

AFTER THE SHOCKS:

Preventing long-term labour market scarring for youth

THE PROBLEM

Economic shocks such as recessions leave well-documented lasting impacts (i.e., scars) on young people. These scars are shaped and amplified by discrimination, personal circumstances, and context beyond the job market. The impacts of long-term labour market scarring include:

- **Losses in earnings potential and reduced quality of employment**, especially for new graduates.
- **Stigma towards resume gaps and reduced equity and inclusion** as a result.
- **Costs to well-being and social capital**, including mental health decline and diminished networks.
- **Worsening of pre-existing inequities** faced by certain populations, including youth from low-income households, racialized youth, Indigenous youth, and LGBTQ2S+ youth.
- **Reduced economic productivity** due to a lack of labour market participation.

WHY IS THIS IMPORTANT?

Labour market scarring can lead to lasting impacts on young people's career earnings, job opportunities, labour market attachment, and career progression. For young people upended by the pandemic, ongoing sociodemographic barriers have been combined with social isolation, career transitions during the pandemic, the housing crisis, accelerating climate impacts, and the rising cost of living.

These impacts not only have devastating individual effects on affordability, well-being, and lifetime earnings, but they also impact Canada's overall prosperity and

productivity. Canada's population is aging, and with a growing number of workers retiring during and following the pandemic. Our prosperity and equity depend on supporting all Canadian youth to participate in the labour market at their highest potential.

Typical policy responses address the immediate, short-term impacts of economic shocks. A more concerted and coherent policy response is warranted to prevent long-term scarring and minimize its impact on youth and broader productivity and growth.

THE GAP

While many current initiatives play an important role in responding to the immediate effects of economic shocks and building long-term skills, there are crucial policy gaps in responding to the lasting impacts of scarring on young people, in particular those who face additional barriers. These gaps include:

- **Limited supports available for young people undergoing career transitions.** Career guidance typically ends when a person leaves post-secondary education. Young people would benefit from guidance as they transition into the labour force and at inflection points throughout their career.
- **Challenges navigating the evolving training marketplace.** The breadth of options available to young people on various platforms can be overwhelming and confusing for young people to navigate.
- **Disparate opportunities to build ties to the workforce and social networks among groups of young people.** Family wealth and sociodemographic factors influence a person's access to networks and opportunities.
- **Lack of access to health benefits for mental health services when unemployed and out of school.** Periods away from work or school are isolating and can degrade mental health in young people. At the same time, they lack access to mental health services.
- **Outdated and out-of-reach career services and training programs.** Young people might not be eligible for Employment Insurance (EI) training supports and existing programs were not designed with today's labour market in mind.
- **Missing indicators and evidence to gear programs to long-term outcomes rather than short-term outputs.** There is a need for stronger labour market data that is used to inform stronger policy and program design.

POTENTIAL SOLUTIONS

To mitigate the harm of long-term labour market scarring on youth, Canada needs **responses from all levels of government, employers, and the community**, with a mix of policy tools that cut across the life cycle and economic cycle.

Bridge the opportunity gap through skills development and social capital

Encourage employers and other organizations to create opportunities for youth to network, job shadow, connect with mentors, and build their social capital. Existing programs could be scaled up and young people should be made more aware that they exist following an economic downturn. Governments should also explore incentives for businesses and other organizations to create these opportunities.

Scale employer-sponsored training models to promote soft skill development in young people entering the workforce. More businesses should explore partnerships with educators or employer-sponsored training that give young people the opportunity to learn through experience and develop their soft skills.

Support a smooth transition into the workforce to reduce the risk of long stretches outside work or education

Ensure young people do not lose access to mental health services after they graduate. This could be achieved through a portable benefits plan, more virtual mental health resources, and allowing graduates to buy into post-secondary institution plans.

Explore sector-based training to create more entry-level career pathways that don't require post-secondary degrees. Building on successes in sectors like mining and energy these can be scaled up following economic shocks to onboard talent to growing sectors.

Expand access to career support services to navigate shifts in the labour market, the structure of the economy, and in-demand skills

Offer career guidance for people throughout all phases of their professional lives. Expanding the scope of existing employment services to employed Canadians could support more young people through career transitions.

Expand eligibility of training vouchers to include career guidance services. Training vouchers (i.e., public funds for training) should cover both training programs and career guidance and be scaled up after an economic shock.

Create new opportunities for young people to engage in the labour market following economic shocks

Create new employment opportunities directly through public and civic engagement. This could include investments in national voluntary service programs and scaling up opportunities for youth to work for the civil service.

Prevent job losses and resume gaps through time-limited and thoughtfully designed wage subsidies. Thoughtful design should address criticisms of the subsidies, including tapered funding models to prevent businesses from cycling through new graduates.

Invest in long-term evidence generation and infrastructure to measure the impact of programs and design policies for future economic shocks

Build a stronger evidence-base about labour market scarring across different demographics. This could include improving the collection, use, and sharing of datasets from government bodies and initiatives that bring data together in one place for more effective use.

Design programs that fund evidence generation and innovation, and reward long-term outcomes. Outcomes-based funding models should be applied to programs responding to scarring to ensure that success is based on career outcomes rather than the number of people that get a job or participate.

Read the [full report](#) for more detailed insights and recommendations



Century Initiative | Initiative du Siècle

www.centuryinitiative.ca | info@centuryinitiative.ca

2 St Clair Ave E #300, Toronto, ON M4T 2T5 Canada

Canadian charitable number: BN 843519638 RR0001

This project is funded by the Government of Canada's Future Skills Program



Future Skills Centre | Centre des Compétences futures