programmes are able to maintain their relative labour market advantages over the early stages of their careers.

to provide greater mobility across Canada for skilled workers. Through the programme, apprentices who have completed their training are able to obtain a Red Seal endorsement on their certificates by successfully completing an Interprovincial Standards Examination. The programme encourages standardisation of provincial and territorial apprenticeship training contents and certificates. The Red Seal allows qualified tradespersons to practice this trade in any province or territory in Canada where the trade is registered without having to sit further examinations. To date, there are 49 Red Seal trades which account for 88% of registered apprentices in Canada and an important share of the skilled trades workforce. The Government of Canada continues to work with provinces and territories to improve mobility in the skilled trades, by increasing the number of Red Seal trades and addressing labour mobility barriers in the remaining skilled trades.

Today, decision makers are committed to expanding apprenticeships that will reach out to younger individuals at risk of dropping out. As laid out in Budget 2006, the federal government has created two measures with the goal of encouraging youth to pursue apprenticeship training. First, to encourage employers to hire new apprentices, a new Apprenticeship Job Creation Tax Credit was introduced in May 2006. As a result, eligible employers receive a tax credit equal to 10% of the wages paid to qualifying apprentices in the first two years of their contract, to a maximum credit of CAD 2 000 per apprentice per year.

Second, a new Apprenticeship Incentive Grant programme was launched in May 2006. As a result, eligible employers receive a tax credit equal to 10% of the wages paid to qualifying apprentices in the first two years of their contract, to a maximum credit of CAD 2 000 per apprentice per year. Eligibility for the tax credit is also tied to the Red Seal trades, to promote interprovincial mobility. The Tradesperson's Tool Deduction provides a deduction of up to CAD 500 for the cost of tools in excess of CAD 1 000 that they must acquire as a condition of employment. Taken together, these measures provide a strong incentive for more Canadians to pursue apprenticeships.

In recent years, many provinces and territories have also increased their investments in so-called *pre-apprenticeship* programmes within the secondary school system. Newfoundland and Labrador is one of the few (if not the only) province that has not formalised secondary-school apprenticeship (Taylor, 2007). For example, Alberta's Registered Apprenticeship Programmes (RAP) that was initiated in 1991 is a way for high-school students to earn credits toward an apprenticeship programme and a high-school diploma at the same time. Although enrolments have increased over time (from 92 in 1992 to 1 070 in 2004), the programme

continues to represent a tiny fraction of secondary students overall: less than 1% of students in Alberta (Taylor, 2007).

Another notable example is the Ontario Youth Apprenticeship Programme (OYAP), which is a school-to-work transition programme offered through secondary schools (see Box 2.4 for details). Full-time students in Grades 11 and 12 earn "co-operative" credits through work placements in skilled trades. These programmes enable students to acquire practical and technical experience in a particular trade to promote a smoother transition from school to a fully-fledged apprenticeship, commanding the access to specific professions.

C. Beyond the drop-out problem: the role of literacy and numeracy skills

It is also important to look beyond the incidence of drop-out and pay some more attention to the *actual skills* possessed by individuals at the bottom of the educational distribution.

A recent study by Finnie and Meng (2006) investigates how literacy and numeracy skills *per se* – independently of the number of years of school or the degree held by individuals – affect outcomes for those at the bottom end of the Canadian labour market. Most research on the relationship between education and labour market outcomes has ignored these skills, or simply assumed that they are adequately captured by the conventional proxies (years of schooling) and broad categories of educational attainment. But several studies have demonstrated evidence of a positive correlation between wage differentials and test-score differentials within education categories (Nickell and Layard, 1999). Finnie and Meng (2006) find that small improvements in literacy and numeracy skills lift both employment prospects and incomes of high-school drop-outs.

These findings suggest that those at the bottom end of the economic ladder are not completely trapped in a secondary labour market with few options available to them. Moreover, as skills matter, designing policies that focus on raising their literacy and numeracy abilities could be an important means of improving labour market opportunities. In other words; the focus should not only be on reducing drop-out rates but also on designing high school, adult education and re-training curricula that are conducive of better literacy and numeracy skills.

Besides what is done at school, there could be a need for developing *ad hoc* programmes and structures, reaching out to very disadvantaged youth, and delivering those basic skills along with behavioural and social ones. An innovative example is provided by the Youth-at-Promise Challenge initiated by Newfoundland and Labrador in 2004 (Box 2.6).

Box 2.6. **Newfoundland and Labrador: the "Youth-at-Promise Challenge" programme**

The Youth-at-Promise Challenge is a 2004 initiative of Choices for Youth, a non-profit, community-based agency which provides housing and lifestyle development support to youth in the St. John's metropolitan area. It received financial support from the Newfoundland and Labrador Department of Human Resources, Labour and Employment.

The Youth-at-Promise Challenge targets those youth in the metropolitan area who would otherwise have no opportunity to complete school or gain employment: those who face significant barriers such as fragmented education, drug and alcohol abuse, family breakdown, housing difficulties, low literacy and lack of educational options.

Through the Youth-at-Promise Challenge, these young people will have access to professionals who provide educational and drug and alcohol assessments, learning sessions such as basic literacy and resumé-writing and connections to other services they may require, such as housing and counseling. The programme thus provides a path for these youth to get the tools they need to move forward with their education and to begin looking at career and employment planning.

Its key components are:

- *Literacy and numeracy instruction.* The programme provides two hours of one-on-one instructor/student time weekly to participants, one hour of literacy and one hour of mathematics.
- *Incentives and nutrition.* An incentive allowance of CAD 10 per hour is provided for participants who are Choices for Youth (the founding NGO) or Youth Services (a division of The Department of Human Resources, Labour and Employment) clients. Students from other referral sources do not receive an allowance. Bus passes are provided to enable transportation. From the outset, it had been recognised that providing nutritional snacks is important. Food is inherently comforting, and the youth are often hungry when they arrive. This is a reflection of their age, poverty and frequently chaotic lifestyles.
- *Outreach, flexibility and commitment.* The programme fully recognises the necessity of meeting youth at risk who are "on the edge". Keeping a schedule is not something many of them have learned to do or value. If they don't show up, staff members seek to get in touch with them. If they drop out, they are assured that they can return.

Source: Boland and Buchan (2005); and Government of Newfoundland and Labrador press release website (2004).

4. Between school and work

A. Orientation, guidance and placement by the education system

Good career education and guidance, prior to youth entry into the labour market, is widely recognised in the literature as being one of the elements fostering a smooth school-to-work transition (Ryan, 2001; OECD, 2004b). Economic theory posits that and easy access to good quality information promotes market effectiveness: agents need to be reasonably informed about

labour market opportunities in order to achieve a certain quality of matching between labour supply and demand. And one way to inform agents is to develop guidance and orientation mechanisms, as well as career development services.

When should guidance intervene? Countries that rely on high apprenticeship intake for youth such as Germany, Austria and Denmark devote exceptional resources to providing information very early in the process and in- school guidance to students, including provision for plant visits and work experience. Countries that rely primarily on general education, including the United States, Japan, and Canada (see Figure 2.1), are in a position to postpone the point of decision and the need for career guidance towards upper secondary, and even post-secondary education when the young person is better placed to take informed decisions.

Can school-based guidance substitute effectively for consecutive jobs after school-leaving? The merits of these various approaches are a matter of continuing dispute. A promising way of circumventing the controversy over the merits of in-school and post-school, job-based information provision is to include work experience in the educational curriculum, by organising work placements, internships, work shadowing and school-based enterprise.

Turning to the Canadian situation, a first stage is that exploration of job and career opportunities comes generally when students are in college and university (Bell and Bezanson, 2006). Second, instruments of guidance differ between secondary schools and post-secondary education institutions. They are also different from province to province. It is not unusual to find a community-based non-government group delivering career and employment counselling funded by three levels of government, and subjected to policy directions from the three levels, as well as from their own board of directors or stakeholders (HRDC, 2002).

In secondary schools, career advice is increasingly being included in the curriculum. It has been a struggle in some provinces to implement the idea, but classroom delivery is continuing to increase. And there is evidence in several provinces of it becoming mandatory. Career education curriculum includes exploration of the self-interests, abilities, passions, lifestyle or ambitions (HRDC, 2002).

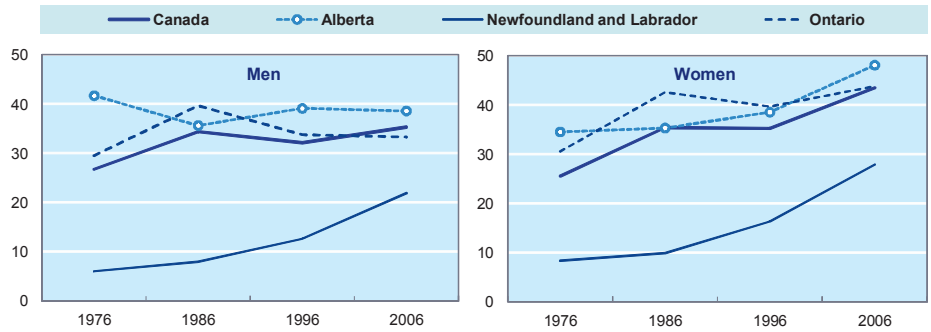
In Newfoundland and Labrador, each senior high-school student has to take a *career development* course. Official documentation states that "Career development is a lifelong, ongoing process through which learners integrate their personal, family, school, and community learning experiences to facilitate career and lifestyle choices and to help them transition through life and work stages". Similarly, in Alberta, senior high-school students (*i.e.* Grade 11-12) are required to attend a Career and Life Management (CLM) class.

B. Student jobs: a catalyst for job placement?

Is it true that young Canadian lack good information about labour market opportunities or real world challenges and demands? Aggregate figures from the labour force survey (Figure 2.14) show that is indeed quite common for students (both males and females) to also hold a job, although this statement applies more to some provinces (Ontario, Alberta) than others. Whether by necessity, desire to make more money or to gain work experience, a significant number of young Canadians have a job in the school year while still full-time students (Marshall, 2007). In 2006, almost 40% of full-time students aged 15-24 were in this situation. The phenomenon has a pro-cyclical component. Over the 1980s, the proportion of youth who juggled work and full-time school fell during the recession of the early 1990s. Still, the long-term trend is increasing in all provinces.

Figure 2.14. **Employment rates of full-time students aged 15-24 during school months by gender, Canada, Alberta, Newfoundland and Labrador, and Ontario, 1976-2006**

Percentages



Source: Statistics Canada, Labour Force Survey (LFS).

What are the pros and cons of student jobs? The inherent search process involved in finding jobs while studying might help young people decide what they intend to do later (*i.e.* reduce search and matching costs). Moreover, some of the skills acquired on-the-job are likely to be transferable across employers and lift wages at a later stage. On the other hand, most of these jobs are potentially relatively poor in skill content. In 2003, nearly three in five full-time Canadian students (57%) who were working were employed as retail sales people, sales clerks or cashiers, food counter and

kitchen helpers, and as clerical workers, service station attendants and servers in food and beverage (Usalcas and Bowlby, 2006).

The evidence is mixed on the effect of student work in terms of academic achievement and labour market outcomes. Parent (2006) finds a strong negative effect of working while in high school on the probability of graduating, but little effect on subsequent wages, albeit perhaps a small negative effect for males. By contrast, Bowlby and McMullen (2002) also observe that high-school graduates were more likely than drop-outs to have had a paid job during their last year of high school. Among those who worked for pay, drop-out rates were lowest for those who worked a moderate number of hours weekly and highest for those who worked the equivalent of full-time hours. Those who did not work at all had drop-out rates between these two. Finally, male drop-outs who were working while in high school were most likely to work long hours.

Student work is particularly frequent among post-secondary students. Just under 45% of full-time university students worked in any given month of the academic year in 2006, up from under 30% in 1979. Neill (2006) pinpoints that, while work in the summer has been relatively stable for the past two decades, in-semester work has increased substantially. Neill also presents evidence that rising direct costs of education (tuition fees) appear to be strongly associated with rising student employment rates and hours worked, particularly during school months.

5. On-the-job training/work-based education

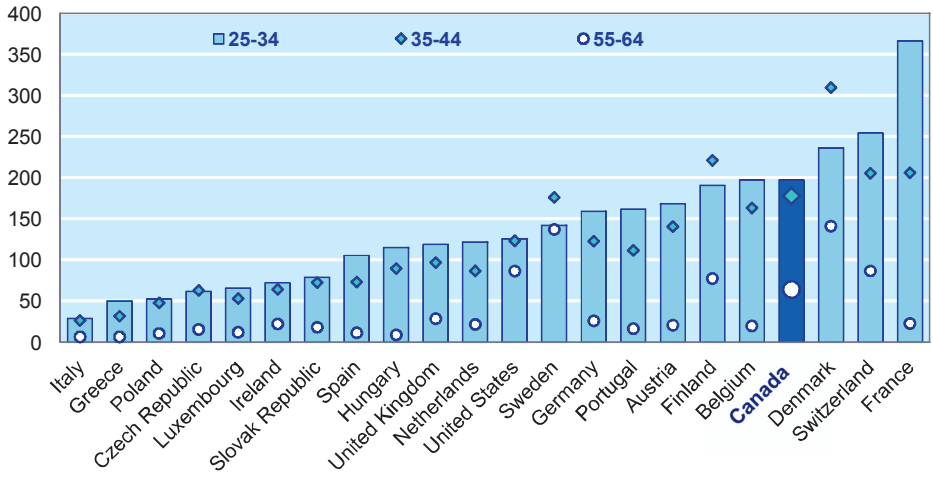
The incidence of job-related training is fairly high in Canada compared with other OECD countries, especially when expressed as the expected number of hours in non-formal job-related education and training (Figure 2.15) (OECD, 2007d). In 2003, participation in formal, job-related training was slightly higher among young[33] (25 to 34) workers than for their older peers.

Hours of training in 2002 were highest (197 hours per participant) for the 25-34-year olds. It declined for each successive age group, to 64 hours for the oldest workers. This negative correlation between age and training has been observed in data from other surveys, in Canada and other countries (Peters, 2004). For older workers, who are closer to retirement, the cumulated lifetime benefits of training are obviously less important.

33. The youngest age group for which international data are available.

Figure 2.15. **Incidence[a] of on-the-job training by age group, selected OECD countries, 2003[b]**

Average number of hours



a) The incidence refers to average expected number of hours, over a typical working life, that a person can expect to spend in non-formal (*i.e.* mainly courses not aimed at the acquisition of a degree or certificate), job-related education and training. It is computed using the distribution of hours of education and training reported by labour force surveys.

b) Data for Canada are for the year 2002.

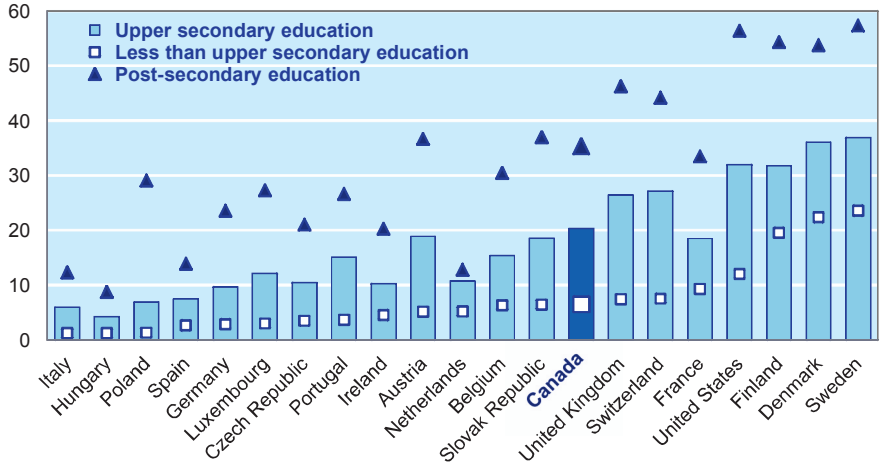
Source: OECD (2007d).

In Canada, colleges/*Cégeps* are the primary vehicle for adult education and life-long-learning; universities supply a smaller portion. Community-based groups, largely funded by the provincial, territorial, or federal governments, address special needs such as literacy and serve groups such as the rural poor, the Aboriginal communities, immigrants, displaced workers, and those with low levels of literacy or education.

Although the incidence of different forms of on-the-job or job related training is on the rise, some analysts argue it is too low (Myers and de Broucker, 2006). They argue that while Canada is generally recognised as having, on average, a high level of educational attainment, the adult learning participation rate of the least educated Canadian adults (aged 25-64) is not outstanding by international standards (Figure 2.16) and has scarcely improved in five years. The same analysts have pinned the problem on adult learning systems that are complex, incoherent and incomplete.

Figure 2.16. **Incidence[a] of on-the-job training by educational attainment, workers aged 25-64, selected OECD countries, 2003**

Percentage of the population in the age group



a) The incidence refers to participation over a one year period.

Source: OECD (2007d).

Another form of further education consists of apprenticeship programmes. Registration reached almost 270 000 in 2004 (Skof, 2006), an increase of 58% from 1993 (Table 2.4). The biggest increase (+485%) was observed among teenagers. This jump may reflect the influence of provincially-sponsored initiatives introduced to encourage high-school students to consider registered apprenticeship training for their post-secondary education. Still, in 2003, the average age of all apprentices was 30.1, up from 29.4 in 1993 (Skof, 2006).

Table 2.4. **Distribution of registered apprentices by age, Canada, 1993 and 2004**

Age	1993	2004	Evolution 1993=100
Under 20	3 677	17 845	485.3
20-24	41 467	72 135	174.0
25-29	45 854	61 880	135.0
30-34	31 514	39 655	125.8
35-39	17 087	28 035	164.1
40-44	8 441	21 870	259.1
45 and over	7 172	23 615	329.3
Not reported	13 771	2 735	19.9
Total	**168 983**	**267 770**	**158.5**

Source: Skof (2006); and Statistics Canada, Registered Apprenticeship Information System (RAIS).

6. Key points

Canada's educational system is working very well, especially when measured in terms of PISA scores at the age of 15 or access to post-secondary degrees. The flip side of a massive access to colleges and university is that there is a strong "academic bias" in upper secondary education. This bias was already identified ten years ago in a previous OECD analysis of the Canadian school-to-work transition (OECD, 1999). There is apparently no risk of unemployment among graduates. The economy's long-run tendency is to become more knowledge-based and to demand more college- and university-educated workers. The problem is simply that not enough young people pursue vocational studies, at a time when immigration is insufficient as a source of skilled workers. Many trade professions currently record shortages of skilled workers. Moreover, this trend is likely to remain with the re-emergence of the commodity-based economy, and the related growth in the construction sector.

Another source of concern in Canada is the school drop-out rate (8.7% in 2005) which is high compared with the best-performing countries such as Norway (3.2 %) or Korea (2.6%), even if it is well below the OECD average of 12.9%.

Another specificity of Canada is that higher numbers of students tend to work than in many other OECD countries. There is evidence that most of the time, post-secondary students work to earn income to help offset the cost of their studies. Nevertheless, paid work among teenagers starts very early and could harm their studies if they work too many hours during school days.

Finally, an untapped resource now and for the future is Aboriginal youth, one of Canada's youngest and fastest growing populations. Educational performance of Aboriginal/First Nation youth lags behind other young Canadians. Aboriginal students are underrepresented in post-secondary institutions. For schools under First-Nation jurisdiction, a greater emphasis should be put on striking a better balance between federal funding and local autonomy on the one hand, and commitment to enhanced performance in core areas of the curriculum on the other hand.

CHAPTER 3

DEMAND-SIDE BARRIERS TO YOUTH EMPLOYMENT

While improving the education and training systems is important, an equally high priority is to examine those factors influencing employers' decisions to hire and keep young workers. These decisions depend on employers' perceptions of the productivity and the work motivation of young workers compared with other workers. Current and projected skill and labour shortages in some sectors and provinces may also affect youth employment prospects. This chapter will look at demand-side barriers to the hiring of youth and will identify potential areas for improvement.

1. Employers' views of recruiting and retaining young workers

A. Employers and provinces face competition to hire and retain skilled youth

Even provinces with high unemployment rate can suffer from labour shortages in some sectors. In most provinces, the tight Canadian labour market ensures that even the least skilled among youth can easily find a job. A side-effect of the tight labour market, discussed in Chapter 2, is a relatively high-school drop-out rate that fills current vacancies and addresses immediate labour shortages. As mentioned earlier, this is a particular issue in Alberta.

High-skilled occupations requiring at least post-secondary qualifications from universities, colleges or through apprenticeship training, are expected to account for about 70% of all new jobs created over the 2006-2015 period, compared with 60% over the past ten years (HRSDC, 2006a). The short-term and long-term scarcity of skilled labour is one of the fastest-growing concerns among Canadian employers together with the ageing of their employees. Nevertheless, according to Denhez (2007), there will not be a generalised labour shortage in 2017 in Canada. An important offset, together with the increasing participation of women in the labour force, is

the high education level of young cohorts entering the labour force, which increases the chances of both getting a job and holding onto it longer. Students coming out of the education system will remain the primary source of new supply for the labour market, far outstripping immigration. HRSDC (2006a) estimates that school-leavers will represent four fifths of the projected total annual inflow into Canada's labour supply up to 2015. There is therefore extensive competition between different employers and sectors in recruiting and retaining workers, particularly recent graduates.

Most provinces are faced with net out-migration rates of youth. Alberta was the only province with net positive migration rates among youth aged 15-24 in 2006 (Figure 1.7). The issue of keeping and attracting youth is particularly important in Newfoundland and Labrador. The Government of Newfoundland and Labrador established a Provincial Skills Task Force in spring 2006 that brings together business, labour, government, education and other community leaders to identify industry's skill requirements, particularly related to major project developments, and to design necessary responses from the post-secondary system. Challenges include reversing the continuing provincial net out-migration trend and addressing geographic or funding barriers youth face when they wish to participate in learning and training opportunities. The Labour Market Sub-Committee of the Newfoundland and Labrador Strategic Partnership Initiative[34] aims to place high on the policy agenda the need to attract young skilled workers and rural youth (Labour Market Sub-Committee, 2007). For example, the sub-committee supports partners organising alternative education formats targeted on rural youth and the youth organisation "Finaly!". Finaly! is a youth driven organisation that empowers youth to be active participants in decision making and implementation to build a viable future in Newfoundland and Labrador.

As presented in a handbook "Now Hiring Youth", the challenge for employers in Alberta is helping much in demand young people from Generation Y[35] to develop their skills (Venture Research & Development, 2006). Employers should introduce more training incentives to encourage their young workers to continue their education. Tuition reimbursements, repayment of part of a student loan, scholarships and a flexible work

34. The Strategic Partnership Initiative is a high-level partnership between government, business and labour that was established in 2002 to provide a forum for social dialogue on key competitiveness issues facing the province.

35. Canadians refer to the four following generations working together in the labour force: Veterans born before 1945; Baby Boomers born between 1946 and 1964; Generation X born between 1965 and 1981; and Generation Y (also known as Millenials and Echo Boomers) born since 1982.

schedule to allow for study time and exams are some of the most effective incentives, as well as helping create company loyalty. Aboriginal youth is one of Alberta's youngest and fastest growing populations. Successful strategies towards Aboriginal workers include offering Aboriginal awareness training to existing employees and connecting Aboriginal employees to mentors.

B. Employers hiring needs are quite diverse

Members of the Canadian Federation of Independent Business (CFIB), a political action organisation for SMEs, reportedly have the greatest need for medium-skilled trades employees. In Ontario, 43% of shortages reported by SMEs are in occupations that usually require apprenticeship training or college education (CFIB, 2007). One of the difficulties often mentioned by Ontarian SMEs is related to the rigid ratios for apprenticeship fixed by the provincial government. Regulations require employers to hire a certain number of journeypersons before they are eligible to train apprentices. For example, an electrical company must ensure that there are at least three journeypersons on site before they can train one apprentice. Almost one third of SMEs indicate that such ratios are a major obstacle to apprenticeship training. CFIB (2007) recommends therefore that the Minister of Training, Colleges and Universities develops alternatives to the current apprenticeship ratios. In the meantime, the Minister should suspend or alter the ratios to deal with the current tradesperson crisis while maintaining quality training programmes.

The federal government, a big employer facing a steep ageing of its workforce across the country, launched in 2003 a survey titled "Reconnecting Government with Youth". Its results show that only 9% of youth aged 16 to 30 believe that the federal government offers the best employment opportunities compared with 25% who put their faiths in the internet and high technology. While some interest has been generated among youth by the federal Post Secondary Recruitment (PSR) programmes – which aims to fill mid-level positions by targeting recent post-secondary graduates – few appointments have materialised (PSC, 2007). In 2005-2006, nearly 24 000 applications were received during PSR campaigns. Of these, 8 777 graduates were referred, but only 550 were eventually hired. The Public Service Commission of Canada (2007) recommends hiring managers to better explore how PSR and other programmes can address their short and long-term human resources needs.

The federal government also recruits students for temporary jobs through three programmes: *i)* Co-operative Education and Internship Programme (CO-OP); *ii)* Federal Student Work Experience Programme (FSWEP) in high schools, colleges and universities; and *iii)* Research Affiliate Programme (RAP) to hire part-time post-secondary research

students to support applied research programmes. In 2005-2006, 12 068 students were hired through these programmes, representing 27% of overall federal hiring that year and 6.5% of all federal employees.

Founded in 1976, the Canadian Council of Chief Executives (CCCE) is composed of 150 chief executive officers of major enterprises and leading entrepreneurs across Canada. The CCCE supports the Advantage Canada plan released in fall 2006 by the Government of Canada. This plan includes a wide range of specific policy commitments aimed at improving Canada's knowledge advantage (Box 3.1). The CCCE is particularly in favour of initiatives to remove barriers to labour mobility; improve the quality of education; increase the number of research internships in the private sector; and expand support for scholarships to encourage more youth to pursue advanced degrees.

Box 3.1. **Knowledge advantage: more opportunities for youth**

In November 2006, the Government of Canada set out its long-term growth plan, *Advantage Canada*. It identified five advantages: tax advantage; fiscal advantage; entrepreneurial advantage; infrastructure advantage; and knowledge advantage. The aim of the latter is to create the best educated, most skilled and most flexible workforce in the world.

Measures to enhance opportunities for youth in acquiring knowledge and skills include:

- Strengthen post-secondary education system by providing stable and predictable funding to provinces;
- Work with provinces to develop shared objectives and targets, clarify roles and responsibilities and enhance public accountability;
- Modernise student financial assistance to make it more effective;
- Encourage the best foreign students to attend Canadian colleges and universities by marketing the excellence of Canada's post-secondary education system;
- Invest in research equipment and facilities in universities and colleges to compete with the best in the world;
- Increase graduate scholarship support, including for the sciences and engineering;
- Expose more students to private sector research challenges through internships and targeted collaborative research;
- Support workplace training.

2. Wages and labour costs

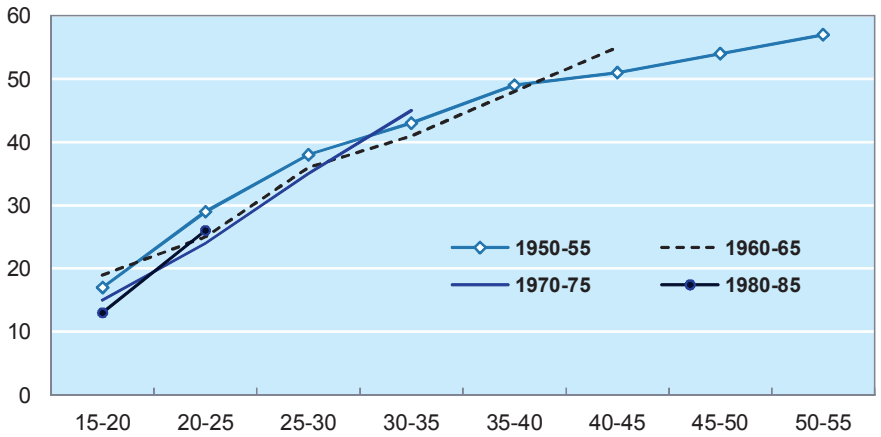
The buoyant labour market and skill shortages have exerted an upward pressure on wages in Canada over the past five years. With an average annual real wage growth of 1% between 2000 and 2005, Canada ranks above the corresponding OECD average of 0.7% (OECD, 2007c). At the same time, low pay is more common in Canada: 22% of Canadian workers earned in 2005 less than two thirds of median wages compared with an OECD average of 17%. In fact, the majority of low-wage workers are young people, many of whom are also studying, and who tend to move into better paying jobs over time. Nevertheless, there could be sizeable numbers of less-educated youth, for whom low-wage employment may be less transitory.

A. Youth earnings catch up rapidly

Denhez (2007) observes that young people catch up on the earnings gap they have at the beginning of their careers, and that at some point they even surpass the earnings of workers among older cohorts, as illustrated by various male cohorts in Figure 3.1. For example, the 1970-1975 cohort had lower earnings than the 1950-1955 and the 1960-1965 cohorts until they reached 30-35 years of age, when their earnings grew slightly faster. Preliminary analyses show that the decline results primarily from a marked deterioration in salary conditions among persons with a low educational level. In fact, young people with high levels of education experience even an increase in entry salaries.

Figure 3.1. **Earnings for four male cohorts, Canada, 1970-2005**

Thousands of 2001 Canadian dollars per person-year employed



Source: Denhez (2007) based on the Statistics Canada LifePaths microsimulation model.

B. Wages for young adults aged 20-24 have increased slightly in the early 2000s but not wages for teenagers

According to labour force survey data, hourly real wages increased by 1.7% between 1997 and 2004 for youth aged 15-24, compared to 3.5% for workers aged 25 and over (Table 3.1). But older youth benefited more than teenagers: hourly real wages rose by nearly 5% for those aged 20-24 while teenagers did not even keep up with inflation (-2.2%). For Usalcas (2005), the greater earnings increase for young adults is not surprising, considering that much of the gains in employment for this age group were in higher-paying industries or occupations and mostly in full-time jobs. Teenagers, particularly girls, took more jobs in retail trade and accommodation and food services, where many jobs are part time and pay less.

Table 3.1. **Change in average real hourly wages by age and gender, Canada, 1997-2004**

Percentages

	Men	Women	Total
15-24	2.1	1.4	1.7
15-19	-0.6	-3.6	-2.2
20-24	4.3	5.1	4.6
25 and over	2.5	5.6	3.5

Source: Usalcas (2005), based on Statistics Canada, Labour Force Survey (LFS).

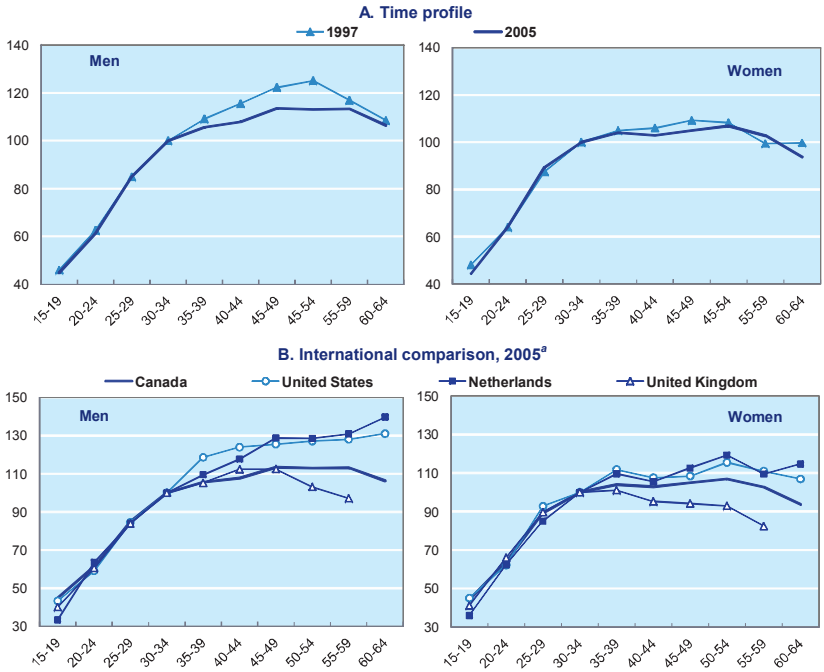
C. Wage profiles remain stable for full-time young workers

The sluggish growth of average hourly wages for young people in Canada is confirmed by Figure 3.2. The age-wage profile for young men working full time, relative to 30-34-year olds has remained almost unchanged between 1997 and 2004 (Panel A). On the other hand, the wage profile for women shows a slight decrease for those aged 15-24 relative to those aged 30-34.

The average wage of teenagers relative to that of 30-34-year olds is higher in Canada than in the Netherlands and in the United Kingdom for both genders but close to those of the United States (Panel B). By contrast, the wage profile for full-time older male workers is steeper in Canada *vis-à-vis* the United Kingdom. However, it is flatter *vis-à-vis* the Netherlands and the United States once individuals pass the age of 30.

Figure 3.2. **Wage profiles of full-time workers by gender, Canada and selected OECD countries, 1997 and 2005**

Average hourly earnings of workers aged 30-34 = 100



a) Data refer to 2002 for the Netherlands.

Source: Statistics Canada, Labour Force Survey, 1997 and 2005 for Canada; Central Bureau of Statistics, *Nationale Loonstructuuronderzoeken* (LSO), 2002 for the Netherlands; National Statistics, Labour Force Survey, 2005 for the United Kingdom, and US Department of Labor, Bureau of Labor Statistics, Current Population Survey, 2005 for the United States.

D. Youth minimum wages and employment in Canada

Minimum wages differ by province and territory

Youth wages, especially of those with few qualifications and those still studying, are influenced by minimum wage laws. In Canada, minimum wages are set by provinces and territories (see Box 3.2). Since 1996, the minimum wage in the federal jurisdiction has been fixed to whatever rate prevails in the province where the federal employee is working.[36]

36. The federal Labour Code regulates about 10% of Canada's workforce – about 1.3 million workers. Only about 2% of federal employees work for less than CAD 10 per hour, and it could be assumed that only a fraction of these (if any) work for minimum wage.

Box 3.2. **Minimum wages in Canada**

Every province and territory stipulates a minimum wage in its employment standards legislation. It is an offence for employers to pay eligible employees less than the set rate, regardless of how remuneration is calculated (hourly, daily, weekly, monthly, or on a piecework basis). Likewise, employees are prohibited from accepting pay that is less than the applicable minimum.

There exists some variation in minimum wages across the different provinces (HRSDC, 2007a). In 2007, minimum hourly wage rates were CAD 8 in Alberta and in Ontario but CAD 7.5 in Newfoundland and Labrador. The periodicity and size of increases are also different by province and not related to the inflation rate. For example, the minimum wage will rise in steps by a total of 28% over the next three years in Ontario to CAD 10.25 on March 31, 2010. In Newfoundland and Labrador, the minimum wage will reach CAD 8 in April 2008, after a recent rise in October 2007, while in Alberta, the minimum wage rose by CAD 1 in September 2007.

A number of jurisdictions have introduced additional minimum-wage differentials for workers without work experience. In Nova Scotia, "inexperienced workers" may be employed for a period of three months at a lower minimum rate (CAD 7.15 instead of CAD 7.60). In British Columbia, the First Job/Entry Level Wage Regulation amended the Employment Standards Regulation to create a special minimum-wage rate (CAD 6.00 instead of CAD 8.00) for employees who have little or no previous paid employment experience. Employees are entitled to be paid the regular minimum-wage rate once they have accumulated 500 hours of work with one or more employers.

Certain other classes of young workers are altogether excluded from the minimum wage (and other provisions) in most jurisdictions. Typical exclusions are students employed in training schemes, participants in job experience and rehabilitation programmes, and registered apprentices.

The gross statutory minimum wage in Canada is above the OECD average. The weighted average of provincial minimum wages in Canada was USD 6.70 per hour in 2006 (at 2006 market exchange rates), compared with an OECD average of USD 5.6 and with USD 5.15 for the United States but USD 9.47 for the United Kingdom (Immervoll, 2007). However, in relative terms, the minimum wage in Canada is below the OECD average, amounting to 40% of the median wage in 2005 compared with 43% for the OECD average, 32% for the United States and 45% for the United Kingdom.

Ten countries,[37] among the 21 OECD countries where a statutory minimum wage exists, set the minimum wage at a lower level for young

37. These countries are: Belgium, Czech Republic, France, Ireland, Luxembourg, Netherlands, New Zealand, Portugal, Slovak Republic and United Kingdom. New Zealand has decided to abolish the sub-minimum wage for youth aged 16-18 as from April 2008.

workers than for their adult counterparts (see Table 3.2 in OECD, 2007d). Youth differentials among minimum wages were once very common in Canada. There has been a marked trend since the early 1980s toward the repeal of youth rates on the ground of discrimination on the basis of age. As an example, in Alberta, the lower wage rate for employees under 18 was eliminated in 1998. Youth differentials still exist only in Ontario which has a sub-minimum rate that applies to students under the age of 18 but the differential is minimal (see Box 3.3).

Box 3.3. **Student minimum wage in Ontario**

Ontario has a student minimum wage of CAD 7.50 per hour compared with CAD 8.00 for adults, a differential of only 6% (Government of Ontario, 2006). The student minimum wage will rise along with the general minimum wage to CAD 9.6 in March 2010 maintaining the small gap.

At 94% of the adult minimum wage, this is a tiny differential compared with other countries. For example, in the Netherlands, the youth rate amounts from 30% of the adult rate for 15-year olds to 85% for 22-year olds (OECD, 2008a). On average in OECD countries where a youth sub-minimum wage exists, the gap amounts 25% of the general minimum wage.

The student minimum wage applies to Ontarian students under the age of 18 who work no more than 28 hours per week when school is in session or who work during the school holidays. Students who work more than 28 hours per week when school is in session are entitled to the general minimum wage. Unless they are employed in an industry or job category that is exempt from the minimum-wage entitlements or subject to a special minimum wage (for example, the minimum wage for liquor servers is CAD 6.95 per hour in recognition of the income they receive through gratuities), most Ontarian students under the age of 18 are entitled to the student minimum wage.

Not all young workers are covered by the minimum-wage provision in the Employment Standards Act, 2000. Individuals of any age working as students in the following circumstances are not entitled to the minimum wage:

- Students in training for certain occupations such as architecture, law, professional engineering, medicine, optometry;
- Individuals performing work under a programme approved by a college of applied arts and technology or university;
- Secondary school students who perform work under a work-experience programme authorised by the school board that operates the school in which the student is enrolled; and
- Persons employed as a student to instruct or supervise children and a person employed as a student at a camp for children.

More than 60% of all minimum-wage earners are under 25

On average, 4.3% of employees earned the minimum wage in Canada in 2005, but the incidence varies a lot across Canada (Sussman, 2006). In booming Alberta, only 1.5% of employees earned the minimum wage in 2005 compared with 4.3% in Ontario and 6.8% in Newfoundland and Labrador (the highest share). Most minimum-wage earners are young: 63% of them were under 25 according to 2005 labour force data. Canada is similar to OECD countries such as the Netherlands, New Zealand or the United States where less than 5% of workers earn the minimum wage and the majority of these workers are young. By contrast, the Canadian situation is very different from the French situation where 14.5% of employees earned the minimum wage in 2002 but only 15% of all minimum wage earners were aged 16-24 (Seguin, 2006).

For Sussman and Tabi (2004), students with summer jobs were more likely to be earning the minimum wage than others of the same age. Indeed, although only 45% of those aged 15-24 employed in the summer were students in 2003, they made up 71% of youths earning the minimum wage during that time. The prevalence of teenagers and young adults among minimum wage workers reflects the characteristics associated with minimum-wage work. These include lower levels of education, service-sector jobs, part-time work, and shorter job tenure.

In addition, Murray and Mackenzie (2007) note that minimum wage workers in Canada are in fact not financially independent. Just over 80% of young people aged 15-24 earning the minimum wage still lived with their parents in 2003 (81% females and 86% males). Even when aged 20-24, more than half of youth earning the minimum wage still lived with their parents (55% females and 63% males). This suggests that earning the minimum wage is often not sufficient for youth to become independent.

A minimum-wage increase affects first working students in Canada

The potential effects of minimum wages on youth employment and unemployment rates have been examined in a number of international studies (see Quintini and Martin, 2006 for a synthesis). The impact of minimum-wage legislation on youth employment is theoretically ambiguous. While a high minimum wage may increase the rate of school drop-outs and therefore increase labour force participation, it can also drive a wedge between youth labour costs and their expected productivity, thereby raising unemployment and discouraging some youth from entering the labour market. The balance of the international empirical evidence suggests that too-high minimum wages have a negative impact on youth employment.

Evidence for Canada is also mixed. Campolieti *et al*. (2005) use micro data on individual workers from SLID to estimate the effect minimum wage has on employment transition probabilities for the period 1993-1999, during which a total of 24 minimum-wage increases occurred in the provinces. They compare the employment of a group affected by minimum-wage changes – low-wage youth aged 16-24 – with a comparison group which is not affected, such as low-wage youth in provinces where the minimum wage did not change. They find that the minimum-wage increases generally led to an increase in the transition from employment to non-employment for the group of low-wage youth by about 4 to 8 percentage points. These disemployment effects imply minimum-wage elasticities of about approximately -0.3 to -0.5.

The effects are not as straightforward when other categories of youth are considered. Using data from the Canadian labour force survey, Baker (2003) explores how the widely varying minimum wages across provinces affect both the total number of teenagers and young adults enrolled in school, as well as the choice to combine study and work. Higher minimum wages have a very modest positive effect on youth at enrolment ages (17-19 and 20-24). On the other hand, higher minimum wages reduce the proportions of students aged 15-16 and 17-19 who work. In contrast, higher minimum wages either have no or a positive effect on the proportion of students aged 20-24 who work. One possible explanation put forward by Baker (2003) is that employers substitute students with non-students when faced with minimum-wage increases. However, employers seek more productive employees such as older students with more qualifications when forced to pay higher wages.

Increasing the minimum wage to promote self-sufficiency of youth?

Over the years, minimum-wage legislation has become the subject of considerable debate in Canada, primarily revolving around whether current levels are too low or too high. Some argue that the minimum wage should be increased as an essential element in helping to meet anti-poverty and social welfare goals. The Canadian Labour Congress (CLC), an umbrella organisation for unions, calls for a "reasonable" level of the minimum wage of at least CAD 10 per hour across the country. It argues that this level – set at least at two-thirds of the median hourly wage – would be a living wage, sufficient to keep a single full-time earner above the poverty line (Jackson, 2007). This would be equivalent to the relative level of the minimum wage in France.[38]

38. France has however a sub-minimum wage for youth who earn on average 85% of the adult minimum wage.Youth aged 17 and 18 with less than six months' experience receive 90% of the adult minimum wage and youth aged 16 or younger receive 80% of the adult minimum wage.

Some analysts in Canada also push for a higher minimum wage. For Saunders (2006), higher minimum wages should be part of Canada's tool kit for creating opportunities for vulnerable workers. He recognises, however, that negative effects on teenager and young adult employment could be mitigated by a sub-minimum wage for youth. For Murray and Mackenzie (2007), a higher minimum wage could help students reduce post-secondary education debt loads and increase the independence and self-sufficiency of youth, enabling them to leave home earlier.

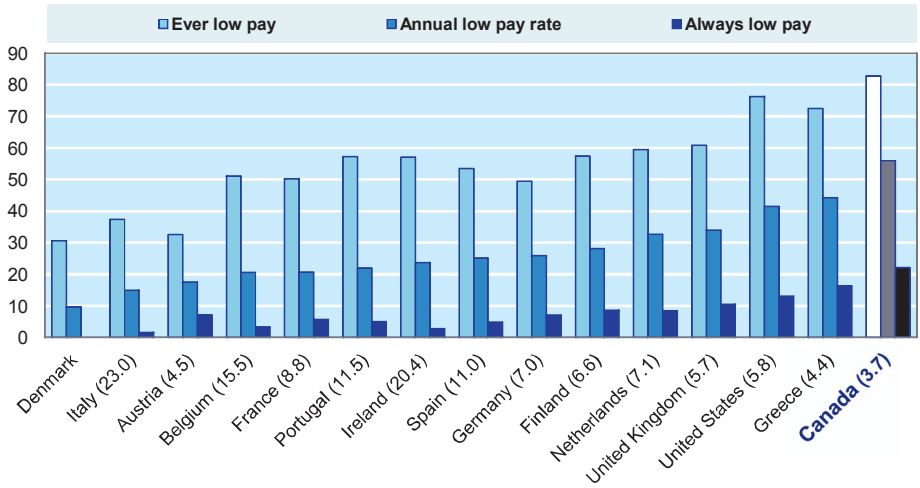
As a principle, increasing the minimum wage may run counter to the government efforts to prioritise education over work for young people at risk of dropping out, as young people may chose to enter the labour market in response to the higher minimum wage instead of continuing their studies. This could be a particular risk for Aboriginal youth for whom school disengagement is already a serious issue.

E. The incidence of low-paid jobs for young Canadians is high but not persistent

Low-pay incidence - where "low pay" is measured as earning less than two-thirds of the median wage – among youth aged 15-24 is particularly high in Canada. The annual low-pay rate of Canadians aged 16-24 is the highest among the countries shown in Figure 3.3, 56% of youth in the early 2000s compared with an OECD average of 28%. Data across countries need to be compared with caution. For example, in Canada youth employment includes all types of non-student jobs while for other countries, it includes only non-student jobs of more than 15 hours a week.

While student jobs and the beginning of working life have always been associated with lower wages, it is important to ensure that these jobs guarantee a certain degree of wage progression allowing youth to attain financial independence. Figure 3.3 shows that even if many young Canadians are affected by low pay, this situation is not persistent. The dynamics of youth low pay is estimated between 2000 and 2005 by taking young people in low-paid jobs in 2000 and observing their situation in each year up to 2005. In Canada, about 22% experienced low-paid employment over the whole period and almost 83% were affected by low pay at least once over the six year period under analysis. The index of turnover in low-paid jobs – the ratio of ever to always low paid – is almost four, which is lower than in the other countries This suggests that, while the incidence of low pay in Canada was relatively high on average, few youth were continuously in low pay between 2000 and 2005 and few youth found it difficult to exit low pay permanently.

Figure 3.3. **Alternative measures of low-paid employment[a] of youth aged 15/16-24, over six years,[b, c] selected OECD countries, late 1990s to early 2000s**



a) Workers are considered to be in low-paid employment if they receive an hourly wage of less than two-thirds the median value in that country and year.

b) Countries shown in ascending order of annual rates of low-paid employment. For European countries and the United States, the sample for calculations is restricted to persons aged 15-24 not in education, and who were continuously employed as dependent employees working at least 15 hours per week during all five years analysed. For Canada, the sample is restricted to persons aged 16-24 not in education, and who were continuously working as dependent employees for six years.

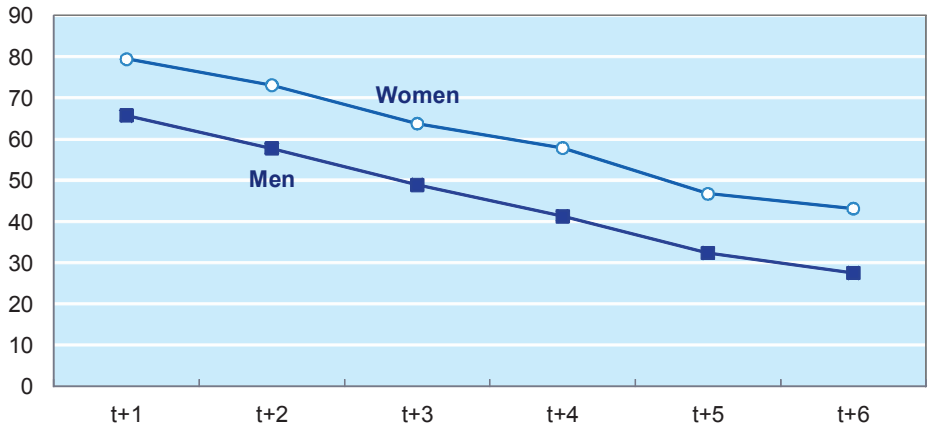
c) Values within parenthesis after the country labels are the ratio of the ever to the always low paid (an index of turnover); for Denmark this ratio is not available.

Source: Statistics Canada, estimates on the third (1999-2004) and fourth (2000-2005) panels of the Survey of Labour and Income Dynamics (SLID), for Canada; OECD Secretariat estimates based on Eurostat, European Community Household Panel, waves 4 to 8 (1997-2001), for the European countries; and US Department of Commerce and US Census Bureau, Survey of Programme Dynamics (SPD) 1997-2001, for the United States.

The yearly profile of low-paid employment by gender in Canada confirms clearly that low-paid employment is only temporary and related to entry wages (Figure 3.4). There is, however, always a continuously higher low-pay incidence for young women than for young men. According to Walters (2006), the wage gap narrows only for recent post-secondary graduates. On average, young men earn more than young women.

Figure 3.4. **Low-pay persistence[a] for youth aged 16-24 over six years,[b] by gender, Canada, 1999-2005**

Percentage of youth with low pay



a) Workers are considered to be in low pay if they receive an hourly wage of less than two-thirds the median value of the wage of employed persons aged 25-54 in that year.

b) The sample for calculations is restricted to persons aged 16-24 not in education, and who were continuously working as dependent employees during all six years analysed.

Source: Statistics Canada based on the third (1999-2004) and fourth (2000-2005) panels of the Survey of Labour and Income Dynamics (SLID) for Canada.

When we consider only full-time, full-year workers, the youngest age group aged 16-24 experiences both the highest probability of low pay among all age groups and even a higher probability of upward mobility than those aged 25-44. This is not surprising because they are no longer students and have started their career. Janz (2004b) examines in SLID whether full-year, full-time workers who had low earnings in their main job in 1996 were able to escape low pay six years later.[39] Full-year, full-time workers aged 16-24 had a higher incidence of low pay than the average (51% and 14%, respectively), but also a higher probability (69% compared to 53%) of moving up.[40]

39. Individuals with hourly wages of less than CAD 10.95 at the end of 1996 were flagged as low-paid workers. This level is approximately 10% greater than the threshold for Statistics Canada's 2001 low-income cut-off (LICO) for a family of two living in an urban area of at least half a million people.

40. A low-paid worker in 1996 was said to have moved up the earning ladder if hourly wages by 2001 were at least CAD 13.26.

There is also a gender gap in low-pay incidence and persistence. The low-pay incidence for young women aged 16-24 was 56% in 1996 compared with 50% for young men. In addition, the probability of moving up between 1996 and 2001 was much higher for men than for women (73% and 27%, respectively).[41] Low-paid workers who were more likely to experience upward mobility were younger (16 to 24) males with university degrees. Not surprisingly, a previous study (Janz, 2004a), that included part-time, part-year workers, found a higher incidence of low pay among youth aged 16-24 than among all workers (69% and 31%, respectively) but a lower probability of moving up (58% and 47%, respectively). Low-paid part-time jobs act less often as a stepping stone toward a better-paying position for youth than low-paid full-time jobs.

3. Type of jobs and working conditions

Low-paid workers are often disadvantaged with respect to other aspects of their jobs besides wages. They are more likely than better-paid workers to experience poor access to employer benefits and more precarious work arrangements. This is a risk for young workers in Canada when they work as students and when they start their career, even if there are minimum employment standards at the federal, provincial and territorial levels. Overall, however, employment protection legislation in Canada is among the least strict in the OECD (OECD, 2004a).

A. Labour regulations

All Canadian jurisdictions have laws that specify minimum standards of employment. The standards under provincial and territorial jurisdiction include minimum working age, minimum wages, rules regarding overtime pay, the provision of paid vacations and public holidays and the definition of a safe working environment. They are designed to provide a benchmark for the terms of employment in each of these areas. However, not all workers are covered by the laws governing minimum standards of employment, mainly because these are standards which have eligibility rules that specify a minimum length of time with an employer. As a consequence, some temporary or part-time workers do not qualify for these protections.

Minimum working age in Canada differs by province

Complementary to the laws regulating compulsory school attendance, Labour Code regulations limit employment of young people subject to compulsory school attendance and beyond. According to HRSDC (2006b),

41. Unfortunately, probabilities by age group *and* gender were not published.

the approach has been to permit youth to have relatively early broad access to jobs and work experience, while putting in place measures to protect their health and safety as well as their normal development.

The employment of pupils subject to compulsory school attendance is severely limited during school hours. Work outside school hours is generally allowed but can be subject to restrictions. Night work for youth under a specified age (ranging from 14 to 17, depending on the jurisdictions) is largely prohibited. For example, in Alberta, the minimum working age was recently reduced from 14 to 12, but individuals aged 12-14 are restricted to working a maximum of two hours of work per day on school days and eight hours on other days. By contrast, in Newfoundland and Labrador and in Ontario, youth under 14 cannot be employed. In Newfoundland and Labrador, youth under 16 may work but cannot be employed for a period that, when added to required school attendance, exceeds eight hours a day.

In some provinces and territories, as well as in the federal Labour Code, there are limitations on the type of work young persons under the age of 16 (or even under the age of 21 for a very limited number of occupations). As an example in some jurisdictions, there are provisions prohibiting the employment of persons under 16 in a mining plant or surface mine. In Ontario, a young person under 16 cannot be employed in the construction industry. Moreover, in a majority of provinces and territories, persons under 16 years of age cannot become apprentices in designated trades.

Youth working in non-standard jobs less often receive employer benefits than youth working in standard jobs

Many employer benefits such as extended medical care or dental insurance are not mandated by law. Employers choose whether or not to offer such benefits or negotiate a benefit package with the union where there is a collective agreement. According to Marshall (2003), employees are considerably less likely to have access to employer benefits if they are young or single, have a temporary contract or have a high-school education or less. Only 17% of workers aged 16 to 24 were covered in 2000 by all three insurance schemes (medical, dental and life/disability), compared with 48% or higher for those in older age groups.[42] In parallel, while 58% of

42. Almost one in five of the paid workers in this study were students for some time in 2000, either full or part time. Some 63% of these employed students were under 25 and hence may not have been too interested in non-wage benefits, such as a company pension plan, and may even have sought short-term, non-permanent work. For them, lower-paying, non-benefit jobs may not be seen as a hardship. However, these distinctions cannot be made with the data, and so all persons with jobs, regardless of student status, were included.

full-time workers and 57% of permanent workers were covered by an insurance package in the year 2000, only 17% of part-time workers and 14% of temporary workers benefited from this package. Furthermore, on average, younger workers had considerably less job security than those aged 25 and over (62% held permanent jobs *versus* at least 82%) and lower median earnings (CAD 8.30 per hour *versus* CAD 15.40 or more).

The situation in Alberta of workers aged 25, seven years after graduating from high school, is clear from this point of view. Table 3.2 shows that paid vacations, along with medical insurance and a dental plan, were fringe benefits received in 2003 by only two thirds or more of the employed members of this cohort. In general, students were less likely to receive these various employment benefits in comparison with university graduates. These differences are due to the fact that students work more frequently in part-time and temporary employment. Only about one quarter of youth from this cohort working part time received these various fringe benefits, with the exception of paid vacations which were reported by 38% of them. Those of this cohort working on temporary contracts were somewhat more fortunate: more than 40% received benefits.

Table 3.2. **Incidence of employer benefits for workers aged 25,[a] Alberta, 2003**

Percentage of all employed

	Medical insurance	Dental plan	Paid vacation
Total	**67**	**65**	**72**
Still students	51	44	61
Left school			
Upper secondary level	68	60	71
Tertiary non-university	75	69	83
Tertiary university	77	70	77
Type of jobs			
Part-time[b]	26	22	38
Full-time	73	71	78
Temporary[c]	49	42	57
Permanent	75	74	81

a) Seven years after having graduating from high school; see Box 1.2, p. 61.
b) Less than 30 hours per week in main job.
c) Jobs having a specific end-date.

Source: Krahn and Hudson (2006).

For some analysts, applying employment standards for young workers is an issue. For example, Saunders (2006) argues that federal and provincial governments should seek more active compliance with employment standards in high-risk sectors (*e.g.* retail, restaurants) and for youth most frequently working in these sectors. The aim is to promote awareness of employment standards among youth even while in school, in partnership with the social partners, school boards and NGOs.

B. Temporary employment

Between 1997 and 2006, the proportion of young workers in a temporary job grew from 25% to 29%, below the OECD average of 32% (see scoreboard in Table 1.7). Findings from Morissette and Johnson (2005) suggest that Canadian firms have responded to growing competition within industries and from abroad by, among other things, offering temporary jobs to a growing proportion of employees. One third of newly hired employees aged 17-24 (who were not full-time students) held a temporary job in 2004, compared with only 11% in 1989.

According to Eschuk (2005), school attendance is an important reason why many young people hold temporary jobs. More generally, temporary work may be seen as a provisional situation for those young people with little or no experience in the labour market. The most important rationale for employers to offer temporary jobs is for flexible staffing, accommodating fluctuations in product demand, special projects, staff absences and vacancies.

The rise in temporary work has drawn more attention to some possible negative consequences, including employment insecurity, lower earnings, and limited or no access to employer benefits (such as pension plans) or social programmes (such as Employment Insurance). The economic consequences of temporary work depend greatly on whether the situation is short-term or long-term. Hence, a longitudinal perspective is crucial.

Kapsalis and Tourigny (2005) find that about 60% of young persons who entered the workforce in the early 2000s did so through a non-standard job.[43] They examine the duration of non-standard jobs using the SLID from 1999 to 2001. Of individuals with at least one year of non-standard work

43. The notion of non-standard work used in this study is much broader than "temporary contract" work, as it also includes all forms of self-employment (including self-employment with paid help), part-time work (less than 30 hours per week), whether it is voluntary or not, and other forms of temporary work, for example seasonal work.

over the 1999-2001 period, 38% were non-standard workers in all three years. However, persistence varied by age, gender and life phase. For example, among 16-24-year olds, 28% reported having a non-standard job over the three years, compared with 48% of those aged 55-59. The persistence of non-standard work was relatively low among youth aged 16-24 not attending school full time (only 14%) – an indication that this type of work is typically a temporary phase preceding permanent, full-time employment.

Another facet of persistence, whether individuals are employed continuously in the same type of non-standard job, is revealed by the analysis of Kapsalis and Tourigny (2005). Overall, almost half (47%) of non-standard workers in 1999 were in the same type of non-standard jobs two years later, but the proportion varied according to the type of non-standard work. In particular, temporary part-time workers, mostly students, were the least likely to continue in the same type of employment (only 18%). In most cases, these people moved into another form of non-standard employment (36%) or a standard job (26%). Nevertheless, temporary part-time jobholders in 1999 were the most likely to have no job at all in 2001 (19%). Temporary full-time workers in 1999 were the most likely to have found standard work by 2001 (39%), followed by permanent part-timers (28%). Nevertheless, almost four in ten such employees remained in the same kind of non-standard job.

4. Is it key to move to another province to set up a good career?

Hango and de Broucker (2007) find that young adults who move to another province after high school record an increase in earnings compared with young adults who remain in the same province. Specifically, earnings increase by 11% for youth to Alberta (12% for other province). According to the authors, one explanation is that the economic boom in Alberta attracts workers at all levels of pay while moving to another province could be more often associated with a move to attend post-secondary institutions and enter the labour market with a post-secondary degree.

Saunders and Brisbois (2007) highlight the fact that despite the boom of the Albertan economy, not all workers in the province are benefiting from it. On the one hand, it is true that the incidence of low pay in 2005 – less than CAD 10 per hour – among workers aged 20-24 is considerably lower in Alberta (20.5%) compared with Canada (30.9%), and particularly with Newfoundland and Labrador (70.2%). Even school drop-outs in Alberta

enter the labour market with high wages.[44] However, high entry wages can be a lure for high-school drop-outs because there is a sizeable risk that their wages will be quite low as adults. In fact, Albertan workers with the lowest levels of education are slightly more likely to be in low pay (31%) than the Canadian average (27%). It is particularly the case if they work in retail, accommodation, food and related industries.

Young people are very often not sufficiently informed on labour market opportunities and on living conditions in their, or other, provinces. Mobility assistance programmes should include access to information on key supports such as job-search tools and "social" and affordable housing. For example, "Youth Connections in Alberta", a free service provided by the province that connects motivated young people with businesses looking for employees, has experienced in recent years a noticeable increase in homelessness in the Edmonton area. This is partly due to the increasing number of youth travelling to Alberta without prearranged accommodation, very little or no finances, and few job search plans, in the belief that good paying jobs are plentiful and easy to find in Alberta.

5. Key points

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

There are however some areas for improvement. First, paid work among teenagers should not start before the age of 14 and should never be more than 20 hours per week between 14 and the end of compulsory schooling to prevent teenagers from leaving school too early. Provincial employment standards could introduce the threshold of 20 hours per week above which employers are obliged to pay for employer benefits such as health and other

44. The average hourly wage paid in 2006 for Albertan youth aged 15-24 was CAD 13.21 (compared to a minimum wage of CAD 7), an increase of 12% from 2005 (Alberta Employment, Immigration and Industry, 2007).

insurance coverage. Second, employers should be more involved in upgrading the skills of employed youth as an investment that will benefit their industry over a longer term. Third, employers should work more often in partnership with post-secondary institutions with the aim of better matching labour supply and their labour needs in the future. Finally youth should have access to precise information on labour market opportunities and on living conditions in their, or others provinces in order to help them set up a good career.

CHAPTER 4

PASSIVE AND ACTIVE LABOUR MARKET POLICIES TO MOBILISE YOUNG PEOPLE INTO WORK

In many OECD countries, the first steps on the labour market are characterised for youth by the experience, sometimes repeated, of joblessness interspersed with short spells of employment. The group most at risk of being trapped into joblessness without good career prospects are those young people who lack the skills and experience most in demand on the labour market. Thus, it is important to ensure that unemployed young people have sufficient incentives and opportunities to resume education, enter training or find a job. This chapter will review the social assistance and unemployment benefit schemes, as well as the active labour market programmes (ALMPs), available to Canadian youth and point to some areas for possible improvement.

1. Youth welfare and unemployment benefits

Substantial changes were made to social assistance and unemployment insurance in Canada in the 1990s. An implicit goal of these reforms based on a reduction in the generosity of several income transfer programmes was to give workers with a marginal attachment to the labour market, including youth, a stronger incentive to find work.

A. Young people over the age of majority are generally entitled to social assistance

In all jurisdictions, parents are responsible for the financial support of their children until they reach the age of majority (either 18 or 19, depending on the province) unless they are incapable of providing support. In some jurisdictions, parents are even responsible beyond the age of majority. For example, in Newfoundland and Labrador, single applicants between 18 and 21 years of age who are applying for income support because of unemployment must also provide information on the income and resources of their parents. All provinces also have some provisions available for

non-adults living independently (*e.g.* youth leaving the child welfare system; youth living on their own as a result of family breakdown or single adolescent parents). In situations where parents provide financial support, this amount is deducted from any social assistance the child may receive.

It should be noted that post-secondary students are generally not permitted to receive social assistance while attending university, college, or trade school. Students requiring financial assistance during their study period are expected to contact the appropriate student loan organisation (federal, provincial-territorial, or both) to receive financial assistance (Federal-Provincial-Territorial Directors of Income Support, 2006).

Youth staying on income support is a big issue in some provinces

Social assistance is the safety-net of last resort in Canada. It provides money to meet the basic needs of individuals and families who have exhausted all other means of financial support. There are more than ten different welfare systems in Canada – one in each province and territory. Welfare departments also provide additional assistance for special needs such as transportation allowances, childcare, drug benefits and non-insured medical services.

The amount of total welfare income differs a lot across Canada. For example, in 2005 the maximum annual amount that a single employable person could receive from welfare to meet basic needs was CAD 4 824 in Alberta, CAD 7 189 in Newfoundland and Labrador and CAD 6 400 in Ontario. According to the National Council of Welfare (2006), welfare incomes of single persons hovered in 2005 at around one-third of the poverty line[45] and did not reach 50% of the poverty line even in the provinces with higher rates.

Even if the overall income-support caseload has dropped considerably in recent years in Newfoundland and Labrador, it remains significantly higher than in any other province. In particular, the proportion of the youth population receiving income support in Newfoundland and Labrador is much higher than in Alberta and in Ontario (Table 4.1). One of the strategic issues in Newfoundland and Labrador is to provide and promote employment support for youth who are receiving, or are at risk of receiving, income support (Box 4.1). The government launched a Poverty Reduction Strategy in 2006 to tackle the root causes of poverty and prevent people from experiencing it in the first place. This strategy involves investing in a number of key areas such as education, health, housing, childcare and labour market development.

45. Each year, Statistics Canada calculates the Low Income Cut-Offs or LICOs for households of different sizes in communities of different sizes.

Table 4.1. **Beneficiaries of social assistance[a] by age in selected Canadian provinces,[b] 2005**

Percentage of the population in the age group

	Alberta	Newfoundland and Labrador	Ontario
15-19	0.3	2.3	1.4
20-24	1.3	8.2	3.5
15-24	0.8	5.3	2.5
25-64	1.3	8.2	2.2
15-64	**1.2**	**7.6**	**2.3**

a) Number of cases by age of head as of March 31, 2005.
b) The programme is known in Alberta as "Alberta Works – Income Support", in Newfoundland and Labrador as "Income Support" and in Ontario as "Ontario Works".

Source: Federal-Provincial-Territorial Directors of Income Support (2006).

Box 4.1. **Main initiatives to reduce the number of youth on income support in Newfoundland and Labrador**

Newfoundlanders aged 18-29 made up about one quarter of the income-support caseload in 2006 and nearly 52% of new entrants (Government of Newfoundland and Labrador, 2006). Approximately 60% of the caseload of youth are either employed or available for employment. Yet many of that same group do not have a high-school diploma and their lack of education, training and work experience are significant barriers to employment. They also face other challenges that limit their employability. These challenges include illness, addictions, debt, unstable living arrangements, lack of childcare and low self-esteem.

The Income Support Programme run by the Department of Human Resources, Labour and Employment aims to reduce the number of youth on income support:

- *Prevention and early intervention to break the cycle of poverty.* An increased emphasis is put on early childhood development by strengthening the regulated early learning and childcare system and early intervention services and programmes and by promoting healthy child development. Initiatives have been implemented to reduce the cost of secondary education for parents (elimination of school fees) and make the high-school curriculum more relevant (High School Skilled Trades and Technology Programme). A Stay-in-School Incentive Allowance (SSIA) was introduced in September 2005 to offset the loss of child tax benefits for those turning 18 during their final year in high school and to encourage them to complete high school.

- *Creation of an alternative approach for new young entrants to the Income Support System.* Incentives are provided to youth who agree to take part in a more intensive and proactive process to making a successful transition to the labour market. This new initiative called "Youth Connect" was launched at the end of 2007 and the cost is shared by the federal and provincial government under the Pan Canadian Innovative Initiatives (PCII).

- *Support of partnerships.* The government works with key stakeholders co-ordinating and developping strategic initiatives to assist youth. For example, the Community Youth Network provides in 18 sites programmes on drug awareness, homework havens, career development, learning, employment, community building and other services to assist youth living in, or at risk of, poverty.
- *More guidance and information.* There is a new one-stop service via the Internet giving access to the most current labour market and career information (*www.LMIworks.nl.ca*).
- *Financial aid for income support clients who find work*. A Job Start Benefit of CAD 125 for a single person is provided when clients begin working in order to help them meet their financial obligations in that critical first month.
- *Prescription Drug Programme eligibility for low-income youth*. The lack of prescription drug coverage is the biggest financial barrier to work for many at-risk youth. The Prescription Drug Programme is available for all current (and up to six months after leaving Income Support) clients.

Eligibility for social assistance is becoming increasingly conditional…

Provinces offer employment services and training opportunities in combination with financial assistance to help people get over the so-called "welfare wall". They actively encourage eligible persons to pursue, accept and retain any reasonable offer of employment or retraining as an initial and continuing condition of eligibility for social assistance. Should a recipient choose to not pursue employment or retraining, they may be subject to penalties ranging from a specified reduction in benefits over a prescribed period of time to the full cancellation of benefits. To ensure that those individuals and families who successfully leave social assistance for employment are better off working, a number of provinces have introduced in-work benefits, very often in the form of child or family benefits. In parallel, the federal government introduced in 2007 the Working Income Tax Benefit, an earnings supplement designed to improve work incentives and provide enhanced income support for low and modest income Canadians. A supplement for those with disabilities can also be added.

…with the risk of pushing some towards disability

According to Richards (2007), the provinces that have undertaken the most dramatic welfare policy shift over the past two decades are Alberta, British Columbia and Ontario. In these provinces, not only were benefit levels reduced, but probably more important, new protocols were put in place determining access to welfare benefits among those deemed

employable. A key principle at the heart of these new protocols is that social workers should be stricter when judging whether a welfare applicant is or is not employable. Those "expected to work" were directed towards training or immediate employment. Richards (2007) points out that while the magnitude of decline in caseloads has been very large in these three provinces, it is hard to quantify with any precision the effects of welfare reforms relative to other factors such as recovery from the early 1990s recession and EI reforms. In particular in British Columbia where the number of beneficiaries "expected to work" declined by over 90% in the 1995-2006 period, the number in the category of "persons with disabilities" almost tripled over the decade. Richards (2007) suggests that having protocols that restrict the number of employable claimants, officials became more generous in designating "persons with disabilities". Unfortunately, the study does not provide breakdowns by age group.

B. As new entrants, young people face stricter access to unemployment insurance

Canada made sweeping reforms to unemployment insurance in the mid-1990s to reinforce the principle of insurance against unpredictable job loss within the system. What had previously been called "unemployment insurance" (UI) was changed to "employment insurance" (EI) under the Employment Insurance Act of 1996. The federal government reserves several key policy levers for itself, especially decisions about EI funding levels and EI client eligibility. The intent remains to provide temporary financial assistance for unemployed Canadians while they look for work or upgrade their skills. However, as in other countries, entitlement to EI benefits is limited to people who have a significant work record.

Young people under the age of 25 are less likely to receive EI benefits than workers over 25

Table 4.2 indicates that very few young people received EI benefits in 2005-2006. In fact, EI eligibility is highest for those over 25 because they work more often year-round and full time. Young people, especially students, who tend to work part time and with a seasonal/irregular work pattern, are less likely to be eligible for EI benefits.[46] While EI recipiency rates for Canadians aged 15-24 are on average low, they vary a lot across

46. In 2005, the eligibility rate – the number of unemployed individuals with a recent job separation who had sufficient hours of work to be eligible for EI benefits – for unemployed youth aged 15-24 (49.8%) was nearly half that for unemployed people who had worked full time (90.4%) (CEIC, 2006).

provinces. In 2005-2006, it was less than 1% in Alberta and in Ontario but 5.2 % in Newfoundland and Labrador. In the latter province, there is the same proportion (5%) of young people receiving EI benefits as those receiving welfare benefits (Table 4.1). Figure 4.1 also shows that EI recipiency rates for youth aged 15-24 did fall heavily after 1990, even before the 1996 reform.

Table 4.2. **Employment insurance (EI) beneficiaries[a] by age in selected Canadian provinces, 2005-2006**

Percentage of the population in the age group

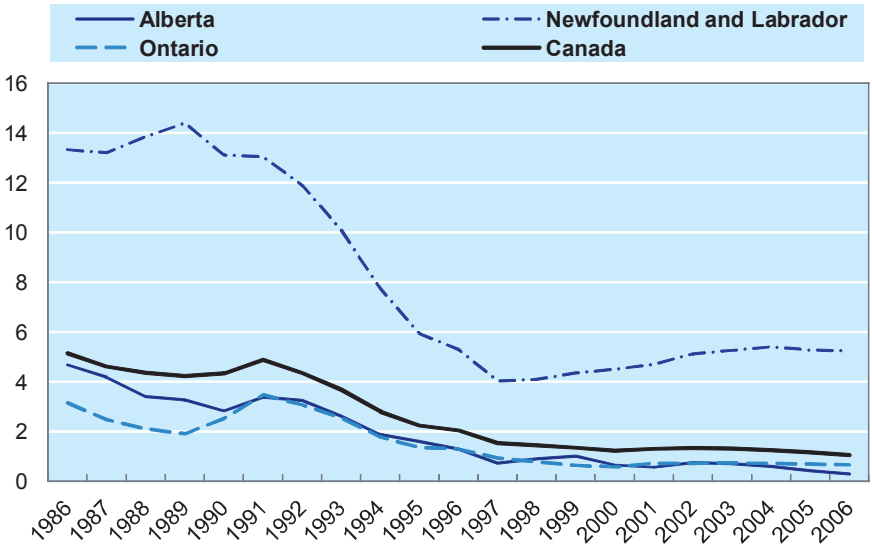
	Alberta	Newfoundland and Labrador	Ontario	**Canada**
15-19	0.1	1.9	0.1	**0.3**
20-24	0.5	8.6	1.2	**1.7**
15-24	0.3	5.2	0.7	**1.0**
25-64	0.8	9.9	1.5	**2.1**
15-64	**0.7**	**9.0**	**1.3**	**1.9**

a) Average of monthly data of beneficiaries receiving regular benefits without reported earnings.

Source: Statistics Canada, Cansim Table 276-0002.

Figure 4.1. **Employment insurance (EI) beneficiaries[a] aged 15-24 in selected Canadian provinces, 1986-2006**

Percentage of the population in the age group



a) Average of monthly data of beneficiaries receiving regular benefits without reported earnings.

Source: Statistics Canada, Cansim Table 276-0002.

Young people as new entrants have to work longer before they are eligible for EI benefits

Eligibility for EI benefits is not dependent on the age of the claimant. Instead, it is based on three requirements: *i)* a recent contribution to the programme (insured work in the last 52 weeks); *ii)* accumulation of a sufficient number of hours of insurable work in the last year according to the regional entrance requirements; and *iii)* availability for work after the termination of employment, which must not have been for due cause or a voluntary quit.

The hours-based system[47] gives credit for every hour worked, including overtime. The minimum number of hours depends on the regional unemployment rate.[48] Currently, the minimum work requirement of 420 hours applies in EI regions with high unemployment rates, while the maximum of 700 hours is required in regions with low unemployment rates. In addition, young people are often new entrants or re-entrants and have stricter entrance conditions as such. The number of hours required is higher for workers who enter the labour market for the first time (new entrants) and those who have limited work experience in the last two years (re-entrants). These claimants must accumulate 910 hours in the last year to be eligible for regular EI benefits.[49]

Not surprisingly, young people are overrepresented in the group of new entrants or re-entrants. According to the SLID, they represented in December 2004 a proportion of 35.8% of this category while they accounted for 15.2% of all paid employees (CEIC, 2006).[50]

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47. Hours-based eligibility for EI was introduced as of January 1st, 1997. Prior to 1997, the system was based on weeks worked.

48. Canada is divided into 58 EI regions according to their current (average annual) levels of unemployment. In regions with higher unemployment relative to the national average, fewer weeks of contributions are required to generate entitlement to EI benefit claimants and the so-called "divisor" used to calculate benefits payable, in some cases, raises the level of benefits for a given earnings record.

49. This rule applies only to those who have had minimal or no labour market attachment over the past two years. Workers who have at least 490 hours of work in the pre-qualifying period (the 52 weeks prior to the most recent 52 weeks) need only meet the regional entrance requirement the following year of 420-700 hours.

50. The Canada Employment Insurance Commission (CEIC) was created in 1996. It consists of two deputy ministers and a workers' and employers' representative,

A three-year pilot project in regions of high unemployment (10% or more) is testing the impacts of lowering the entrance requirements that new entrants and re-entrants face. Under the project, requirements to qualify for regular EI benefits are lowered from 910 hours of insured work to 840 hours, in combination with a link to ALMPs. The pilot project is available to regular benefit claimants in affected regions, from December 2005 to December 2008.

Access to EI benefits is possible for full-time students and slightly easier for apprentices

Full-time students meeting the hours requirements have access to EI. They accounted for 25.1% of employees who were new entrants or re-entrants in 2004 compared with 10.7% of employees overall (CEIC, 2006). The unemployment insurance eligibility rule for students differs across OECD countries. For example, in the Netherlands, full-time students are eligible for EI but not in Norway. In the latter, full-time students are not considered fully available for a job as long as they are in education.

EI benefits are available for apprentices who attend approved technical courses during periods of classroom training if they have worked sufficient hours to establish an EI claim. Since July 2002, in order to encourage ongoing skills development during apprenticeship, apprentices who are collecting EI while away from work on training have been required to serve only one two-week waiting period per apprenticeship, even if the apprenticeship programme includes multiple separate training segments.

The number of apprenticeship claims remains low with 34 970 claims despite an annual increase of 10.6% in 2005-2006. Almost 40% of them were not subject to a waiting period. Apprentices received an average of nine weeks of benefits. Roughly half of apprenticeship claimants were aged under 25 and almost 100% male. A large majority of apprenticeship claims were made in one of three provinces: Alberta, Ontario or British Columbia. Almost 72% of apprentices were employed in one of three following industries: construction, manufacturing and retail trade.

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with the specific mandate of producing an annual report based on the latest in-house and independent research.

Duration of EI benefits is less than one year

Entitlement to EI benefits ranges from 14 to 45 weeks, depending again on the regional unemployment rate. An Extended EI Benefits pilot project has increased EI income support by providing access to five additional weeks of benefits to EI claimants in 21 areas of high unemployment, up to a maximum of 45 weeks of benefits from June 2004 until June 2009.

Table 4.3 illustrates how EI characteristics differed in November 2007 in some EI economic regions in Alberta, Newfoundland and Labrador and Ontario. The EI programme has in general lower eligibility requirements in regions of high unemployment where benefits of longer duration are provided. However, for new entrants and re-entrants where young people are overrepresented, the rural part of Newfoundland and Labrador applies the same entrance requirements (840 hours) as the rural parts of Alberta and Ontario.

Table 4.3. **Employment insurance (EI) programme characteristics in selected EI economic regions,[a] Canada, November 2007**

	Unemployment rate (%)	Number of insured hours required to qualify for regular benefits		Number of weeks payable for regular benefits	
		In general	New entrants and re-entrants[b]	Minimum	Maximum
Economic regions	Less than 6.0	700	910	14	36
Edmonton	4.4	700	910	14	36
Newfoundland and Labrador[c]	19.0	420	840	37	45
Northern Alberta	7.3	630	840	17	40
Northern Ontario	9.9	560	840	25	45
St John's	6.4	665	910	20	43
Toronto	6.6	665	910	15	38

a) Areas of similar labour market conditions to determine access and entitlement to EI in each region. These EI characteristics are updated each month.
b) People in the workforce for the first time or re-entering the workforce after an absence of two years or more
c) Except St John's.

Source: Human Resources and Social Development Canada (HRSDC).

Regional variation in EI eligibility criteria, a source of benefit dependency for youth?

A particularly sensitive issue in Canada, both politically and economically, is whether and to what extent the regional variation in eligibility criteria has produced a dependency on EI transfers in regions with chronically high levels of unemployment and seasonal employment, especially the Atlantic Provinces (Newfoundland and Labrador,

New Brunswick, Nova Scotia and Prince Edward Island). In addition, much of the reforms introduced since the late 1990s to tighten access to, and receipts of, unemployment benefits were later undone, with the introduction of a series of pilot initiatives targeted at regions of high unemployment.

The exceptional nature of Canada's regional unemployment insurance provisions should be highlighted. Poland is the only other OECD country with nationally-financed unemployment insurance that varies contribution requirements and entitlement durations in line with local area unemployment rates.

Some experts support the idea that EI artificially sustains inefficient industries and promotes high unemployment and low employment rates in the high unemployment provinces. EI inhibits migration out of these high unemployment provinces to provinces with labour shortages. For Guillemette (2006), regionally-neutral eligibility and benefit rules would help promote a more efficient Canadian labour market. In addition, Gray (2006) recommends specific rules (shorter benefit entitlement periods and longer qualifying contribution periods) for repeat users under age 35 who presumably have greater occupational and geographic mobility.

However, Audas and McDonald (2003) point out that the relationship between EI and migration is complex and critically depends on the individual's degree of attachment to the labour market. Using consecutive waves of SLID for the period from 1993 to 1999, they provide estimates of the determinants of geographic mobility.[51] While no strong evidence of a direct relationship between EI programme parameters and geographic mobility is found, there is some evidence of an indirect relationship for people with low labour market attachment. The findings show that people with either low or no labour market attachment are more likely to move out of a region when the local unemployment rate is high.

EI benefits represent 55% of insurable earnings for all unemployed people

Once unemployed, a claimant is entitled to be paid benefits only after serving a two week waiting period. Since 1994, benefit levels have been based all over Canada on 55% of a person's insurable earnings, up to a ceiling. The maximum insurable earnings were CAD 40 000 annually or

51. The concept of geographic mobility is expanded to include both inter-provincial and intra-provincial mobility and allow for an individual's actual receipt of EI as well as potential (or future) receipt of EI to impact on mobility decisions.

CAD 769 per week in 2007. For every day of benefits, claimants must be able to prove they were capable of, and available for, work and were unable to obtain suitable employment. A claimant is disqualified from receiving benefits if, without good cause since the interruption of earnings giving rise to the claim, the claimant has not applied for a suitable job vacancy after becoming aware of it or has not accepted an offer of suitable employment.

In Canada, youth EI access and replacement rates are comparable to other OECD countries but duration is shorter

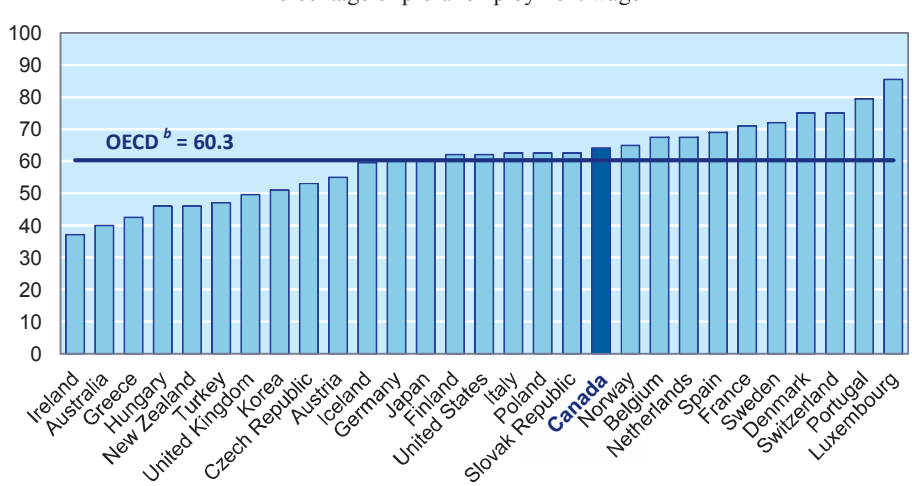
In Canada, young people as new entrants or re-entrants need about 6-7 months of full-time work[52] (*i.e.* 840-910 hours) in the last 12 months to qualify for EI, which is close to international minimum standards of eligibility for unemployment insurance benefits. For example, France, Korea, Luxembourg, the Netherlands, Sweden and the United States require at least six months of work to access unemployment insurance benefits. However in Canada, for young people who are neither new entrants nor re-entrants but repeat users, it is relatively easy to qualify for benefits in comparison to many other OECD countries. In a high unemployment province such as Newfoundland and Labrador (except St John's), they can qualify with as little as three months of full-time work (*i.e.* 420 hours) during the last 12 months.

However, the possible duration of EI benefits is shorter in Canada than in most OECD countries. In Canada, EI benefits are available in low unemployment regions between three and nine months and in high unemployment regions between nine and eleven months. The benefit period is thus always less than one year while in many other OECD countries, the benefit period can last between six months and four years.

Finally, replacement rates for young Canadians are somewhat above the OECD average. The average *net* replacement rate (*i.e.* the benefit amount relative to pre-unemployment earnings adjusted for the effects of taxation) for a single person earning between 67% and 100% of the average worker's wage is a good indicator of replacement rates for youth. In 2005, this rate was 49.5% in the United Kingdom, 62% in the United States and 64% in Canada compared with 60% on average for OECD countries (see Figure 4.2).

52. 24 to 26 weeks of 35 hours of work per week.

Figure 4.2. **Net unemployment benefit replacement rates, OECD countries, 2005**[a]



a) These data are *net* replacement rates, *i.e.* they are adjusted for the effects of taxation. They refer to an average of net rates faced by single persons without children with pre-unemployment earnings of 67% and 100% of an average worker's wage, except for Ireland, Korea and Turkey, for which the reference is an average production worker's wage. They refer to the initial phase of unemployment but following any waiting period. No social assistance "top-ups" are assumed to be available in either the in-work or out-of-work situations. Any income taxes payable on unemployment benefits are determined in relation to annualised benefit values even if the maximum benefit duration is shorter than 12 months.

b) Unweighted average of countries shown. Mexico is missing.

Source: OECD, Tax-Benefit Models (*www.oecd.org/els/social/workincentives*).

First-time youth claimants of EI benefits have a higher risk of becoming repeat users

According to CEIC (2006), since 1996, the percentage of first-time youth claimants of EI benefits who go on to become repeat users has risen. This issue is analysed by using a random selection of administrative data for 100 000 EI claims from youth aged 15-24. The report finds that the younger individuals are when they make their first claim, the more likely they are to go on to become repeat users of EI benefits. Repeat use is highest in the primary industries, where many young workers are employed on a seasonal basis. Seasonal occupations such as mining, logging, fishing and hunting are quite prominent in some regions, especially the Maritimes, Québec and British Columbia. Construction workers and those in education are also far more likely to become repeat users.

2. Activation of jobless youth

A. Activation in general

There is increasing recognition across OECD countries of the importance of effective activation strategies for promoting employment prospects of unemployed youth. These strategies should ideally follow a "mutual obligations" principle by which youth must actively seek work in exchange for targeted actions that help them find a job. Mutual obligations policies should include a mix of rights (effective ALMPs) and responsibilities, with the threat of moderate benefit reductions. The Dutch activation strategy is particularly demanding because youth eligibility for welfare benefits is conditional on the fact they have already achieved a basic qualification level before the age of 27 (OECD, 2008a).

Canada has been and remains among the most modest spenders on ALMPs in relative (proportion of GDP) terms among the OECD countries.[53] Canadian expenditure on ALMPs has decreased slightly in the early 2000s from 0.4% of GDP in 2000-2001 to 0.3% of GDP in 2005-2006. This remains low compared with the OECD average of 0.6% of GDP in 2005 and to high ALMP spenders such as Denmark (1.7% of GDP), the Netherlands or Sweden (1.3% of GDP), even if it is much more than the United States (0.13% of GDP).

In Canada, the GDP share of ALMPs targeted specifically on youth is low by international standards. With roughly 0.02% of GDP between 1995 and 2002, this share is five times less than the OECD average (Quintini *et al.*, 2007). Furthermore, only 4% of the total ALMPs budget was spent on youth in Canada in 2002 compared with 36%, the highest percentage in OECD countries, in Italy, Portugal and the United Kingdom. More recently, the situation has not changed.[54] In 2005-2006, spending on Youth Service Canada, Youth Internship, Youth Skills Link, Youth Career Focus and Summer Career Placement totalled about 5% of total ALMP spending and 0.015% of GDP in the OECD database.

53. Canadian data tend to be under-evaluated as they only include provincial spending when it is federally financed.

54. Comparative data on ALMP spending on special youth programmes are not available after 2002 due to a major change in the way in which Eurostat and the OECD classified these data.

B. Activation under the EI Act

The aim of the 1996 EI reform was to create an integrated system of income and employment benefits (Part I and Part II of the EI Act, respectively). Income benefits provide temporary income support for claimants while they search for employment. For those requiring "active" assistance to reintegrate into the labour market, Employment Benefits and Support Measures (EBSMs) provide direct assistance to help unemployed Canadians find, create, and keep jobs.

The EI Act includes key principles of activation: EI claimants must be available for work, apply for suitable vacancies, accept an offer of a suitable job, attend interviews and prove upon request their efforts to obtain employment. However, in practice, Canada does not fix a schedule for regular reporting of job-search actions, does not directly refer EI beneficiaries to vacant jobs and does not require participation in an individual action plan or participation in ALMPs (OECD, 2007c). As stressed in the OECD report on older workers in Canada, due to the voluntary nature of participation in EBSMs and other assistance, some of the most disadvantaged groups with poor employment prospects and low motivation may *de facto* be excluded (OECD, 2005a). This is particularly the case of young repeat users of EI benefits after short spells of employment. By contrast, in the United Kingdom, young people who reclaim unemployment benefits (*e.g.* Jobseekers' Allowance, JSA) are obliged to enter the follow-through period of the New Deal for Young People (NDYP) programme. During this period, young people receive further intensive help in order to find a job and re-enter one of the four options of the NDYP (full-time education or training, work in the voluntary sector, work in an environmental taskforce or subsidised employment).

Eligibility for EBSMs is the same all over Canada

To be eligible for employment benefits, an individual must be unemployed and have a current EI claim as an "active EI client" or a claim that ended in the preceding three years as a "former EI client".[55] As part of the application process, it is necessary for the applicant to receive an employment assessment and develop a so-called Return to Work Action Plan with a case manager.

55. Those who began a maternity or parental claim in the preceding five years, after which they left the labour market to care for their newborn or newly adopted children, also qualify as former EI clients and are eligible for Employment Benefits upon re-entry into the labour market.

The most important employment benefits available only to EI clients include:

- *Targeted Wage Subsidies* providing employers with financial assistance to encourage the hiring of eligible unemployed individuals. A maximum of 60% of the wage can be subsidised and the agreement with the employer can be approved for up to 78 weeks.

- *Self-Employment* providing financial assistance and business planning advice to participants to help them start their own business. Projects are normally approved for up to 52 weeks.

- *Job Creation Partnerships* providing insured participants with opportunities through which they can gain work experience that will lead to ongoing employment. Activities of the project help develop the community and the local economy.

- *Skills Development* providing direct financial assistance for insured participants to obtain skills for employment by enabling them to select, arrange and pay for their own training. Apprentices are primarily supported through EI benefits but may receive skills development support for additional classroom-related expenses.

Unemployed individuals who are neither active nor former EI clients are considered "non-insured" and are eligible only for support measures and not for employment benefits. Support measures include in particular Employment Assistance Services (EAS) which provide funding to organisations to enable them to provide employment services to unemployed persons. These services may include counselling, action planning, job-search skills, job-finding clubs, job-placement services, the provision of labour market information and case management and follow-up. EAS interventions are very often combined with other ALMPs for eligible clients. Among support measures, there is also the Aboriginal Human Resources Development Strategy (AHRDS) consisting of agreements with Aboriginal organisations granting them the authority to design and deliver employment programmes and services that reflect and serve the needs of Aboriginal people at the community level.

Young people represent slightly less than one EBSMs client in five

In 2005-2006, adults between the ages of 25 to 54 accessed the largest share of EBSMs (74%), while clients aged 15-24 represented 18%. The latter is very close to the youth share in the labour force (16%). A closer

look into selected EBSMs shows that young people aged 15-24 were over-represented in 2005-2006 in Skills Development programmes, particularly as apprentices aged 20-24 (Table 4.4). Youth participated also more often in support measures than in employment benefits.

Table 4.4. **Participants[a] aged 15-24 in Employment Benefits and Support Measures (EBSMs), Canada, 2005-2006**

Percentages

	Distribution by programme	Share over total participants	Distribution by age		
			15-19	20-24	15-24
Support measures	**78.8**	**17.5**	**26.7**	**73.3**	**100.0**
Employment assistance service	49.8	18.6	29.5	70.5	100.0
Individual counselling	27.5	16.7	22.6	77.4	100.0
Group services[b]	1.5	8.7	8.6	91.4	100.0
Employment benefits	**21.2**	**18.5**	**9.6**	**90.4**	**100.0**
Skills development - Regular	16.2	20.9	9.9	90.1	100.0
Skills development - Apprentices[b]	2.0	43.3	9.6	90.4	100.0
Job creation partnerships	0.7	11.3	8.9	91.1	100.0
Targeted wage subsidies	1.8	12.6	8.7	91.3	100.0
Self-employment assistance	0.4	3.5	2.2	97.8	100.0
Total	**100.0**	**17.7**	**23.0**	**77.0**	**100.0**

a) Stock of participants at the end of the period.
b) Many people involved in this programme are of unknown age. They were distributed to other age groups according to the distribution of people whose age is known.

Source: Human Resources and Social Development Canada (HRSDC).

Active labour market policy is a shared responsibility between the federal and provincial governments

Although Canada has a written constitution establishing a clear division of legislative responsibilities between the federal and provincial governments for most policy domains such as education and social assistance, active labour market policy is not specifically identified and, as a result, responsibility is, in effect, shared. To promote intergovernmental discussion and cooperation on labour market matters, the Forum of Labour Market Ministers, composed of provincial, territorial and federal Ministers responsible for the labour market, was established in 1983. From the late 1990s, Labour Market Development Agreements (LMDAs), representing a

fundamental re-ordering of federal-provincial responsibilities in this policy domain, have been concluded with all the provinces and territories according to either a co-managed or a transfer type (Box 4.2). It has taken more than a decade for all provinces to sign agreements. In Ontario, the LMDA was concluded only in 2005 for implementation in January 2007.

Box 4.2. **Labour Market Development Agreements (LMDAs)**

There are two types of agreement:

- A co-managed-type (Newfoundland and Labrador, Nova Scotia, Prince Edward Island, British Columbia, and the Yukon) and;
- A transfer-type agreement (New Brunswick, Québec, Ontario, Manitoba, Saskatchewan, Alberta, the Northwest Territories and Nunavut).

In those jurisdictions with co-managed LMDA, the provincial or territorial government has joint responsibility with the federal authority for the planning of active employment measures.

Those jurisdictions with transfer LMDAs have assumed full responsibility for the design and delivery of EI-funded employment insurance-funded provincial active employment measures similar to the EBSMs. The existing network of local federal offices continues however to determine eligibility for EI assistance. Clients of the federal employment insurance scheme can then receive active measures funded from provincially operated, but federally funded, programmes.

For Wood and Klassen (2006), the nature of the Canadian LMDAs and the clarity they provide in terms of roles and responsibilities have resulted in a particular type of workability, at least between federal and provincial officials within each province. They argue that active labour market policy is now conforming more closely to traditional Canadian federalism where most social programmes are under provincial control.

All over Canada, as from 2005, only one agency, Service Canada, is responsible for delivering Government of Canada programmes and services, including EI benefits and EBSMs. Service Canada was launched with the goal to provide Canadians with one-stop access to federal programmes and services and personalised information they can access whichever way they choose – by telephone, Internet, or in person. Provincial programmes share the same objectives as those delivered by Service Canada, and transfer LMDAs include information sharing for the purposes of client identification, referral and results measurement. Both Service Canada and provincial and

territorial agencies make use of third-party organisations in the implementation of ALMPs at the community level.

Towards a new Canadian labour market architecture

In Budget 2007, the Government of Canada set out a new labour market architecture with objectives to: enhance labour force participation, especially among under-represented groups; promote competitiveness by improving skill levels of Canadian workers, including leveraging the role of employers in training; and clarify federal and provincial roles.

To achieve these objectives the Government of Canada introduced a new labour market programme, with new investments (CAD 500 million per year), to expand access to labour market programming for those who are currently not eligible under EI (*e.g.* low-skilled workers, new entrants to the labour market, social assistance recipients). The new programme, beginning in 2008/09, is to be delivered by provinces and territories, and broadly defines the types of activities that can be used (*e.g.* literacy and basic skills upgrading, wage subsidies, on-the-job training). It allows jurisdictions to design programming to meet specialised needs and address local and regional labour market realities.

The Government of Canada is also taking steps to clarify roles and responsibilities regarding the delivery of EBSMs – recognising that provinces and territories are best placed to deliver programming. Budget 2007 committed to complete the transfer of responsibility for provinces and territories that currently have co-management agreements (Prince Edward Island, Yukon, Nova Scotia, British Columbia, and Newfoundland and Labrador). This would mean that all EBSM programming would be delivered across Canada by the provinces and territories.

In addition, to reach out effectively to Aboriginal youth, the Government of Canada strengthened the Aboriginal Skills and Employment Partnership (ASEP). ASEP is a nationally managed programme geared to providing Aboriginal people with the skills they need to participate in economic opportunities such as mining, oil and gas, forestry, and hydro-development projects across Canada. The Government of Canada introduced new funding for ASEP in the 2007 budget. ASEP's overall objective is sustainable employment for Aboriginal people in major economic industries, leading to lasting benefits for Aboriginal communities, families and individuals.

EBSMs are regularly evaluated by HRSDC

HRSDC regularly conducts evaluations of EBSMs as stipulated in the terms of the LMDAs.[56] These evaluations follow a two-phased approach that includes a formative and a summative evaluation. Formative evaluations examine issues of programme design, delivery and implementation, while summative evaluations measure net impacts and determine the extent to which programmes successfully achieve their goals, remain relevant to government priorities and are cost-effective. To ensure methodological rigour in the measurement of the net impacts of EBSMs, HRDC created in the late 1990s an expert panel of international academics in the field of econometrics and the evaluation of employment and training programmes which would develop an evaluation framework based on the latest evaluation approaches (Nicholson, 2001).

In contrast to the United States, there are few random-assignment evaluations of employment and training programmes in Canada. HRSDC is not permitted to undertake random assignment evaluations on EBSMs since EBSMs are delivered within the framework of the Employment Insurance Act. In addition, random-assignment is incompatible with the Social Union Framework Agreement that "ensures access to all Canadians, wherever they live or move in Canada, to essential social services of reasonably comparable quality". HRSDC uses the following approaches to measuring programme results: *i*) retrospectively matching clientele groups as closely as possible with other people who have similar characteristics (but who have not participated in the programme) and observing the differences in their labour market experiences, and/or *ii*) where matched groups are not fully comparable, undertaking further statistical adjustments to control for observed differences in their characteristics or, even further *iii*) controlling, where feasible, for possible unobserved differences between groups.

Because HRSDC Evaluation Directorate does not create public sets of evaluation data due to confidentiality and privacy concerns, there are few papers published in academic journals on the actual impact of Canadian ALMPs. All HRSDC evaluations are however subjected to external peer review by academics who are methodological and subject matter experts. Their recommendations are incorporated, where appropriate, into the findings. For some analysts (Smith and Sweetman, 2001; and Van den berg *et al.*, 2004), public use data sets should be created for all major evaluations in order that independent researchers can replicate and validate evaluation results and publicised them in academic journals.

56. The departmental evaluations are posted on the following website: *www.hrsdc.gc.ca/en/publications_resources/evaluation/index.shtml*.

EBSMs evaluation results are mixed

Findings from evaluations reported by CEIC (2006) indicate that EBSMs appear to yield mixed results, and where these results are positive, they are modest in their impacts on participants. On the one hand, post-programme impacts of job-search assistance (*e.g.* EAS) are not measured for clients accessing employment assistance only. EAS are generally of short duration and relatively inexpensive. EAS clients reported strong levels of satisfaction, job readiness and interest in further training. On the other hand, the targeted wage subsidy works best in terms of employment and earnings outcomes and reduced use of social assistance. Nevertheless, a carousel effect, *i.e.* increased use of EI, is identified. The hours worked under this programme are insurable and thus help participants build entitlement for a future EI claim. However, some clients are kept on by their employers after the subsidy programme ends. It is worth noting that these findings show some similarities to the international literature (see for example, Martin and Grubb, 2001). Subsidies to private-sector employment can yield significant net employment gains and help to maintain workers' attachment to the labour force. However, employment subsidies should be of short duration, targeted and closely monitored.

The mixed pattern of EBSMs results suggests that local labour market conditions and client characteristics may affect programme effectiveness. Evaluations reported that in regions and communities facing weaker labour market conditions, results are less positive. Some evaluations noted the need to better address labour market requirements, including those of employers, and of clients in remote and rural areas. Participation rates in EBSMs are low among less-skilled people and individuals facing barriers to labour market participation.

C. Activation of youth in provincial programmes

Each province has developed its own youth programmes with an access through the provincial Public Employment Service (PES), as illustrated in Alberta, Ontario and Newfoundland and Labrador.[57] The Alberta Government launched the Alberta Youth Employment Strategy (AYES) in June 1999 as a partnership between Alberta Human Resources and Employment, Alberta Education, and Alberta Advanced Education. In Ontario, through Employment Ontario (the PES), youth can access programmes to find a summer job or to promote entrepreneurial skills.

57. Similar programmes are found in Québec (*Stratégie d'Action Jeunesse* and *Programme Alternative Jeunesse*).

Newfoundland and Labrador has set up Career, Employment and Youth Services (CEYS) within its PES. CEYS is responsible for developing employment and career programmes; assisting individuals to develop an employment plan; partnering with other government departments and community agencies; and co-ordinating and delivering labour market adjustment programmes.

Each province has also designed specific programmes for at-risk youth. Alberta launched Youth Connections in 1997 (see Box 4.3). Newfoundland and Labrador set up a Community Youth Network for youth at risk of poverty (see Box 4.1). Employment Ontario has developed recently a Youth Opportunities Strategy (see Box 4.3).

Box 4.3. **Initiatives for at-risk youth in Alberta and in Ontario**

Youth Connections in Alberta

"Youth Connections" began in 1997 and is currently available at 37 sites across Alberta. It is designed for young Albertans aged 16-24 who are unemployed or under-employed, have left school early or have not continued on to post-secondary education or who are still in school and need help to prepare for a career. Funding is based on successful outcomes such as placement, return to study and also more recently on career planning.

Youth Connections does not provide direct financial benefits to youth. It is a free service that connects motivated young people with businesses looking for employees who are seeking meaningful employment. It has shifted to a more personalised service and tries to offer more walk-in services to meet immediate needs. Some youth are served at front counter and do not need to register. These are the more independent job seekers who need basic supports. Anyone who would like more support is registered with Youth Connections and follow-up support is offered to them.

Youth Connections staff regularly visits local high schools to encourage students to access the job search assistance and career planning resources provided by the programme. Alberta Service Centres refer youth who have dropped out of school and are applying for financial assistance.

Youth Opportunities Strategy in Ontario

This strategy aims to expand employment and training programmes, increase student success programmes and support hiring of youth-outreach workers for underserved communities. In particular, the Youth Challenge Fund (YCF) brings together as from 2006 government and privately-matched funds in a common purpose to improve opportunities for Toronto's young people by building community safety, and encouraging youth leadership and youth community engagement. The fund supports local community initiatives for at-risk youth which have been submitted by community organisations. YCF focuses primarily on the 13 priority neighbourhood areas that have been identified by the City of Toronto as having urgent local needs and inadequate local services.

As the Government of Canada, provinces rely a lot on NGOs to reach out effectively to youth and activate them. A drawback is that such an approach may be too much of a patchwork. Another disadvantage with delivery through NGOS is that NGOs often tend to think of inputs and processes (*e.g.* number of clients served) as outcomes rather than thinking in terms of employment and wages as outcomes. An interesting initiative is the Ontario Association of Youth Employment Centres (OAYEC) created in 1988. This organisation supports and advocates for a sustainable youth employment delivery network in Ontario (OAYEC, 2007). It co-ordinates over 70 youth employment agencies and provides information and supports action on youth employment issues and joint initiatives between school boards and HRSDC involving job-search techniques, vocational training and self-employment. This kind of co-operation between providers operating in each community, involving co-ordination with schools for referrals and the collection and wide dissemination of good-practice examples would likely improve the delivery of efficient ALMPs for youth, not only within each province but also across Canada.

There are few solid evaluations of youth employment programmes in each province. One exception is the evaluation on the impact of youth programmes in Québec (Gilbert *et al.,* 2001). The impact of youth programmes in Québec is compared on the transitions of male participants and non-participants in the labour market from an administrative panel between 1987 and 1993. Results indicate that participation in ALMPs related to unemployment insurance programmes (EBSMs) helps young men to find a job. In contrast, young male drop-outs are the most at risk of facing difficulties in entering the labour market. Young male drop-outs participating in social assistance programmes are less likely to find a job than their counterparts who do not benefit from social assistance.

D. Activation under the Youth Employment Strategy

Following the 1996 EI reform, the federal government retained responsibility for the EI account, other pan-Canadian activities (*e.g.* national labour market information, labour mobility, and response to labour market crises) and some ALMPs such as programmes for youth, persons with disabilities, Aboriginals and older workers. In particular for youth, the Government of Canada launched in 1997 its Youth Employment Strategy (YES) to assist Canadian youth to prepare for, obtain, and maintain employment and to make a successful transition from school to work.

The Youth Employment Strategy from 1997 to today

During consultations with Canadians in the spring of 1996, a Ministerial Taskforce on Youth heard young people, as well as employers and other Canadians, say that the biggest challenge youth face is to get a first job without prior work experience. In response to this and other employment related challenges, YES was designed to build on and integrate existing federal government programmes targeted at youth aged 15-30 who were unemployed or underemployed.[58]

After six years of existence, YES underwent a renewal process in 2003. There was a shift in programme design away from the "project-based" approach to tailored interventions for individuals formulated in an individual employment action plan. This shift was a response mainly to two reports. First, the report *Knowledge Matters: Skills and Learning for Canadians,* prepared in 2002 by the Government of Canada as part of its Innovation Strategy, committed the government to better reflect that the youth-at-risk population required more specific and tailored interventions in order to increase their chances of achieving labour market success.

Second, an HRSDC evaluation of six programme components implemented from 1997 to 2002 implied that there were areas for improvement (HRSDC, 2004). The outcomes of groups of participants were compared with those of non-participants control groups. Information on the two groups was collected through telephone surveys. A majority of participants who responded to the surveys expressed a high level of satisfaction with key programme elements. However, many respondents stated that they would have found jobs even without the programme, and many indicated that they had already had contact with their internship employer prior to the programme. The econometric analysis on earnings, employment and unemployment suggests that participation in the programmes had little to no gains for the group of most disadvantaged youth.

58. One input to the design of YES was an evaluation of the effectiveness of employment-related programmes for youth (HRDC, 1997). This evaluation drew general lessons on "what works" based on Canadian and international experience. One of the general lessons retained from the international experience is that the most effective strategy for disadvantaged youth combines a training component with links to employers, on-the-job training and work experience, and for the most disadvantaged youth, job search assistance and transitional wage subsidies. On the other hand, lessons from the Canadian experience pinpointed the positive impact of summer jobs in helping youth transit from school to work as well as the variability of results of apparently well-designed programmes reflecting differences in economic environments in each province.

In practical terms as a consequence of the negative evaluation results for the group of youth most in need, YES has moved from a set of some 35 discrete initiatives to three integrated programmes offered by 12 federal government departments.[59] The three programmes, with a combined budget of about CAD 318.15 million in 2005-2006, are: Skills Link, Career Focus and Summer Work Experience (Box 4.4). The Skills Link stream, which was introduced only in 2003, reflects the need to be more responsive to the needs of disadvantaged youth and to provide greater client-centred employment services for individual youth. To participate in Skills Link, candidates must meet YES age criteria and citizenship requirements but also be: out of school; not receiving EI benefits; and in need of assistance in order to overcome employment barriers.

Box 4.4. **The three integrated programmes of the Youth Employment Strategy**

1. *Skills Link* helps young people who face multiple barriers to employment (*e.g.* high-school drop-outs, single parents, Aboriginal youth, young persons with disabilities, youth in rural areas or recent immigrants) through tailored and longer-term interventions including employability, life and occupational skills acquisition and work experiences.
2. *Summer Work Experience* targets secondary and post-secondary students who are intending to return to school full time, with short-term opportunities during the summer to build career-related skills through work experiences.
3. *Career Focus* provides post-secondary graduates with career-related work experiences and learning opportunities, mentoring and coaching that will build advanced skills and encourage the continuation of advanced studies.

Eligibility criteria vary according to components, but all YES participants must meet the following: be aged between 15 and 30, a Canadian citizen, permanent resident, or person on whom refugee status has been conferred and legally entitled to work according to the relevant provincial/territorial regulations.

59. Agriculture and Agri-Food Canada, Canada Mortgage and Housing Corporation, Canadian Food Inspection Agency, Canadian Heritage, Canadian International Development Agency, Environment Canada, Human Resources and Social Development, Indian and Northern Affairs Canada, Industry Canada, National Research Council Canada, Natural Resources Canada and Parks Canada.

YES clients differ significantly by stream

Programme data for 2005-2006 indicate that 74% of YES participants were in Summer Career Placements (SCP) programme[60] (a component of the Summer Work Experience stream of YES) and only 25%, in Skills Link (Table 4.5). The stream Career Focus concerns very few YES participants who are on average older than Skills Link clients. Half of Career Focus clients were aged 25 and more in 2005-2006 while the largest concentrations of Skills Link clients were, by contrast, younger than 25. This is to be expected since the Career Focus stream targets youth who have demonstrated skills achievement at the post-secondary level and the Skills Link stream targets at-risk youth, in particular high-school drop-outs.

Table 4.5. **Participants[a] in Youth Employment Strategy (YES) by age and stream, Canada, 2005-2006**

Numbers and percentages

	Number of participants aged 15-34	Distribution by programme	15-19	20-24	25-29	30-34	15-34
Skills Link	22 504	25.0	36.4	40.4	20.0	3.2	100.0
Career Focus	1 008	0.7	4.0	44.3	45.0	6.6	100.0
Summer Career Placement	51 704	74.3	..	..	..	..	..
Total	**69 072**	**100.0**	**..**	**..**	**..**	**..**	**..**

.. Data not available.
a) Stocks including new starts and carry overs for reporting period.
Source: Human Resources and Social Development Canada (HRSDC).

Achievements of the Youth Employment Strategy

The YES has created employment and service initiatives for youth through partnerships with business, labour, industry, not-for-profit and voluntary organisations, Aboriginal and rural and remote communities, and other levels of government. In some cases, the Government of Canada funds employers and community organisations to hire youth and help them gain practical work experience and develop employment skills. In other cases, federal departments and agencies offer initiatives that give youth work experience in specialised fields, such as international development or science and technology.

60. The Summer Career Placements programme has been replaced by Canada Summer Jobs in 2007.

Only the Skills Link component of YES is directed at disadvantaged youth, with a priority to non EI-eligible youth.[61] Skills Link funds community organisations and community advisors work closely with youth to help them decide on the kind of job they want and the skills they need to get it. Together, they develop an action plan, tailored to assist the young person in meeting his or her employment needs and career goals. The youth then works through the action plan until he or she finds a job or returns to school. Skills Link offers a range of programmes including internship and apprenticeship programmes that can be tailored to meet individual needs and provide more intensive assistance over longer periods of time. Under specific circumstances, in order to address defined client needs as outlined in a client action plan, an apprenticeship wage subsidy could be appropriate. The First Nations and Inuit Youth Work Experience programme run by Indian and Northern Affairs Canada is a good example of how Skills Link works for a disadvantaged public (Box 4.5).

Box 4.5. **A Skills Link Programme: First Nations and Inuit Youth Work Experience Programme**

This is one of the four programmes administered by Indian and Northern Affairs Canada (INAC) under the First Nations and Inuit Youth Employment Strategy (FNIYES). The FNIYES, with a national annual budget of CAD 24 million, is a component of the Government of Canada's Youth Employment Strategy.

Objectives

- Support the provision of opportunities for mentored work experience.
- Support the development and enhancement of essential employability skills, such as communication, problem-solving, and working with others.
- Expose youth to a variety of career options.
- Promote the benefits of education as being key to labour market participation.

Key activities

- Mentored work experience.
- Career planning and counselling activities, including a youth needs assessment for each participant.
- Life and work skills development for the participant.

61. EI claimants wanting to participate on a project must consult with an EI agent.

Eligible recipients

First Nations and Inuit governments and organisations may submit proposals.

Eligible participants

First Nations and Inuit youth aged 15 to 30 ordinarily resident on reserve or in recognised communities who are out of school, unemployed or underemployed.

Eligible proposals

Proposals must be in accordance with the programme guidelines; outline the activities that support any or all of the above objectives; demonstrate that the activities will provide assistance only to eligible participants; provide an estimate of eligible costs to be incurred, including any share to be borne by partners; outline the results to be achieved, and; be gender-balanced. Projects must not exceed 11 months.

Wage rates

The delivery agency will pay participants the applicable provincial/territorial minimum wage.

Maximum programme contributions

The non-profit sector is eligible to receive a contribution of up to 100% of the applicable minimum wage plus mandatory employment-related costs and the private sector up to 50% of the applicable minimum wage only. Where a participant with disabilities is hired, all employers are eligible to apply for 100% of the wage. A maximum contribution of CAD 3 000 per participant may be available, on an actual cost basis, for special equipment and facilities to accommodate the participant's needs.

Review and approval process

Proposals will be reviewed and approved by the INAC regional office or by the First Nations or Inuit organisation managing the programme.

Reporting requirements

A final activity report, evaluation report and a youth needs assessment for each participant are required. Organisations who do not submit an evaluation report in due time will not be eligible for funding in the following fiscal year.

The stream Summer Work Experience is part of YES since the beginning. It now includes Canada Summer Jobs, a new initiative, providing wage subsidies to help Canadian employers of not-for-profit, public sector, and smaller private sector organisations with 50 or fewer employees create career-related summer jobs for students between the ages of 15 and 30 at the start of employment. The initiative is specifically designed to help students having trouble finding summer jobs because of where they live and/or other barriers. Service Canada Centres for Youth (SCCY), located across Canada and open free of charge to the public from May to August, help students find summer jobs. These centres also offer group information and one-on-one sessions on *résumé* writing, preparing for interviews and looking for a job as well as up-to-date information on wage rates, labour laws, health and safety in the workplace and on other federal, provincial and territorial youth employment programmes. The 2008 campaign "Supporting Students: Serving Communities" was launched mid- 2007, for application in February 2008 and with a budget of CAD 97.5 million.

YES delivery agencies

Because YES is a federal programme, Service Canada oversees all YES delivery agencies at the municipal and community levels. Nevertheless, techniques to assess the employability of youth are developed by third-party service delivery agencies. YMCA Canada is one of YES's largest single service delivery providers. As a charity organisation, the YMCA relies on the support of its communities, the private sector, governments and other agencies. As an example, YMCA of Greater Toronto (on behalf of YMCA Canada) delivers the Federal Public Sector Youth Internship Programme. In this role, the YMCA acts as the employer of young interns and co-ordinates the management of YES programme across the country with local YMCA associations that offer various services to the young interns and their mentors. Service Canada is responsible for managing and overseeing the programme, promoting the programme to federal organisations, and approving and evaluating the internships. Over the past five years, 89 different federal organisations in every province and territory were involved in hiring interns.

Client assessment provides the opportunity to identify those individuals who are expected to be difficult to employ or re-employ. Those young people not yet ready to deal with employability issues can be referred to the appropriate sources of assistance within the community. In addition to identifying needs within the employability dimensions, the client assessment can bring to light other factors impacting on the young person's ability to

participate in action plan activities and/or employment, such as child-care issues, family needs, or transportation issues.

Activities that reach out to youth are also eligible for funding under YES. Specific priority groups are identified within the youth population (*e.g.* single parents who have dropped out of school, young persons with disabilities) who need but do not actively seek out employment services. This activity can be particularly useful in rural areas where there are identified labour market adjustment issues for young people but a lack of services or infrastructure to address those issues. Rather than waiting for young people to visit an employment services office or youth centre, the outreach organisation will identify effective means to locate and connect with disenfranchised youth, *e.g.* by holding special events in areas frequented by these young people. Once a collaborative relationship is established, there is a greater likelihood that a young person will decide to set employment goals and engage in employment interventions.

Preliminary monitoring of YES is of low quality

Preliminary monitoring results reported by HRSDC (2007b) refer only to some programmes of the Skills Link and Career Focus streams. Under these two streams, returns to school and client employed or self-employed are both considered equally successful outcomes. Departmental statistics demonstrate that where the results can be calculated to these ends for 2005-2006, 16 121 youth were assisted, of whom 1 417 (9%) return to school and 6 091 (38%) became employed or self-employed following an employment programme intervention. Economic and labour market conditions improved for Canada as a whole during 2005-2006, which may have drawn clients into the workforce who would have otherwise chosen to return to school.

An evaluation of the net impacts of YES is currently underway

HRSDC has conducted a formative evaluation of YES whose results were released in 2005 (HRSDC, 2005). A particular recommendation of this evaluation is that action should be taken to improve the measurement of relevance and success of YES. YES providers have not yet developed the detailed information collection practices and tools necessary for the horizontal tracking and reporting of the outcomes of youth who have participated in the programme as well as on their employment histories. Tracking of programmes' results is mostly limited to data collected at programme entry, exit or shortly after intervention.

HRSDC is currently undertaking a summative evaluation of YES. The methodological design and analysis focus separately on each of the three individual programme streams – Career Focus, Skills Link and Summer Work Experience. Together two sets of programme data form the database for the current evaluation of YES.[62] The evaluation measures net impacts by means of linked data (Programme data, EI data and client survey data), as well as multiple lines of inquiry (literature review, key informant interviews, focus group interviews, and document review). This evaluation includes pre- and post-programme measures, a comparison group and quasi-experimental design for the HRSDC participants, benchmarking to measure youth participants against the general population of youth and multiple lines of evidence. This summative evaluation has embedded expert advisors and has been peer reviewed at its milestones. It is due for completion mid-2008.

Further renewal of YES

Work is now underway to ensure the programme's continued relevance for future years. The federal Budget released in March 2007 commits the federal government to explore with provinces and territories the feasibility of transferring, within the context of bilateral agreements, the responsibility for delivering youth labour market programmes and the funding associated with them.

In the interim, the federal YES continues to rely on federal/provincial/municipal co-ordination to deliver its component programmes. Activities under the Skills Link, Career Focus, and Summer Work Experience programmes of YES are carried out in accordance with the following guidelines:

- Collaboration with federal/provincial/territorial youth employment initiatives to minimise overlap or duplication;
- Co-operation with other governments, employers, community-based organisations and other interested organisations;
- Flexibility to allow implementation decisions to be made at the national/regional/local level;

62. First, HRSDC collects YES information on participants in the Common System of Grants and Contributions (CSGC). A second database was created for the remaining YES departments and agencies called the Data Collection System (DCS) so that they could upload their YES participant data.

- Utilisation of an evaluation framework to measure the success of activities designed to assist youth to participate in the labour market;

- And assessment of individual client needs and tailoring of interventions to meet those needs.

3. Key points

Many existing youth programmes were designed in a labour market context of high youth unemployment. This context has changed and there is now a need to modernise the strategies for youth programming to keep pace with the labour market challenges of today. Better co-ordination should be implemented between the different ALMPs available to youth in Canada. While a number of solid evaluations have been conducted by HRSDC on youth employment programmes funded by the federal government, there are few evaluations of youth employment programmes funded by each province. Current public expenditure on youth programmes, both at the federal and at the provincial levels, should be devoted to more intensive programmes targeted towards the small group of youth facing multiple barriers to employment. These programmes should aim to improve their career prospects and could include geographic labour mobility assistance.

ANNEX

The particularity of the results on the relative achievement of pupils with an immigrant background (Figure 2.5, p. 77) is that they are computed with background *fixed effects*.

As stated in the report, the idea is to eliminate from the gross achievement differences the component that should logically be attributed to background variables that are beyond the control of education and social policy. These typically include the level of education of parents. Children can have lower scores in mathematics or reading literacy simply because, on average, their mothers and/or fathers are less educated. The argument, perhaps even more, applies to the children of immigrants. It is reminiscent of the idea that production of human capital has a strong domestic and intergenerational component.

In more formal terms, we can assume that the relation of interest is the one between the PISA 2006 score of individual i (S_i) and a dummy variable D_i. When we focus on immigrants, D_i captures the immigration *versus* native background. The coefficient b potentially measures the effect of the dummy treatment. To make sure it is not contaminated by systematic differences in terms of background variables, we add a vector of categorical variables F describing the individual's background.

$$S_i = a + bD_i + cF + \varepsilon_i$$

By doing so, we actually compute b using the centred scores ($S_i - E(S_i|F)$). In other words, b is estimated solely with the "within" variance of scores observed among individuals with the same set of values for F.

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Jobs for Youth

CANADA

Improving the performance of youth on the labour market is a crucial challenge in OECD countries facing persistent youth unemployment. As labour markets become more and more selective, a lack of relevant skills brings a higher risk of unemployment. Whatever the level of qualification, first experiences on the labour market have a profound influence on later working life. Getting off to a good start facilitates integration and lays the foundation for a good career, while a failure can be difficult to make up.

Ensuring a good start will require co-ordinated policies to bring the education system closer to the labour market, to help disadvantaged young people to find a job or participate in a training course and to facilitate the hiring of young people by firms.

OECD has launched a series of reports on the school-to-work transition process in sixteen countries including Canada. Each report contains a survey of the main barriers to employment for young people, an assessment of the adequacy and effectiveness of existing measures to improve the transition from school to work, and a set of policy recommendations for further action by the public authorities and social partners.

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