

# Youth in transition

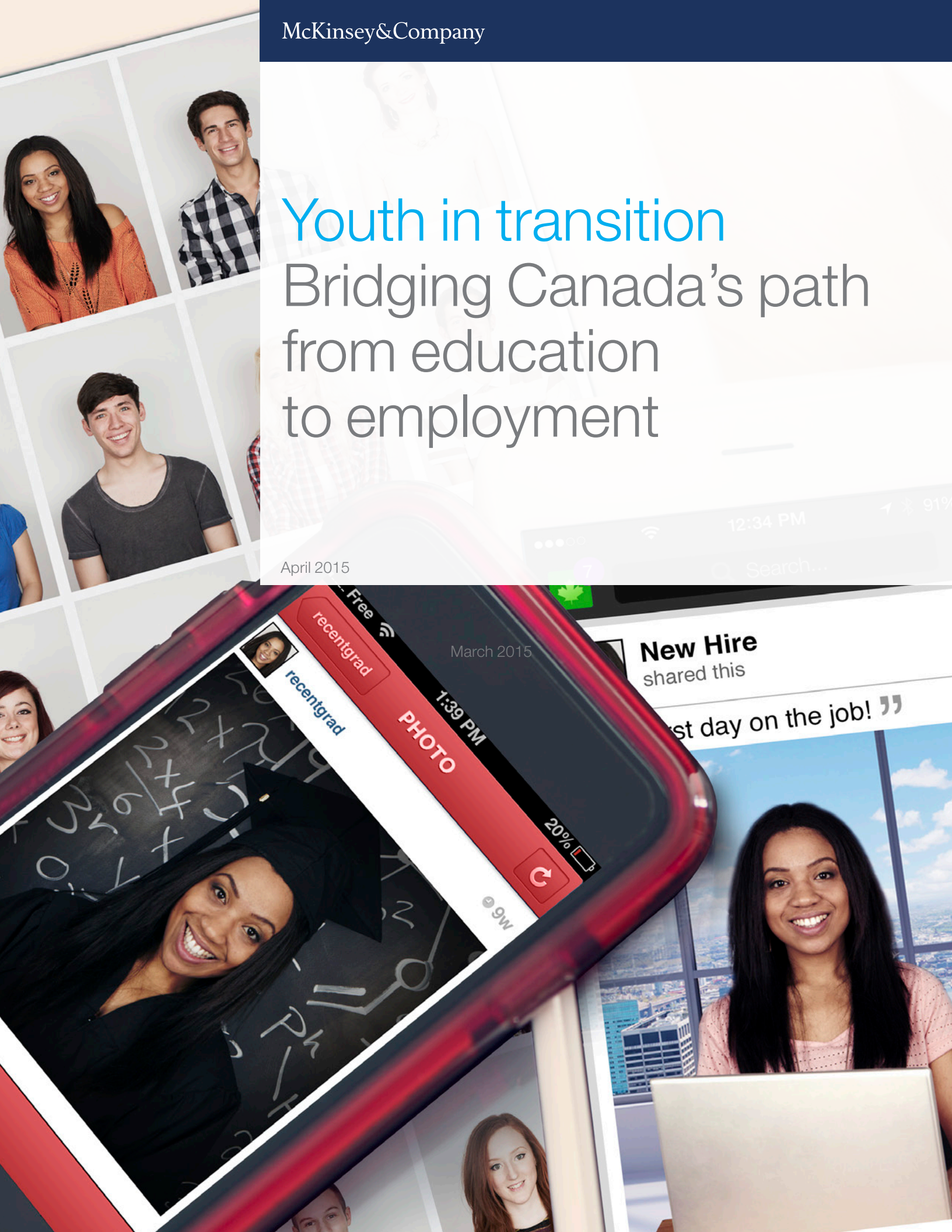
Bridging Canada's path  
from education  
to employment

April 2015

March 2015

**New Hire**  
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“Scarring a  
Generation”

– CBC (2013)

“The youth  
unemployment  
crisis that isn’t”

– Edmonton Journal (2014)

“Canada needs an  
action plan to fight  
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unemployment”

– The Globe and Mail (2014)

“How the myth of  
a Canadian skill  
shortage was  
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– Toronto Star (2014)

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# Youth in transition

Bridging Canada's path  
from education to  
employment



# Myth busted?

Recent headlines have been filled with dramatically differing messages about a Canadian skill shortage and youth unemployment. These reports have reached different conclusions, often using the same data sets. Adding to this is the complexity of a shifting oil price, and job losses in extractive sectors counterbalanced with potential job gains given the lower dollar. Not surprisingly, readers, and no doubt policy makers as well, are confused about what the actual issues are and what – if anything – to do about them.

McKinsey & Company Canada and the United Way of Greater Toronto have now joined the discussion. Two years ago, McKinsey launched a global survey that examined the education-to-employment experiences of 9 countries, representing over a third of the world's population and GDP. In partnership with the United Way, we wanted to understand how Canada's education-to-employment transition differed from that of the rest of the world, and what the experience was like for Canada's youth, businesses, and educational institutions.

Analyzing a multi-dimensional issue like this one requires the perspectives of various stakeholders, so we surveyed 1,500 youth, 300 employers, and 100 education providers. We also formed an Advisory Board of leaders from across industries, educational institutions, the government and social sectors, and youth themselves.

## Bridging the divide

The picture that emerges from our research suggests the quantity – that is, the number of Canadian graduates – is generally right, but the quality of those graduates' skills is in question. Overall, we found that:

- **Canada's system is producing the right number and types of graduates compared to other countries.** In general, Canadian employers in specific sectors think there are adequate numbers of graduates. Further, Canada's youth find employment faster than those in most of the other countries we surveyed.
- **There is a fundamental disagreement about the quality of Canada's graduates.** The vast majority of our educators believe they are graduating high performers – yet more than half of Canada's employers believe new graduates are unprepared for the labour force, as do most youth.
- **Certain groups within the youth population face serious barriers, even when they have post-secondary qualifications.** They are minorities, those whose parents had lower education levels, and those in the liberal arts fields.

In this report, we explore these findings in detail as well as some of the factors affecting youth.



A row of graduates in blue caps and gowns, smiling and looking to the right. The graduates are of various ethnicities and are wearing blue caps with gold tassels. The background is a soft, out-of-focus blue.

Canada's system  
produces the right  
number and types of  
graduates compared  
to other countries

From the perspective of both employers and youth, Canada's education system is producing the right graduates. Employers, for example, are less likely to be worried that they don't have enough graduates to fulfill their needs, particularly when compared to those in other countries (Exhibit 1). This finding holds when viewed across sectors as well – few employers in any sector felt that the quantity of graduates was in short supply.

Regional differences are also interesting. Only 2 percent of Ontario employers say they are concerned about the number of graduates with relevant qualifications. In the rest of Canada, however, the average is 12 percent – 16 percent in British Columbia, 14 in Quebec, and 9 in Alberta and the Maritime provinces. While this difference between Ontario and the rest of Canada is large, it is still at or below most other countries.

It is not surprising that Canada's employers are confident about the supply of well-educated workers. Two-thirds of Canada's school leavers have post-secondary degrees or diplomas, far more than those in the rest of the world, and at a rate that continues to grow (Exhibit 2).

However, 49 percent of youth say that costs, or the need to work, were a major reason for not pursuing post-secondary education. This rate is below the US rate (57 percent), but higher than Germany's (47 percent) and the United Kingdom's (38 percent).

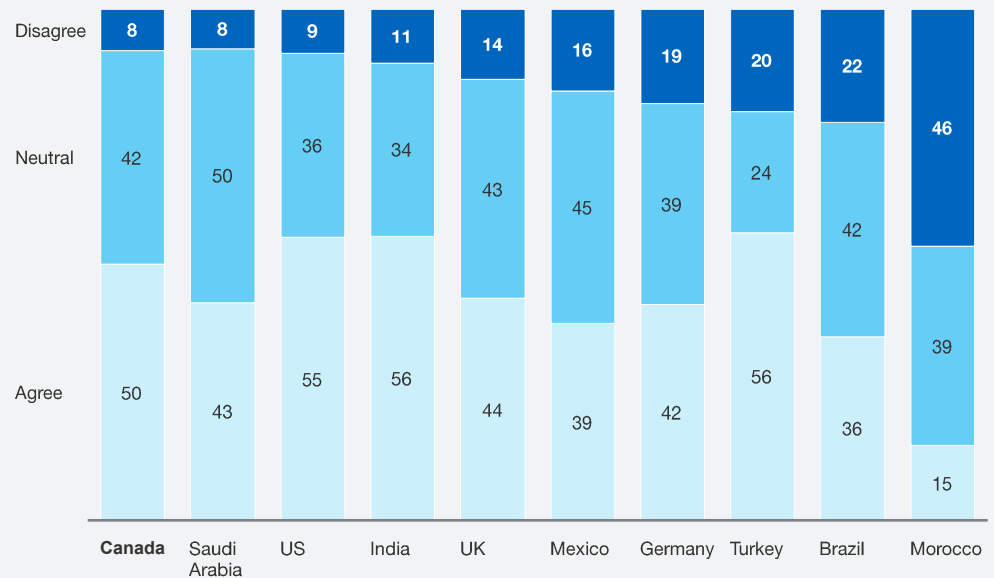
Although Canada's youth may not agree that post-secondary education is easily affordable, they are not as concerned about the supply of post-secondary places or jobs once they graduate as their peers are elsewhere. For example, 31 percent of this group believe an adequate number of post-secondary places exist, which is higher than youth in the United States or the United Kingdom. Similarly, while 50 percent and 57 percent of the US and UK youth, respectively, say there are not enough entry-level jobs, only 38 percent believe that is so in Canada (Exhibit 3).

From a geographic perspective, 48 percent of youth in Ontario say there are not enough entry-level jobs, whereas the rate in the rest of Canada is 32 percent. In Alberta, the prairies, and Quebec only 25 percent of the youth say not enough jobs exist.

Similarly, youth in Canada fare better than youth in other countries when it comes to finding a job in a reasonable amount of time. Over half find their first job less than 3 months after

Exhibit 1

## Canada's employers are more likely than those in other countries to believe there are enough graduates to fulfill their needs



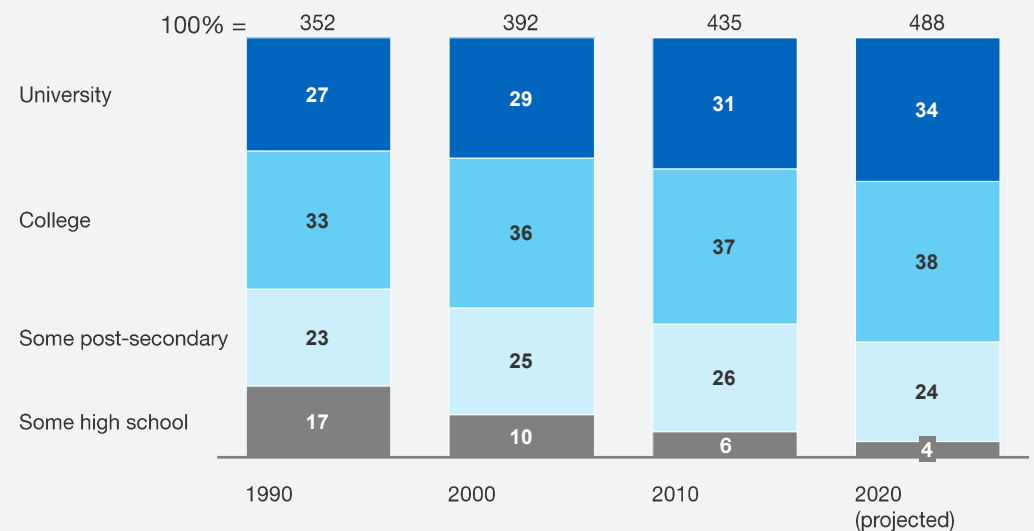
SOURCE: McKinsey education to employment surveys, Aug-Sep 2012 and Aug 2013

Exhibit 2

## Canada produces a highly educated workforce

### Number of school leavers per year

Thousands



SOURCE: Human Resources and Skills Development Canada

“We have hiring gaps related to soft skills.”

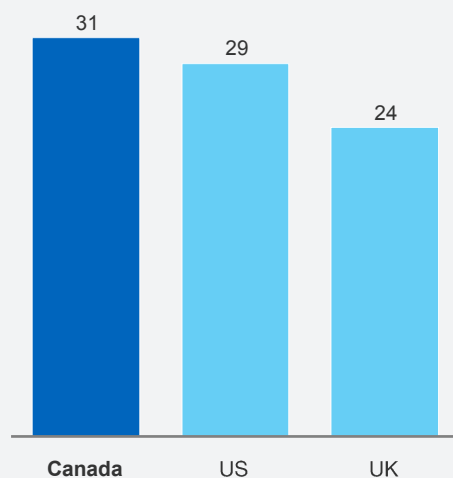
– Advisory Board member

Exhibit 3

### Youth in Canada – relative to those in the United States or the United Kingdom – say it is easier to find post-secondary places and entry-level jobs

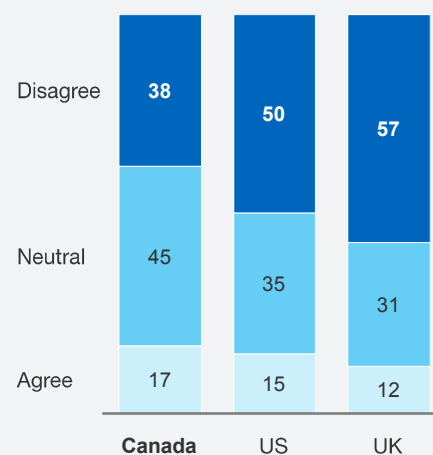
#### Enough places for youth entering post-secondary institutions

Percentage of youth who agree



#### Enough entry-level jobs for youth and graduates

Youth response, Percent

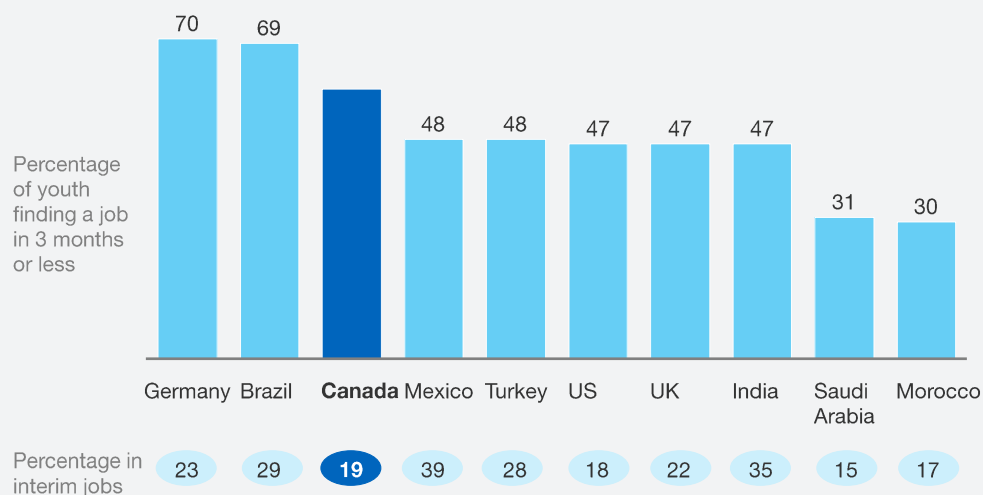


SOURCE: McKinsey education to employment surveys, Aug-Sep 2012 and Aug 2013

Exhibit 4

### Canada's youth find jobs relatively quickly, and few find their first job in interim roles

#### Time to find a job and interim job status



SOURCE: McKinsey education to employment surveys, Aug-Sep 2012 and Aug 2013



graduation, and only 1 in 5 find these jobs in interim roles (Exhibit 4). Both of these statistics are better than most of those in the other countries surveyed.

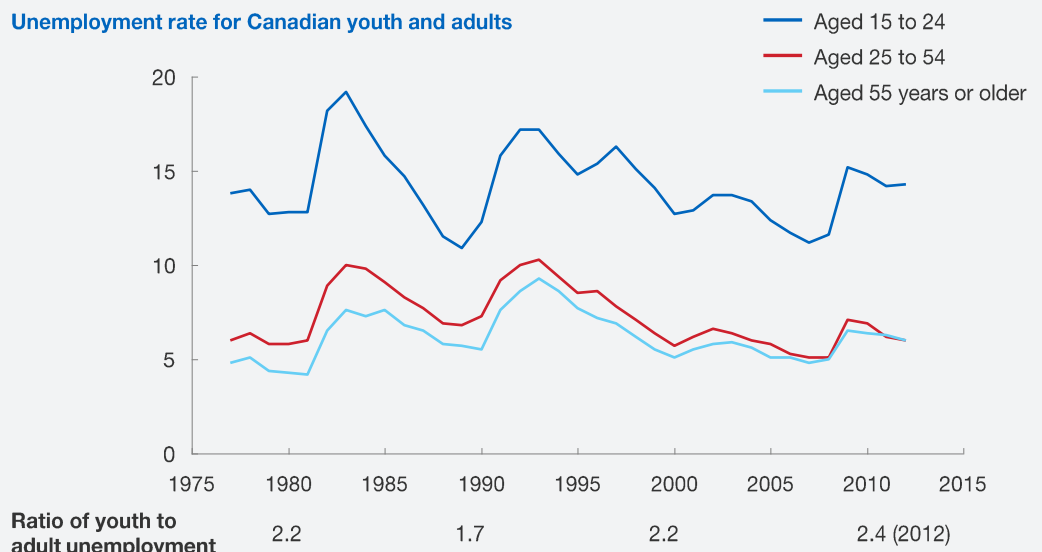
These results may be surprising given the news headlines. Finding a job after graduation however, takes time, especially when you lack work experience – and this raises unemployment rates. Not surprisingly, youth tend to have an unemployment rate approximately twice that of adults (Exhibit 5).

Although the youth unemployment rate is high compared to the adult rate, the ratio is no different than it was a generation ago. Like every other country in the world, Canada faces a persistent challenge: youth are more likely to be experiencing transitions and seeking work, more likely to be laid off in times of recession, and the last to be hired when job growth picks up. Youth who pursue post-secondary education fare better, and Canada's investment in the post-education system enables a high proportion of its youth to benefit. Still, we could improve the transition for our youth: currently, 4 out of 10 youth take more than 3 months to land a first job, and 1 out of 10 longer than a year. Understanding and resolving the factors that lead to these extended placement times could benefit a substantial number of young people.


Exhibit 5

### Youth unemployment is a persistent, structural issue

#### Unemployment rate for Canadian youth and adults



SOURCE: Statistics Canada, CANSIM table 282-0002



A fundamental disagreement  
exists about the quality of  
Canada's graduates

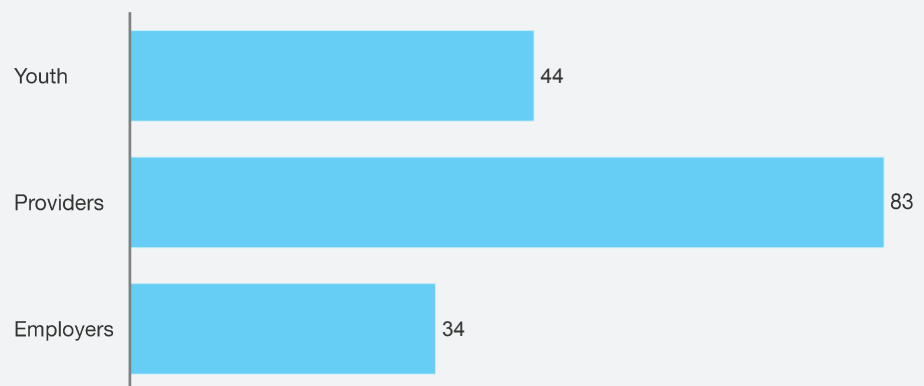
Although the majority of Canada's educators believe they are developing high-performing graduates, more than half of employers and the graduates themselves believe they are unprepared for employment (Exhibit 6). Perhaps even more surprising is the size of that perception gap. In fact, Canada had the largest gap of all surveyed countries for a number of reasons (Exhibit 7).

First, employers and educators are not aligned on what skills are important and should therefore be emphasized. For example, the top four skills employers seek are interpersonal and communications skills, but educators say youth are only moderately competent in these areas. They believe graduates' skills lie in computers, practical skills, and academic theory (Exhibit 8).

Exhibit 6

**Most Canadian education providers believe that youth are prepared for the workforce, but few employers and less than half of youth agree**

Percentage of those who agree youth are adequately prepared



SOURCE: McKinsey education to employment survey, Sep-Oct 2013

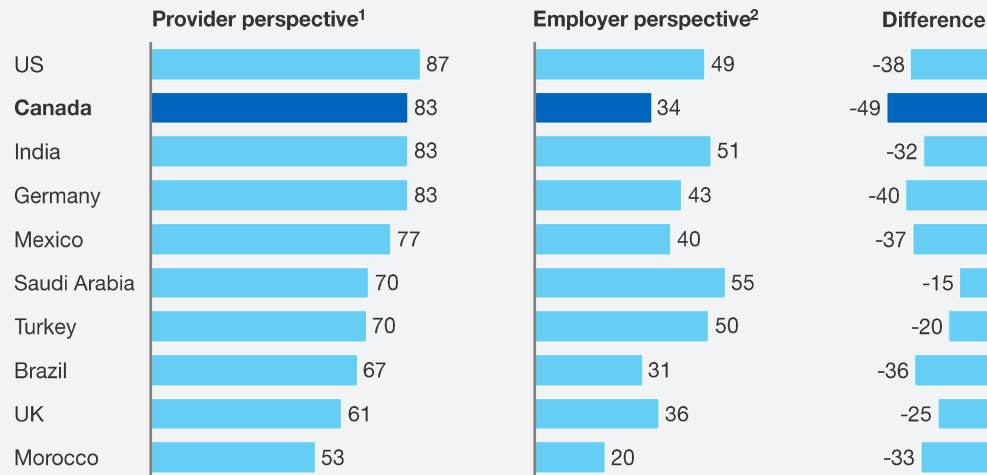


### Exhibit 7

## The disconnect between education providers and employers is larger in Canada than in other countries

### Agreement that graduates/new hires are adequately prepared

Percentage of respondents



<sup>1</sup> Overall, graduates from my institution are adequately prepared for entry-level positions in their chosen field of study

<sup>2</sup> Overall, employees we hired in the past year have been adequately prepared by their pre-hire education and/or training

SOURCE: McKinsey education to employment surveys, Aug-Sep 2012 and Aug 2013

### Exhibit 8

## Education providers rate youth lower on the skills that employers say are most important

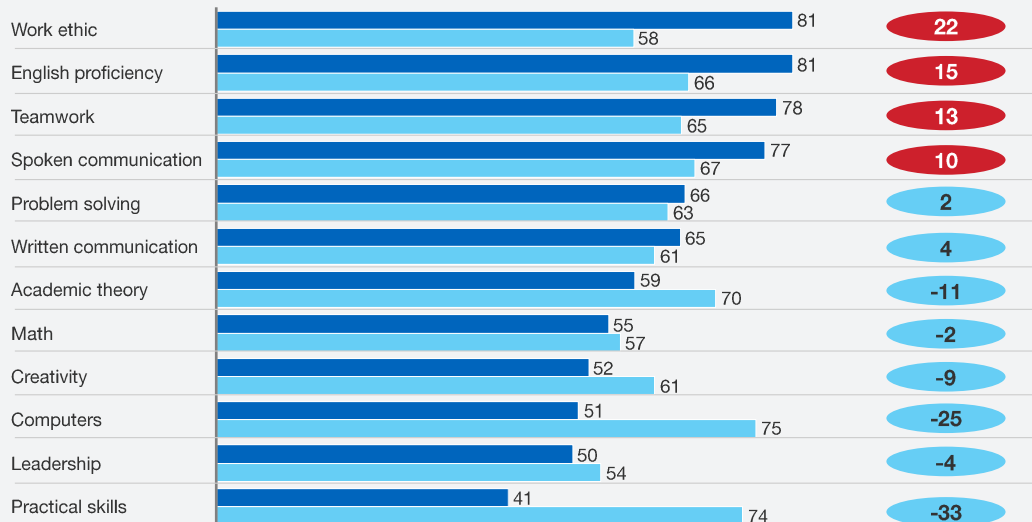
■ Importance (employer perspective)  
■ Competence (provider perspective)

### Canadian employer and provider perspectives on youth skills

Percent

### Gap size

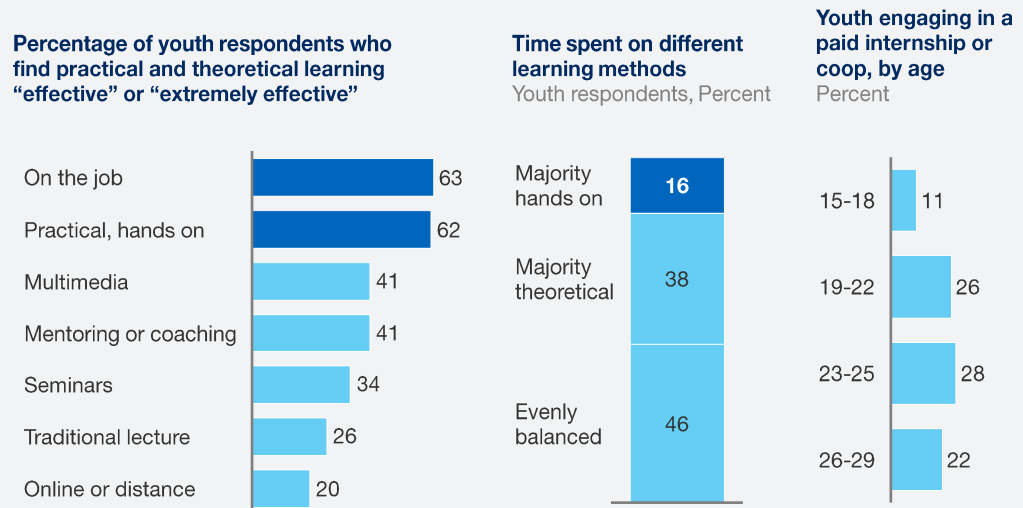
Percent



SOURCE: McKinsey education to employment survey, Sep-Oct 2013

Exhibit 9

**On-the-job and hands-on experiences are considered to be most effective in preparing youth for employment; however, they are not the primary focus in classes**



SOURCE: McKinsey education to employment survey, Sep-Oct 2013

Second, there is a lack of communication across stakeholders. For example, youth believe they learn best from practical or on-the-job experiences, but only 16 percent state that this was a major focus in school, and less than 25 percent experienced a work placement while in school (Exhibit 9). This may be part of the reason that youth in Canada say they had less knowledge of the job market when choosing what to study. In fact, only 4 in 10 Canadian youth say they had adequate information (Exhibit 10).

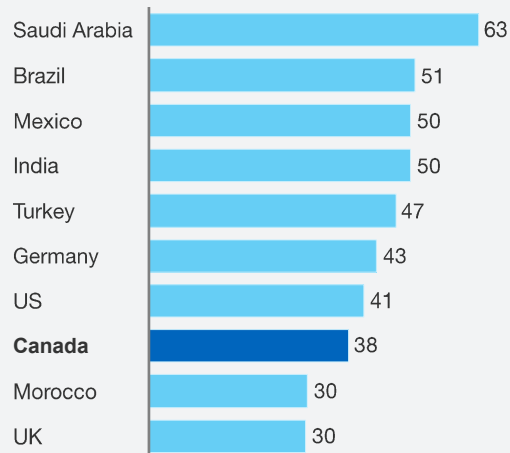
In addition, 20 percent of Canadian employers do not interact or coordinate with education providers, and only 10 percent communicate frequently (Exhibit 11). In contrast, 25 percent of employers in Germany interact frequently and only 5 percent do not do so at all. Canadian employers are missing out: our research shows that employers who coordinate more frequently with education providers have better results in their search for talent. In fact, over two-thirds of these coordinating employers globally say they don’t have challenges in recruiting the talent they require. However, employers who do not interact see disappointing outcomes – and nearly a third report that a lack of skills is hurting their business.

Exhibit 10

## Canadian youth say they don't have enough information to make choices; just half say their education institutions had non-academic resources

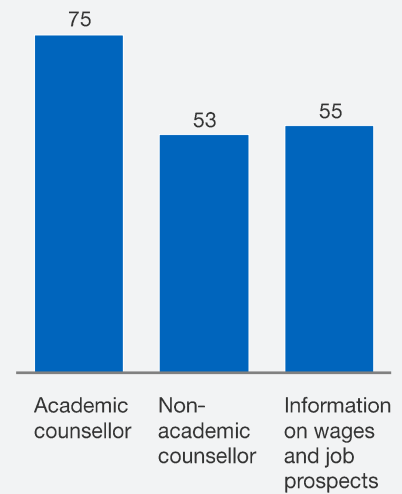
### Youth knowledge when choosing what to study

Percentage who were well-informed regarding wages, job openings, placement rates, and family opinions



### Canadian youth perspective on services offered at post-secondary institution

Percentage who agree service is offered



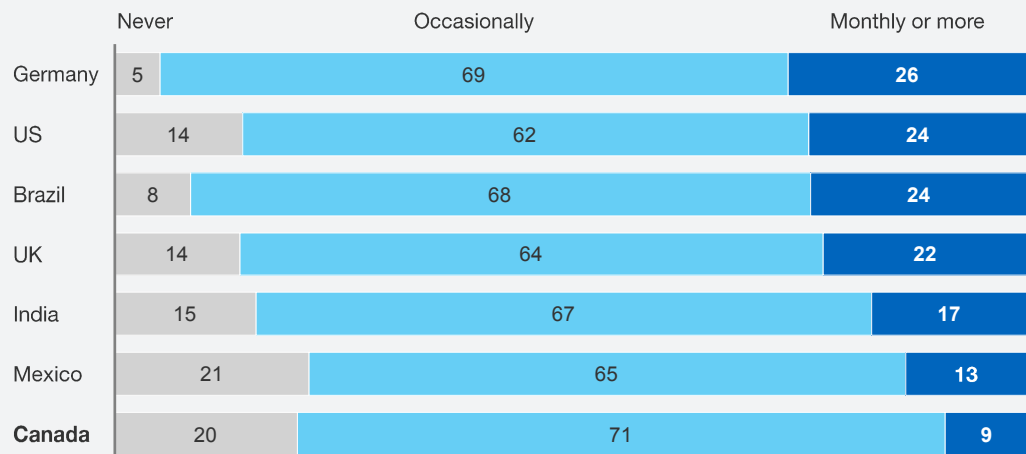
SOURCE: McKinsey education to employment surveys, Aug-Sep 2012 and Aug 2013

Exhibit 11

## Canada's employers are less likely than those in other countries to have frequent interactions with education providers – and 1 in 5 does not coordinate at all

### Frequency of employer coordination with providers

Percentage of respondents



SOURCE: McKinsey education to employment surveys, Aug-Sep 2012 and Aug 2013



Third, Canadian educators do not view helping their students prepare for, and find, job placements as one of their top priorities. When asked to rank their most important priorities, Canadian universities rate helping students and graduates find employment eighth out of the 10 options. Canadian colleges and other post-secondary institutions rate it fifth out of the 10. In contrast, in the United States, colleges and universities rate that priority fourth out of the 10 options (Exhibit 12).

This is not to say that finding employment for students should be the top priority for educators – encouraging intellectual curiosity, building knowledge of the world, and instilling the elements of good citizenship are also vital. At the same time, educators need to prepare their students to live in the world and, for the vast majority of students, that will involve using the skills they have learnt in their jobs.



These three factors – different expectations of skills, poor communication across stakeholders, and the differing priorities of educational providers – lead to employers’ and education providers’ varying perceptions of graduates’ readiness to enter the workforce.

Exhibit 12

### Canada’s education providers do not regard helping their students find employment as a leading priority

#### Ranking of educational providers’ priorities

Ranked by percentage of respondents responding 8 or higher out of 10

	 Colleges or vocational institutions		 Colleges or vocational institutions	
	Universities	Colleges or vocational institutions	Universities	Colleges or vocational institutions
Attracting students	1	2	2	7
Increasing graduation rates	2	4	3	1
Maintaining relevant curriculum	3	1	1	3
Attracting and retaining faculty	3	3	4	4
Generating sufficient revenues	3	7	8	7
Reducing costs/being cost-effective	6	8	6	2
Supporting research	7	10	6	10
<b>Helping students find employment</b>	<b>8</b>	<b>5</b>	<b>4</b>	<b>4</b>
<b>Partnering with companies</b>	<b>9</b>	<b>6</b>	<b>9</b>	<b>6</b>
Partnering with education institutions	9	9	10	9

SOURCE: McKinsey education to employment surveys, Aug-Sep 2012 and Aug 2013

Certain groups within the youth population face serious barriers, even when they have post-secondary qualifications.

Visible minorities fare less well in our education-to-employment system, even if they have educational levels on par with, or exceeding, those of their peers or were born in Canada.

Over a third of our surveyed youth self-identified as visible minorities. Within this group, 40 percent had completed a university degree (compared to 28 percent of the rest of the sample). The unemployment rate of these visible minorities was 10 percent, double that of their peers. These youth also report having fewer paid internships (18 versus 26 percent) and taking longer to find a job. This was true even for those born in Canada.

A second group with less positive outcomes in our system are those whose parents do not have post-secondary education. Children whose parents graduated from college or university had a nearly 4 in 5 chance of doing the same by age 29. However, only 51 percent of youth whose parents did not pursue post-secondary education completed a college or university program (Exhibit 13). Furthermore, even if these youth hold a post-secondary diploma, they are less successful finding employment. The unemployment rate for post-secondary educated youth whose parents do not have similar credentials is 13 percent, compared to 7 percent for youth with post-secondary educated parents.

The third group reporting lower than average employment outcomes are those who completed university with a liberal arts major (Exhibit 14). This group has unemployment rates of 12 percent, whereas their peers in business and professional areas (education, healthcare, law) have a 7 percent rate, and those in science- and technology-related fields have a rate of 5 percent. In addition, 47 percent of those in liberal arts fields report being underprepared for work (compared to 54 to 60 percent of those in other fields).

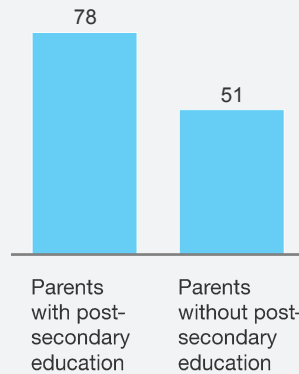
In addition, youth who majored in liberal arts report lower employment 3 months post-graduation (34 versus 50 percent), and 27 percent of those who did find employment stated that they are not at all or only slightly satisfied with their employment situation, as compared to 19 percent of their peers.

We expected those graduating from liberal arts programs to have a higher self-assessment of various competencies, including teamwork, problem solving, creativity, and English. That hypothesis held true for English, but less so for the other competencies (Exhibit 15). One possible reason is that liberal arts students were less likely to report that their courses emphasized practical or hands-on teaching methodologies. Instead, they focused on lecture-based methodologies.

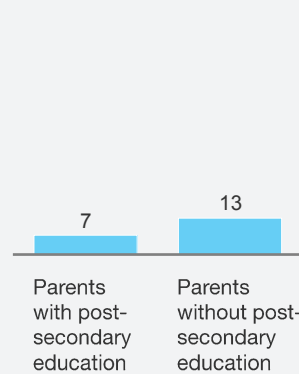
Exhibit 13

# **Youth whose parents have lower education levels are less likely to complete post-secondary programs – and, even when they do, they have poorer labour force outcomes**

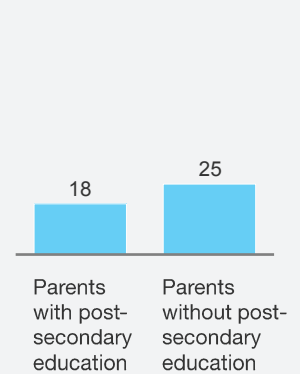
**Post-secondary completion**  
Percent



**Unemployment rate**  
Percent



**Participation in paid internship**  
Percent



**Only youth who have obtained university degrees**

SOURCE: McKinsey education to employment survey, Sep-Oct 2013

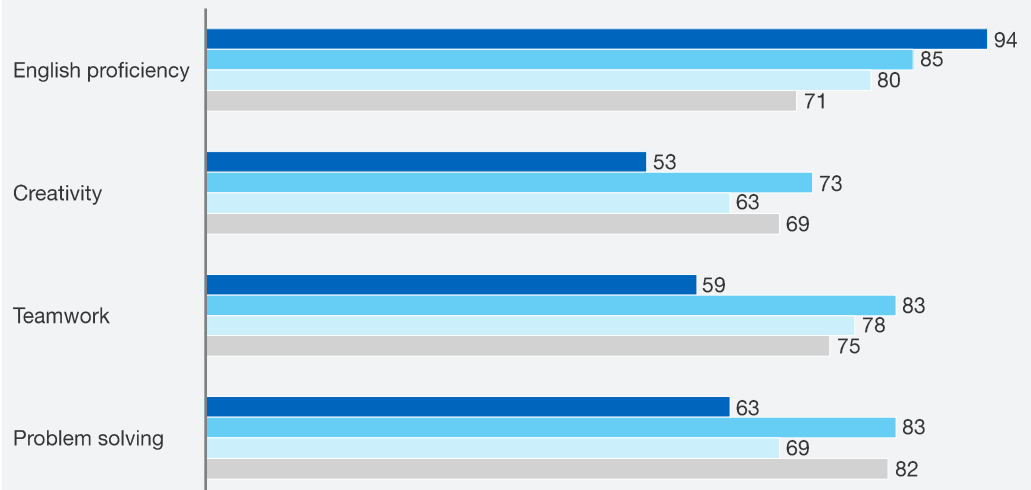
Exhibit 14

# **Canada's liberal arts graduates are confident about their English proficiency but little else**

**Youth self-assessment of competence**

Percentage of university graduates in respective fields

■ Liberal arts ■ Professional fields  
■ Business ■ STEM fields



SOURCE: McKinsey education to employment survey, Sep-Oct 2013





Our hope is that these findings will clarify the discussion and shine a spotlight on specific opportunities for improvement. We have created a database with over 150 case examples of high-impact education to employment solutions. These examples prompt us to think in a fundamentally different way about the transition of youth. It can no longer be a linear process where youth acquire skills, graduate, and then attain employment. The key players – youth, educational organizations, employers, and governments – will need to consider breaking down the silos and working in concert.

Youth – especially those most at risk – need to have access to, and use, relevant and practical information in making their decisions.

Employers could reach out to students earlier, set clearer entry standards, and communicate clear priorities to youth and educators.

Educators could play a central role in helping students transition to the labour force, improving their job-ready skills and better facilitating the connections between their students and employers.

Government may also have an opportunity to catalyze increased coordination and responsiveness, including providing incentives to break down the silos.

As a first step, many members of the Advisory Board have launched initiatives that they believe will address some of these issues. These include the United Way creating an online clearinghouse to connect vulnerable youth with employers; Ryerson University creating a world-class entrepreneurship program; Celestica, George Brown, and other partner employers introducing skill-building programs in specific underserved communities; and RBC introducing a Canada-wide internship program.

We hope to follow these initiatives and report back on their progress. We also hope to share additional learning on what it might take for similar initiatives to reach scale across sectors or population groups. We know that change can be challenging – but we invite all public entities, private corporations, educational institutions, and youth to join us. We hope you will share our optimism that we can indeed bridge these divides and ensure a better tomorrow.









March 2015

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