



Recent Trends in Youth Employment

by Ben Eisen and Milagros Palacios

Summary

- Over the past 15 months, Canada's previously tight labour market has softened considerably. The slowdown in the youth labour market has been particularly significant.
- From January 2023 to May 2024, the youth unemployment rate (15–24) rose from 9.7 to 12.6 percent. Meanwhile, the youth employment rate fell from 59.4 to 55.6 percent.
- The 3.8 percentage point decline in Canada's youth employment rate since January 2023 is slightly smaller than the decline that occurred during the 2008–09 recession.
- The recent downturn in the youth labour market comes in the historical context of a long-term decline in youth labour market outcomes. Longer-term trends show that youth employment and participation rates have consistently remained worse than those of the broader labour force since the late 1980s.
- For those young Canadians who are employed, the typical level of attachment to the workforce has fallen. This bulletin shows that the median number of hours worked for young Canadians who are employed has fallen by 16.3 percent since the end of the 1980s.
- Extensive evidence shows that delayed and weak attachment to the workforce for young Canadians, both in the short- and long-term trends, can create lifelong scarring on labour market outcomes. These trends are concerning and should be the subject of additional monitoring and research going forward.

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Introduction

Over the past year and a half, Canada’s previously tight labour market has begun to soften. The negative impacts of this labour market slowdown have not been spread evenly across the Canadian workforce. Canada’s youth labour force has been hit substantially harder than the labour force taken as a whole, with a much larger increase in unemployment and a much larger decrease in employment. This research bulletin examines these developments, provides historical context for them, and discusses the evidence surrounding potential negative long-term impacts of reduced work opportunities for young Canadians.

Youth employment and unemployment statistics have weakened since the start of 2023

Since the beginning of 2023, Canada’s previously tight labour market has softened considerably. The national unemployment rate increased from

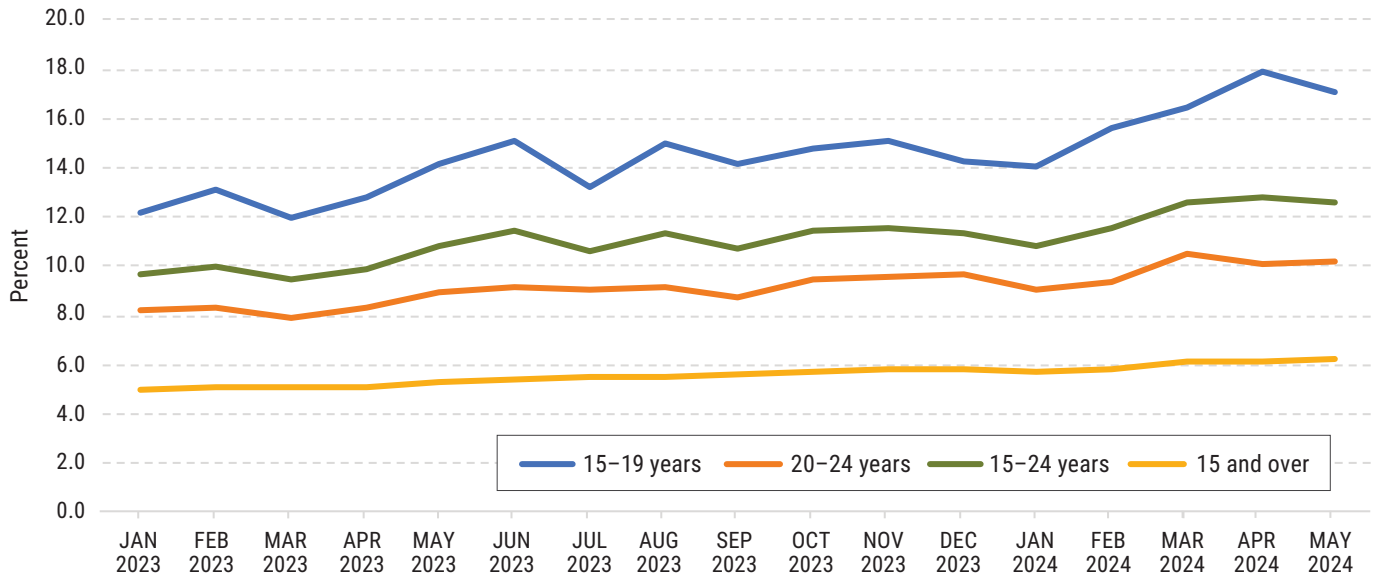
5.0 percent in January 2023 to 6.2 percent in May 2024. Meanwhile, the employment rate has fallen from 62.4 to 61.3 percent over the same timeframe (Statistics Canada, 2024a).

However, the effects of this labour market cooldown have not been felt evenly across different age groups in the labour force. In particular, important labour market indicators for young Canadians aged 15–24 have worsened substantially more than those for the labour market taken as a whole.

Since January 2023, the unemployment rate for Canadians aged 15–19 has increased from 12.2 to 17.1 percent in May 2024. For those aged 20–24, the unemployment rate has risen from 8.2 to 10.2 percent. For the 15–24 age group taken as a whole, the unemployment rate has increased from 9.7 to 12.6 percent. Figure 1 illustrates these developments by showing the unemployment rate for each of these groups monthly since January 2023.

This 2.9 percentage point increase in the unemployment rate for those aged 15 to 24 in less

Figure 1: Unemployment rate by age group, January 2023 to May 2024



Source: Statistics Canada (2024a).

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than a year and a half is considerable in historical terms and unprecedented—at least since 1980—outside of major recessions. For comparison, during the global financial crisis, the unemployment rate for this age group increased by 4.1 percentage points (2007–2009) (Statistics Canada, 2024b).

The change in the employment rate for young Canadians is even more pronounced. The employment rate simply measures the share of Canadians over age 15 who are employed.

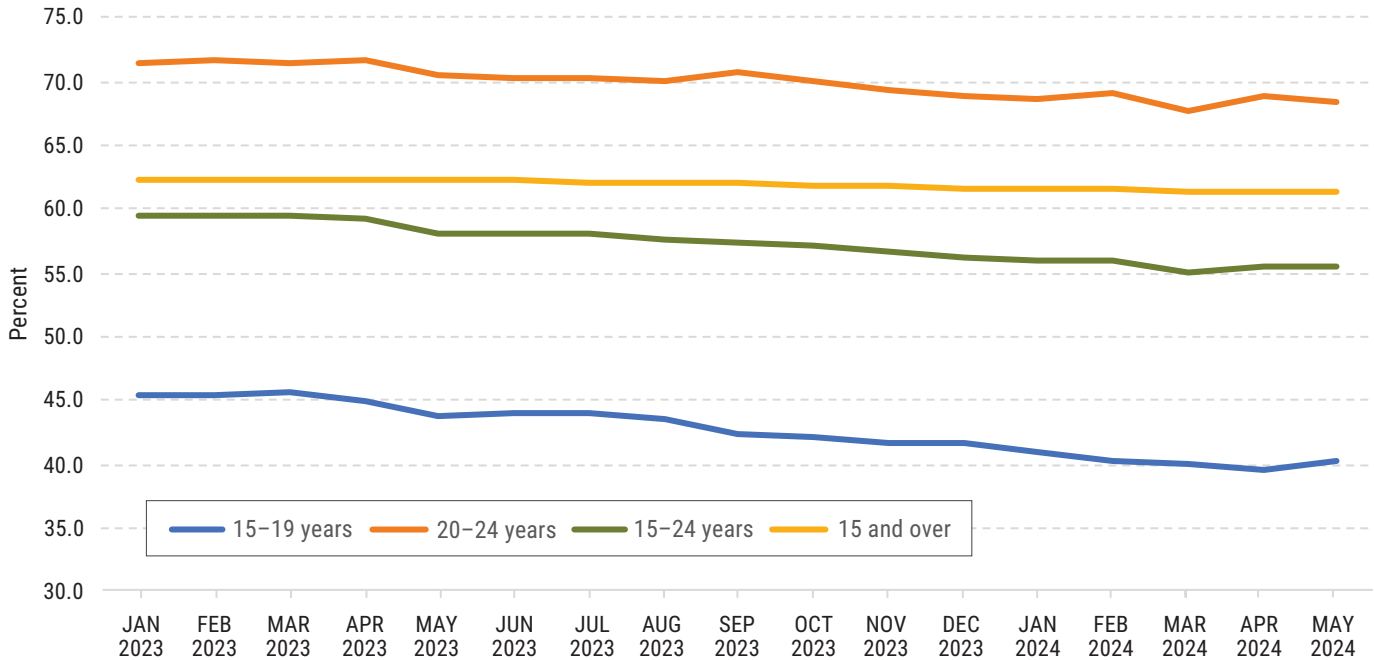
As noted above, since January 2023, the overall employment rate for the labour force has declined. This decline has been far greater for young Canadians. In the 15–19 age group, the employment rate has decreased from 45.5 to 40.4 percent during this period, while for those aged 20–24, it has fallen from 71.5 to 68.5 percent. For the group taken as a whole (15–24 years old), the employment rate has

fallen from 59.4 to 55.6 percent. Figure 2 shows these data points.

In historical terms, the 3.8 percentage point decline in the 15–24 age group was slightly smaller than the one during the recession surrounding the global financial crisis (2007–2010). At that time, the youth employment rate fell by 4.5 percentage points from a high of 60.5 to a low of 56.0 percent.

May’s 2024 youth employment rate is lower than the annual rate in any recent year, aside from what occurred during the unusual COVID-19 pandemic and recession—when large sectors of the economy, particularly ones employing many youths, were effectively shut down for months. Setting the COVID-affected 2020 and 2021 aside, May’s youth employment rate of 55.6 percent is lower than the annual figure for any year during the 2008–09 financial crisis.

Figure 2: Employment rate by age group, January 2023 to May 2024



Source: Statistics Canada (2024a).

Historical context for developments over the past year

The sudden softening in the youth labour market occurs in a historical context of long-standing concerns about the employment prospects and opportunities of young Canadians. The health of Canada's youth labour market has been a point of concern for economists and policy analysts for decades.

As far back as 1998, a review of youth employment trends and policy completed for the OECD summarized the landscape by writing “there is a general concern in Canada over the labour market conditions faced by youth” (Marquardt, 1998). In 2013, the Public Policy Forum hosted a symposium on “Employment Challenges for Youth in a Changing Economy.”

Governments have also frequently cited youth employment challenges as a problem and policy priority. For example, the federal government's 2016 budget commissioned an “Expert Panel on Youth Employment.” This was followed in the 2017 budget by the enactment of an explicit “Youth Employment Strategy” (Riipen, 2017).

There are good reasons that youth employment should be an area of interest for analysts and policy-makers. Specifically, there is evidence of positive life-long effects from early attachment to the workforce. Many studies conducted over the course of decades suggest that connection to the workforce for young people increases employment prospects and wages in adulthood (Baum and Ruhm, 2014). A white paper published in 2012 by the Canadian National Alliance for Children and Youth noted potential life-long effects from difficulties finding work for young Canadians and delayed attachment

to the workforce. It concluded that the negative employment effects for youth following the 2008–2009 recession potentially “prolonged scarring effects.” It further noted that a lack of employment opportunities and experiences for youth could hurt “human capital and future development trajectories” (Dagnino and Tam, 2012).

The Government of Ontario's stated objective of boosting youth employment in the province is also based on their finding of evidence that “having a job contributes to a young person's sense of identity, connectedness, and wellbeing.” Its literature review also leads to the conclusion that employment helps young people “develop the skills needed to contribute to society” (Government of Ontario, 2021).

The OECD shares the Ontario government's view that youth “unemployment and underemployment” represent important policy challenges. As such, reducing unemployment and increasing employment for youth are worthwhile performance metrics for governments to target. In fact, the OECD has gone so far as to describe low rates of employment and high rates of unemployment as a “youth employment crisis” that has been a “stubborn reality” throughout much of the G20 (OECD, 2015).

Concern about youth employment first became a source of significant national concern during the recession of the early 1980s when youth employment fell dramatically, from 60.4 percent in 1981 to 54.6 percent in 1983. However, the labour market for young Canadians bounced back in subsequent years of the 1980s.

In the early 1990s, the youth employment market once again softened considerably. In 1989, the youth employment rate was 63.4 percent—slightly higher than the employment rate for all those aged 15 and over (62.2 percent). Over the next several

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years, the youth employment rate fell to a low of 51.5 percent in 1997.

The youth employment decline of the 1990s did not have a similarly strong rebound as the one that occurred in the early 1980s. In fact, youth employment remained low throughout most of the 1990s. Table 1 illustrates this by showing youth employment rates by decade, with the annual average shown for the 1980s, 1990s, 2000s, 2010s, and the 2020s to date. It shows that youth employment in the 1990s averaged 54.5 percent, which is even lower than the current decade’s rate. This decade has been severely affected by the COVID-19 recession as well as the softening of the youth labour market described above.

Figure 3 provides further context by comparing the annual youth employment rates for different age brackets from the 1989 peak until the most recent year of complete data, 2023.

Figure 3 illustrates the greater volatility of the youth labour market relative to the labour market

Table 1: Youth employment rates by decade

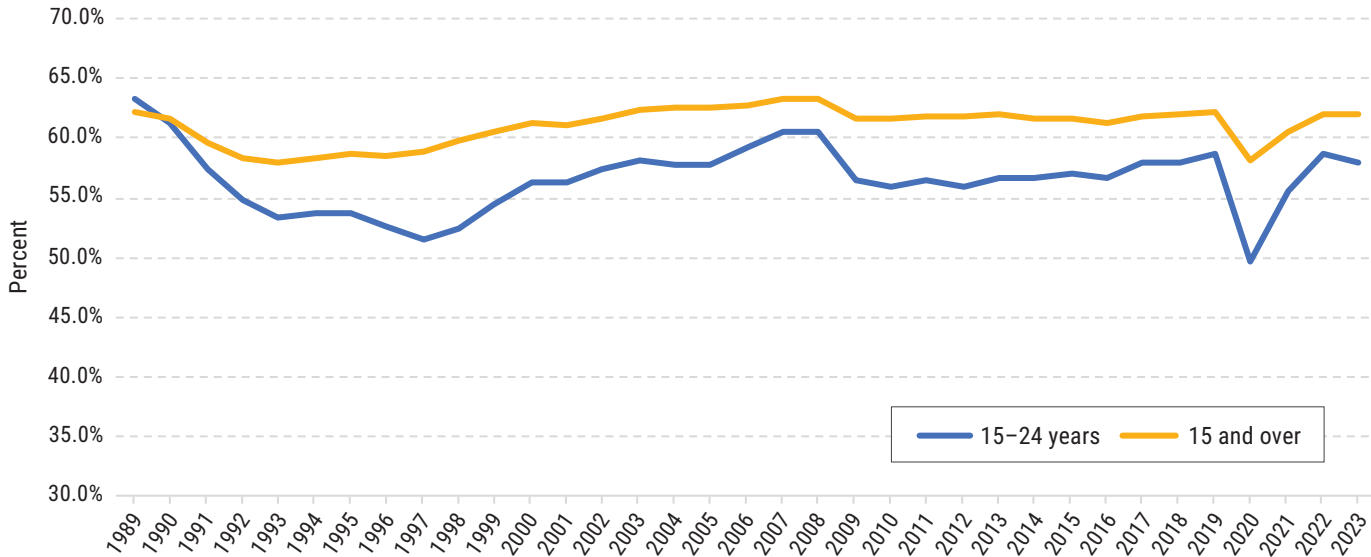
	15–24 years old
1980–1989	59.2%
1990–1999	54.5%
2000–2009	58.0%
2010–2019	57.0%
2020–2023	55.5%

Sources: Statistics Canada (2024b); calculations by authors.

taken as a whole. The economic downturns of the early 1990s, 2008–2009, and the COVID-19 recession all led to significantly sharper downturns in the youth employment rate than for the labour market as a whole.

Furthermore, it shows a divergence in the performance of the youth labour market compared to the labour market as a whole beginning at the end

Figure 3: Employment rate by age group, 1989–2023



Source: Statistics Canada (2024b).

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of the 1980s. Throughout the 1980s, the employment rate for youth 15–24 was approximately equal to that of the entire 15-plus labour force. Following the decline in youth employment in the early 1990s, the youth employment rate fell significantly below the overall employment rate, where it has remained ever since. This gap has ranged from a low of 0.4 percentage points in 1990 to a high of 8.4 percentage points in 2020. Excluding the highly unusual 2020 and 2021 years when economic developments were dominated by the COVID-19 pandemic, the largest gap occurred in 1997 at 7.5 percentage points.

Figure 4 provides further evidence of young workers being less attached in recent years than during the 1980s. Specifically, it shows that even for those young Canadians who are working there has been a substantial decline in the number of hours worked. Furthermore, unlike the trend of the employment rate, which fell during the early 1990s and then essentially leveled off (business cycle fluctuations aside), the decline in hours worked has

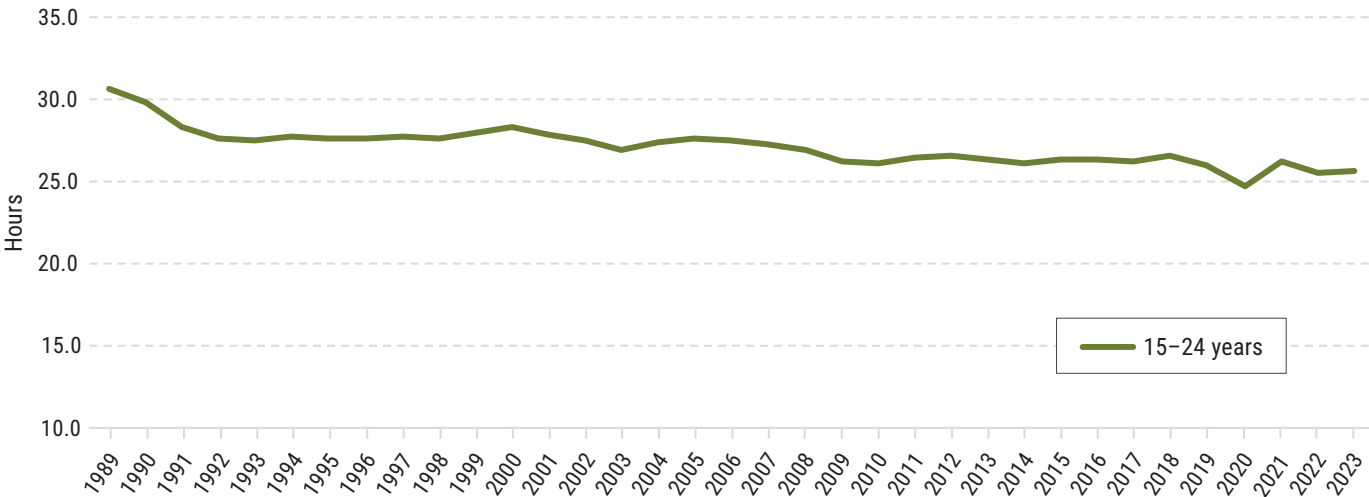
been mostly continuous over time. Figure 4 shows the number of hours worked for employed individuals 15–24 from 1989–2023.

Figure 4 shows that in 1989, the average young worker in Canada worked 30.7 hours per week. In 2023, the last year of complete data, that figure had fallen to 25.7 hours per week. This represents a 16.3 percent decrease. This is largely due to a shift from full- to part-time work, however, it is also the result of a decline in the average number of hours worked for employees classified as full-time.

Discussion

For decades, Canada’s high youth unemployment rate and declining employment rates (which have remained well below their peak from the 1980s) have been a source of concern for analysts as well as provincial and federal governments. This research bulletin has briefly discussed historical trends surrounding these indicators of labour market performance with a particular focus on a sudden and

Figure 4: Hours worked for those 15–24 years old, 1989–2023



Source: Statistics Canada (2024c).

substantial softening of the youth labour market since the beginning of 2023.

It is difficult to assess whether the very recent sudden spike in youth unemployment rates and decline in youth employment rates are a temporary result of a softer labour market, or whether it is an extension and acceleration of longer-term trends towards weaker attachment of youth to the labour market.

However, even if the substantial recent developments are reversed and youth labour statistics return to early 2023 levels relatively quickly, the labour market softening of the past 15 months could have lasting effects on the lives of young people. As discussed in this paper and reflected in the fact governments across Canada have identified a strong youth labour market as a policy objective, youth attachment to the labour market can be an important determinant of adult success. Delays in attaching to the work force can have prolonged scarring effects on individuals' labour market outcomes. Even temporary periods of a weak job market for youth can therefore have long-term consequences for Canadians entering the workforce during those periods.

A second issue to note is that some experts have raised concerns about methodological issues surrounding the Labour Force Survey (LFS) itself. This is due to a large surge in Canada's non-permanent resident population which, if not sampled correctly, could reduce the reliability of certain dimensions of the survey (Skuterud, 2023).

With these points noted, the Labour Force Survey (from which the data in this report is drawn) remains by far the best available source of data and information concerning developments in the youth

labour market. As such, despite possible measurement challenges in the LFS and the short duration of the steep recent softening, the surge in the survey's report of unemployment and decline in youth employment since the start of 2023 is an important issue to monitor and study.

Conclusion

For decades, analysts and governments in Canada have expressed concern about the health of the youth labour market. This report has presented data showing that since the end of the 1980s, youth employment rates have remained well below those for the labour force taken as a whole, and have generally remained below the average levels of the 1980s. Further, even for those young Canadians who are working, there has been a long-term trend towards fewer hours worked per week.

From January 2023 to May 2024, youth unemployment increased from 9.7 to 12.6 percent. For context, during the 2008–2009 recession, youth unemployment increased by 4.1 percentage points. The data surrounding Canada's youth employment rate are even more stark. Youth employment has fallen by 3.8 percentage points since January 2023. As a result, the monthly employment rate for Canadians aged 15–24 in May 2024 was lower than the annual rate in any year during the 2008–2009 recession.

The softening of the youth employment market over the past 17 months has been substantial and deserves careful attention from economists and governments in coming months.

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Acknowledgments

The authors would like to express appreciation to the anonymous reviewers of this bulletin. Any remaining errors or omissions are the sole responsibility of the authors. As the researchers have worked independently, the views and conclusions expressed in this paper do not necessarily reflect those of the Board of Directors of the Fraser Institute, the staff, or supporters.

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ISSN 2291-8620

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