

Help Not Wanted

Federal Public Service Cuts Have Hit Student Hiring Hard

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Summary

At a time when youth unemployment is high and many university students are struggling to find jobs or co-op placements, the federal government has significantly cut the number of students it hires. Previous media stories — a 2012 *Globe and Mail* article and a 2013 *Ottawa Citizen* article — provide only anecdotal accounts of reduced public sector opportunities for students or the difficulty university co-op departments have had finding government placements.

New data, presented here for the first time, demonstrates that summer hiring of students in the federal public service has declined by more than a third (36%) from 10,894 in summer 2009 to under 7,000 in the last two summers. Non-summer hiring of students has declined an average of 23%.

Youth unemployment is a serious problem in Canada and the federal government is not helping the situation. Given the tough labour market for youth and the limit-



ed opportunities for students, the federal government should be expanding, not reducing, the number of student placements in the public service.

Youth Unemployment and Struggling Students

Canada has a youth unemployment problem.

The annualized youth unemployment rate in 2013 was 13.7%, 2.3 times the adult unemployment rate (for those above 25 years old)¹. This is slightly below the unemployment peak of 15.2% in 2009 but this decline is still deceptive since an individual needs to be looking for work to be counted in the unemployment rate and youth rates of labour force participation have decreased since 2009 as some young people have given up looking for work. The employment rate — the number of young people actually with jobs — has steadily declined since 2009. In raw numbers, there were 387,000 unemployed youth in 2013.

The problem is particularly acute for university and college students.

Working during the summer or part-time during the school year is often thought of as a way for students to help finance their education and minimize their student debt. It takes more than twice as long for a student making minimum wage to pay for the cost of university now, compared to a student in 1975²; and, in the face of rapidly rising post-secondary education costs and often inadequate funding, many students find that they *need* to work during their education. Some provinces even assume minimum levels of student employment during the year as a component of how they calculate student aid³. But beyond the financial motivations of working during education, many students work to gain practical experience, learn new skills and improve their post-graduation employability.

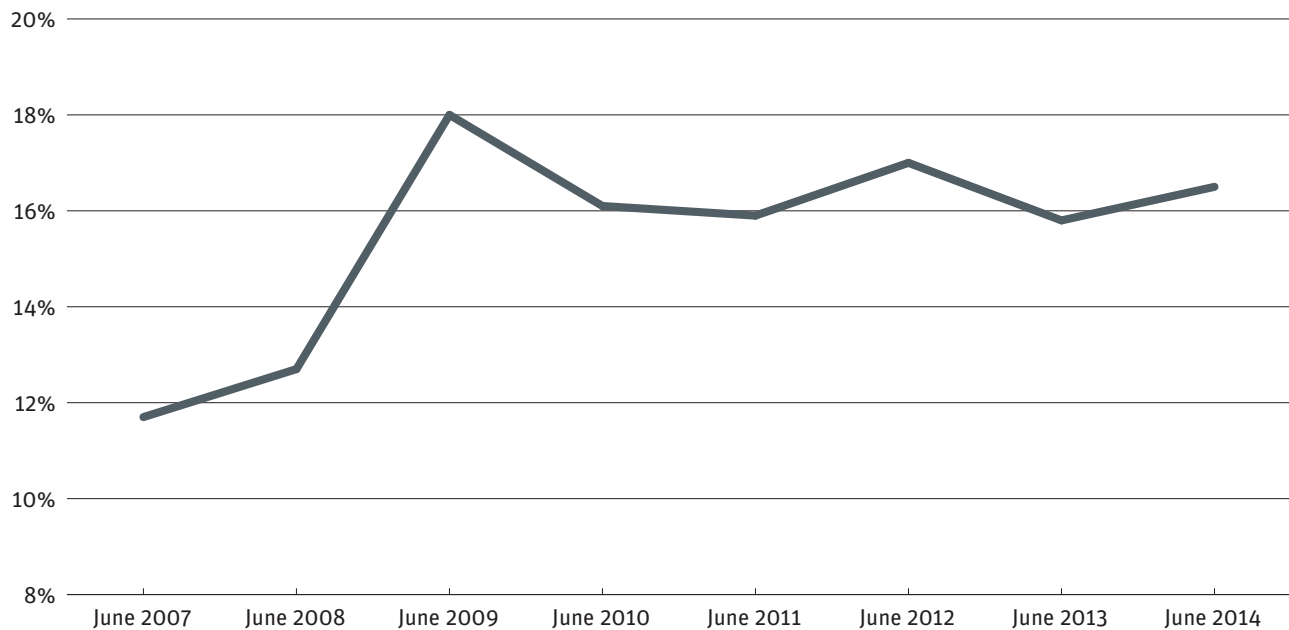
However, for the sixth summer in a row, students are struggling to find summer jobs.

The unemployment rate for full-time students was 18.3% in May 2014 and 16.5% in June 2014⁴. (Higher student unemployment at the beginning of summer is a general pattern and it almost always falls between May and June as students either find positions at the beginning of summer, give-up looking or decide to take summer classes instead.) Looking at year-over-year trends, it is easy to see how student summer employment has been affected by the 2008–09 recession and the slow recovery.

It's clear students have not fared well in the post-recession period.

Student summer unemployment has barely recovered from the economic shocks of 2008–09 and has been stagnant since the summer of 2010. And as with youth employment in general, the summer employment rate for students has not recovered at all since the worst of the recession; the decrease in the unemployment rate has been a phantom improvement caused by fewer students looking for jobs.

FIGURE 1 Year-Over-Year Student Summer Unemployment Rate (Full-Time Students 15–24)



SOURCE Statistics Canada, CANSIM table 282-0006, “Labour force survey estimates (LFS), by students during summer months”. Full-time Students, aged 15–24.

In raw terms, there were 106,000 full-time post-secondary students (those between 20–24) who wanted to work in June 2014 but who couldn’t find a job.

This problem of youth unemployment has received significant recent coverage; in addition to the CCPA, the Broadbent Institute, Canada 2020, TD Economics, the House of Commons Finance Committee and others have all released major research reports on youth unemployment.

The conclusion of this research is unmistakable: there is clearly a youth unemployment problem in Canada and it’s one that has large economic costs. Youth who experience a period of unemployment earn less over their career — even decades later — than their peers. As a recent TD Economics⁵ report explains: “There is general consensus among labour economists that a spell of unemployment at an early stage of a worker’s career imposes a persistent wage penalty that could last for their entire working lifetime. This effect is known as ‘scarring’.” And while there is some debate over why and how this scarring occurs, “in all studies there is a common finding: youth unemployment causes long-lasting wage penalties.”

And individuals who graduate during periods of high youth unemployment, even if they aren’t personally affected, earn less. One Canadian study, cited by the TD economics report, found that those graduating during a period of high youth unemployment compared to periods of normal youth unemployment earn starting salaries 9%

lower and make 4.5% less during the first decade at work. The 2013 TD economics report estimated the economic costs of these effects as equal to 1.3% of Canada's GDP or more than \$23 billion dollars, spread out over the next 18 years.

The economic costs of youth unemployment extend beyond the 'scarring effect' and lost wages. According to a recent policy paper by Canada 2020, youth unemployment and underemployment represents a significant economic challenge to Canada's future prosperity, by undermining the strength and quality of Canada's human capital and underutilizing our workforce⁶.

A survey by the Broadbent Institute found that millennials — influenced by the post-recession economy — have developed a pessimistic outlook about their future employment prospects, envisioning more precarious and short-term jobs than in previous times. Both young people and their parents feel that economic opportunities are far worse today than when the baby boomers were starting out.

Much of the existing research covers the decline in private sector opportunities for students or the decrease in the quality of those opportunities, which are more precarious and include more unpaid internships. By providing information about how youth opportunities have declined in the public sector, this research paper adds a previously undiscussed dimension to that important conversation.

Federal Cuts to Student Hiring

As I have noted elsewhere, federal program cuts have hurt students⁷. When the Conservatives came into power in 2006, they cut the old Summer Career Placement Program that provided summer work experience for up to 55,000 students and replaced it with the Canada Summer Jobs Program — but only for half as many students. Despite the worsened labour market conditions, the Canadian Summer Jobs Program still only provided 36,077 subsidized placements in 2012–13 and funding for the government's umbrella program, Youth Employment Strategy has been cut from \$275 million in 2010–11 to \$211 million in 2012–13. And the new federally-funded internship programs announced in the 2014 budget, which only provide 4,000 spaces, come nowhere close to addressing the problem⁸.

Beyond these specific program cuts, new data shows that cuts to the federal public service have significantly reduced the number of students that are hired by the government itself.

Using data published by the Treasury Board Secretariat at OpenData.ca⁹ on staff complements by department and by tenure category ("Indeterminate" or Permanent, Casual, Term and Student workers), we can determine how many students are employed by the government on a quarterly basis since March 2008¹⁰.

For the most part, students in the federal public service are hired through two programs: the Federal Student Work Experience Program (FSWEP) and through academic co-ops arranged in partnership with universities and colleges. A small proportion of students in highly technical science fields may also be hired through Research Affiliate Program (RAP) into placements in government laboratories and a couple departments have specialized student recruitment programs that would count towards this number.

These are not make-work programs — students work in actual positions, providing value to the public service while gaining important, marketable experience. For example, part of the objective of FSWEP program is to provide opportunities for students to “develop their skills and improve their ability to find good jobs after graduation, offer insights into future employment opportunities, and help them evaluate their career options within the federal public service”. In addition, the programs provide recruitment streams into the public service and also allow students to introduce the latest information, techniques, and technology from their field of study into the public service.

Yet despite their value and objectives aimed at growing Canada’s human capital, the data shows that commitment to these programs has retreated significantly in recent years.

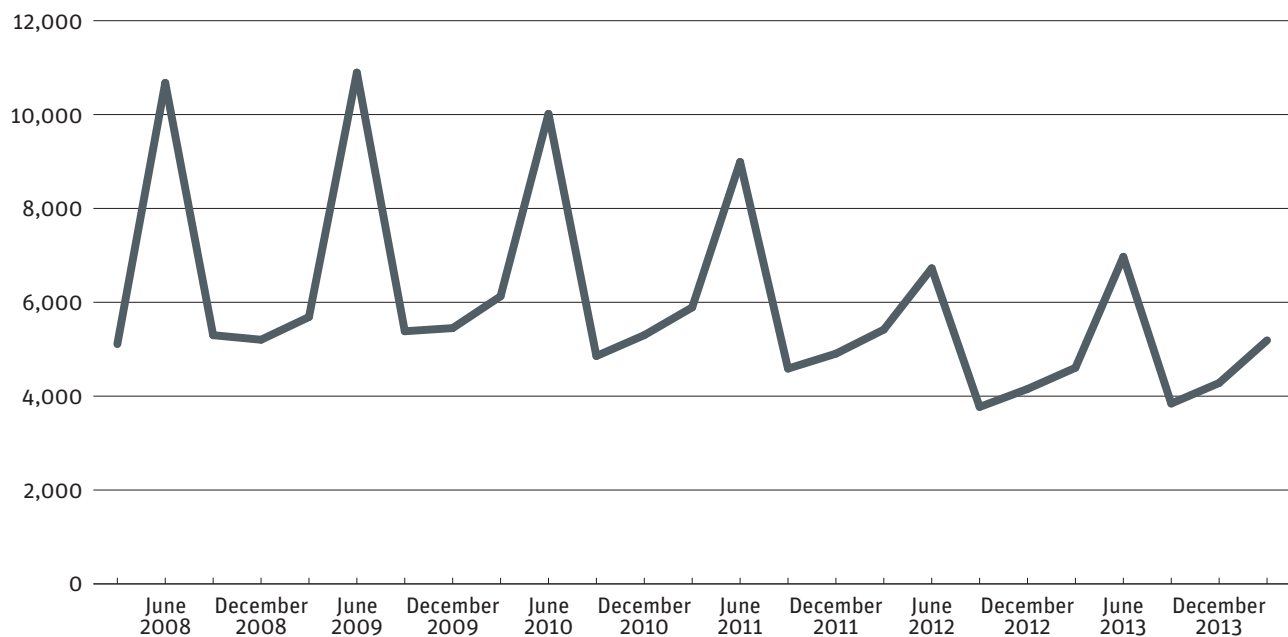
From 2009 to 2013, summer hiring by government departments decreased 36%, from 10,894 students in the summer of 2009 to fewer than 7,000 for the last two summers. For non-summer quarters, student staff complements decreased by an average of 23% from 2009 to 2013. (See *Figure 2*.)

Nearly 60% of the federal public service is located outside of the National Capital region, so although this data does not include regional breakdowns it is reasonable to assume that the decrease in student hiring will be somewhat spread out throughout the country.

It does not that appear that the decline in student hiring is part of a central directive or a central plan, but is simply the result of separate spending decisions in individual departments that have faced large budget cuts as the government attempts to eliminate the deficit before the next election. For individual managers facing tough budget cuts, deciding to eliminate student placements might have been an easy, logical way to meet spending targets while minimizing the impact on long-term staff. In aggregate, however, these cuts represent a decline in the opportunities the government provides to students and, on the part of the federal government, a retreat from helping to develop the skills of the next generation of Canadian workers.

In short, student placements in the public sector have been a casualty of the government’s austerity push and the rush to eliminate the deficit before the next election.

FIGURE 2 Students Working in the Federal Public Service (Quarterly)



SOURCE Government of Canada, "Population of the Federal Public Service by Department and Tenure". OpenData.ca, supplied by Treasury Board of Canada Secretariat. Aggregates based on author's calculations.

Conclusions

Some have argued that the federal government's prioritizing of austerity and cuts, which are a drag on the economy, is inconsistent with its stated concern over economic growth and jobs. The same is clearly true about youth unemployment; although the government's states that youth unemployment is a concern, its actions — the 2006 cut to youth programs, the meagre internship subsidy program, and significantly reducing the number of students it hires — tell a different story.

By reducing the number of students it hires in the summer by more than a third and in other times by about a quarter, the federal government has directly contributed to the problem of youth and student unemployment.

FSWEP and other student employment programs are an opportunity for the government to help young people build job skills and gain marketable experience; these programs should be protected from cuts.

In fact, given the extent of our current youth unemployment problems, we should act counter-cyclically and increase — not cut — the number of students hired by the government.

Notes

- 1 Statistics Canada, “CANSIM Table 282-0002”, Labour force survey estimates (LFS), by detailed age group, annual. Ratio is based on author’s calculations.
- 2 For more details, See CCPA’s interactive application, which calculates tuition by province and by program. <http://apps.policyalternatives.ca/>
- 3 See Jordan MacLaren (2014), “It’s Complicated: An Interprovincial Comparison of Student Financial Aid”. Canadian Centre for Policy Alternatives. July 17th, 2014: <https://www.policyalternatives.ca/publications/reports/it%E2%80%98s-complicated#sthash.2CKYpDep.dpuf>
- 4 Statistics Canada, CANSIM Table 282-0006, Labour force survey estimates (LFS), by students during summer months. Age 15–25
- 5 Schwerdtfeger, M. (2013). Assessing the Long Term Cost of Youth Unemployment. TD Economics Special Report. http://www.td.com/document/PDF/economics/special/ms0113_YouthUnemp.pdf (PDF)
- 6 Canada 2020 (2014), “Unemployed and Underemployed Youth: A Challenge to Canada Achieving its Full Economic Potential”, Policy Paper. July 3rd, 2014. <http://canada2020.ca/policy-papers/youth-unemployment/>
- 7 See: Kayle Hatt (2014), “For the Sixth Year in a Row, Students are Struggling to Find Summer Jobs”, CCPA’s Behind the Numbers Blog, July 17th, 2014. Available at <http://behindthenumbers.ca/2014/07/17/for-the-sixth-year-in-a-row-students-are-struggling-to-find-summer-jobs/>
- 8 See: Kayle Hatt (2014), “Youth employment measures in #bdgt14 do little to fix a big problem” CCPA’s Behind the Numbers Blog, February 11th, 2014. Available at <http://behindthenumbers.ca/2014/02/11/youth-employment-measures-in-bdgt14-do-little-to-fix-a-big-problem/>
- 9 Government of Canada, “Population of the Federal Public Service by Department and Tenure”. OpenData.ca, supplied by Treasury Board of Canada Secretariat. Available at <http://data.gc.ca/data/en/dataset/13c5b5c5-5bbb-48b1-907a-dc7c5975345d>. Aggregates based on author’s calculations. Note: This does not include crown corporations, the armed forces and some agencies that are paid by the federal government but are considered outside the public service.
- 10 This data does not directly reflect the number of individuals hired in any given quarter but instead shows how many students are on the government payroll at the end of each quarter. While anecdotally three month placements are the most common it is not uncommon for some students to be hired for longer periods or two-term co-ops and might be counted in two quarters.



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