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Should we include all unemployed high-school students in unemployment stats?

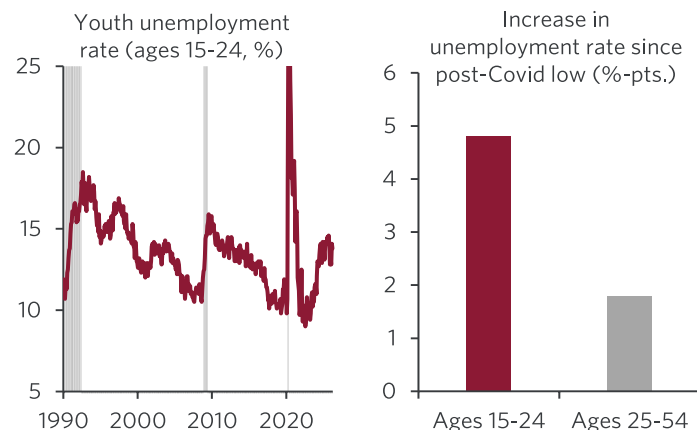
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The Canadian job market is not particularly robust at present, but it may be somewhat healthier than headline figures suggest. The official unemployment rate includes youth aged 15 to 19 who are enrolled in high school but also actively seeking employment, and this group is accounting for a higher than normal share of total unemployment at present. It is reasonable to argue that many of those high school students should not be classified as unemployed, as their primary focus is education.

Young and younger

It is clear that young Canadians are the main group affected by the current “no hire, no fire” job market. The youth unemployment rate (typically defined as ages 15-24) stands at approximately 14% after rising significantly since 2022, leaving it at a level that has been associated with recessions in the past (Chart 1, left). Youth unemployment has risen at over twice the pace seen in other age groups, with the unemployment rate in the 25-54 age group up by only 1.8%-points since the post-Covid low was reached in mid-2022 (Chart 1, right), leaving it at a still-elevated 5.8%.

Chart 1: Youth unemployment has risen much more than other age groups



Source: Statistics Canada, CIBC

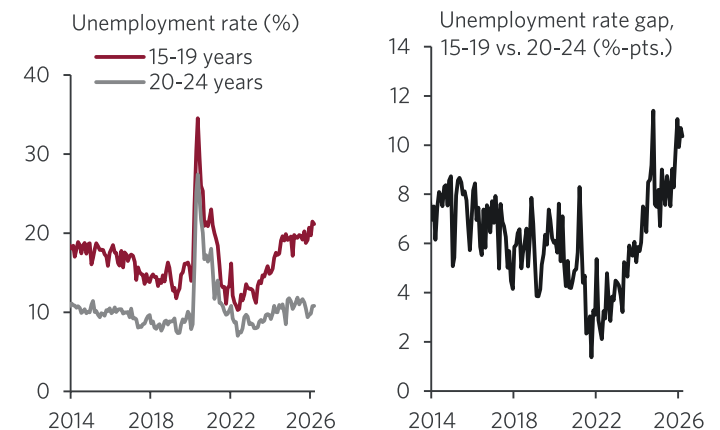
However, the definition of “youth” is broad. A 24-year-old, while still young, is at a very different stage in life compared to a 15-year-old high school student. The 15-24 age group must therefore be broken down into narrower segments. And doing that clearly shows that the rise in unemployment in the youth age group is concentrated among those aged 15-19 (Chart 2, left). That group has accounted for almost 60% of the total rise in unemployed youth since post-Covid lows, with the unemployment rate gap between the two age groups at the widest level seen since 2013 (Chart 2, right).

Unemployed High School Students

The distinction between youth age groups matters because nearly 85% of the 15-19 aged group are high school students (Chart 3), and a significant portion of them are active in the labour market. Statistically, this presents a challenge. Should an unemployed high school student be given the same weight as an older job seeker supporting a family?

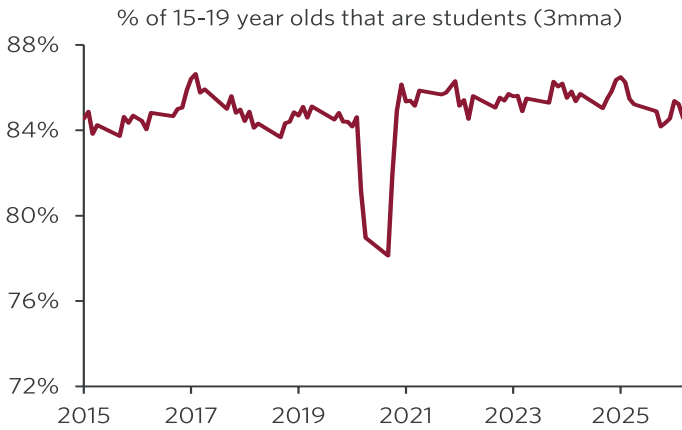
When high school students are excluded from the unemployment rate calculation, the total unemployment

Chart 2: Rise in youth unemployment is concentrated in the 15-19 age group



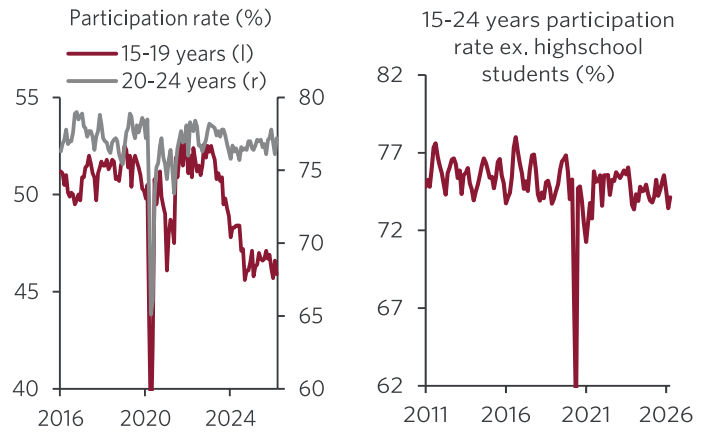
Source: Statistics Canada, CIBC

Chart 3: Share of 15-19 year olds that are students



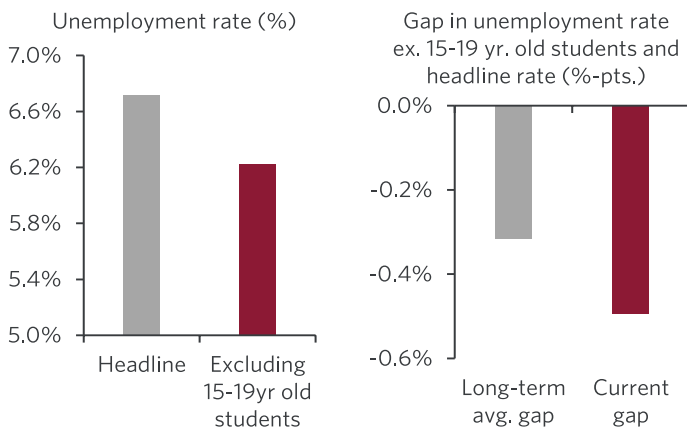
Source: Statistics Canada, CIBC

Chart 6: Drop in youth participation rate concentrated in 15-19 year olds



Source: Statistics Canada, CIBC

Chart 4: Unemployment rate looks lower when excluding high school students (l); the gap is at a wider level than normal (r)

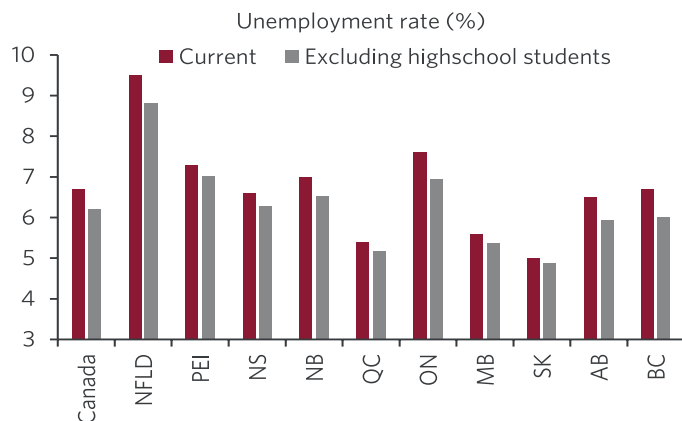


Source: Statistics Canada, CIBC

rate drops to 6.2% from the current 6.7% (Chart 4, left). In other words, without counting “unemployed” high school students, Canada’s unemployment rate is materially lower. Moreover, the gap between that adjusted measure and the headline unemployment rate is currently wider than normal (Chart 4, right), which might not be a good sign for the overall unemployment rate in the coming months. The impact isn’t evenly dispersed across the country, with BC and Ontario seeing the most significant lift to their unemployment rates from high school students, and the adjustment leaving Newfoundland and Labrador’s unemployment rate only a hair away from its post-Covid low achieved in early 2023 (Chart 5).

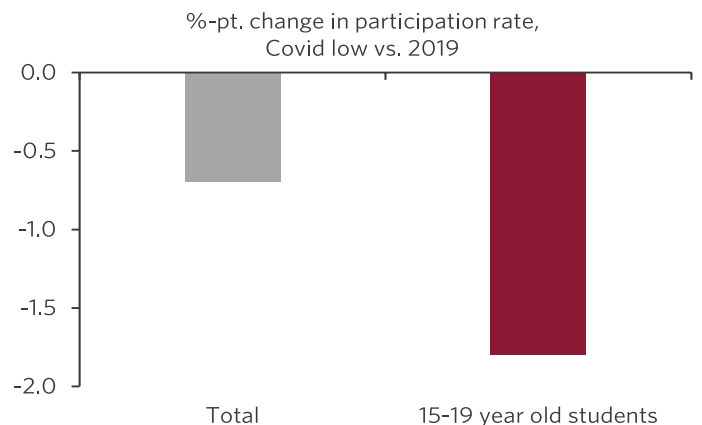
Concerns have also been raised about the declining youth labour market participation rate, which is sitting at a 27-year low (excluding the pandemic period). However, Chart 6 reveals that this decline is almost entirely due to reduced participation among high school students, with the participation rate not far from its average level when excluding that group. The fact that more high school students are prioritizing their studies over part-time work does not necessarily reflect underlying weakness in the broader labour market.

Chart 5: BC, Ontario, and Newfoundland and Labrador are seeing unemployment rates lifted materially by high school students



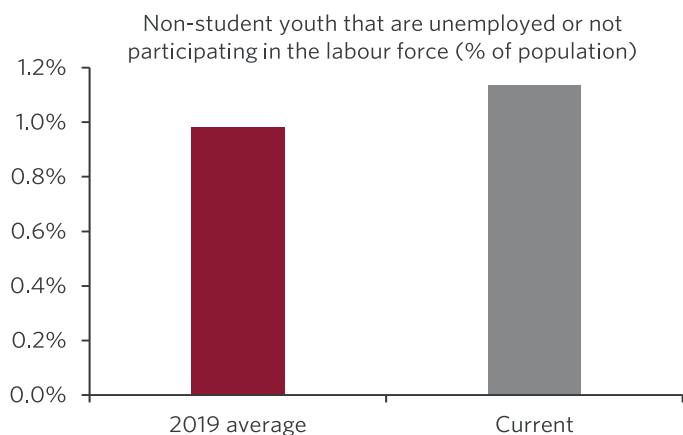
Source: Statistics Canada, CIBC

Chart 7: Students exited the labour force more readily than others during Covid



Source: Statistics Canada, CIBC

Chart 8: Non-student youth are seeing labour market attachment



Source: Statistics Canada, CIBC

It's all about commitment

Of course, some high school students must work to support themselves or their families, and it is difficult to precisely quantify that group. However, during economic downturns, those who truly need employment are more likely to continue job hunting, while those for whom work is optional tend to exit the labour force. This pattern was evident during the pandemic, as high school students' participation rates declined much more sharply than those of other groups (Chart 7).

From a policy perspective, attention should be directed toward youths who are neither enrolled in school nor participating in the labour market, as well as non-student youths who are unemployed. This vulnerable segment of the population now amounts to 470K, roughly steady from 2019 levels as a share of the total population (Chart 8).

None of this is meant to downplay the real challenges facing young Canadians in the labour market. Although the actual youth unemployment rate may be lower than the official figure, it remains unacceptably high. Additionally, the decline in the participation rate among those aged 15 to 19, while perhaps not a major concern from a macroeconomic perspective, is troubling because it means fewer young people are gaining valuable job market experience that could benefit them in the future.

Another important factor is the quality of employment available to young people. If young Canadians are predominantly working in jobs with limited opportunities for upward mobility, the negative impact is likely greater than it appears. Nevertheless, before implementing any policy measures to address these issues, it is essential to accurately assess their true scale — this is the primary objective of this report.

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