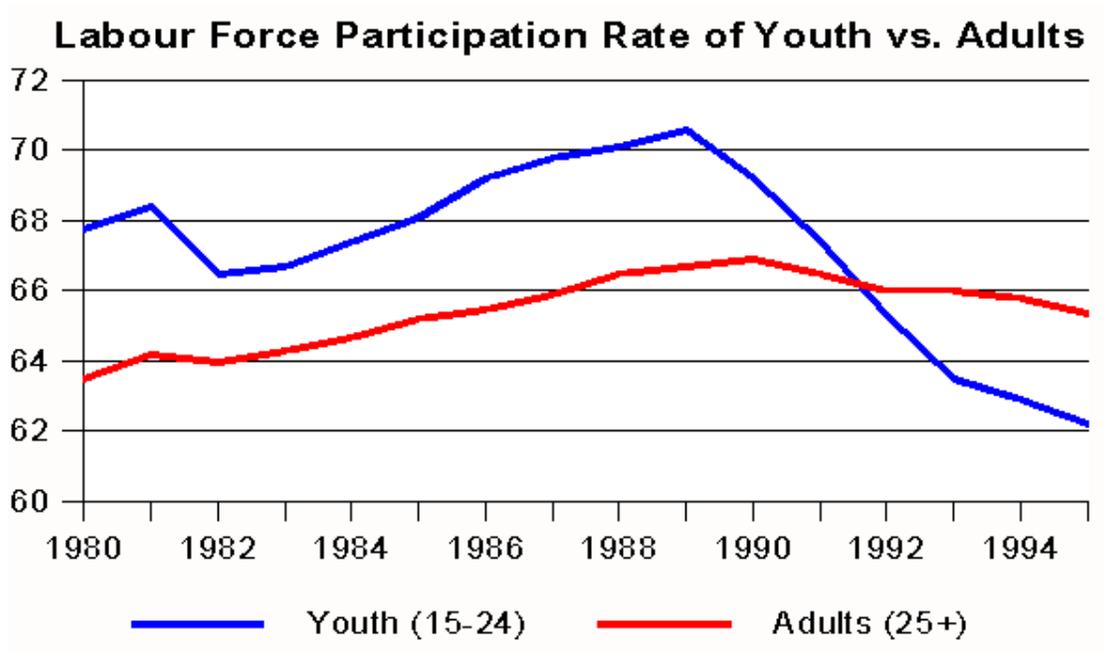


Backgrounder

Youth Employment and Education Trends in the 1980s and 1990s

This paper (Working Paper No. W|03) provides an overview of youth labour-market and human-capital trends in the 1980s and 1990s. Much of the analysis focuses on “youth” as traditionally defined – that is, males and females aged 15-24 years. However, in light of the fact that the transition period between school and work is growing longer, some parts of the analysis incorporate an expanded definition that includes young people aged 24-29 years.

The major demographic fact relevant for youth has been the absolute and relative decrease in the size of this group – the “baby bust.” Over the entire period, youth’s share of the total population fell by about one-third, from about 26 to 17 per cent.



Source: Statistics Canada, Labour Force Survey

The labour force participation rate of youth also fell steadily over the 1980s and 1990s (Figure 1). In fact, in 1992, the youth participation rate fell below the adult rate for the first time and the gap has widened since then. Why the youth participation rate has continued to fall during an economic recovery is a puzzle. While a number of explanations have been offered, one key factor appears to be rising school enrollment, which is itself a response to the rise in the demand for skilled workers in an otherwise slack labour market.

The study finds that a growing proportion of the diminishing employment opportunities for youth are part time. The percentage of employed youth working part time rose from 36 per cent in 1990 to 45 per cent in 1995. This increase was much steeper than the rise in the adult rate over the same period. In part this reflects the increase in the enrollment rate, but also growing “involuntary” part-time employment (i.e., an inability to find a full-time job). Once again, the link between youth labour-market patterns and the business cycle appears to have become uncoupled; traditionally, the incidence of involuntary part-time employment falls during an economic recovery.

In 1995, the youth unemployment rate stood at 15.7 per cent, approximately double the adult rate. However, youth typically experience much shorter spells of unemployment than adults.

Youth are becoming more highly educated, with an increasing proportion having a university degree. Moreover, the data on participation rates, employment, unemployment, and wages all suggest that the traditional labour-market disadvantage associated with not having a post-secondary education is increasing.

Youth are overrepresented in the traditional services industries, in occupations such as food and beverage servers and sales clerks. Jobs in these kinds of occupations have often been labelled “bad jobs” given their lower wages and insecurity. While such jobs have traditionally represented an important labour-market entry point for young people, youth’s concentration in these kinds of work increased over the 1976-94 period.

Largely because of this concentration in part-time jobs and in the “bad-jobs” sector, where training opportunities are fewer, youth report very low levels of participation in employer-sponsored education and training. Further, this disadvantage is greatest for the less educated.

These labour-market and human-capital patterns are reflected in trends in annual earnings. For example, in 1993, the earnings of males aged 15-24 years were only about one-quarter of those of workers aged 45-54 years. Over the whole of the 1969-93 period, the earnings gap between youth and other workers widened, particularly during recessions. These earnings patterns reflect both increasing returns to experience (structural change) and the impacts of recessions (cyclical change).

The report concludes that youths have seen a significant deterioration in their labour market position. Education is clearly an important means by which individuals can improve their chances in the labour market. Those who do not pursue post-secondary studies face an especially difficult labour market and the evidence suggests that this disadvantage is growing.

(1997)