IMPACT COVID:

Walking through the Effects on Youth in 'Youthful' Industries

CANADIAN COUNCIL FOR YOUTH PROSPERITY
CONSEIL CANADIEN POUR LA REUSSITE DES JEUNES

AT ISSUE:

The Canadian economy for youth is structured in such a way, that the largest most significant employers of 15 -24 year olds are most often **NOT** the sectors of the economy that employ the most Canadians. The top three youth employing sectors also rank amongst lowest paying sectors, requiring no minimum level of educational attainment (in general), i.e. they do not require specific skill sets. Further, the same top three youth employing sectors are significant in their dependence on temporary workers AND temporary young workers in contrast to the other sectors that did not notably employ youth.

The above is important because stemming from it, are the differences in the extent of 'absorptive cushioning' employees or workers possess in the face of economic changes or shocks, the most recent being the COVID-19 crisis. Employment Insurance (EI) is often the formal 'cushion' or shock absorber that workers have in the face of layoffs, temporary or otherwise, dismissal or firm closures. However, wages need to be high enough and continuous or secure enough, with employer contributions to qualify for the cushioning that EI provides. If workers are increasingly hired on a temporary basis, they do not meet most (often any) of those requirements for possessing any sort of 'cushion'.

For youth workers, the lack of 'cushioning' is pronounced – because they are mostly to be found in the lowest paying, least secure sectors, often in a casual or temporary capacity. Their eligibility for EI is noticeably lower than the average employee, even in those very low EI eligibility sectors. The COVID crisis has dealt an economic blow to employment for all but has affected youth more adversely than the norm.

The Government of Canada has laudably instituted two programs, the Canada Emergency Response Benefit (CERB) and the Canada Emergency Student Benefit (CESB), serving as cushions to the multitudes who did not qualify for EI, amongst other beneficiaries. The CESB is tailored for youth, 15-24 year olds, who are more likely not eligible for EI. The programs have been hastily put together and there appear to be loopholes according to some analysis conducted by the Canadian Centre for Policy Alternatives. However, for the most part, these have cushioned the blows that the COVID crisis has dealt to employment in general, and youth employment in particular.

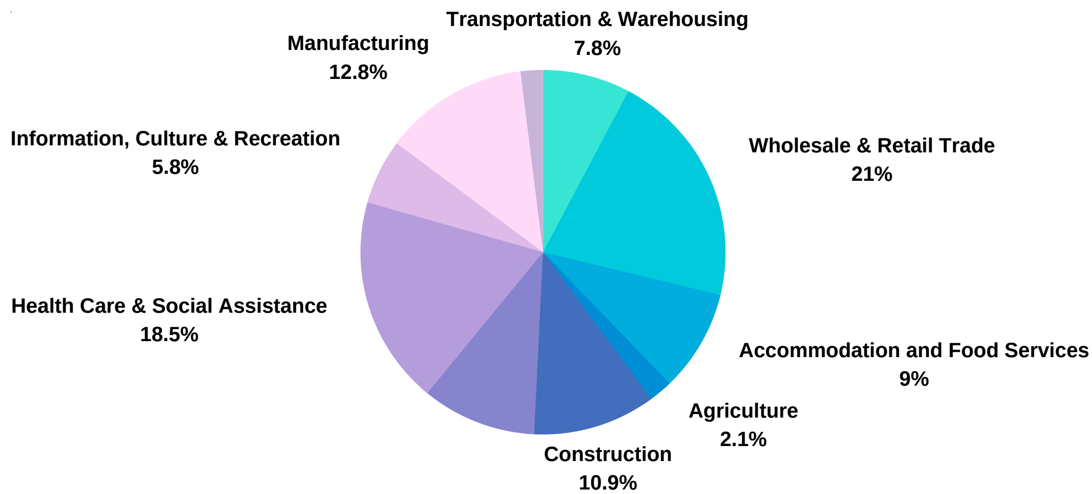
Once the dust settles and the Great Reopening begins, that is when further mitigation and advocacy on behalf of youth from these standpoints: youth employment opportunities, youth wages, youth working status/conditions and a safety net that covers youth adequately, must be well underway. That is where our energies will lie.

Elaborating on the Issue:

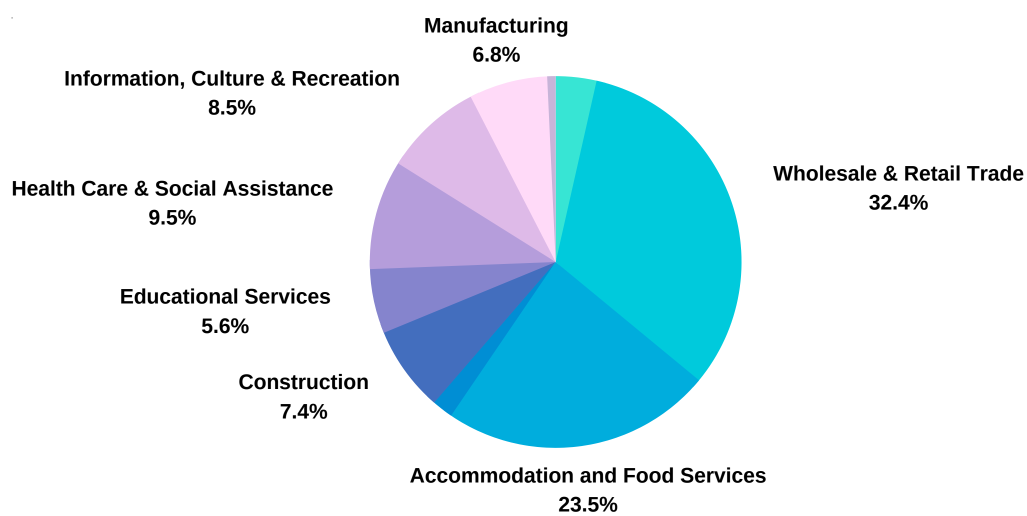
The Largest Employers of 15-24 year olds and the Largest Employers in Canada, illustrated

Using the North American Industrial Classification Scheme (NAICS) aggregated to a selected few 10 sectors of the Canadian economy, the following pie charts rank the largest employing sectors of Canadians in general, and Canadian youth in particular.   The size of each pie slice (in percentages) indicates the share of the pie going to any particular NAICS sector in terms of employment. All figures in this report have been generated using data provided to us by Employment and Social Development Canada in NAICs Reports.

The largest employing industries in Canada in 2019



The largest employing industries for youth between the ages of 15 to 24 in 2019



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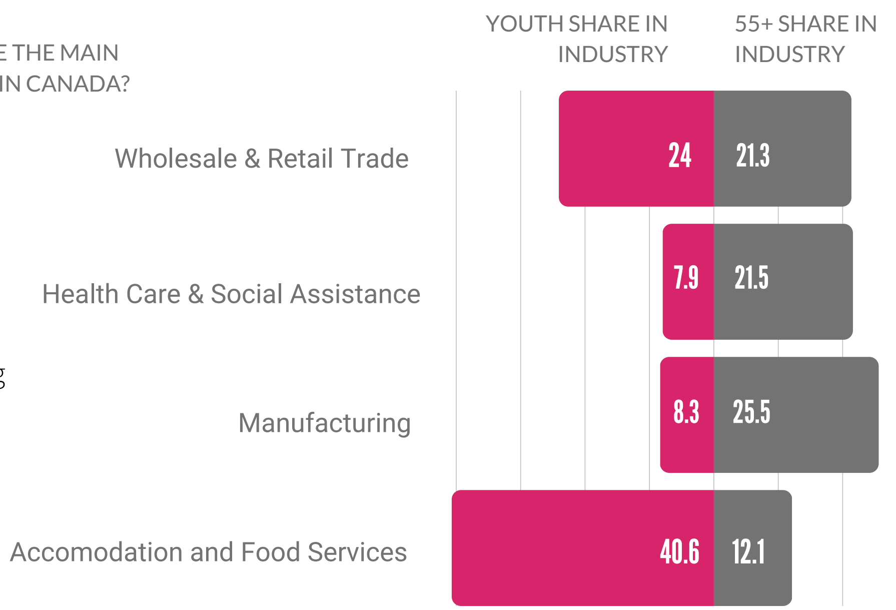
Almost 78% of the employment in the largest employing industry, Wholesale and Retail Trade is indeed in retailing activities, characterized by person to person contact, ‘people’ heavy work. The second largest employing industry in Canada is Health Care and Social Assistance. However, while for Canadian youth, the largest employing industry is Wholesale and Retail Trade, the next most important hiring industry for Canadian youth is Accommodation and Food Services.

So how young or old are the top three hiring industries for Canadians?

HOW YOUNG OR OLD ARE THE MAIN EMPLOYING INDUSTRIES IN CANADA?

Below, we compare the two opposite ends of the distribution of the Canadian labour force by age: the oldest end (the greying end) comprising workers 55 years and above and the youngest workers, those between the ages of 15 and 24.

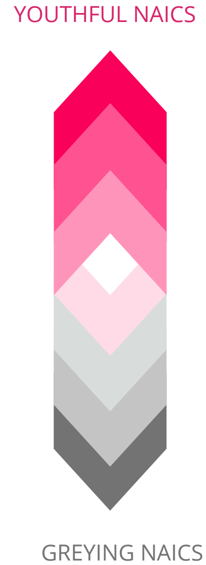


The three largest industries in Canada in terms of employment are Wholesale and Retail Trade, Healthcare and Social Assistance and Manufacturing, with Wholesale and Retail Trade as the largest employer of youth ranging from 15-24 year olds. That is where the overlap ends because the second, third and fourth largest employers of youth are Accommodation and Food Services, Health care and Information, culture and recreation, respectively. The latter NAICS sectors, Heath care, etc., and Information, etc., are a distant third and fourth compared to Accommodation and Food Services in terms of youth composition of its workforce. In fact, as you can see from the chart above, the largest employing industry in Canada for the youth and in general, i.e., Wholesale and Retail Trade is not particularly ‘old’ or ‘young’. Percentages of young workers and workers above 55 years of age are fairly close at 24% and 21.3% respectively. The second and third largest sectors of the Canadian economy, i.e., Healthcare/Social Assistance and Manufacturing, respectively, are relatively ‘old youth' are less than 10% of each workforce.

It is Accommodation and Food Services that is the youngest industry with 15-24 year olds comprising 40% of the industry’s workforce. This is far, far above the average for the youth presence amongst all industries in Canada, which stands at 13.2%. In other words, 13.2% of industrial employment in Canada comprises youth ranging from 15 to 24 years; Accommodation and Food Services is heavily youth labour dependent. The only other industry that is somewhat youth worker dependent is the fourth ranked Information, Culture and Recreation sector where 23% of its workforce are between the ages of 15 to 24, but 18% of its workforce is 55 years and above.

The 'Youthful' NAICS sectors and the 'Greying' NAICS sectors

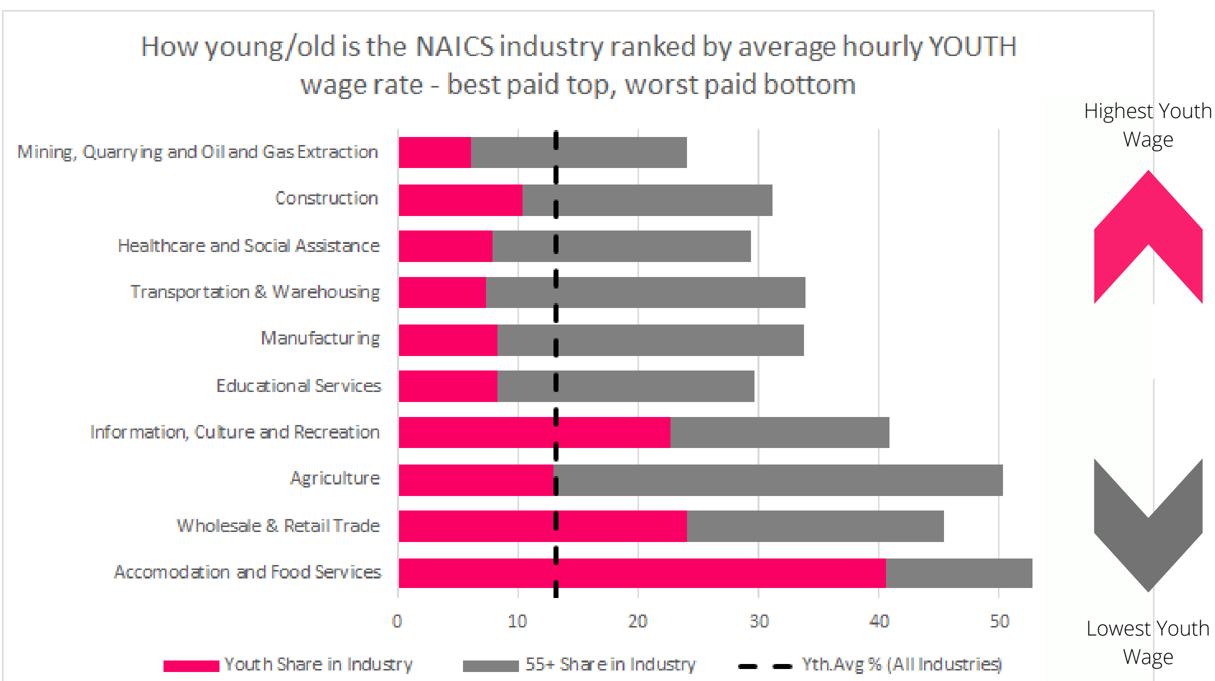
- ACCOMMODATION & FOOD SERVICES
- WHOLESALE TRADE & RETAIL TRADE
- INFORMATION, CULTURE & RECREATION
- CONSTRUCTION
- MINING, QUARRYING AND OIL AND GAS EXTRACTION
- EDUCATIONAL SERVICES
- HEALTHCARE & SOCIAL ASSISTANCE
- MANUFACTURING
- TRANSPORTATION & WAREHOUSING
- AGRICULTURE



The 'greying' of sectors is essentially the result of two forces; a) an aging population working for a longer time b) 15 to 24 years olds seeking post-secondary education in larger numbers. According to Statistics Canada, labour force participation rates for 15 to 24 year olds has fallen between 2008-2018.[1] Youth are likely seeking education especially co-incident with the economic downturn that occurred in 2008. It is likely that the same will occur in 2020 with more young people enrolling in training and education programs, as the economy has contracted due to the COVID-19 restrictions.[2]

How (and why) 'youthful' sectors are NOT the most remunerative for the young

Youth-dependent industries are not especially well-paying for youth. The best paid work for youth are comparatively 'old' industries/sectors; the lowest paid work for youth are comparatively youth dependent or 'youthful' NAICS industries.



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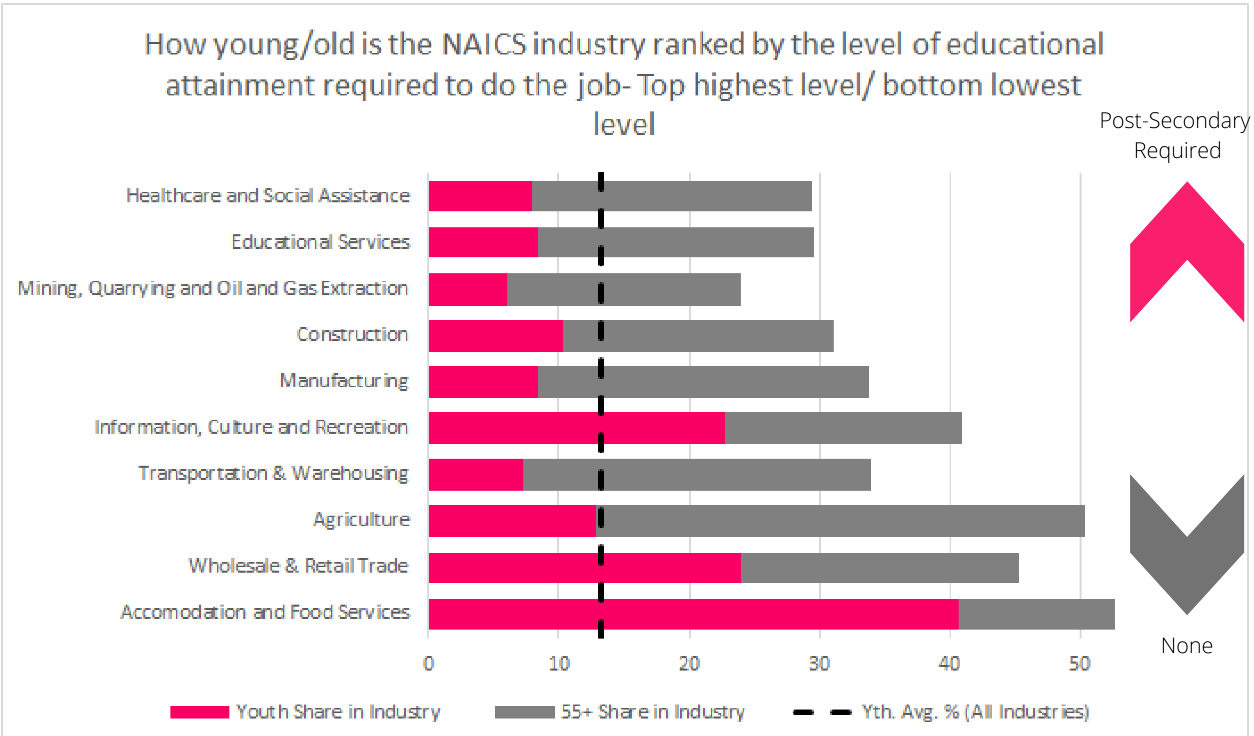
1 Table 14-10-0018-01

2 Enrollment in post-secondary institutions and youth labour force participation rates tend to be counter-cyclical.

That is not enough cause for alarm because 15 to 24 year olds are also in the process of attaining skills and education. Accommodation & Food Services and Wholesale & Retail Trade, the top two youth intake industries are also those that do not have minimum education requirements. So, that is why those industries are so 'youthful'. The top earner NAICS industries for youth, Mining etc. , and Construction, Healthcare and so on are those that require post-secondary education. Transportation is the exception here, because there are no minimum requirements in terms of post-secondary education, yet the youth wage rate in that sector is at the higher end of the wage distribution. While Transportation may not require formal post-secondary education like the other higher paid sectors for youth in the previous diagram, it is likely that it is experience and hands-on skill dependent, which comes with age. Hence it is likely that youth employed in those industries are better paid.



So it is the skills and educational attainment (even riskiness of a job, like in mining) that thus far drive better wage rates for youth. Youth who have those attributes gravitate to those industries, but their presence is lower than normal for youth because those sectors are experience & skill dependent.

So this ranking of youth intake NAICS industries by their wage rates or educational attainment should be seen in terms of the change in youth labour force participation rates talked about earlier; more students in the age group are going to school. It is likely that their wages will improve in the future as they complete education, age and move out of the lower end NAICS sectors like Accommodation, etc.. and into better paying sectors like Construction, Mining, Health, etc.

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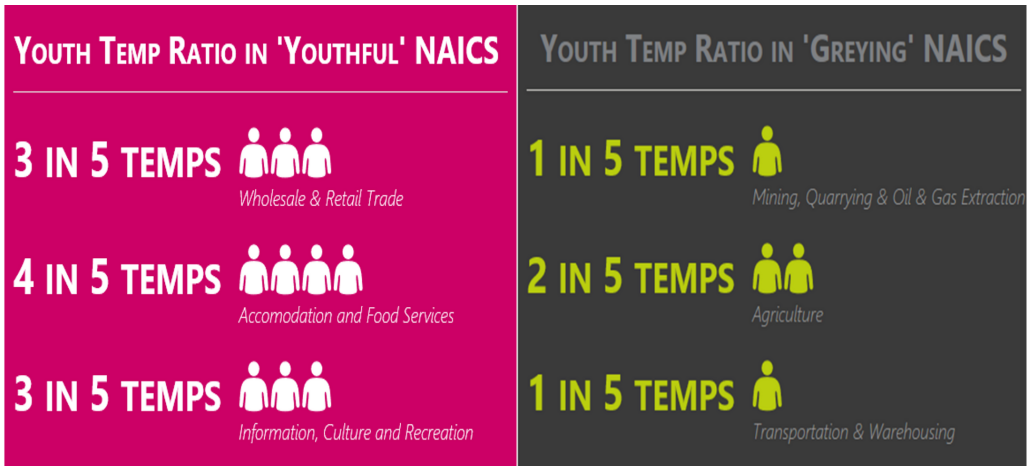
So is there nothing to worry about?

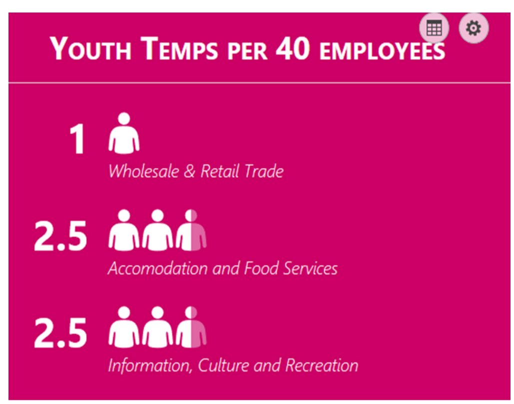
Not quite.

The **NATURE** of employment matters. Short-term contractual, zero-benefits, sporadic hours are the characteristics of temporary employment



****these are approximations from rounding.**

In the intake sectors for youth, i.e. 'youthful' NAICS, we see a higher rate of temporary workers and more youth temporary workers than in the 'greying' NAICS. The 'youthful' NAICS have more temporary workers in relation to their workforce than 'greying' NAICS do. On average, 8% of 'youthful' NAICS sectors are composed of temporary workers compared to 4% of 'greying' NAICS sectors. More importantly, the likelihood of the youth being temporary workers is high in those very 'youthful' NAICS sectors.



For e.g., in Accommodation and Food Services, which is a 'youthful' sector, there are 3.5 temporary employees per 40 employees, of which 72% are youth temporary workers (or 2.5 temporary workers who are between the ages of 15-24 for every 40 workers in that industry).   Exactly half the temporary workers in Information, Culture and Recreation are youth temporary workers and in Wholesale and Retail Trade, two-thirds are youth temporary workers.

So the NAICS sectors that are large 'intake' industries for youth, also tend to have the following characteristics:

- They have higher ratios of temporary workers (all ages) compared to industries that are not youth intake industries like Transportation & Warehousing or Mining.
- Youth figure significantly as temporary employees. They form the majority or more of temporary workers in 'youthful' industries.

'Youthful' NAICS, E.I. eligibility and the COVID Crisis

Apart from general issues with temporary employment, like zero/sporadic hours and income insecurity among other problems, even security blankets offered by the government like employment insurance (EI) do not cover such workers, when faced with sudden unemployment. EI eligibility in the 'youthful' sectors is low for all workers at 20% in both Wholesale & Retail Trade and in Accommodation and Food Services.[3] No data is available for Information, Culture and Recreation on EI eligibility, but we can assume that it is very low too. For youth in the former two NAICS, it is even lower at 9.2% EI eligibility in each sector.

The shutdown and social distancing of activity has generated widespread economic contraction and predictably, unemployment claims have increased across the board in all sectors. Some NAICS have been hit harder than others and even within a NAICS sector, some industries have been more adversely affected than others. It all depends on which sectors have been deemed 'essential'.

NAICS	ESSENTIAL		NON ESSENTIAL
Wholesale & Retail Trade	Wholesale Trade Smaller Sector	Retail Trade Much Larger Sector	Retail Trade Much Larger Sector
	Almost All	Food & Beverage Stores Health & Personal Care Stores Motor Vehicle & Parts Dealers Building Material & Garden Dealers	General Merchandise Stores Clothing & Clothing Accessories Miscellaneous Stores Retailers
Accomodation & Food Service	Accomodation Smaller Sector	Food Services Much Larger Sector	Accomodation & Food Service
	Customer Distanced Activities Only	Customer Distanced Activities Only	All oher contact activities > Between **75% to 90%** of business activities affected
Information, Culture & Recreation	Telecommunications Publishing Newspaper Broadcasting Data processing, hosting & related services		Amusement, Gambling & Recreation Performing Arts, Sports & Related Industries Motion Picture & Video Industries Heritage institutions Other Information

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3 EI eligibility is well above the industrial average of 25% in the 'greying' sectors.

Amongst the 'youthful' NAICS sectors, there appear to be many subsectors that have been deemed essential as shown in green above.

Despite two of them being deemed 'essential', employment has contracted in them. Employment has contracted for two reasons:

- COVID closures of services by governmental order
- Falling demand for services due to social distancing, labour supply problems from illness, supply chains breaking or facing delays, economic uncertainty, etc.

Youthful NAICS	COVID Contraction in Industry	COVID Contraction for youth
Wholesale & Retail Trade	↓ **20%** in Retail, Retail Workers ↓ **50%** for **full time**	↓ **30%** [5]
Accomodation & Food Services	↓ **50%** 25-55 year olds similarly affected, marginally lower	↓ **60%**
Information, Culture & Recreation	↓ **24%**	↓ **55%**

Further, the sectors have contracted for youth disproportionately compared to the norm for each of the above sectors.

The youth were affected disproportionately irrespective of whether the NAICS sector was deemed essential or not. Youth 'COVID contraction' is higher than the norm in each of those NAICS sectors above in percentage terms. For instance, in Accommodation and Food Services, a **60% contraction in youth employment** compared to the industry contraction of **50%**. The pain however is distributed amongst the **25-55 year olds** too who are facing about a **45% employment contraction**[4] Despite being essential, and pain being felt all around, the cause for concern comes from the following:

- Youth form the bulk of the temporary workers in all of those industries.
  They are the first to be fired and last ones to be hired back. So for example, take Retail Trade which has been affected by social distancing, even in the essential sectors - the contraction has been higher amongst full-time workers a **50% drop**. Youth comprise just **11% of full-time workers** in this sector. So while the pain is being felt by all age groups, the first to be hired back will likely come from the pool of older full-time retail workers.

- Youth are over-represented in the lowest paying (and 'youthful NAICS) industries that consist mainly of relatively less 'skilled' jobs.
  With forthcoming shifts through the pandemic to online work, online retail, lower foot traffic and continuous 'social distancing', the bulk of retail which is based on social contact, accommodation, food services and even recreation/entertainment will possibly face sluggish recovery and growth. So, young workers are likely to face a double whammy from slow employment recovery and slow wage growth as well.

- All this means is that government aid via employment insurance (EI) that did not adequately cover young workers in the past, cannot do so through this ongoing COVID contraction and will be unable to do the same in the future.

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4 These are all rounded averages – because employees above 55 years of age, though small in proportion in this sector are affected too.

In recognition of these limits of EI, the cataclysmic shock has been softened by the Canadian government's institution of the Canada Emergency Response Benefit (CERB) for all those who have lost work due to COVID, covering self-employed people who would be otherwise income-insecure under EI.

For youth especially, a similar support has been instituted since they do not really qualify for EI (as discussed earlier) called the Canada Emergency Student Benefit (CESB) that provides income support to post-secondary students and high school graduates who are unable to find work due to COVID. These are precisely the youth being targeted who would have otherwise found employment in those very 'youthful' NAICS.

However, CERB and CESB are time limited - though the CERB has recently been extended.[5] It has provided the cushioning for the COVID blow, much needed panacea or whatever turn of phrase must be employed to express 'mitigation' and/or 'alleviation' of 1970s stagflation type misery - were it not instituted.

So what we have here, are structural problems concerning the labour market for youth. Youth employment is high in those NAICS industries that depend on their cheap, casual, contractual labour. With the ensuing COVID crash to employment, there has been some mitigation of pain by the government; a bandage to stop the bleeding as it were, in order to allow some healing to occur. However, once the bandage is removed, the question is whether things revert to the pre-COVID norm.

We can see that there are some real concerns regarding work and wages, casual and contractual youth labour. We know already, what these imply, what effects they have. We also know what could be done to address those concerns. All we need to do now, is push and advocate for our youth. Full steam ahead!

5 https://www.canada.ca/en/services/benefits/ei/cerb-application.html