

# HIRE EDUCATION

CONNECTING YOUTH AND  
SMALL BUSINESSES  
FOR THE JOBS OF TODAY

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# Hire Education

Connecting youth and small businesses for the jobs of today

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## Executive summary

Small businesses are struggling with higher-than-ever vacancy rates, while unemployment rates among Canadian youth remain almost twice as high as the Canadian average. CFIB explores how educational institutions, governments, the business community, and youth themselves, can work to bridge this gap and ultimately help connect youth with the jobs of today. This includes some of Canada's educational institutions rethinking how they approach workplace preparedness in and out of the classroom. They need to work with governments and the small business community to ensure that job needs are met and that young people entering the workforce are equipped with the right skills. In addition, governments at all levels need to better consider how their policies, such as payroll taxes and minimum wage increases, affect youth employment, as well as consider ways to help offset the higher costs associated with hiring and training youth. Youth must also ensure they take responsibility for their own futures. It is up to them to ensure that they approach the workplace with the right attitudes, as well as take advantage of opportunities to gain work experience and grow their skills.

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## Introduction

### The youth employment “crisis”

The youth unemployment “crisis” is hardly a new phenomenon. In fact, youth unemployment rates for youth between the ages of 15 and 24 peaked at 19.2% in the early '80s<sup>1</sup> when governments of the day made vows to find an end to the high joblessness rate among young Canadians. Today, “precarious” work, or the “gig economy” often dominate the dialogue on youth employment, but the vow remains the same: government is going to do something to get more young people employed. But how can this best be accomplished?

First, governments should consider exactly who it is they are talking about. “Youth” should not be lumped into one homogenous entity by policy-makers. Government policies define “youth” as those aged 15 to 24. However, the employment needs of a 16 year-old high school student living with his parents are vastly different than a 22 year-old recent post-secondary graduate living on her own. Although the youth unemployment rate has improved since the early '90s, it

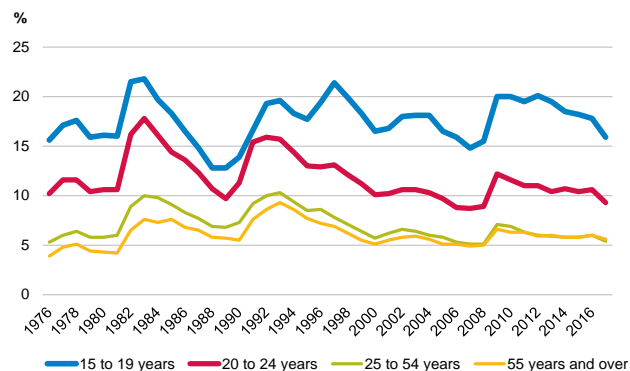
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<sup>1</sup> STATISTICS CANADA (2018), Canadian youth and full-time work: A slower transition, The Daily: <https://www150.statcan.gc.ca/n1/pub/11-630-x/11-630-x2017004-eng.htm> (Accessed October 4, 2018).

remains almost twice as high (20 to 24-year-olds) or even three times higher (15 to 19-year-olds) than that of the general population, which sits at 6% as of August 2018 (Figure 1).

Figure 1

**Unemployment rate, by age group**

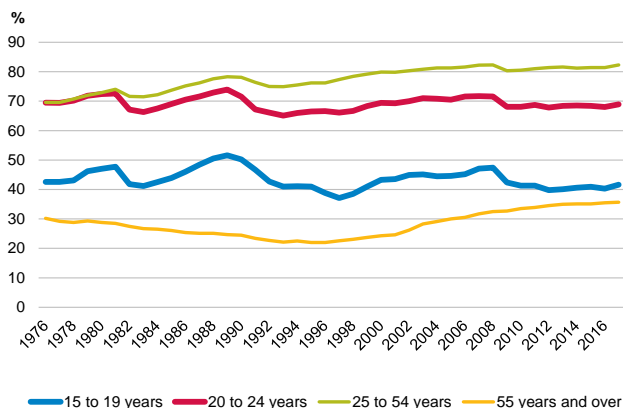


Source: Statistics Canada, Table 14-10-0018-01, Labour force characteristics by sex and detailed age group, annual.

It is also important to note that employment rates among youth are highly susceptible to economic cycles, and have not grown like they have among older age groups. In fact, employment rates among youth between the ages of 15 and 19 remain at historic lows (Figure 2).

Figure 2

**Employment rate, by age group**



Source: Statistics Canada, Table 14-10-0018-01, Labour force characteristics by sex and detailed age group, annual.

These numbers indicate that there remain significant issues between connecting youth to available jobs, particularly to those in small- and medium-sized enterprises (SMEs). CFIB research has found that Canada's job vacancy rate for small businesses rose to 3.1% during the

second quarter of 2018, a new high since CFIB began recording this data in 2004. This represents just under 400,000 jobs left unfilled for at least four months.<sup>2</sup> Smaller firms with fewer than 20 employees tend to experience even higher vacancy rates and have more difficulties filling positions than larger firms (with more than 50 employees).

While governments like to talk about preparing youth for the “jobs of tomorrow,” the reality is small businesses need workers for the jobs of today. With an aging population and the “boomer” generation in the process of retiring over the next ten years, the job vacancy rate is likely to rise even further. This could present a golden opportunity for youth looking towards post-secondary education as well as those about to enter the workforce. As such, it is essential that youth are being taught the skills that will connect them with these employment opportunities. Governments, educational institutions, small business owners, and youth themselves, play an important role in improving the transition from school to work.

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## **Searching for youth employees**

### **Looking for employees and opportunities**

#### **How small businesses hire youth**

The majority of small business owners (67%) said they have employed youth in their business within the last 12 months. When it comes to finding the youth they need for the jobs they have available, small business owners continue to rely on direct referrals. Despite the advent of online job posts—which are widely used by job providers and job seekers alike—small business owners are more likely to have successfully hired a young person based on the advice of friends, personal contacts or other employees (67%) than from an online job ad (51%). Interestingly, the high premium business owners place on a direct referral remains virtually unchanged from 1998, before internet job boards were common, when 71% indicated they relied on referrals<sup>3</sup>.

Without previous job experience or a proven track record, the only thing employers can rely on in evaluating young employees is their reputation with others. As a result, personal contacts become that much more important as they act as “pre-interview” reference checks. *“We recommend networking. We much prefer hiring a person we have a connection with, from a personal network rather than meeting someone for the first time. Job seekers should do their best to build a network and seek out meetings just to ask questions, understand and make personal connections,”* reported an owner of a transportation company in British Columbia.

Of note, 35% of small business owners have successfully hired young people through unsolicited applications by the young person themselves. This indicates that prospective employees may find that showing initiative through an in-person visit can provide them with a better opportunity to make a good impression on employers. As one business owner put it,

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<sup>2</sup> CFIB (2018), Help Wanted, Q2 2018, 2,194 responses.

<sup>3</sup> CFIB (1998), Hire Expectations: An overview of youth employment issues among young employees and SMEs.

*“With respect to the first point of contact, nothing says ‘serious contender’ like someone who comes in person to introduce themselves to the hiring manager, all while prepared with CV/resume in hand and a clean, professional image.”*

Other methods of hiring are less likely to be used by smaller employers. While half have successfully used online job boards, only 36% have used social media to hire—though that number increases significantly if the business is younger, with 47% of businesses in their first year using social media to hire, vs. only 34% of those operating 11 years or more. They are also unlikely to find hiring success through school job fairs (11%) and professional staffing companies (9%), indicating that young people would benefit from taking a more proactive approach to connect with a smaller employer, rather than having the job come to them.

While it’s unlikely a young person’s career will be spent with the same business they started in, the importance of making a positive impression on your employer cannot be overstated. When future employers check prospective employee references, it is rarely to determine if the candidate is qualified for the job. Rather, they are looking to determine the candidate’s soft skills—how is their workplace attitude? Are they reliable? Are they responsible? Given the premium employers put on an employee’s positive reviews, networking—a soft skill—is increasingly important, allowing a young job hunter to access jobs they may not otherwise be aware even existed.

### **Searching for youth employers**

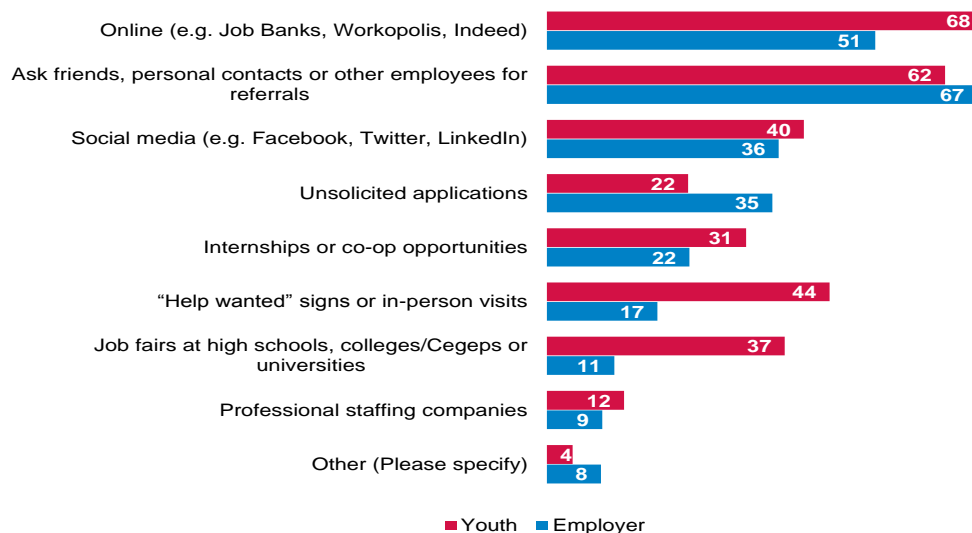
Young prospective employees are much more technologically driven than employers in their job search. Online job banks are their primary search method at 68%, 17 points higher than employers’ use of them. However, the lower down the age spectrum, the less likely a young person is to have searched for a position online. In the 15–17 age range, only 51% have looked online, compared to 76% of youth between 18 and 24. This is possibly because the younger a person is, the more localized their job search is and the less need they have to expand it beyond their immediate surrounding area.

This is not to say young people aren’t open to networking—62% search for jobs through friends or personal contacts. Young people are also somewhat willing to try an in-person visit to seek out a job (44%) if they are aware of an opening; however, they are unlikely to attempt an unsolicited application (22%). This discrepancy indicates that young people are often not proactive enough when they search for jobs and prefer more certainty in their approach.

Our poll showed that young employees had very little faith in professional staffing companies (12%), which may be because these agencies are often viewed as being used for high-experience jobs or may be due to a misconception that the job seeker has to pay the agency or takes a cut of the employee’s paycheck (see Figure 3).

Figure 3

**How youth search for jobs vs how employers attract youth to jobs in their business? (select as many as apply)**  
 (% response)



Source: Youth data: MARU/MATCHBOX, Public Opinion Poll of Youth, 513 responses, May 2018. Employer data: CFIB, Youth Employment Survey, 6,398 responses, May–June 2018.

Although young people were more likely to attempt any method of job-seeking listed in our survey, employers tended to find success using fewer methods. This indicates that the approach of youth to the job hunt is much more of a broad brush than a fine tip, whereas employers focus mainly on a few tried and true methods. Young job hunters may benefit from a more streamlined approach, spending more time on search methods where employers have indicated they have greater success hiring. In particular, young people should focus on growing their networks and making in-person contact with more employers, increasing the odds of a referral.

## Differing expectations for employment

### What are youth employers looking for?

As most young people are at the early stages of their working lives, employers' expectations around skills are low. Business owners understand that hiring a 15 or 16 year old is going to require them to invest in some training to perform the job. In fact, only 10% of business owners say that previous work experience is very important when hiring a young person. Only 11% say educational attainment is very important.

When it comes to youth hiring, small employers are placing much greater emphasis on "soft skills" like attitude, professionalism and flexibility. In fact, 93% of business owners regard general motivation and attitude as "very important" in their decision to hire a young person. Another 73% identify communication skills as very important, and 70% emphasize professionalism as a key consideration (see Figure 4).



Figure 4

**How important to your business are the following skills and personal characteristics when hiring youth? (select one for each line) (% response)**



Source: CFIB, Youth Employment Survey, 6,398 responses, May–June 2018.

Just as these attributes are highly sought after, not having them can also be a significant barrier to hiring. When asked, small business owners identified the general motivation and attitude of youth in the workforce (60%) as the biggest barrier to hiring youth, placing it slightly above minimum wage increases (57%), the risk of having young employees poached (56%) and the cost of training (53%) (see Figure 5).

Figure 5

**What would you say are the barriers to hiring more youth in your business? (select as many as apply) (% response)**



Source: CFIB, Youth Employment Survey, 6,398 responses, May–June 2018.

Employer and employee behaviours can also be influenced by previous bad experiences. For example, employers that have repeatedly experienced young people not showing up for work may respond by building a pool of potential workers that can be called in on short notice. However, that means people in the pool may not get the number of hours or schedule certainty they expect—which may reduce their sense of loyalty to the employer. This creates a self-fulfilling downward cycle—the key is to keep that spiral from starting by linking the right person with the right job from the beginning.

Unfortunately, in the eyes of small employers, young people’s workplace attitudes continue to be underwhelming. According to a 2015 CFIB study, more than 70% of small employers believe that work ethic has deteriorated in recent years<sup>4</sup>. More than half of SMEs (54%) believe that young people are not willing to go above and beyond their job description, and 75% felt that young people are less motivated compared to other workers.

### **What are youth job hunters looking for?**

Young people overwhelmingly point to salary as the most important factor when searching for a job (66%), with work hours (38%) and proximity to where they live (34%) at a distant second and third (see Figure 6). Given the current economic climate, in addition to rising education, housing and transit costs, it is hardly surprising that take-home pay is valued at such a premium. Additionally, youth must balance work with other commitments such as school and extracurricular activities, meaning that coordination of hours and matching of schedules are more of a challenge.

Employers also understand this and most often use competitive salaries and wages as means to attract or retain staff (75%). However, there is often a disconnect between employer and employee opinions on the value of work in a given position, and salary expectations vs. reality can vary widely. Greater research into the salary ranges for the position—in particular at the entry level, could help manage expectations and allow young workers to take a more pointed approach to the job market. As one BC employer in the manufacturing sector put it, *“Realize the job market and salary pay scale within the area that you are applying for work. For example, people expect oil patch type wages in non-oil patch markets.”*

External pressures, like payroll tax increases, can also hinder employers’ ability to make salaries more attractive to young workers, even if the overall compensation package, including benefits, remains competitive.

While young people indicated that the geographic proximity is an important consideration to their job search, business owners recommend that they consider jobs in smaller communities. Job vacancy rates are slightly higher in smaller centres compared to major cities. This is because major cities tend to have a larger share of employment in large businesses, which tend

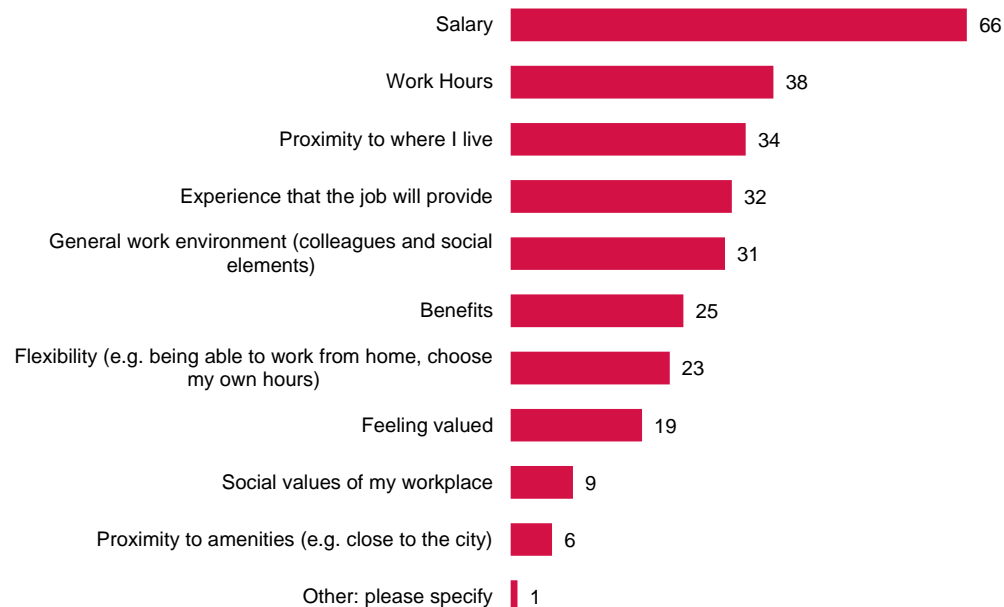
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<sup>4</sup> CFIB, Small business views on the Canadian workforce, 8,824 responses, May 2015.

to have lower vacancy rates, whereas smaller towns have a larger number of smaller businesses which often display higher than average vacancy rates, all other things being equal<sup>5</sup>.

Figure 6

**What is most important to you when searching for a job? (select as many as apply) (% response)**



Source: MARU/MATCHBOX, Public Opinion Poll of Youth, 513 responses, May 2018.

Governments could help businesses in smaller and more rural municipalities better attract young workers and create jobs by making infrastructure upgrades, such as enhancing broadband internet access across the country.

## Education & training

While governments may be pushing youth towards educating themselves for the high-tech “jobs of tomorrow” with coding classes and “hackathons,” small business owners are struggling to find workers with the skills they need today. Since the start of 2018, CFIB’s Business Barometer® shows that the top limitation of sales or production growth for small businesses is the shortage of skilled labour. This limitation was highest in the construction, transportation, and professional and personal services sectors. On the other side of the coin, 71% of youth say they are worried about prospective job opportunities after graduating. If small business owners are struggling to find workers and youth are struggling to find employment opportunities, how can we bridge this gap?

<sup>5</sup> CFIB (2014), Help Wanted: Private sector job vacancies in Canada Q3 2014.

## Educating youth for the workplace

### The skills of today

While Canada has the largest proportion of university and college graduates among Organisation for Economic Co-operation and Development (OECD) countries,<sup>6</sup> soft skills and personal characteristics, rather than educational attainment, were most important for employers looking to hire youth (see Figure 4). This is likely due to the fact that most small businesses rely heavily on on-the-job informal training.<sup>7</sup> Soft skills are essential, not only in higher-level positions, but also for entry-level positions, especially in hospitality or retail where a large percentage of youth get their first jobs. However, most educational institutions, from high school to post-secondary, do not place as much emphasis on these skills, despite their importance in ensuring youth are job-ready.

A retailer in New Brunswick remarked that, *“More life skills should be taught in the school so that youth know what is expected of them during work hours and they should also be taught about employers taking advantage of them. I also feel that the youth of today should be taught about interviews at an earlier age. So little time is spent on life skills that I believe the youth of today are falling behind in common sense. Not everything has an app today on telephones or computers to teach real life. Employment skills, financial skills (start saving at an early age), respect and communication is what is missing in today's society for the youth.”*

Our public opinion poll of youth found that while over half do feel as though their education has prepared them for the realities of the workforce, another third said that they do not feel that school has properly prepared them. Many youth may be unaware of what skills and characteristics are most valued by potential employers. Real world occupation opportunities are far more diverse than what the education system can realistically offer. The types of jobs offered by employers do not always fit into the neat categories laid out in a student's field of study. In fact, many employers are more concerned about an employee's work experience and skills relevant to the job than the program from which they graduated. For example, a student graduating with an undergraduate degree in psychology may end up working in human resources for a manufacturing company, or a student who studied journalism may find work as a social media writer for a small start-up.

Educational institutions often prepare youth to be in academia, but not the workplace. As a result, skills that are essential for job readiness are seldom taught. Emphasizing the importance of the skills and personal characteristics most sought after by employers can help set youth up for success in their future careers.

### How educational institutions stack up

Employers expressed varying levels of satisfaction with how different educational institutions prepared youth for the workplace. Colleges came out on top with 51% of employers saying they

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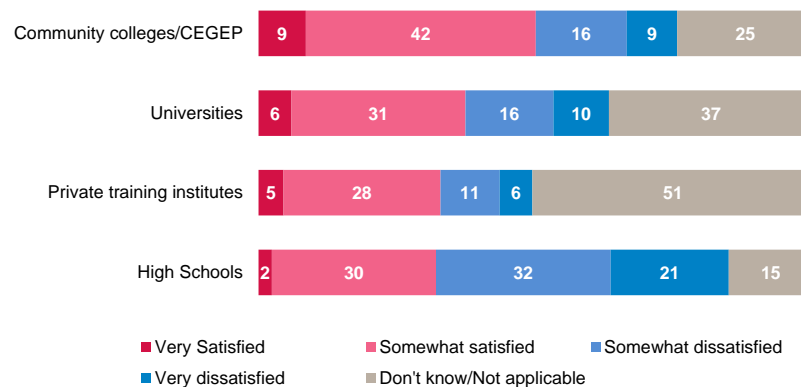
<sup>6</sup> STATISTICS CANADA (2018), Education in Canada: Key results from the 2016 Census, <https://www150.statcan.gc.ca/n1/daily-quotidien/171129/dq171129a-eng.htm> (accessed August 8, 2018).

<sup>7</sup> CFIB, Training in your Business Survey, 6,705 responses, September to October 2014.

were either very or somewhat satisfied. Universities trailed behind with only 37% of employers expressing satisfaction (see Figure 7). High schools were ranked last by employers with over half of them saying they were somewhat or very dissatisfied in their role of preparing youth for employment. Although over half of small business owners did not have any experience with private training institutions, those who did were more satisfied than dissatisfied with their role in preparing youth. In general, colleges and private training institutes tend to be more connected to the business community and are better at incorporating employer needs and feedback into their curriculums. Additionally, instructors at colleges and training institutions have often had previous experience either in the workforce in related careers or as business owners themselves.

Figure 7

**How satisfied are you with the job of the following educational institutions in preparing youth for employment? (Select one for each line) (% response)**



Source: CFIB, Youth Employment Survey, 6,398 responses, May–June 2018.

While the focus is often put on post-secondary institutions in terms of ensuring that their graduates are job-ready, most youth start their first jobs either in or right after high school—often in small businesses. In fact, a public opinion poll of youth found that 46% of youth between the ages of 15 and 17 were employed part-time, and 67% of them worked in an SME. As such, a focus on job-readiness skills must start at the high school level and continue all the way through to the post-secondary level.

### Curriculums that meet the needs of the workplace

Curriculums need to be updated to reflect the realities of the workplace. As such they should emphasize soft skills as well as skills necessary to finding employment such as interviewing, networking, and writing a resume or cover letter. To ensure that the skills sought by employers are incorporated, the business community must be involved in the creation and implementation of these curriculums.

Working groups with provincial governments, education professionals, small business owners and other employers could help provide valuable feedback on key elements that could be included in high school curriculums to better ensure that youth are job-ready. For example, the

provincial government of Nova Scotia, with the help of a Business Education Council comprised of stakeholders in the business community, has started embedding entrepreneurial skills in both its primary school and high school curriculums. In doing so, it not only aims to encourage youth to look at entrepreneurialism as a potential career path, but it also aims to develop skills such as “innovation, creativity, problem-solving skills, personal initiative, and teamwork.”<sup>8</sup> Educational institutions, from high school to post-secondary, can play a bigger role in ensuring that youth enter the workforce prepared for the realities of the workplace and confident in their ability to find a job by adapting curriculums to better meet the needs of employers.

### **The value of the trades**

Although there has been an improvement in the number of young workers seeking careers in the skilled trades,<sup>9</sup> job vacancy rates are the highest in industries such as construction (3.8%) and personal services (4.8%) which include plumbers, hairdressers and mechanics.<sup>10</sup> This may indicate that there are still improvements that can be made within educational institutions to encourage more youth to seek a career in the skilled trades, rather than view it as a less desirable path than university. Additionally, governments can do more to increase the awareness among youth of the supports and programs available to them during and after the completion of their apprenticeship. These include the Apprenticeship Incentive Grant, the Canada Apprentice Loan, the Tradesperson’s Tools deduction, and the Apprenticeship Completion Grant. When asked what types of positions employers have trouble filling, only eight per cent said these positions required university degrees.<sup>11</sup> Comparatively, 40% required a high school diploma or occupation-specific training, and 33% required a college-level education or apprenticeship training.

In the words of one business owner: *“Somehow our high schools have to foster an appreciation for the trades. Part of the problem is teachers have university degrees and they think that college degrees are not as good so they look down on the kids that want to go to college instead of promoting college as a real viable beneficial life choice. Trades have to be promoted as a positive career choice NOT a secondary option if you don’t qualify for university. Trades have become very technical so require the same skill sets as universities plus people skills and physical skills.”* Construction firm, Ontario

Another business owner in construction expressed that, *“Far too much school time and training goes into computer-related skills, and youth are not very often exposed to working outdoors in construction.”*

### **Work-integrated learning**

Close to half (47%) of small business owners have hired a student through a co-op or internship program. Seventy-nine per cent of youth believe that internship and co-op opportunities are

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<sup>8</sup> GOVERNMENT OF NOVA SCOTIA (2015), Nova Scotia’s Action Plan for Education 2015, <https://www.ednet.ns.ca/docs/educationactionplan2015en.pdf> (accessed October 4, 2018).

<sup>9</sup> STATISTICS CANADA (2016), Education in Canada: Key results from the 2016 Census, <https://www150.statcan.gc.ca/n1/daily-quotidien/171129/dq171129a-eng.htm> (accessed August 8, 2018).

<sup>10</sup> CFIB, Help Wanted, Q2 2018, 2,194 responses.

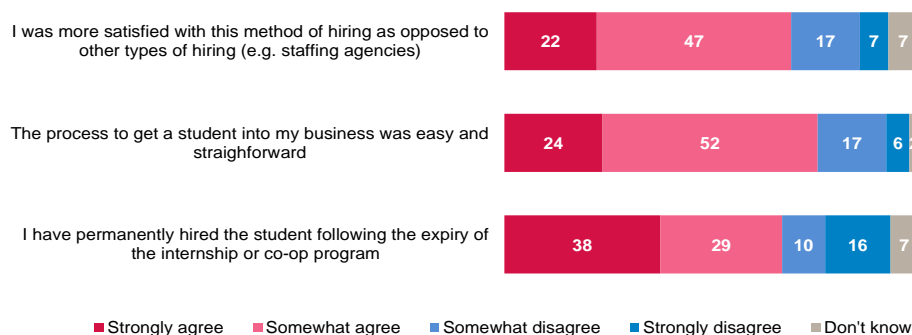
<sup>11</sup> CFIB, Training in your Business, 6,705 responses, September to October 2014.

important to their future. Business owners who had participated in work-integrated learning (WIL) programs were also largely positive about their experience. The majority of small businesses (69%) said they were more satisfied with hiring students through this method than through other types of hiring and 76% also said that the process was easy and straight forward (see Figure 8). Work-integrated learning is another opportunity for youth to learn job-readiness skills and experience the realities of the workplace.

A retailer in British Columbia told us about his positive experience with work-integrated learning: *“When working with internships the process is much more efficient and streamlined and the learning process is specific—the intern learns what they are deficient in and that they must learn to become a full employee. Internships should be MUCH more supported in this economy especially as businesses are struggling and it is difficult to find and train good employees.”*

Figure 8

**Please indicate to what extent you agree or disagree with the following statements regarding internship or co-op programs. (select one for each line) (% response)**



Source: CFIB, Youth Employment Survey, 6,398 responses, May–June 2018.

Although work-integrated learning is included in many university programs and more co-op placements are becoming available, many jobs available to students tend to be with larger businesses or with the government. As such, many smaller employers miss out on these opportunities and are not able to access these potential employees with skills they are seeking. Small business owners may face various barriers to accessing work-integrated learning opportunities such as student's pay expectations or having to undertake additional red tape to access government assistance. Additionally, many post-secondary institutions—particularly universities—are located in urban centres, meaning that small businesses in rural areas where labour shortages exist lose out on the opportunity to participate in these programs.

To help address the long-term labour shortage issue, these programs should focus on areas where labour shortages exist rather than only promoting certain sectors such as IT or clean tech, which tend to be more urban-focused. The ultimate goal of work-integrated learning should be to provide students with a path to permanent employment by connecting employers with youth that have the skills they need. Sixty-seven per cent of business owners who brought in a student through a WIL-type program said they went on to hire them after their term was

over (see Figure 8). Many business owners expressed that work-integrated learning allows youth to test out the types of careers that may be a good fit and allows them to get technical knowledge that is usually only available upon entering the workforce after graduation.

### Member Comments

*“My organization is a very technical/engineering-based company. When I talk ‘youth’ I am talking about people just out of university or technical school (20-22 years old). Younger people do not have the required prerequisite training for the job until they have completed a post-secondary education. We have hired co-op students in the past with great success, however, to get a new graduate fully competent takes approximately two years from their hire date (approximately \$100,000 in salary while getting on-the-job training). As a co-op student graduate myself, I highly recommend this approach as it allows young people to ‘effectively’ change jobs 4 or 5 times before graduating so they can see what the job market has to offer. It is the only time in one’s career that you can go through five jobs in two years and it is not considered a bad thing by potential employers.”—Engineering firm, British Columbia*

*“I think there need to be more internship opportunities in businesses and more training offered in schools. We need to get youth interested in the trades. Only unions offer opportunities for youth to learn a trade in the construction industry [translated from French]”—General contractor, Quebec*

*“We have a good number of students from local high schools request our work place for coop placement. The majority of new hires in the last few years have been coop students who performed well as students.”—Pet store, Ontario*

*“We have been very successful with having youth employees in a part-time capacity for several years during our busy times for labour-related tasks. We have a great relationship with our local high school who sends co-op and O2 students who are interested in our trade and it has worked out well for all of us.”—Automotive repair shop, Nova Scotia*

*“We regularly have co-op students working in our field to help them determine if our profession is something they wish to pursue as a lifelong career. This type of program is good for them and us. We also hire, each year, three interns who must successfully complete the requirements of this portion of their two-year program followed by a provincial licencing exam. We work alongside our various learning institutions to help them continually adapt the college program to better equip the interns for their work in the field. To date this has been somewhat successful but we are aware of improvements needed to better prepare the interns for their future.”—Funeral home, Ontario*

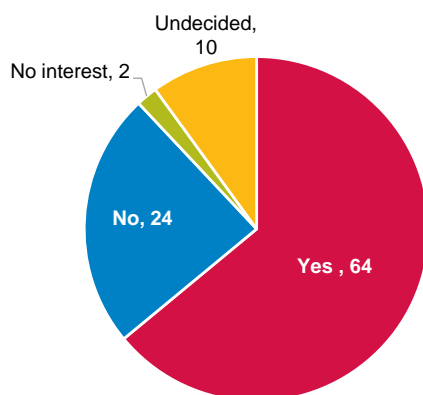
*“I feel that hiring youth in our industry (automotive repair) can be very challenging. The youth that we have hired that initiated their own training are usually the ones that we have had good experiences with, it also shows us a higher level of commitment. So to help youth get involved in our industry we offer bursaries at our local college to help youth get a good start in our industry.”—Automotive repair shop, British Columbia*



Governments can also play a role in improving the accessibility of WIL opportunities by helping to offset the costs to employers. In a previous survey of our members, 64% said they would be supportive of a tax credit for employers who hire a co-op student (Figure 9). This measure would help offset the cost of hiring and training, and provide an incentive for small businesses to hire students.

Figure 9

**Should the federal government introduce a tax credit for employers who hire a student enrolled in a co-operative education program? (% response)**



Source: CFIB, Mandate 252, 8,929 responses, September 2013.

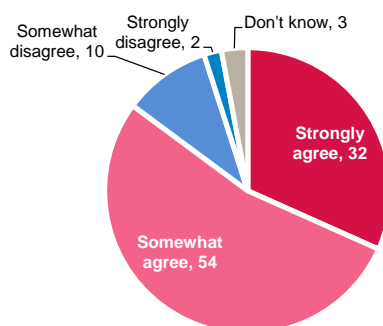
## Helping small businesses hire youth

### First jobs, big investments

Small businesses are where many youth enter the workforce for the first time, often in part-time jobs while in school. As educational institutions often do not adequately prepare youth for the realities of the workplace, the task of training them falls on the shoulders of small business owners. The vast majority of youth (86%) either somewhat or strongly agree that it is the employer's responsibility to train them for the job (see Figure 10).

Figure 10

**I believe it is the responsibility of the employer to train me for the job (% response)**



Source: MARU/MATCHBOX, Public Opinion Poll of Youth, 513 responses, May 2018.

One owner of a carpentry business in British Columbia expressed his concerns about the costs of hiring inexperienced young workers: *“Our specific trade (finishing carpentry) has no training program in BC. The skills required are not taught at any trade colleges or schools. This means we are required to incur all of the costs of training new workers. There is a significant amount of content, and the cost is high, with no ‘investment’ or financial commitment on the new workers’ side. This means we are at a higher risk of loss to hire young workers.”*

Certain jobs with small businesses that may be lower wage, part-time, temporary, or contractual often get mistakenly labelled as “precarious” which comes with negative connotations. Some describe this type of employment as “insecure” or “dangerous” and this can discourage youth from applying to these jobs. In reality, some youth are seeking flexibility in their employment and choose contractual or part-time work, or become self-employed, because that type of work fits better with their lifestyle and/or school schedule. In fact, as of 2016, fully three quarters of part-time work is demand-driven and has trended that direction since 1997.<sup>12</sup> Governments must therefore rethink their perceptions of “precarious” work as most of the time this type of work is desired by youth and can be very important in helping them prepare for their future.

### **The high cost of labour**

Many business owners we surveyed expressed their concerns about the increased costs of labour, particularly due to minimum wage hikes, and the impact on their ability to hire and train youth. The federal government has made significant financial commitments to promote its Youth Employment Strategy, including \$395.5 million over three years promised in Budget 2017. However, if it wants to ensure that their policies translate into actual results for youth, they must also consider the needs and challenges faced by small businesses looking to hire youth. In particular, the government must address the increasing cost of labour and training, which has the potential to affect youth the most.

As over 60% of youth between the ages of 15 and 24 are minimum wage earners, past studies have shown that they may experience the largest negative impacts as a result of minimum wage increases in provinces such as Alberta and Ontario.<sup>13</sup> In addition to these increases in minimum wage, payroll taxes will start to increase across the country in 2019 with Canada Pension Plan (CPP) and Quebec Pension Plan (QPP) premiums set to rise for the next five years. In reaction to these tax hikes, 69% of small business owners say they will feel more pressure to freeze or cut salaries and 37% said they may have to reduce the number of employees.<sup>14</sup>

As the costs of hiring increase, employers may hire fewer young workers or may choose to hire more experienced employees rather than youth with little to no job experience. As a result, youth could lose out on valuable opportunities to gain work experience or may be forced to delay getting their first job, meaning employment rates of youth between the ages of 15 and 18 will remain low.

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<sup>12</sup> CFIB, MALLETT, TED (2017), Part-Time work: a matter of demand or supply?

<sup>13</sup> CFIB (2017), \$15 Minimum Wage: Jobs for Canada's Youth at Risk.

<sup>14</sup> CFIB, Canada Pension Plan Expansion Survey, 4,422 responses, June to October 2016.

## Member Comments

*“The increases in minimum wage have made it not affordable for me to give 15–17 year old students a summer job when I consider my return on investment. In my opinion, it also creates problems with other long-term employees that were happy at their wage level but now are not because of some ‘kid’ with no skill set that requires training and generally very poor productivity that now will soon have to be paid \$15.00 an hour. I feel sorry for those young people today as I previously would hire one to three ‘kids’ and give them jobs because they need to start somewhere to gain experience. I can hire one older person for less than the cost of two students and get 2–3 times the productivity. [...]”—Retail and rental company, Alberta*

*“At the minimum wage rates now, I can’t afford to hire youth. You don’t get \$15 worth of work from young inexperienced workers (Which is who minimum wage targets). Worse yet, the \$15 an hour I used to pay my more skilled and responsible people is not enough anymore, as they justifiably feel they deserve more than an 18-year-old unskilled entry level worker. It creates a chain of cause & effect that limits my ability to hire youth. I used to relish the opportunity to bring on young and eager people, even though they required substantially greater amount of guidance and supervision. Unfortunately, at \$15 an hour, you simply do not get that value returned to you in their work. The dramatic jump was too much, too fast, and I would be astounded if businesses across the province weren’t echoing that sentiment. Something must be done, as I am certain that youth employment rates will suffer greatly. Unfortunately as small business owners, we must now jack prices, or risk lower quality of service, or becoming unprofitable.”—Pet boarding facility, Ontario*

*“We have had a long list of youth express interest in working at our bookstore. We have also had numerous youth complete their work experience courses at our store. Youth are attracted to working at our store due to the positive atmosphere, strong team building, and a sense of doing work that matters to the community. We assume that they are joining our team with little to no previous job experience and no industry experience. We train them in a way that empowers them for greater success in any future job. The increases in youth employment costs (minimum wage and source deductions) are making this harder and harder to do. We cannot afford to pay an untrained youth \$15/hr as a small business. It is the youth that will lose out in this scenario.”—Bookstore, Alberta*

*“We have had a variety of experiences over the past years hiring youth. Some have been exceptional and others were not motivated at all. We are a plumbing company and the minimum wage increase has caused us to be very careful in our hiring as we lose money for the first two years of training.”—Plumbing and heating company, Ontario*

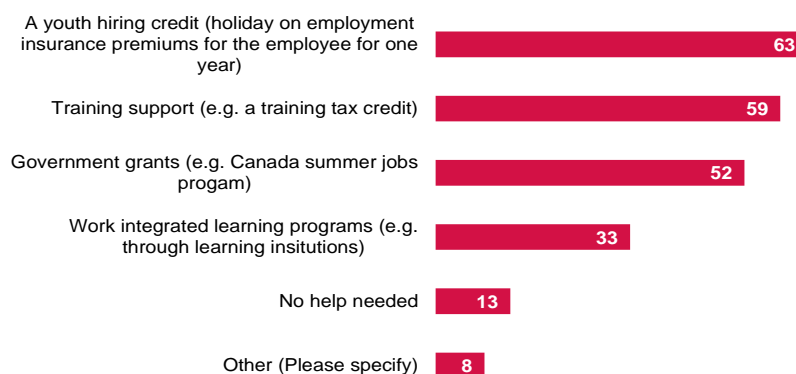
*“It is difficult to hire youth that do not have formal training in accounting and/or public practice experience. The training cost is high due to the increase in minimum wages and technology/software training. So we focus our effort on hiring staff with more than five years of experience who are more mature and settled in their careers.” Accounting firm, Alberta*

Although government assistance in the form of programs or grants (e.g. Canada Job Grant and Ontario’s Graduated Apprenticeship Grant for Employers) can be helpful for many small businesses, not all businesses are approved for funding and others struggle with the additional red tape. The federal Apprenticeship Job Creation Tax Credit is also well supported among businesses who employ apprentices; however, it is limited to Red Seal Trades. To ensure a greater number of businesses are able to access these types of supports to hire more apprentices, the list of Red Seal trades should be expanded to those that are recognized by certain provinces such as computer technicians, locksmiths, tailors, small equipment mechanics and dressmakers. On top of this, programs like the Canada Summer Job grant are only available during the summer, which does little to help businesses looking to hire at other times of the year or looking to keep a summer student as a part-time employee through the school year. The government should also ensure that programs or grants that support the hiring of youth are made available to businesses in all industries, rather than targeting certain sectors, such as IT or clean tech.

Our research found that business owners are most supportive of implementing measures such as a youth hiring credit that would provide employers with a holiday on paying Employment Insurance (EI) premiums for their youth employee, similar to what was promised by the Liberals in their 2015 election platform, or tax credits for training (see Figure 11). These measures would also help offset the impacts of the upcoming CPP/QPP increases.

Figure 11

#### Which of the following would help your business hire more youth? (% response)



Source: CFIB, Youth Employment Survey, 6,398 responses, May–June 2018.

Many members expressed their frustrations with the limitations around grants, as well as issues accessing them. In order to ensure that government dollars are being allocated effectively, youth hiring programs should be measured and should include annual evaluations of their outcomes. In other words, if the government finds that a program does not help more youth land full-time jobs, it should be eliminated or replaced.

## Member Comments

*“We would be more in favour if more grants or co-op funds can be made available year round, not just when universities or colleges are out in the summer. It would be more conducive if year-round but perhaps with reduced hours to accommodate the schooling year.”—Manufacturing, Ontario*

*“Apprenticeship programs should be more supported by the government instead of grants or other direct subsidies.”—General contractor, Alberta*

*“I love hiring students and have had many of them over the years. High minimum wages limit my ability to pay for all of it myself but I have had good luck with STEP and CSJ programs. I have managed to hire three students through the Experience program (NSERC) but they won’t recognize university transfer students from Medicine Hat College so my opportunities are limited.”—Laboratory, Alberta*

*“I have applied for the Federal Summer Youth Program offered by the Federal government for the past 3 years. Even though I have been notified that I was eligible I have been turned down for a subsidy for the past 3 years. It is very disappointing because my business is a corporation that designs, manufactures, wholesales and retails apparel for all ages. A student can gain a wealth of knowledge and experience in our workplace but this involves training and without a subsidy we are limited to the amount of training we can offer. I am very disappointed once again to learn where these federal dollars for students have gone to once again this year in my immediate region. In my 25 years in business I have only once received federal summer youth dollars and once a \$2.00/hr provincial subsidy. This summer—because I just heard back from the feds I was too late in tapping into a provincial program. There has to be a better way of finding out what programs are available.”—Manufacturing, Ontario*

*“The government’s grants for hiring youth is a joke and the process is so restrictive. The applications close as early as February, when kids have not even THOUGHT of working in the summer. The government needs to actually be serious about promoting youth employment and allow incentives for small businesses for hiring them throughout the year, not a small window.”—Dentist office, Ontario*

## Offsetting the costs of training

Small business owners make significant investments in training. In 2014 they invested approximately \$15 billion in training employees, \$9 billion of which was informal training.<sup>15</sup> Smaller businesses were also found to invest more per employee in training than larger businesses. On top of this, the cost for a small business to train a new hire with no experience is almost double (\$4,243) the cost of hiring someone with experience (\$2,827).<sup>16</sup> These training investments can also present a big risk for employers who worry about youth being poached or

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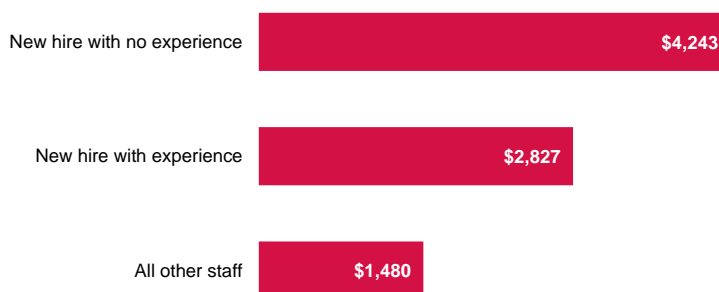
<sup>15</sup> CFIB, Training in Your Business Survey, 6,705 responses, September to October 2014.

<sup>16</sup> IBID.

not sticking around long-term. Over half of small business owners said the cost of training was a barrier to hiring youth. As such, several business owners expressed support for measures that addressed these costs, including an owner of an inn in British Columbia, who said, “[y]outh need that first job, whatever it is so that they learn the skills that they need for their future jobs. An incentive for an employer like us is to compensate us in some way for taking the extra time to work with someone in their first job.”

Figure 12

### Average training cost per employee, by type of employee, 2014



Source: CFIB, Training in Your Business Survey, 6,705 responses, September to October 2014.

Small businesses want to train young workers and help them gain skills for future jobs, but the government must recognize that this requires small employers to invest significant time and money. As indicated in Figure 11, business owners are most in favour of receiving support in the form of tax credits, such as a training tax credit or EI rebate, that help address the costs of training since these are more flexible and require less red tape than government grants and programs.

While direct grants and financing for training, such as the Canada Job Grant can be helpful, most only recognize formal training which is often done through courses provided by educational institutions or professional instructors. However, informal training accounts for 64% of training costs for SMEs—typically provided through on-the-job mentoring either by managers/co-workers or business owners.<sup>17</sup> The EI fund is another source of financing for employee training, providing \$2 billion per year to provinces to provide employment support and training. However, there is a low level of support among small business owners for financing employee training through the EI fund, with nearly 22% of businesses saying EI training programs are either poor or very poor, and another 60% who have either never used these programs or are unaware of them.<sup>18</sup> To increase the effectiveness and accessibility of government programs, they must better recognize informal training as a legitimate method used by small businesses to train young workers.

<sup>17</sup> CFIB, Training in Your Business Survey, 6,705 responses, September to October 2014.

<sup>18</sup> CFIB (2016), Insuring Employment: SME Perspectives on the Employment Insurance System.

Additionally, many small business owners are not using the supports available that may enable them to hire more youth, because they simply do not know they exist. For example, 71% are unaware of the Canada Job Grant, which splits the costs of employee training between the employer and the government, and 59% are unaware of the Canada Job Bank, which can be a resource for both small businesses and youth to post and find jobs.<sup>19</sup> Government must communicate better with small business owners so they know what programs and services are out there that can help reduce some of the costs of hiring and training youth.

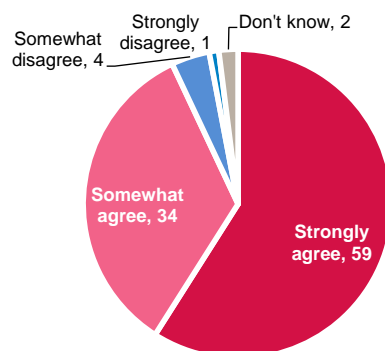
While the government has allocated significant resources to youth employment initiatives and training programs, these do not fully address the needs of small businesses. As most small businesses conduct on-the-job, informal training, they often do not qualify for government support. Only 16% of business owners said they've used a government-sponsored training program.<sup>20</sup> As such, governments should focus on providing small businesses with more flexible solutions to addressing the costs of hiring and training, such as tax credits, rather than create additional programs.

## How youth can better prepare for their future

While government, educational institutions and the business community play a role in helping youth make the school-to-work transition, young people overwhelmingly agree that they are ultimately responsible for their future and finding a job that fits their needs (93%) (Figure 13). Yet business owners feel that young people are often underprepared for the workforce.

Figure 13

**I am responsible for my future and finding a job that fits my needs (% response)**



Source: MARU/MATCHBOX, Public Opinion Poll of Youth, 513 responses, May 2018.

## First impressions matter

In 2015, CFIB surveyed its members on the Canadian workforce landscape. As part of the survey, CFIB asked its members of their best advice for job seekers, receiving almost 4,500

<sup>19</sup> CFIB, Training in Your Business Survey, 6,705 responses, September to October 2014.

<sup>20</sup> IBID.

comments filling 200 pages.<sup>21</sup> The comments were based on their own experiences with hiring and many of them apply to young job seekers who could benefit from trying to understand the perspective of those on the other side of a desk in a job interview.

An employer's first impression is often based on a candidate's appearance. Even a positive reference will have trouble saving a candidate if they show up to an interview in unprofessional attire (such as ripped jeans or sweatpants) or even worse, with a parent in the room. Appearance can also apply to resume writing. Spelling mistakes and grammatical errors can be costly, as can exaggerating one's skills or experience. Employers recommend that any gaps be made up for with a demonstrated eagerness to learn, rather than trying to fit a square peg into a round hole.

Young people are also responsible for managing their own social media accounts. Employers are active on social media sites like LinkedIn, Facebook, Twitter and Instagram and doing a quick search of prospective employees' names is becoming common practice during the hiring process. Prospective employees should consider that what they post online may be visible to employers and may affect their chances at a job.

It is also important that youth understand that getting hired is only the first step in the process. Once a young person is hired, the expectation that they will be professional at all times remains. Business owners acknowledge acts like going the extra mile for the customer, taking extra initiative to pitch in, and having a positive attitude in the workplace—all entirely within the employee's power—as the best ways for employees to get noticed positively. Whereas excessive time on personal calls, emails and texts, excessive chatting with co-workers and repeatedly being late, all have a strong negative impact and could affect a young worker's future prospects.<sup>22</sup> Working in a small business also provides youth an opportunity to learn about entrepreneurship and the barriers businesses owners have to overcome to be successful. If employees better understand the context and background story of the business, then they would likely better see how their role fits in, thereby improving their connection to the business and their sense of worth.

### What advice would you give to a young person looking for their first job?

*“We hire youth and if they have the right aptitude and attitude we will apprentice them. Youth need to have a positive attitude and a strong work ethic to function in our workplace. Many young people today seem quite entitled and don't seem to realize they need to start at the bottom and work their way up.”—Manufacturer, Yukon*

*“Have a positive attitude and willingness to learn and people will be more willing to teach. Be dependable (turn up for work every day) and punctual (be on time)—constant lateness & absences are huge negatives and reflect poorly even when the potential worker may have good skills”—Manufacturer, British Columbia*

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<sup>21</sup> CFIB (2015), Small business views on the Canadian workforce.

<sup>22</sup> IBID.



*“Be interested in the job that you’re applying for & know as much as possible about what that job entails.”—Wholesaler, British Columbia*

*“A first job does not need to be grandiose to learn ethics and professionalism, two qualities that cannot be learned at school. Skills can be learned on the job, but know-how can often be more important than knowledge. Learn how to work with a supervisor or mentor and ask questions about the work environment. Do not try to change everything around you, any workplace is flawed like any other sphere in your life. Prepare in advance and research the employer before the interview and especially ask for help from resource persons who can guide you through the hiring process. Do not be afraid to volunteer when the opportunity arises. [Translated from French]”—Restaurant, Quebec*

*“My advice would be: be willing to go above and beyond for your work place. Be on time! Don’t demand certain hours (days only, no weekends) and don’t be so picky about what job you can get. We all had to start at the bottom and earn our way up the ladder. Have a positive attitude regardless of what you do in life. No one wants to work with a negative person. Admit to a mistake you’ve made, don’t try to hide it or blame someone else for it! And lastly, I’ve said this to all my children, never quit on a bad day! Don’t burn that bridge, you never know when you’ll need to cross it again!”—Café, Manitoba*

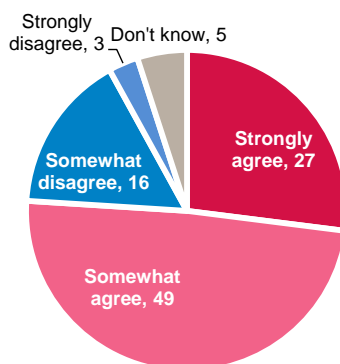
*“Show up in person to ask, look professional, ask for clarification, be prompt, and try to anticipate in your work—don’t wait for instruction on every little thing if you know what you are to do.”—Farm, Saskatchewan*

## The value of job experience

Certain jobs or industries, such as those in retail and hospitality, have been labelled as “bad,” often because they don’t require as much formal education as higher paying “white collar” positions, which ends up stigmatizing the job, so some may feel as though there is no value to be gained from those experiences. Jobs are not something employers create for the benefit of employees. They are tasks set up to satisfy demand from customers and clients. If a customer is wanting a particular product or service, fulfilling that need cannot be considered a “bad” job. Although these jobs may not be in their desired field, the work experience and skills gained from these jobs are no less valuable for youth. Most youth seem to understand this as 76% of youth somewhat (49%) or strongly (27%) agree that if they are unable to find a job in their field, they will accept any job to acquire relevant work experience (Figure 14).

Figure 14

**If I am unable to find a job in my field, I will accept any job to acquire relevant work experience (% response)**



Source: MARU/MATCHBOX, Public Opinion Poll of Youth, 513 responses, May 2018.

In fact, work experiences in a small business can be valuable since SMEs tend to be more flexible and offer employees more opportunities to get involved with the business and provide ideas. Many times, SMEs are more willing to take risks on young workers than bigger companies. Working in a small business also exposes youth to the notion of entrepreneurship as a potential career option.

One owner of a construction company in Ontario provided the following advice to youth on the importance of gaining work experience, even if the job is not in their ideal field: *“We have had many come through our operation but don’t want to start from the bottom. They want good paying jobs based on their school credentials regardless of their lack of experience. As for advice, don’t expect to find your dream job first time on the market. Settle for something similar, get all the free training and advice you can. Whether it be communication, management, selling, customer service skills, etc. Create some form of experience. It will help you move along in your current job or it will look good on your next resume.”*

## RECOMMENDATIONS

Smaller businesses want to hire young workers and youth are eager to gain work experience. However, there seems to be a gap in bridging smaller firms looking to hire with youth looking for work. Our research of small businesses and youth themselves has highlighted a number of areas that may be contributing to this gap, and if addressed, can help tackle the shortage of labour among smaller firms and provide more youth with valuable work experience.

The report found that some of Canada’s educational institutions need to rethink how they approach workplace preparedness in and out of the classroom. Work integrated learning programs can offer students and small businesses opportunities to connect, providing valuable experience for youth and filling vacancies for small employers. However, many programs seemed to be more focused on big businesses and public service positions, and rarely consider industries with higher vacancy rates, like construction, as a source of work integrated learning

opportunities. Government and educational institutions should work with the small business community to ensure that job needs are met and that young people are entering the workforce prepared for the expectations and realities of the workplace.

Furthermore, governments at all levels need to better consider how their policies impact youth employment. When a government increases the minimum wage or hikes payroll taxes, the cost of hiring a young employee increases. Because young employees require a greater training investment, these policies actually deter small businesses from hiring young people, exacerbating the youth unemployment problem. Governments can help offset these costs by providing training credits, payroll tax holidays and ensuring minimum wage increases occur in a reasonable, stable and predictable manner.

Finally, young people understand that they are responsible for their future. Therefore, it is up to them to ensure that they make the effort to have the right attitude at work through doing things such as showing up on time, learning from their mistakes, and being professional. It is also important that they recognize that they may not get their dream job right away and that a small business can be a great place to learn and gain valuable work experience that will benefit them throughout their career.

Based on survey feedback and input from smaller employers and youth themselves, CFIB makes the following recommendations to help bridge the gap between youth and smaller businesses.

## **Recommendations to educational institutions**

### **High schools**

- Place more focus on soft skills and workplace literacy in high school curriculums to better prepare youth for the workplace.
- Create more partnerships with the business community to better ensure the skills being taught are relevant to the workplace.
- Provide more networking opportunities and access to local small business owners to students in the classroom.
- Better emphasize the importance and the value of a career in the skilled trades so that a greater number of students consider it as a viable career option.

### **Post-secondary**

- Ensure better access to post-secondary Work Integrated Learning (WIL) programs for small businesses by expanding programs to more sectors and outside urban centres.
- Allocate a larger number of WIL positions to smaller companies.
- Ensure better communication and outreach to local small businesses to increase their involvement in WIL opportunities.
- Put a greater focus on career development and counselling by teaching skills such as resume writing, networking and interviewing.
- Place a greater emphasis on teaching practical skills development and their application in the workplace.

## Recommendations to government

- Implement measures to reduce the costs of hiring and training youth, such as an EI holiday for hiring youth, or a training tax credit that recognizes informal training.
- Implement measures to offset the impacts of the upcoming CPP/QPP increases, such as a permanent lower EI rate for small business.
- Offer a tax credit to companies that hire students in a WIL placement, such as a co-op program or internship.
- Enhance the accessibility of government training programs and grants, such as the Canada Job Grant, by recognizing informal training and including soft skills.
- Expand the availability of the Canada Summer Job grant to other times of the year, and extend the application period so that more youth and small businesses are able to apply.
- Increase targeted investments into rural areas to provide better infrastructure (broadband) to better support private investment and job creation.
- Measure and annually report on the outcomes of government youth hiring programs so that training funds are allocated to programs with a track record of connecting youth with jobs.
- Create working groups with governments, education professionals, small business owners and other employers to provide feedback on key elements that could be included in high school and post-secondary curriculums to better ensure that youth are job-ready.
- Better communicate with small business owners on government programs that may be able to help offset the costs of hiring and training youth.
- Focus some post-secondary education funding on programs linked to the employment market.
- Ensure better access to the federal Apprenticeship Job Creation Tax Credit, as well as supports for apprentices themselves, by increasing awareness and expanding the list of Red Seal trades to include a broader group of skilled trades such as computer technicians, locksmiths, tailors, small equipment mechanics and dressmakers.

## Recommendation to small business

- Familiarize yourself with various government grants, both federal and provincial, that can help offset training costs, such as the Canada Job Grant.
- Apply early for programs like the Canada Summer Jobs Grant to help with the cost of hiring students.
- Reach out to your local high school, college or university to see if they offer work-integrated learning opportunities to their students.
- Be open-minded when hiring youth. Although there are a few bad apples, young workers can often bring new ideas and energy to your business.
- Be patient with hiring and training young people—they may need more time to adjust to your work environment than more experienced employees.
- Consider creative ways to attract young people such as offering a bursary to students at your local college to help with their education costs while they work with you as a way to attract and retain young workers.

## Recommendations to youth

- Show up on time to interviews or when meeting a potential employer, and do not bring friends or parents along—you are the one applying for the job.
- Consider how small businesses go about finding employees and adjust your search methods accordingly.
- Show professionalism and a positive attitude at work.
- Be open to job opportunities that may not be in the field you had in mind. These experiences are still valuable and can help you gain other skills that will be useful for your career down the road.
- Consider moving to a different city or province that may offer more job opportunities that you may be looking for.

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## Methodology

### CFIB member survey

The CFIB Youth Employment online survey was conducted from May 22 to June 26, 2018, and is based on a sample of 6,398 small business owners from Canada. For comparison purposes, a probability sample with the same number of respondents would have a margin of error of 1.23%, 19 times out of 20.

### Maru/Matchbox Public Opinion Poll

From May 25 to 29, 2018 an online survey of 513 randomly selected Canadians (340 adults aged 18–24, and 173 teens aged 15–17) was executed by MARU/MATCHBOX/Blue. For comparison purposes, a probability sample of this size has an estimated margin of error (which measures sampling variability) of  $\pm 4.33\%$ , 19 times out of 20. Discrepancies in or between totals are due to rounding.

