

# **Without a Paddle: What to do About Canada's Young Drop-outs**

**by**

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## **Executive Summary**

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## Executive Summary

The transition from student life to earning a living is a critical process in almost everyone's life. When successful, it sets one on a life of personal fulfillment, and helps people make a strong contribution to the economy and to their communities. But too often, young people struggle through the process: they are caught in a web of circumstances, experiences and attitudes which challenge their capacity to pull their life together. One of the groups of young people who potentially face such a struggle is young adults who did not complete high school. This report examines their experience in the labour market, in Canada and in other countries, and identifies implications for Canadian policy-makers.

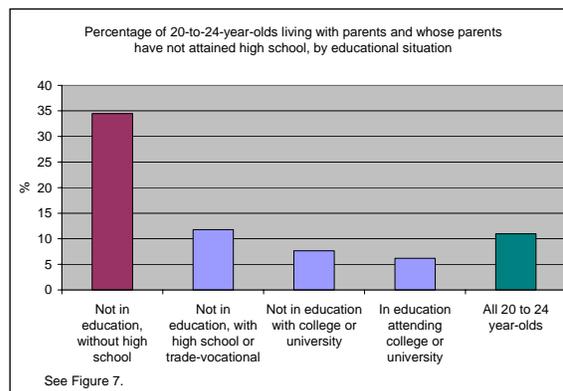
We draw on data collected by the Organisation for Economic Co-operation and Development (OECD) for a study of young adults with low levels of education (the YALLE group), defined as "persons aged 20 to 24 years, who have not successfully completed high school, and who are not enrolled in education or in a work-study program." The data come from labour force surveys in 25 OECD countries.

This report presents the labour market outcomes of the YALLE group in comparison with those of other young adults with either higher levels of education, or longer experience in the labour market with the same low level of education. The objective of the study is to try to identify lessons for Canadian employers, educators and governments, based on the international comparison and the national patterns of labour market outcomes for young adults.

## Highlights of analytical findings

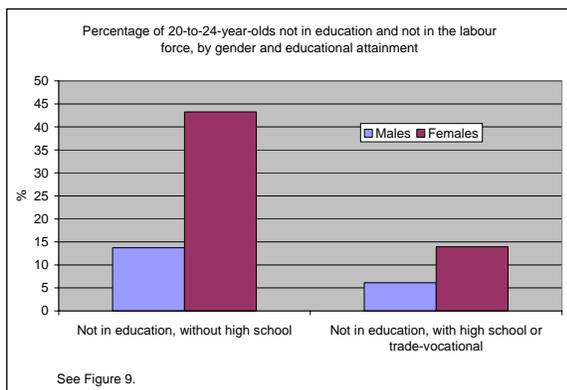
The key findings from the analysis of the data are as follows:

- Close to a quarter of a million young Canadians 20-to-24 years old (11 per cent of them) have not successfully completed high school and are not pursuing further educational credentials.
- Young men form the majority (61 per cent) of the YALLE group in Canada. This gender disproportion is also reflected in almost all OECD countries. Notable exceptions are countries with strong vocational preparation starting in high school (Austria, the Czech Republic, Germany and Switzerland). The magnitude of the gender gap in Canada is relatively high.
- As in all other countries, young adults living in families with low socio-economic status have a greater risk of being in the YALLE group. In Canada, the YALLE individuals living with parents are three times as likely to live in a low socio-economic status family as the overall population of 20-to-24-year-olds. Two-thirds of the YALLE group living with parents are in families where at least one parent has a high school diploma or



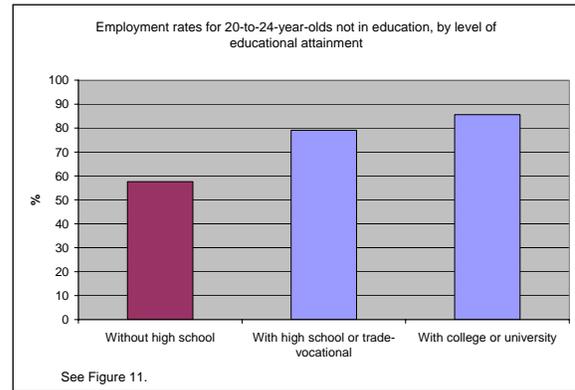
higher, including one in five with parents having either a college diploma or university degree. Thus socio-economic background is a concern, but it does not explain the predicament of the Canadians to the degree it does in most other OECD countries.

- One in eight Canadian 20-to-24-year-olds was born in a foreign country.
- Unlike most other countries with a sizeable immigrant population, Canada does not have a higher concentration of YALLE population among immigrants. This is in significant contrast with the United States, for example.
- 43 per cent of young Canadian women in the YALLE group are not in the labour force; they are three times as likely to be in this situation as young men. This is a regular pattern across countries and is much more pronounced for the YALLE group than it is in groups with higher levels of education. Personal – often family-related – factors that draw young women out of school early may also prevent them from holding or seeking a job.

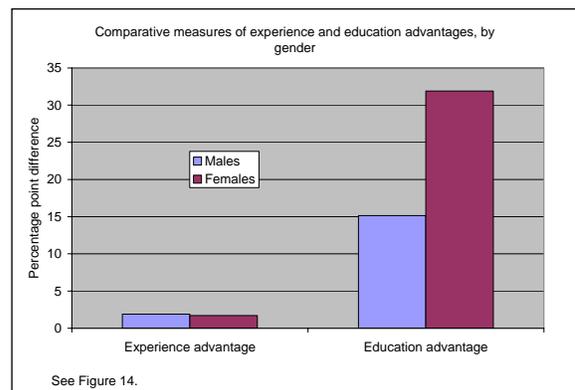


- The YALLE group suffers a clear disadvantage compared to groups with higher educational attainment in terms of access to jobs. The gap in the

employment rate is relatively large in Canada: 22 percentage points lower than for those with a high school or trade vocational diploma, 28 percentage points lower than for those with a college or university diploma.



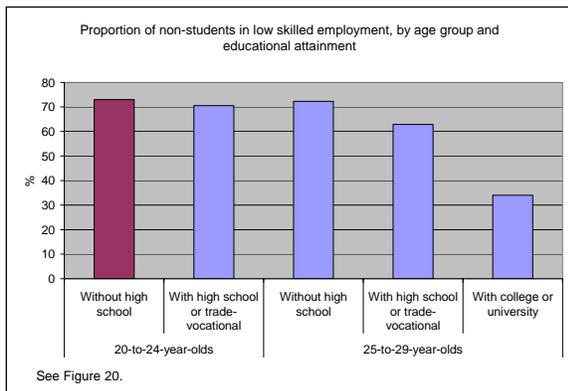
- Within the YALLE group, more immigrants are employed than is the case for the native-born. But this relationship is reversed for those with a high school or trade-vocational diploma.
- Education has a much greater positive impact on employment opportunities than working experience. This means that job prospects will not improve much as less-educated individuals get older unless they get more education.



- The benefits of higher education are clearly greater for young women. Their employment rate and their earnings increase more with higher education than

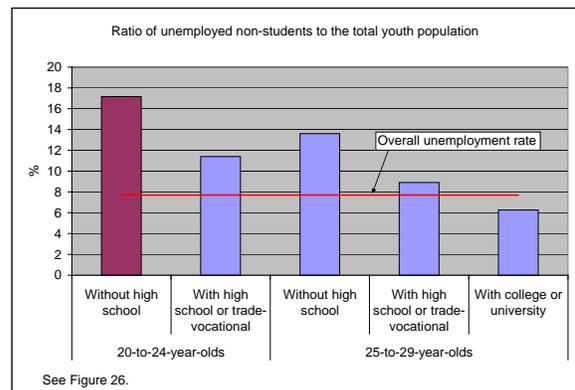
they do for men. This suggests that young women have a strong incentive to continue their education.

- In countries which offer strong vocational programs in high school, young people have much better chances of finding a job in a skilled occupation. In Canada, however, almost all students who graduate from high school have been attending a program that is focused on preparing people for further education rather than for skilled jobs. This accounts for the greater difficulties they face when they enter the labour market with only a high school diploma and as they gain more work experience. Gains in pay and job quality that can be expected from more work experience are minimal when education is limited.



- A third of Canadian 25-to-29-year-olds with a college or university diploma moved into low-skilled occupations after graduation. Canada and the United States are two countries where the largest shares of youth cohorts get a college or university diploma – a clear sign of a relatively accessible post-secondary education system. This begs the question of whether North American labour markets are in sync with the skills production of their education systems.

- Unemployment is high for the YALLE group, even in years like 2002, when economic conditions were good. Additional education lowers the unemployment rate much more than does additional time in the labour market without any further educational attainment. This is, at least in part, due to the nature of low-skilled jobs, which are often more unstable.



## Policy implications

The employability of an individual clearly depends on their combination of personal characteristics and the characteristics of the labour market. Thus, there are lessons to be drawn for both education policy and labour market policy.

On the education policy side:

- Extending the age of compulsory school attendance is likely to have positive effects on outcomes, for all young people, but especially young women.
- But extending compulsory education will not achieve much without a diversification of high school education to include more vocational options. This will increase the “value” of a high school diploma for immediate entry to the labour market. This will, in turn, improve the labour market prospects of many of our

young people, as well as help avoid shortages in the skilled trades.

- Counselling is an essential ingredient when young people are making education and career choices in a highly fluid labour market environment. It can help level the playing field regarding access to information for those from more disadvantaged backgrounds, who may lack family contacts and be confused by a world of technology-driven delivery of such information.

On the labour market side:

- Employers should scrutinize hiring practices to ensure that young people are not driven out of school at early ages, lured to the short term attractiveness of earning money at the expense of their longer-term prospects, when they will eventually find out how much they miss the skills that more education provides.
- Employers should also be encouraged to signal publicly the educational requirements of their entry-level jobs – presumably not below high school and with demonstration of excellence in selected subject matters – in order to emphasize the relevance of education to the world of work.
- When the workplace is a training-rich place for all, including those with low levels of initial education, labour market experience counts for more. Some other countries (Denmark, Sweden, Finland) achieve more equality of access to employer-supported training among their workers than does Canada.
- Overall, signals sent to workers and young people, as future workers, should be coherent and all reflect the value of education to one's future well-being and to society at large.

On the equity dimensions of the policy context:

- Policy changes should recognize the differing needs of young men and women. For example, raising the profile and the opportunities for vocational education will likely have an especially positive impact on young men. Increasing the age of mandatory school attendance has particular benefits for young women.
- Young people from lower socio-economic groups will require greater attention in early childhood and throughout primary and secondary schooling, more support from counselling. They will also benefit from more career-oriented options in high school.
- The fact that further education does not benefit immigrants as much as it does native-born Canadians is puzzling – and unlike the situation in many other countries. Considering the importance of immigrants in building tomorrow's Canada, both education and labour market policies need to ensure that immigrants have all opportunities to build their potential and use it in the labour market, in particular through the recognition of the credentials they bring with them and the fight against all forms of discrimination.

In conclusion, it is essential for Canadians to recognize that educators, employers and governments are falling short in preparing appropriate pathways from school to work for all young people. The result is that many young Canadians are sinking into economic insecurity and even social exclusion. This is inexcusable in the 21<sup>st</sup> century, and calls for strong leaders to step forward and repair or replace the cracks in the system. Employers, educators, parents, and governments are all part of the solution.

It is important to underline that all the policy elements discussed here work best when they work together. For example, extending compulsory education without integrating appropriate vocational education into the curriculum would likely be unproductive. Developing more vocational opportunities in high school without improving counselling and addressing the attitudes and expectations of parents and students would change little. The new education opportunities would not

work either without engaging the business and labour communities.

Success will require collaboration and coherent actions by all stakeholders, in recognition of their own self-interest, as well as of a strong sense of social and economic responsibility. Our young people deserve more and better options.