

Young Workers in Newfoundland and Labrador

Sinking, Swimming, or Treading Water?

Erika Shaker





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Young Workers in Newfoundland and Labrador

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Abstract

Young people today in Canada face a reality vastly different from the one 20 or 30 years ago, economically and socially. This paper will examine how young workers are experiencing various changing realities such as: student debt, precarious employment (unemployment, under-employment, and un-waged work), reduced job security (including unionization), rising inequality, changing wealth/debt dynamics and, less quantifiably, diminished social cohesion and community connection as a result of growing insecurity. While this paper will examine the issue from a national perspective, it will also identify how some of these trends are being played out – or differ – in Newfoundland and Labrador.

While “youth” is generally classified as 15–24 years, this paper will seek to also shed some light on the 25–35 age group – “life starters” – a group that has likely completed post-secondary education and looking to begin careers and start families.

Introduction

The post-war growth of the Canadian welfare state saw the creation of jobs with decent pay and benefits, a national pension program, enhanced health care and education, social assistance, a commitment to universality, and a

corresponding rise in the middle class. Between the mid 1980s and mid 1990s it also resulted in Canada bucking the international trend of rising inequality.

Then the infamous Paul Martin budget cut funding to social programs and changed the process and the mechanism by which funding was allocated. As a result, the social safety net became less effective at cushioning people from the effects of economic shocks and instability, and inequality began to creep upward. Over the next 20 years, the gap between the rich and everyone else continued to grow. Since 1995, on the international rankings Canada has dropped from an above-average 14th most equal to a below-average 22nd — when 15 of 34 OECD countries were actually reducing inequality.¹

The impacts of inequality are tangible — in the entrenchment of wealthy neighbourhoods and poor neighbourhoods; in growing poverty for working age adults and seniors; in child poverty rates; in declining inflation-adjusted earnings of those making between \$30,000 and \$60,000. By 2010, more than half of Canadians earned less than \$30,000 — a larger share of the working population than in the mid 70s (inflation-adjusted).²

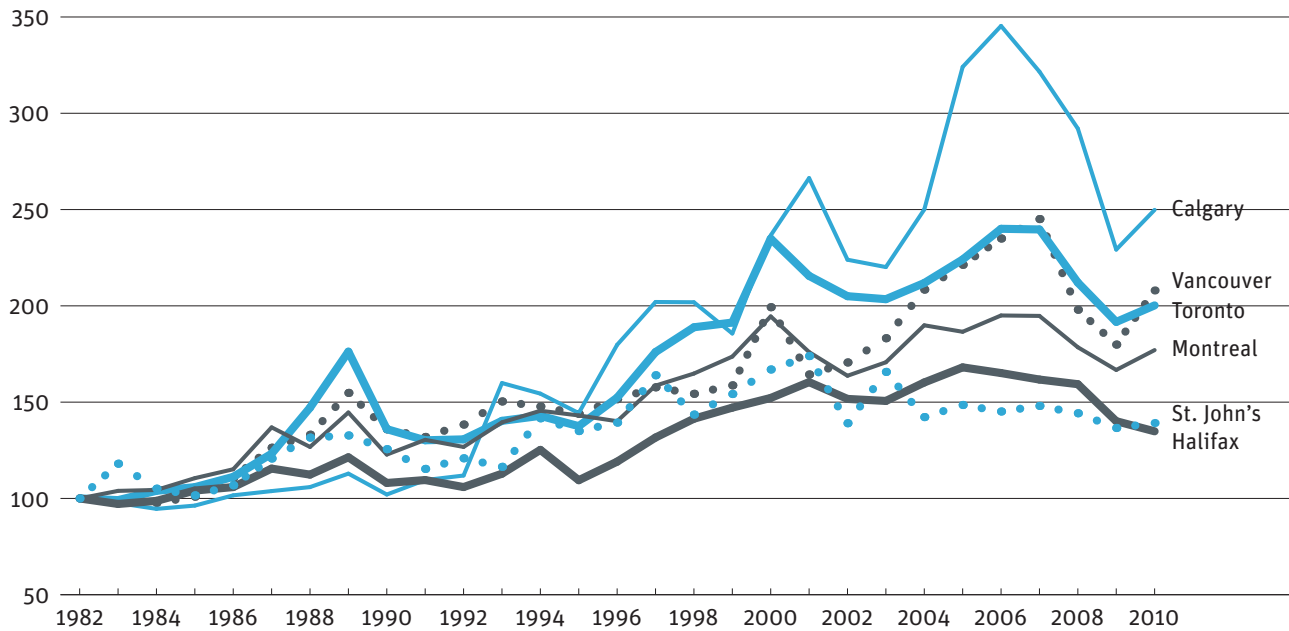
Work grew more precarious, wages began to stagnate, and debt loads began to climb. It is no coincidence that attacks on workers and organized labour correspond with a reduction in equality and the erosion of the middle class.

As a result, families are, on the whole, more stretched now than they were 30 years ago. The debt-to-income ratio is at a staggering 164%, and incomes, with the exception of the wealthiest among us, have stagnated. In fact, the poorest among us have actually lost ground. The increasing prevalence of precarious work is taking a toll on workers, their families, and their communities.³ In Canada's major cities of Toronto, Montreal and Vancouver, the bottom 90% are worst off today than they were in 1982.

Growth of Inequality in Urban Centres

It is interesting to watch how the trend of growing inequality is playing out in major Canadian urban centres. In St John's, NL, the ratio of the top 1% to the bottom 90% has been quite consistent at about 12 times. In fact, pay increases since 2000 in St John's have benefited the bottom 90% of St. John's residents more than the top 1%, somewhat shrinking the pay ratio between the two.

FIGURE 1 Ratio of the Top 1% Income to the Bottom 90% (100=1982)



Source: Statistics Canada, CANSIM Table 204-0002

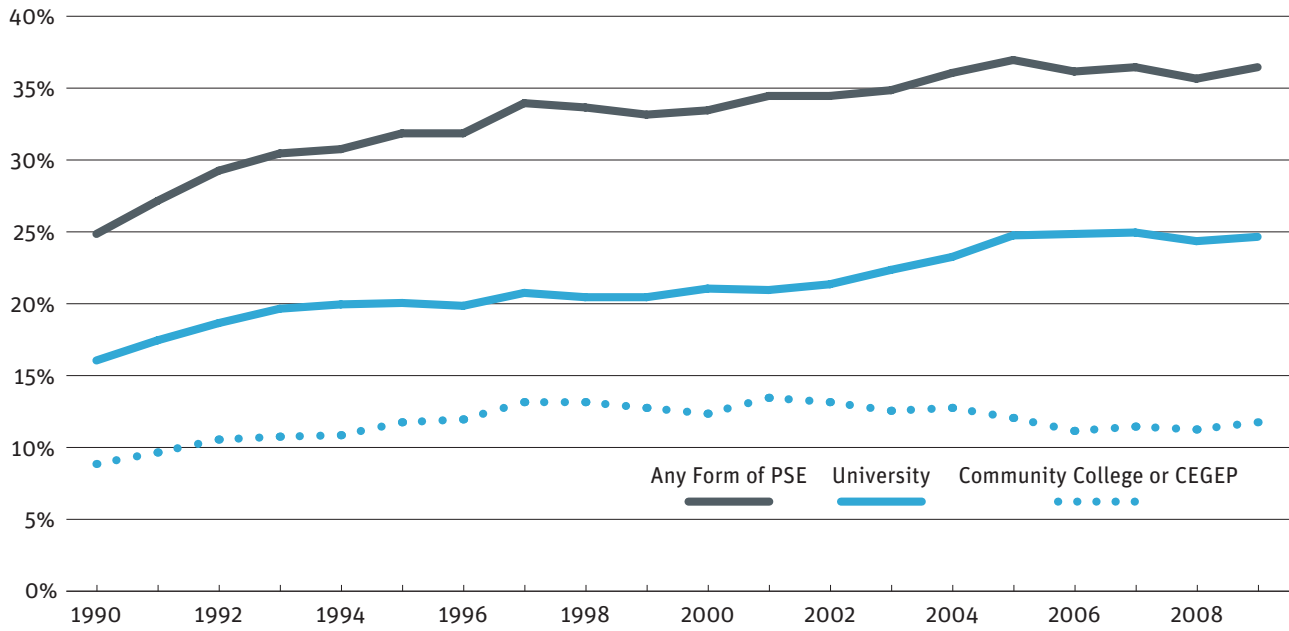
Compare this with the massive growth in inequality in Calgary for instance, where the top 1% make 30 times more than the bottom 90%. The situation is similar in other major centers, notably Toronto and Vancouver

The average income in St. John's in 2010 was \$42,000, and for the population living outside St. John's it was \$33,000. However, this gap actually appears to be slowly closing since the 1980s as rural incomes begin to catch up to those in St. John's.⁴

Educational Participation

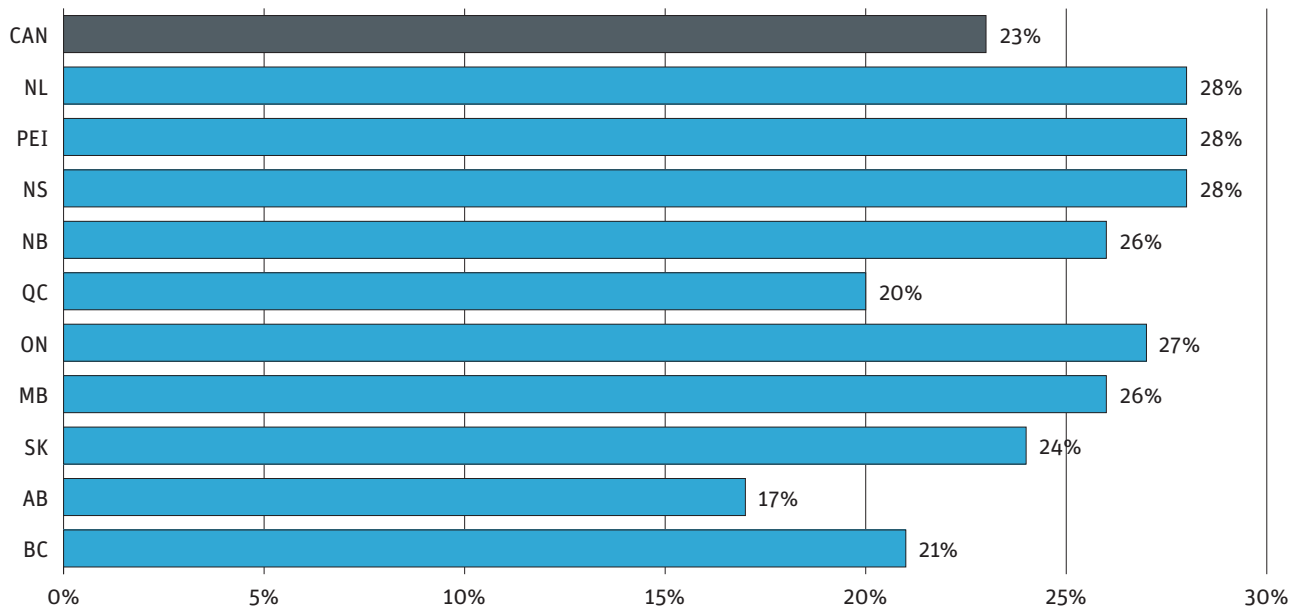
The benefits of higher education are many and varied, and go far beyond preparation for employment. However, the two have become evermore closely linked as we attempt to bolster our competitiveness in the "knowledge economy". Indeed, almost 70% of Canada's projected 1.7 million new jobs are expected to be in areas or positions requiring postsecondary qualifications; a qualification that approximately 59% of working-age Canadians have this level of education.⁵

FIGURE 2 Post-Secondary Participation, Ages 20–24, 1990–2009



Source: Statistics Canada, Labour Force Survey

FIGURE 3 Participation in University Education, Ages 18–24, By Region, 2003–4 to 2005–6



Note: Data are based on a three-year average for the academic years 2003–2004 to 2005–2006.

Source: Calculations of HRSDC based on special data request from Statistics Canada, Labour Force Survey, 2006. Ottawa, Statistics Canada, 2006.⁸

Over the past 20 years, enrollment in Canada's colleges and universities has increased from 1.3 million to 2 million.⁶ Participation rates have also increased: the proportion of young adults participating in PSE grew from 25% in 1990 to 37% in 2009, fueled largely by an increase in university participation.⁷

There is no question that we all benefit from living and participating in a well-educated society,⁹ which makes the case for public funding even stronger. However, in Canada there have been significant shifts over the past two decades that have impacted the degree to which students and their families are bearing the brunt of the once-public costs of higher education through rising tuition and other compulsory fees. This is especially troubling given what we know about the rates of access to college and university for socio-economically marginalized groups.¹⁰

Student Debt – and Desperation – In an Uncertain Economic Climate

Since the 1990s average tuition fees in Canada, adjusted for inflation, have risen 179%. Obviously, within that national average there are provincial variations: Ontario, for example, has seen tuition fees rise 209%; over the same period Newfoundland and Labrador's tuition fees have increased 37%. Newfoundland and Labrador's decision to reverse the tuition fee climb for undergraduates and implement debt reduction programs, is the exception that proves the rule when it comes to insufficient financial levels of public support for post secondary education in Canada; provinces can make very different decisions about who benefits and how (and when) we pay for it.

From 1989 to 2009, the proportion of university operating revenue from government sources fell from 81% to 58%, and the proportion funded by tuition fees increased from 14% to 35%.¹¹

Student debt is at an average of \$26,000 (this does not include private debt, which is much more difficult to quantify). Thanks to the federal government's 2010 decision to raise the debt ceiling from \$15 billion to \$19 billion rather than implement a comprehensive plan to lower the debt that students are taking on, the long term ramifications¹² associated with student debt are set to continue. These include less wealth accumulation for longer periods of time, less likelihood of having savings, and less likelihood of home ownership (and, if a homeowner, greater likelihood of having a mortgage).

This suggests that the erosion of public funding in postsecondary education not only increases the debt that students take on, it increases their level of dependency (on their parents, or on a precarious job market), and lengthens the time they may be unable to pursue work in their area of interest because they literally cannot afford to take time off from the job(s) they may currently have (the “multi-degreed barista”). Accumulated debt has the additional effect of making it more difficult for young graduates to fully engage in their communities as citizens and workers, particularly when faced with low-wage jobs, living expenses, rent and loan repayment.

There is no question that young people are under tremendous emotional stress.¹³ Finances are becoming an area of increasing concern — even more than academic achievement¹⁴ — for young people in school. Once they graduate, the need to repay loans is exacerbated by precarious economic conditions, including potential unemployment. In 2012 the unemployment rate for young people was more than double the Canadian average — the biggest gap between the two since 1977,¹⁵ and one that has widened since 2008. Additionally, young workers (15–24) are more than twice as likely as older workers to be laid off (3.5% compared to 1.3% for workers aged 25–54 and 1.5% for 55 and older).

The face of the union movement is also changing. Workers over 45 are more likely to be unionized than workers 44 and under, although more young workers (aged 15–24) were unionized in 2011 than in 1997 (growing from about 13% to 16%). Rates of unionization have declined over that period for workers 25 and older¹⁶, because although overall Canada’s unionized workforce has actually increased, the non-unionized workforce has grown faster.

Newfoundland and Labrador has the highest rates of unionization (38%) and Alberta the lowest (22%). Unionization rates, while declining overall (from 38% in 1981 to 30% in 2012), and especially for men (from 42% to 29%), are actually fairly stable (30%) among women — even rising slightly for women between 45 and 64. Proportionately, younger workers are experiencing a larger decline in the unionization rate than older workers.¹⁷

More generally, young workers are also proportionately more likely than older workers to experience “short” periods of unemployment (although those periods lengthen for all workers during a recession), suggesting younger workers dip in and out of the labour market more frequently than do other workers. Young workers are also more likely to leave the labour market in order to attend school (either full- or part-time).

The gap in unemployment rates of youth and adults is due more to the higher unemployment inflow rates among youth, a phenomenon linked largely to their higher risk of layoff and their periodic departures from the labour force to attend school full-time. Their higher risk of layoff is explained in large part by their lower seniority with employers.¹⁸

High joblessness numbers have spinoff ramifications. According to TD Bank economist Francis Fong, while “[j]ob growth has been completely non-existent for [this generation] since the recession... It’s a broader trend...it exacerbates the problem of being able to afford their first home, getting married later, having children.”¹⁹

For those who have difficulty finding work, there are significant repercussions: a British report suggests that the longer young people are out of work, the harder it may be to catch up leading to what’s also referred to as ‘wage scarring’: “a period of unemployment ranging from seven to 12 months for workers in the 15–24 age group can, on average, cause an 11 per cent wage loss by the age of 33, and 7.6 per cent loss by the age of 42.”²⁰

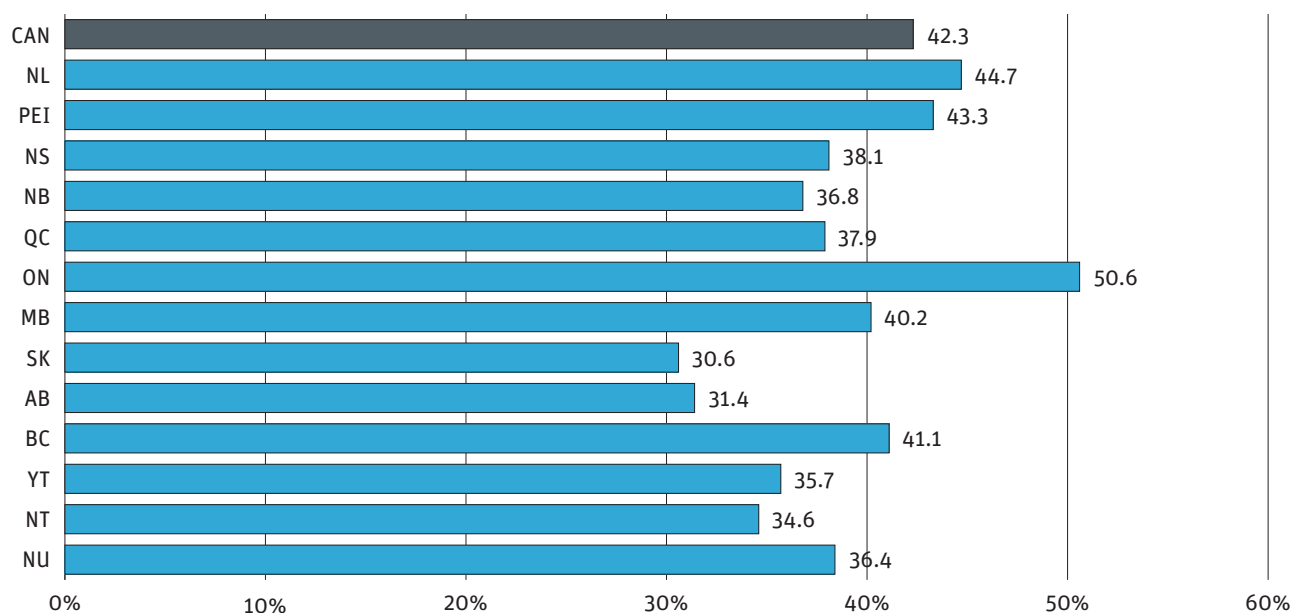
The proliferation of unpaid internships is also garnering attention, as it becomes apparent that employers are in many cases taking advantage of students who are pursuing opportunities to “gain experience” in an uncertain job market. Statistics Canada does not track unpaid internships but student organizations and other groups estimate there are anywhere from 100,000 to 300,000.²¹

While unpaid internships are hardly a new phenomenon, the concern is that they are being used by employers to replace paid work and waged workers,²² getting students to do for free what once would have to be financially compensated, and calling it an “educational opportunity”.²³ British Columbia and Ontario recently released guidelines clarifying what constitutes a legal unpaid internship in their provinces.

Impact on Families

Economic insecurity has also, in many cases, resulted in the increasing propensity of young people to move back to their parents’ home as part of the “boomerang generation” (also referred to as “failure to launch”). “Young adults are delaying the transition from their parental home. Between 1981 and 2011, the proportion of young adults aged 20 to 29 who resided in their parental home rose 15.4 percentage points from 26.9% to 42.3%.”²⁴

FIGURE 4 Young Adults (Ages 20–29) Living With Their Parent(s), By Region, 2011



Source Statistics Canada. 2011 Census—Data Products—Highlights Tables—Families and Households. Young adults in the parental home for the population aged 20 to 29 in private households, percentage distributions (2011), for both sexes, 20 to 29 years, for Canada, provinces and territories. Statistics Canada: Ottawa, 2012.²⁶

The boomerang phenomenon has also impacted parents: a recent Environments survey suggested that parents may be helping live-in children by allowing them to stay rent free or helping to pay for major purchases, groceries or even credit card payments. Other parents indicated they would consider jeopardizing their own financial security to help their kids.²⁵

Where Do Young Workers Fit in to This Picture?

The remainder of this paper will examine ways in which young workers are experiencing the job market and the economy, and whether the experience of young workers in Newfoundland and Labrador is markedly different from that of young workers in the rest of Canada. It will consider out-migration, education, unemployment (including involuntary part-time), employment, unionization, minimum wage, median hourly wage, and the growth of inequality.

Population and Out-Migration

The population of Newfoundland and Labrador is changing; it is currently back up to 527,000 — where it was in 2000. Previously, it declined from the mid 80s to 2007, and then began to reverse.

There is no doubt that out-migration has had a significant impact on Newfoundland and Labrador’s population. The trend ramped up in the mid 90s, peaking in 1997, but then began to slow and — more or less consistently — decline from 2004–05 to 2010–11 for those aged 18–24 (the out-migration numbers would to some extent be impacted by those who pursue out-of-province post-secondary education).

For the 25–44 age category, out-migration also peaked in 1996–97, and since then has stabilized at a lower level. However, the out-migration has been somewhat mitigated and in some cases counteracted entirely by in-migration, particularly for the 25–44 age category, since 2007–08. On balance, between 2007–08 and 2009–10 there was a net gain (and only a small “loss” in 2010–11) for the 25–44 age category. (These numbers may not, however, adequately reflect or take into consideration workers who “commute” to other provinces rather than move there.)

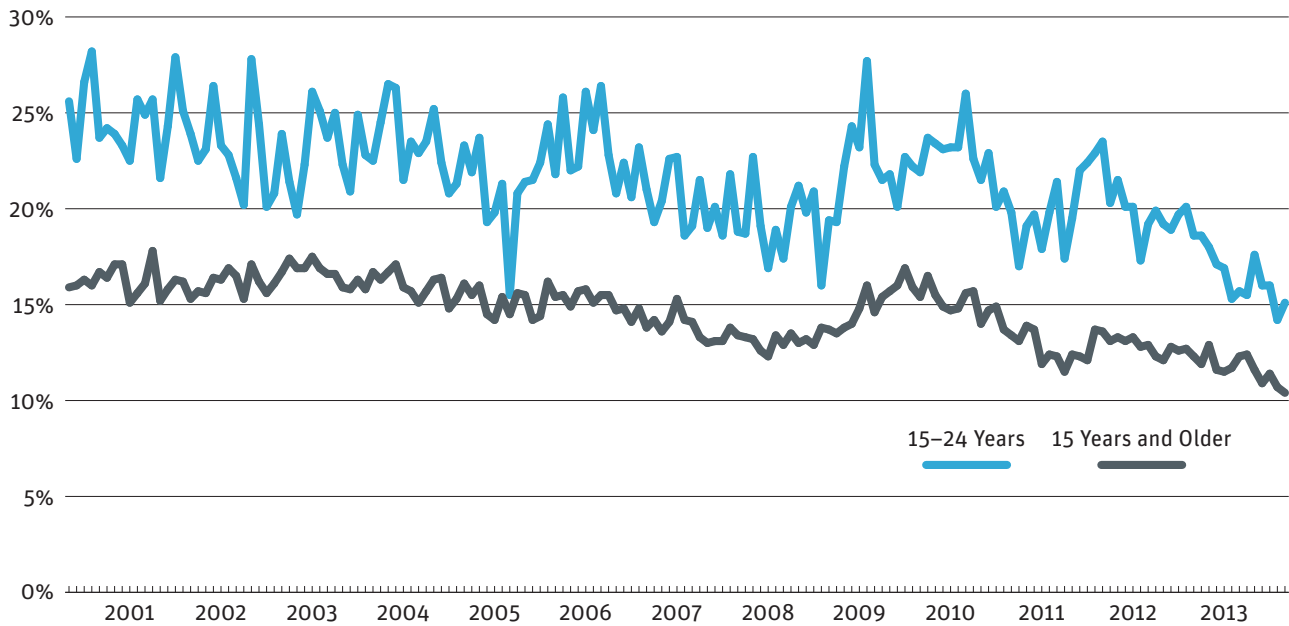
On the face of it, though, this would suggest that while out-migration is certainly significant, as a trend it appears to be slowing, stalling, and in some cases reversing, particularly in the 25–44 age category.

Youth Unemployment

While the current youth unemployment rate (15%) in Newfoundland and Labrador is higher than that in the rest of Canada (13%), since the recession it has seen (more than) a full recovery, and since 2004 has improved in comparison to the Canadian average over the same period. Significantly, the youth unemployment rate in NL was once well above the Canadian average at a whopping 25%.

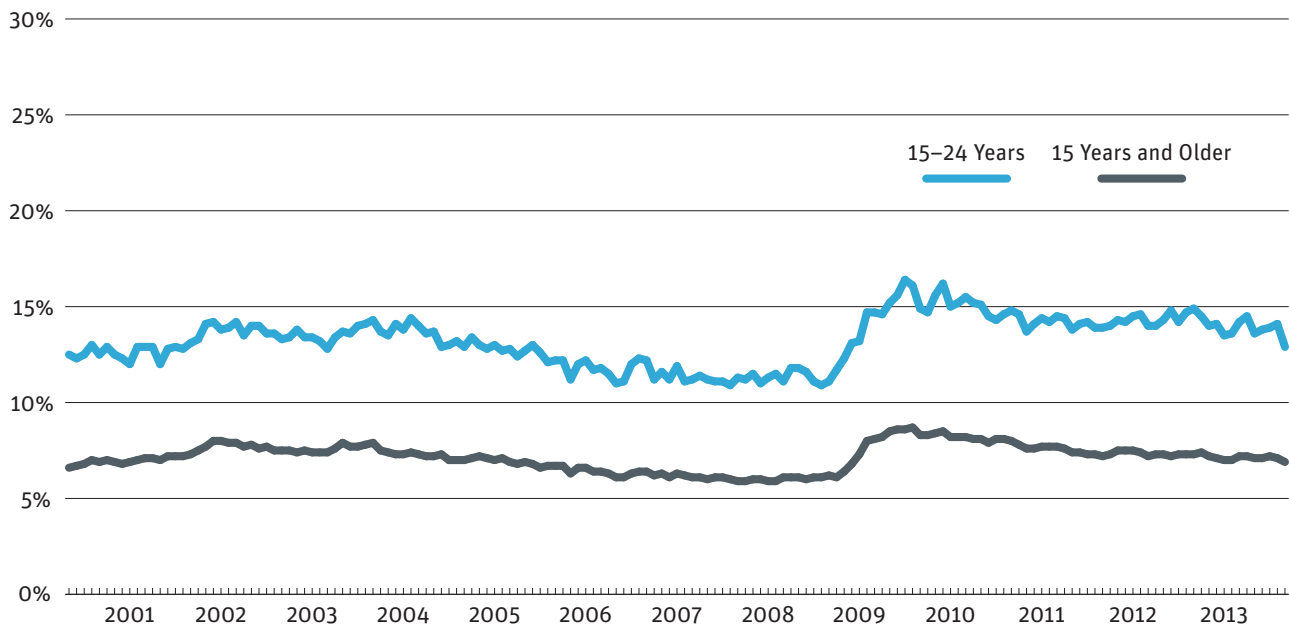
Nationally, 29% of all unemployed people are youth compared to 21% in Newfoundland and Labrador, which would suggest — broadly — that youth unemployment in this province may not be as significant an issue as it is in the rest of the country. (Interestingly, while in Canada 15% of the unemployed are over 55, that number rises to 27% in NL suggesting that this age group may be benefitting less from the province’s recent economic growth.)

FIGURE 5 Unemployment Rate, Canada



Source: Statistics Canada. CANSIM Table 282-0087

FIGURE 6 Unemployment Rate, Newfoundland and Labrador



Source: Statistics Canada. CANSIM Table 282-0087

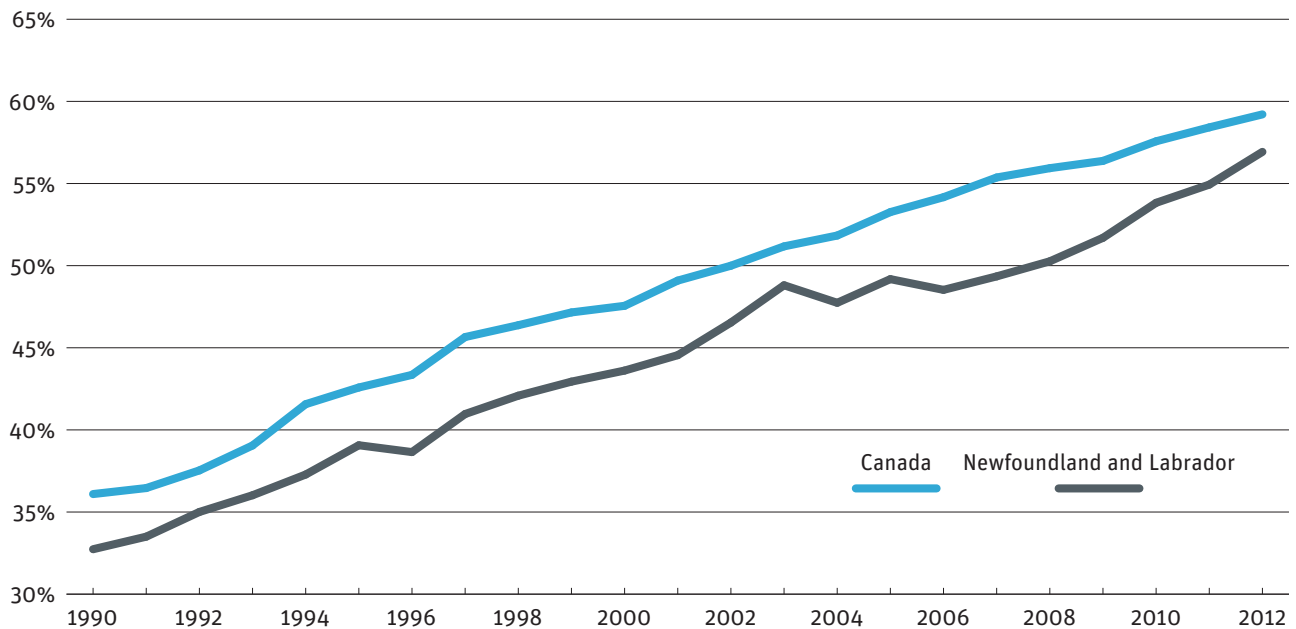
Unemployment and Educational Attainment

Looking at the unemployment numbers more closely, and cross-referencing them with educational attainment, reveals some interesting nuances to the declining rates of youth unemployment in Newfoundland and Labrador.

The percentage of the labour force in Newfoundland and Labrador with a college certificate or university degree is slightly less than the Canadian average, although it appears the gap may be narrowing. A more specific breakdown indicates that there are more Newfoundland and Labrador workers with a college certificate and slightly less with a university degree than the Canadian average. Attainment rates at both college and university continue to rise in Newfoundland and Labrador (roughly in line with Canadian trends), suggesting that the number of workers with postsecondary qualifications will continue to increase in the province.

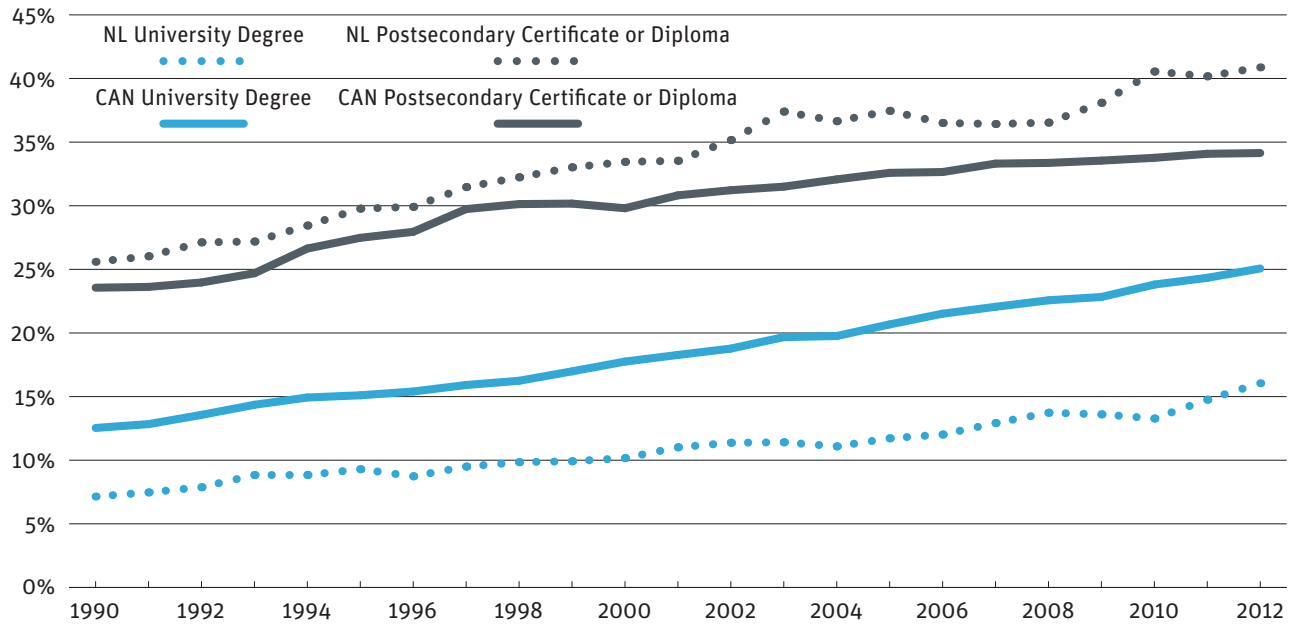
The unemployment rate in Newfoundland and Labrador (11%) is higher than the Canadian average (6.9%). But for individuals with university degrees, unemployment rates in Newfoundland and Labrador are similar to the Canadian average — in fact, in 2011 and 2012 Newfoundland and Labrador's rates were actually lower than they were for other university-educated

FIGURE 7 Percentage of the Labour Force with a College Certificate/Diploma or a University Degree



Source: Statistics Canada. CANSIM Table 282-0004

FIGURE 8 Educational Attainment of the Labour Force



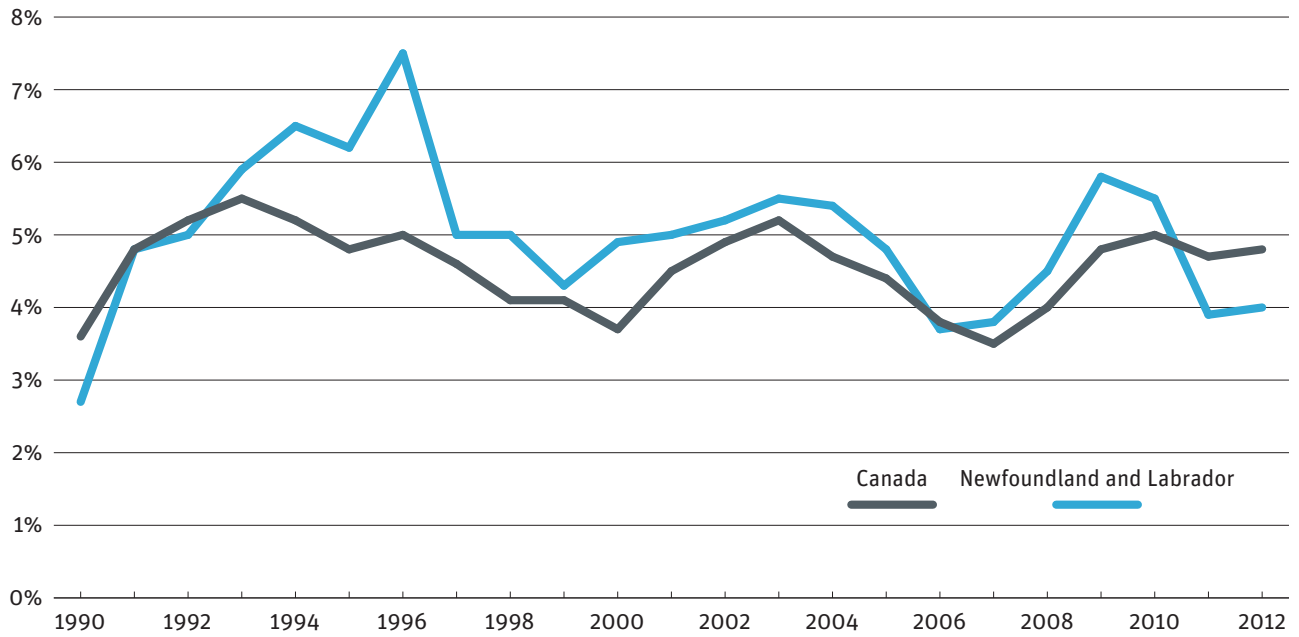
Source: Statistics Canada, CANSIM Table 282-0004

Canadians. This may simply mean that unemployment generally does not directly affect the university educated in Newfoundland and Labrador — or elsewhere — anywhere near as seriously as it does those with less education.²⁷

Conversely, while making up a larger-than-average percentage of the labour market, workers with college degrees or certificates have, on average, higher unemployment in NL compared to the rest of Canada. However, recently the gap between the two rates has lessened somewhat from its widest point in the 2000s.

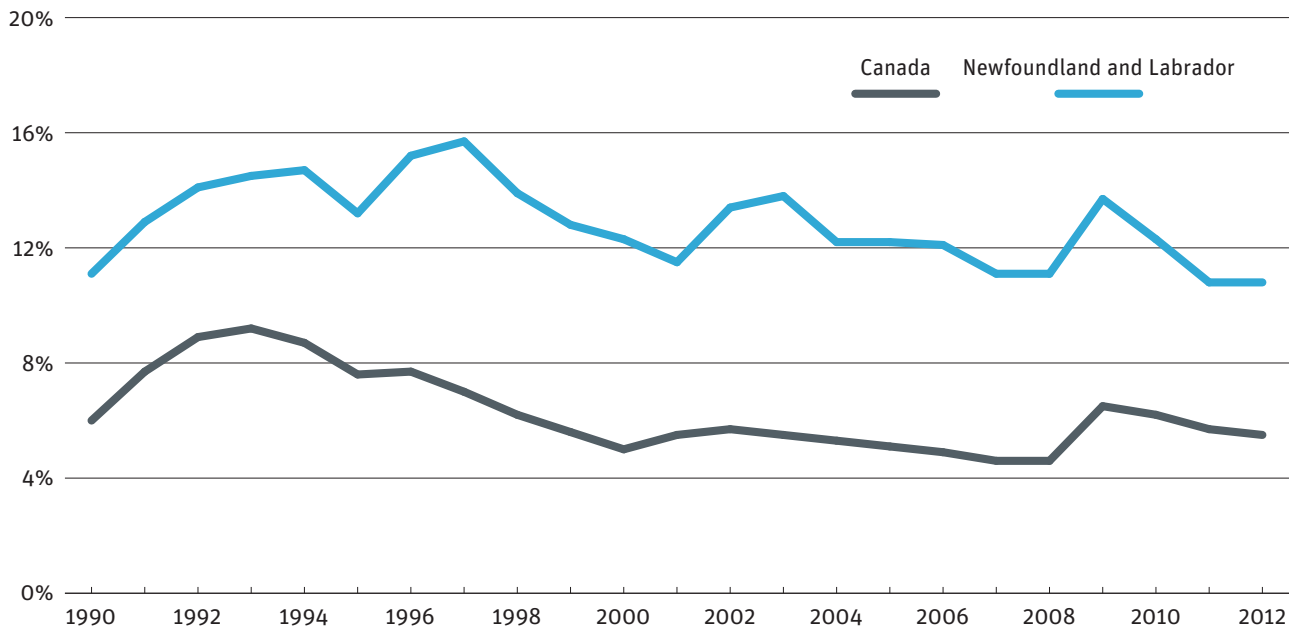
There has been some restructuring in Newfoundland and Labrador’s college sector as well. While tuition fees remained frozen at the College of the North Atlantic, funding was cut by \$15 million and Adult Basic Education programs were eliminated.²⁸ A number of other programs were also eliminated from several campuses in order to, according to the College, “ensure our program offerings match student and labour force demands”.²⁹

FIGURE 9 Unemployment Rate for Individuals with University Degrees (%)



Source: Statistics Canada. CANSIM Table 282-0004

FIGURE 10 Unemployment Rate for Individuals with College Diplomas/Certificates (%)



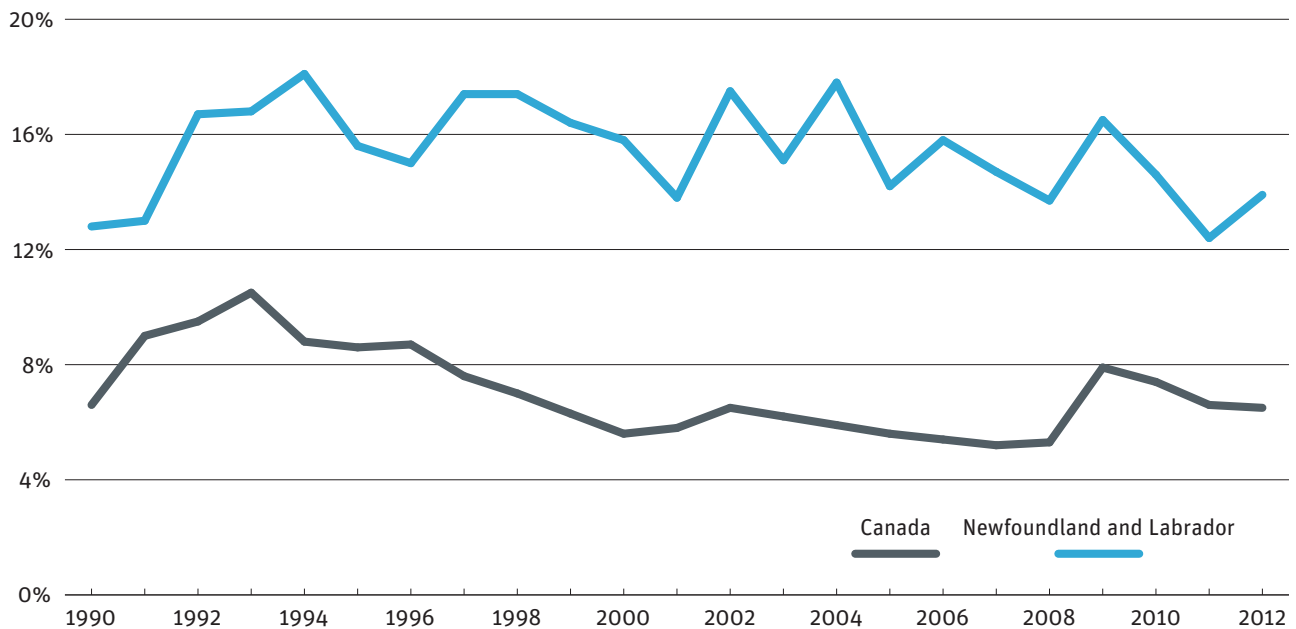
Source: Statistics Canada. CANSIM Table 282-0004

Unskilled Labour

When it comes to unskilled labour, however, Newfoundland and Labrador workers fall significantly behind their Canadian counterparts. NL workers with a high school diploma have a 13.9% unemployment rate – much higher than the Canadian average for this category of 6.5%. Over the past decade the unemployment rate for workers in this category has been between 2–2.5 times higher in Newfoundland and Labrador than the rate for comparable workers in the rest of Canada.

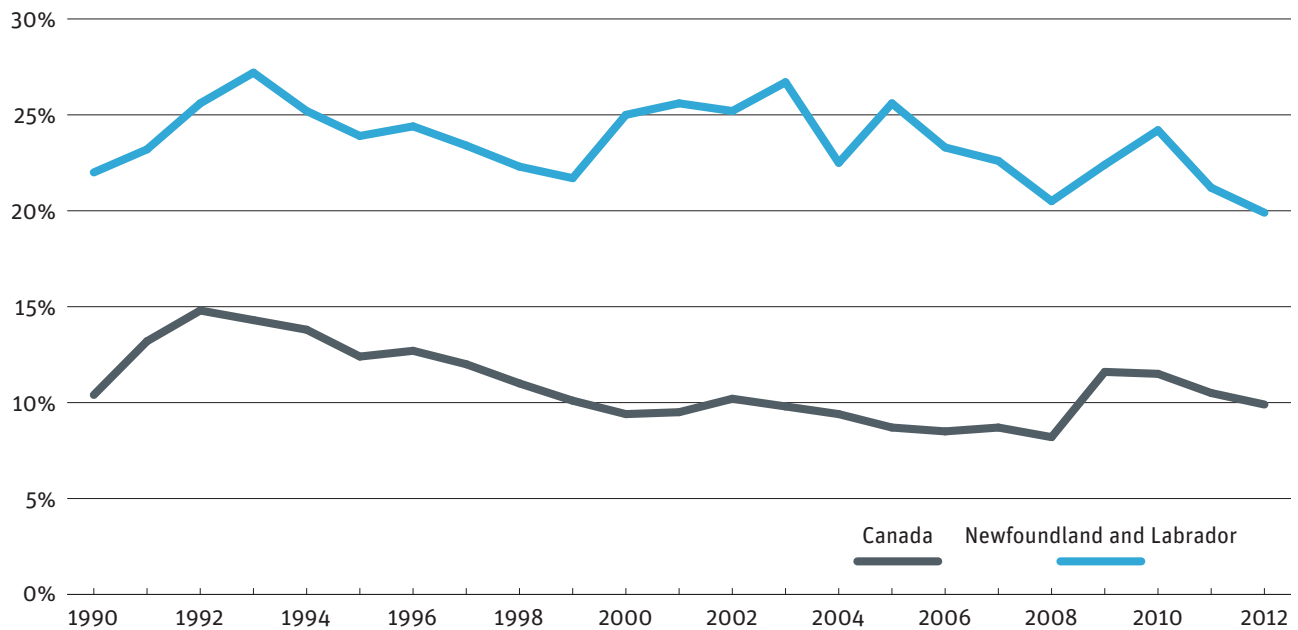
The situation is even more dire for workers who did not complete high school – a 19.9% unemployment rate in Newfoundland and Labrador compared to 9.9% in the rest of Canada. That a quarter of Newfoundland and Labrador’s workforce has not finished high school makes this disparity even more troubling³⁰ although high school dropout rates have fallen significantly in the province.³¹

FIGURE 11 Unemployment Rate for High School Graduates (%)



Source: Statistics Canada, CANSIM Table 282-0004

FIGURE 12 Unemployment Rate for Individuals Without High School Diplomas (%)



Source: Statistics Canada, CANSIM Table 282-0004

Involuntary Part-Time Employment

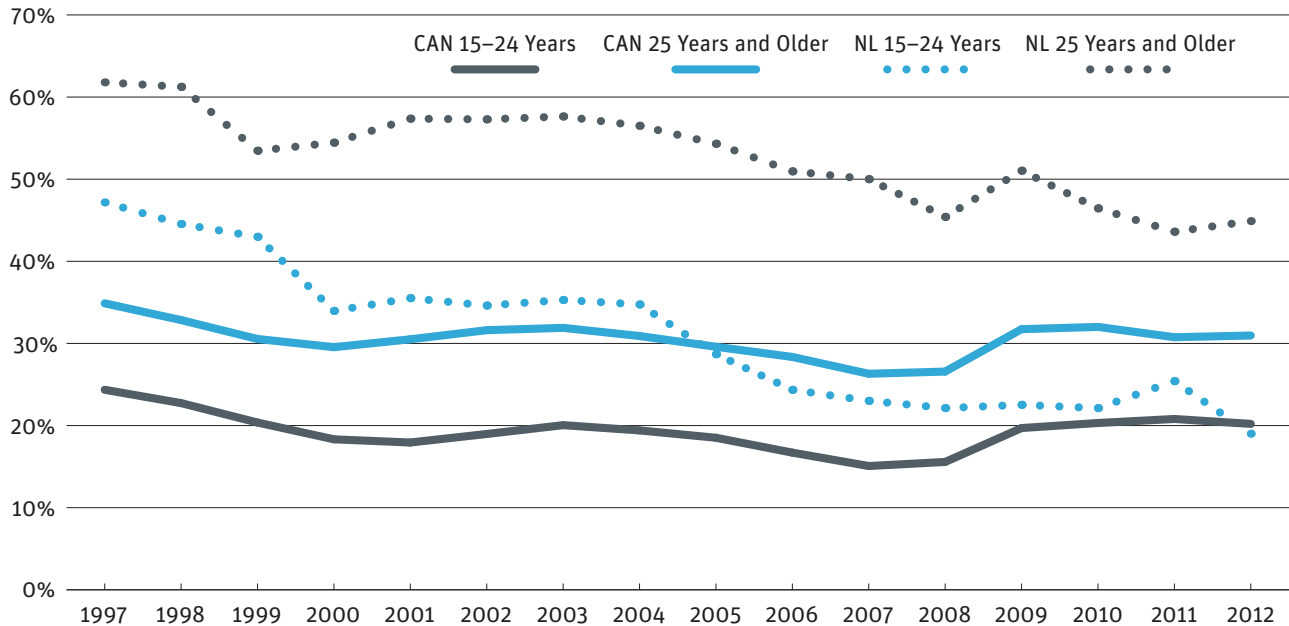
While the percentage of Newfoundland and Labrador workers in the “involuntary part-time” category is significantly higher than it is for the rest of Canada as a percentage of total part-time employment, the youth rate (15–24) of involuntary part-time in Newfoundland has declined significantly since 1997, in part because more youth have indicated they are *voluntarily* working part-time while “going to school”. Over the same time period, the involuntary part-time employment rate has remained fairly consistent for the rest of Canada (15–24 and 15+).

Unionization

In 2012, the Canadian unionization rate was 29.5%, and 37% in Newfoundland and Labrador. The rate for younger Canadian workers (15–24 years) was 14.2%, and 28.4% for (25–34 years), both fairly consistent since 2008.

The rate for 15–24 year old workers in Newfoundland and Labrador was similar to that of their Canadian counterparts (14.7%, also fairly consist-

FIGURE 13 Involuntary Part-Time Employment as a % of Total Part-Time Employment



Source: Statistics Canada, CANSIM Table 282-0014

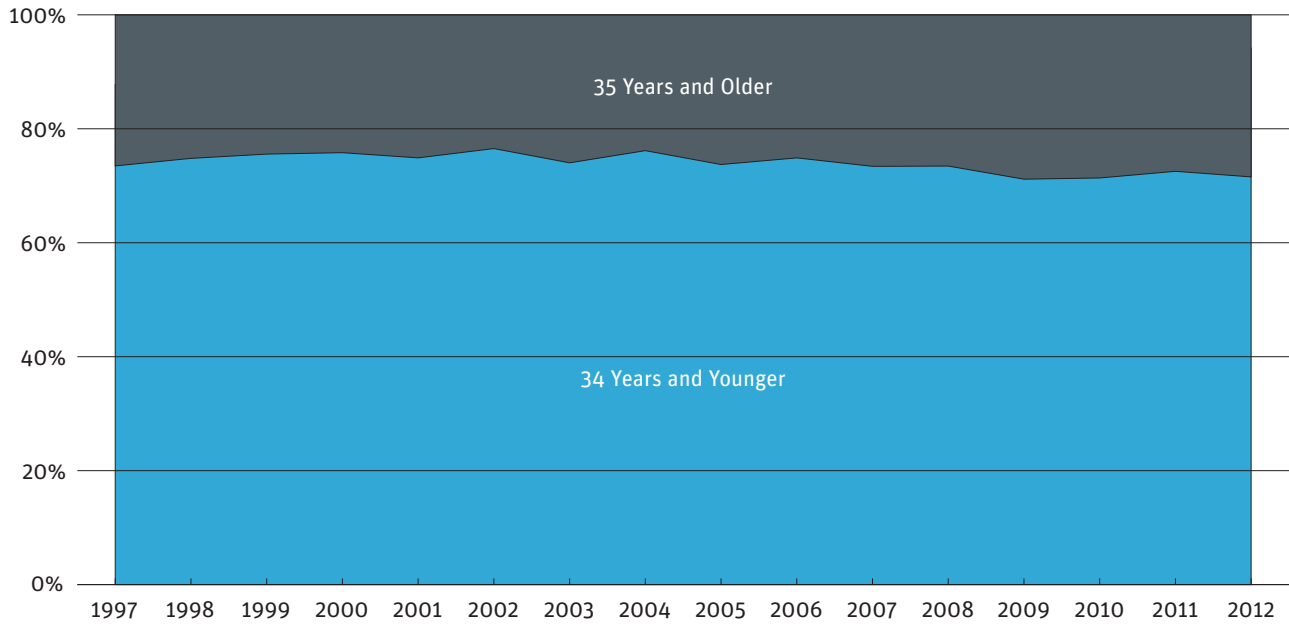
ent since 2008, with a growing workforce) and 35.4% for workers aged 25–34 – much higher than in the rest of Canada.³²

Minimum Wage

Since 1980 the minimum wage in Newfoundland and Labrador has increased from \$3.15/hr to \$10/hr (2.2 times, in line with the Canadian average of 2.1 times from \$3.34/hr to \$10.18/hr). Currently, the minimum wage in Newfoundland and Labrador is approximately at the Canadian average. The minimum wage in Newfoundland and Labrador is set to increase to \$10.25 in October 2014, and to \$10.50 in October 2015.

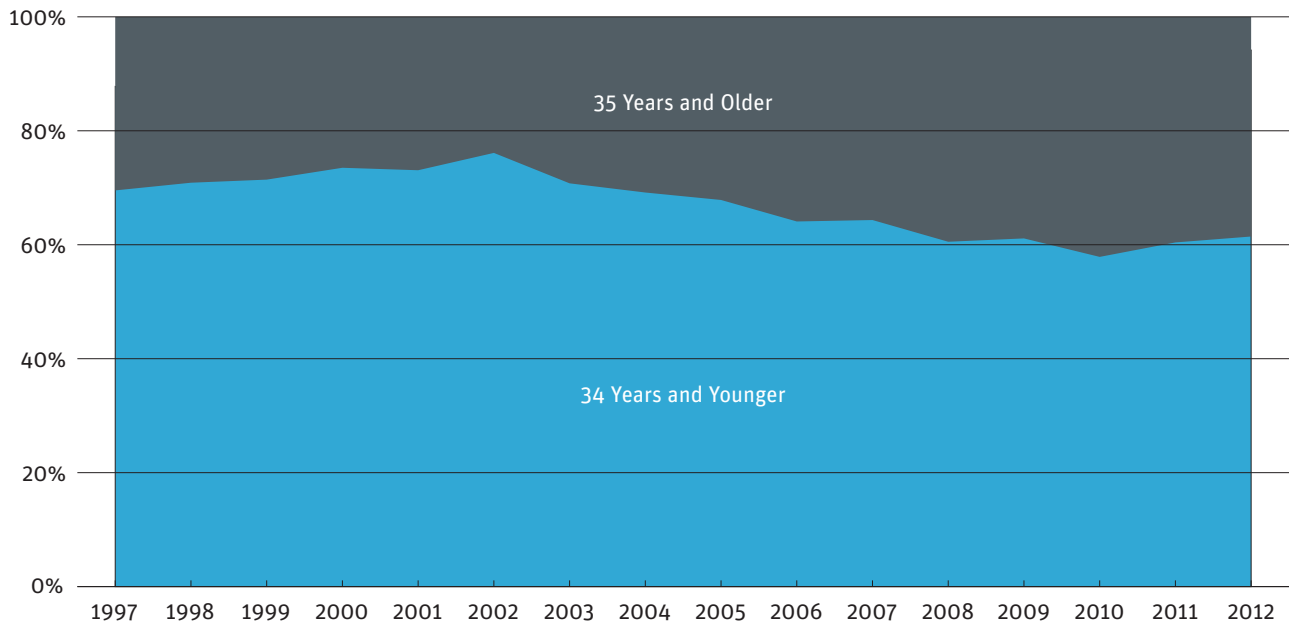
In terms of minimum wage increases since 1980, Newfoundland and Labrador trails PEI, Nova Scotia, Ontario, and Manitoba and beats the other provinces. However, while better than Alberta (\$9.95), NL's present minimum wage of \$10/hr is tied with Saskatchewan, New Brunswick and PEI, and slightly below that of Nova Scotia (\$10.30), Quebec (\$10.15), Ontario (currently \$10.25 although the government recently announced it will rise to \$11), Manitoba (\$10.45) and British Columbia (\$10.25).

FIGURE 14 Minimum Wage Workers in Canada



Source: Statistics Canada, Labour Force Survey, custom tabulation

FIGURE 15 Minimum Wage Workers in Newfoundland and Labrador



Source: Statistics Canada, Labour Force Survey, custom tabulation

There have been some interesting shifts (1997 to the present) in the percentage of the workforce in Newfoundland and Labrador working for minimum wage.

Compared to the Canadian average, there is a higher proportion of minimum wage workers 35 and older in Newfoundland and Labrador – and conversely, a lower percentage of minimum wage workers 34 and under. The proportion between the two has remained relatively constant in Canada since 1997. However, after gradually rising from 1997, there is a turning point in 2002 in Newfoundland and Labrador, when the percentage of minimum wage workers under 34 in the province began to decline fairly steadily. (Notwithstanding a slight uptick since 2010, it is still significantly lower than its highpoint in 2002.)

Who's Benefitting from Economic Growth?

There is no question that Newfoundland and Labrador has experienced tremendous economic growth since the mid 2000s, largely as a result of offshore oil stores. However, the benefits of this growth are not being shared equally.

While in the early 2000s the province's median hourly wage lagged behind the Canadian average, as of 2012 that difference has been eliminated.

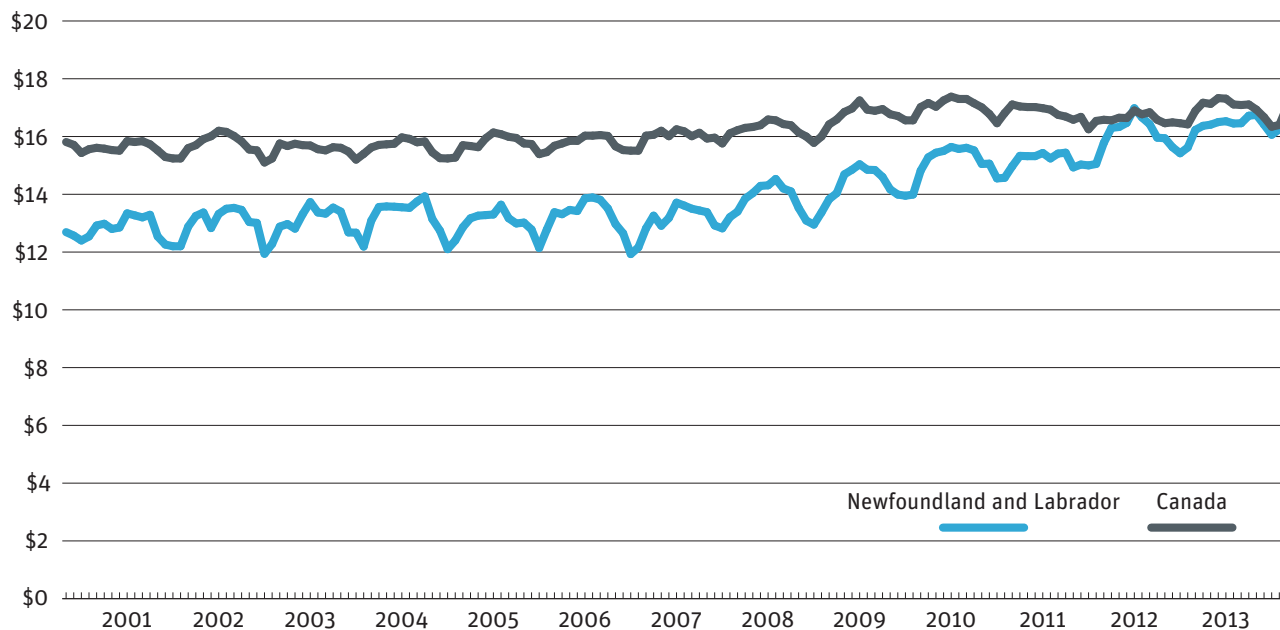
As noted earlier, the trend towards the average worker catching up is relatively recent. If we look back to 1982, income gains since that time have not been uniform; the top 1% has seen a real increase in pre-tax pay of 61%, while the bottom 90% saw a 29% real increase.

This is still a more equitable distribution than the Canadian average where the top 1% increased their pay by 71% and the bottom 90% enjoyed only a 6% real pay increase.³³

Youth in NL have seen the biggest wage increases since 2006, particularly in the goods sector where wages are up 51% compared to the 7% Canadian average. Much of this rapid increase (particularly on the goods side) is as a result of increased wages in the construction industry; wages there have doubled since 2006. It should be noted, though, that as an economic driver, construction – while intense – can be temporary; and so the degree to which this growth can be maintained bears further analysis.

A similar trend in real wage growth is seen for the province's middle-aged workers. However, while the provincial average is better than the Canadian one, older workers in Newfoundland and Labrador have not seen as

FIGURE 16 Median Hourly Wage



Source: Statistics Canada, CANSIM Table 282-0071

TABLE 1 Increase in Real Wages by Age and Sector, 2006–13

	Goods	Services
Canada		
15 to 24 Years	7%	12%
25 to 54 Years	9%	6%
55 Years and Older	5%	6%
Newfoundland and Labrador		
15 to 24 Years	51%	38%
25 to 54 Years	42%	28%
55 Years and Older	23%	9%

Source: Statistics Canada, CANSIM Table 282-0071

rapid or as dramatic an increase compared to other workers in the province (especially in services).

Conclusion

There is little question that in Canada the conflation of consumer and student debt, a precarious economy and job market, and entrenched inequality has created a much less certain environment for young people anxious to put their education and themselves to work, and begin adulthood.

Within this national context, Newfoundland and Labrador is a province that has undergone tremendous change over the past two decades: from fairly consistent out-migration and declining population to evidence that these trends have slowed and may be reversing; a massive reduction in tuition fees such that the costs of attending Memorial University are comparable to what they were 20 years ago; and significant economic growth largely as a result of spillover effects from the offshore oil industry.

We know that, in the growth of real wages, young workers in Newfoundland and Labrador fare better on average than young workers in Canada. In fact, workers at all ages in this province have experienced more wage growth than comparable workers in the rest of Canada, although the gains decline with age. And unemployment rates for workers over 55 in Newfoundland and Labrador are at 27%, compared to the Canadian average of 15%, suggesting that this age group may be benefiting less from the province's economic growth.

Minimum wage distribution is also quite different. There are significantly fewer workers under 35 making minimum wage in Newfoundland and Labrador than the Canadian average — and that number has been gradually and fairly consistently declining since 2002. Conversely, more workers over 35 in Newfoundland and Labrador are making minimum wage than in the rest of Canada.

Youth unemployment rates in Newfoundland and Labrador have also improved since the recession much more rapidly than average youth unemployment rates in Canada, dropping from a high of 25% to a current 15%, close to the Canadian average. However, a closer look at those numbers indicates that having a university degree is key to employment; workers with college certificates — while they make up a larger percentage of the workforce — or high school diplomas do not fare anywhere near as well where the Canadian average unemployment rates are concerned. This certainly

underscores the need to ensure university in Newfoundland and Labrador continues to be affordable and accessible. But it also highlights the precarious employment and economic situation of those who, at all ages, do not have a degree, those earning minimum wage, or those who are unemployed (including those working involuntary part-time). It also highlights the need for a strong labour movement to advocate for all workers, particularly the most vulnerable, across all age groups.

The economic growth in the province has not been shared equally, but it appears that rising inequality in St. John's has been kept in check more effectively than in other major urban centres experiencing significant economic growth (Calgary and Vancouver, for instance). This is a promising finding.

Young workers have also experienced significantly more wage growth than their counterparts in the rest of Canada. This is within the broader context of growth in median wages in Newfoundland and Labrador that began to climb in 2008 (at a much faster rate than the national average) and have since converged with the Canadian median hourly wage after being more than \$3.00 lower from 2000–06.

To conclude, there is no question that there is significant momentum in Newfoundland and Labrador. Median hourly wages are increasing, coming in line with the Canadian average. A lower percentage of young workers are on minimum wage (conversely, a higher percentage of workers 35 and older are on minimum wage). And there has been tremendous growth, far outstripping the Canadian average, in hourly wages in goods and services, particularly where younger workers are concerned. However, we have seen in other provinces how sudden growth can also result in increased (and entrenched) inequality, particularly in major urban centres; this is something that has not happened overwhelmingly in St. John's, but it is worth watching, particularly as it already appears older workers in Newfoundland and Labrador are not benefiting equally from the province's recent economic growth, and may in fact be growing more vulnerable.

Notes

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