

OFF TO WORK: IMPROVING THE SCHOOL-TO-WORK TRANSITION FOR RECENT UNIVERSITY GRADUATES

HIGHLIGHTS

- Some research suggests that the typical PSE graduate in Canada will be “underemployed” for three to five years before finding a job appropriate to his/her skill set. Even if only temporary, a period of underemployment represents a skills mismatch and an inefficient use of talent.
- Human capital is maximized when a worker’s qualifications and skills match those required by their job. Delayed PSE school-to-work transitions may help to explain Canada’s lacklustre productivity growth.
- The rise of employer demands for skills beyond a bachelor’s degree signals that more can be done to improve the efficiency of the labour market and facilitate school-to-work transitions. This may present an opportunity for BC to lead the pack in boosting the overall economic returns from PSE.
- If BC can create cross-sectoral partnerships and do a better job on school-to-work transitions, our PSE graduates will be more highly sought after and BC can reap bigger rewards from the investments being made in post-secondary education and training.

In an age dominated by disruptive technology, rapidly expanding knowledge, and pervasive innovation, more and more young Canadians are pursuing post-secondary education. Looking back to 1991, slightly less than 1 out of 5 employed Canadians between the ages of 25 to 34 had a university degree. By 2011, the figure had climbed to 1 out of 3.

With a growing pool of post-secondary graduates, it is natural to ask whether the jobs being created in the economy efficiently match the supply of educated workers. In a sluggish labour market, this issue takes on added urgency, as many recent university/college graduates

find themselves competing with more experienced workers for a limited supply of attractive job opportunities. The data show significant numbers of Canadian university graduates unable to find work corresponding to their level of education – i.e., they arguably are “overqualified” for the positions they hold. An OECD study reports that the average PSE graduate in Canada will be underemployed for three to five years before securing a job appropriate for his/her skill set.¹ Such a gap, even if it temporary (which is often the case), represents an inefficient use of talent and may help to explain Canada’s lacklustre productivity growth.

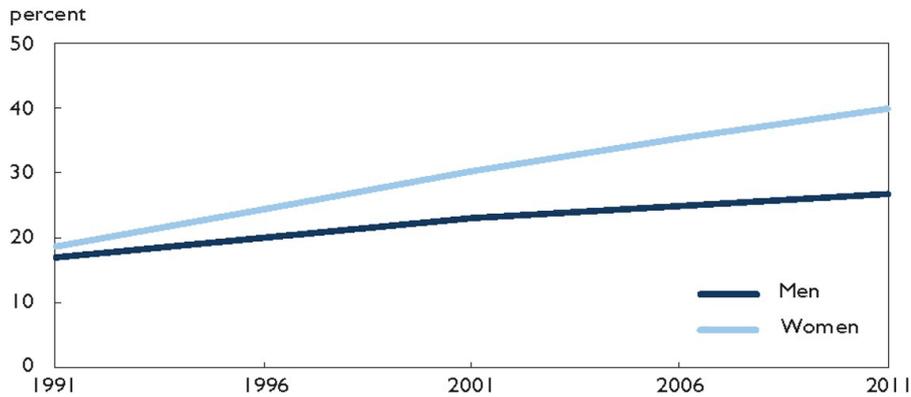
OVER-QUALIFICATION: INEFFICIENT USE OF HUMAN CAPITAL

The time between post-secondary graduation and skills-matched employment is a reality faced by many young adults entering the full-time labour market. Human capital is maximized when a worker’s qualifications and skills match those required by their job.² Despite Canada’s impressively high rates of overall PSE attainment, as a country we do less well in transitioning “starters” (aged 25-29) into the workforce. According to the above noted OECD study,

¹ OECD, [Skills Outlook 2015](#).

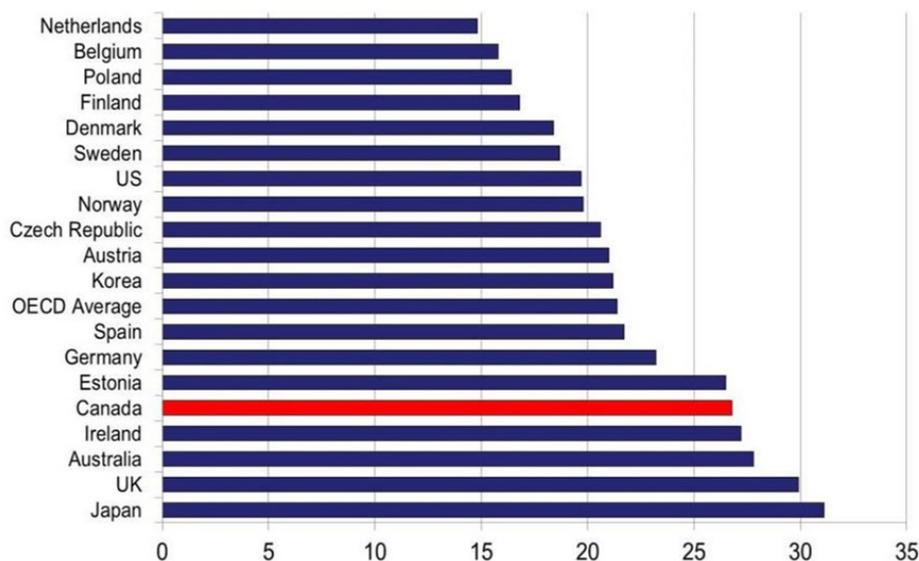
² *Ibid.*

FIGURE 1: **EMPLOYED MEN AND WOMEN, AGED 25 TO 34, WITH A UNIVERSITY DEGREE, 1991 TO 2001**



Sources: Statistics Canada, Census of Population, 1991, 1996, 2001 and 2006; National Household Survey, 2011.

FIGURE 2: **INCIDENCE OF OVER-QUALIFICATION IN OECD COUNTRIES AMONGST STARTERS, AGED 25 TO 29 (% OF SURVEY RESPONDENTS)**



Source: OECD.

a large percentage of Canadian university graduates report being over-qualified in their jobs, compared to their contemporaries in most other advanced economies.

Over-qualification is an indicator of inefficiency in the labour market and in the “job-matching” process. It also points to a skills mismatch: a gap between employers’ needs and

recent graduates’ available skills. At one time, having credentials beyond high school was enough to enable most young adults completing university to succeed in the job market and quickly secure suitable skills-matched employment; today, statistics suggest that a bachelor’s degree does not guarantee direct entry into the workforce or a

decent quality job. The hordes of underemployed (or, less commonly, unemployed) university graduates searching for appropriately-matched employment can be seen as evidence of foregone economic potential.

LINKING OVER-QUALIFICATION TO FIELD OF STUDY

There is a correlation between over-qualification and field of post-secondary study. According to Statistics Canada’s National Household Survey, in 2011 the highest rates of over-qualification were concentrated in three areas of study: (1) business, management and public administration; (2) social and behavioural sciences and law; and (3) humanities. Together, these three fields accounted for over 60% of overqualified graduates between the ages of 25 and 34. The lowest rates of over-qualification were found in the more-career focused areas of education, engineering, and health-related disciplines. Although over-qualification rates tend to decline among those possessing higher-level academic credentials (masters’ and Ph. D degrees), school-to-work transition issues still exist for some of these graduates.

A CHANGING LABOUR MARKET

Labour market needs are not static. Data from the United States helps to illuminate the transformation of the job market since 1960. Beyond the decline of routine manual skills (for example, duties performed on

FIGURE 3: **DISTRIBUTION OF OVERQUALIFIED* WORKERS, AGED 25 TO 34 YEARS, ACROSS FIELDS OF STUDY, 2011**

Fields of study	Men			Women		
	All	Canadian-born	Immigrants	All	Canadian-born	Immigrants
	<i>percentage</i>					
Education	3.5	4.4	2.2	8.5	10.2	5.7
Visual and performing arts, and communications technologies	4.4	5.7	2.3	5.8	7.2	3.6
Humanities	14.1	17.1	9.2	15.1	16.5	12.9
Social and behavioural sciences and law	21.5	25.4	15.2	25.7	29.8	18.8
Business, management and public administration	25.8	24.1	28.6	20.9	17.1	27.1
Physical and life sciences and technologies	6.7	6.9	6.3	7.9	7.7	8.2
Mathematics, computer and information sciences	4.8	2.9	8.1	2.9	1.0	6.0
Architecture, engineering, and related technologies	9.8	5.5	17.1	2.7	1.4	4.8
Agriculture, natural resources and conservation	2.2	2.5	1.7	1.7	2.1	1.2
Health and related fields	6.0	4.8	8.1	8.4	6.5	11.5
Other	1.0	0.9	1.3	0.5	0.6	0.2

* Defined as university graduates working in occupations requiring high school education or less.

Source: Statistics Canada, National Household Survey, 2011.

an assembly line), routine cognitive skills are also being replaced in some sectors and occupations by technology, with much more of this kind of displacement likely in the next decade. In contrast, jobs requiring non-routine skills that are complemented by computers—not replaced by them—are on the rise.³ Employers increasingly are looking for employees with a range of competencies, such as collaboration, critical thinking, self-regulation, collaboration, and communication, while placing less emphasis on content expertise.⁴ Graduates of PSE programs can find it difficult to keep up with employers' evolving demands and expectations. Relevant experience in the workforce prior to completing a university degree can give graduates a leg up.

CREATING A COMPETITIVE ADVANTAGE FOR BC

We believe more can be done to increase the efficiency of the labour market and to facilitate school-to-work transitions. This presents an opportunity for BC to take the lead in boosting the economic returns from PSE. Collaboration and partnerships between government, PSE institutions, and the private sector can enable BC to prepare our graduates for a dynamic and competitive labour market.

Perhaps too many expect post-secondary institutions to produce work-ready graduates, but the incidence of underemployment/over qualification among young

adults with PSE credentials is a sign of the challenges that exist in this area. We believe there is a role for the employer community in understanding and providing information on skill mismatches and helping more PSE graduates find rewarding employment. If BC can create cross-sectoral partnerships and make progress in improving school-to-work transitions, our graduates will be highly sought after and the province can reap bigger economic and social rewards from the substantial investments being made in post-secondary education.

INDUSTRY PARTNERSHIPS

Work-integrated learning (WIL) is an umbrella term for partnerships between industry/employers and the education sector. These partnerships enhance the benefits of PSE and combine classroom teaching with relevant, hands-on learning for students who develop workplace competencies and gain experience outside of academia. Examples of WIL models include co-ops, internships, mentorship programs, long-term projects, industry-specific competitions, and

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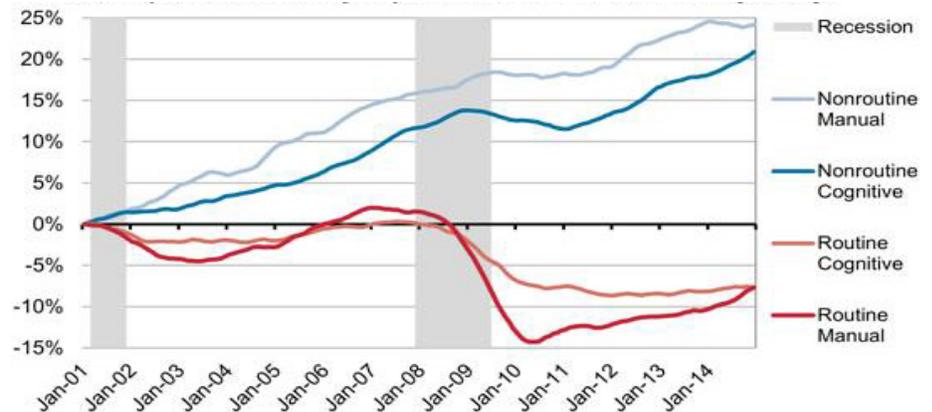
³ In the US, some categories of lower-skilled service jobs are also growing.

⁴ Brookings, *Skills for a Changing World*, 2016.

hack-a-thons. Work-integrated learning partnerships are intended to assist students in obtaining the skills relevant to a particular industry/profession and can pay dividends for students in every field of study. Students gain from direct interaction with employers and by building workplace skills, such as collaboration, analytical problem solving and people/project management. Additionally, WIL benefits employers by bringing industry “into the tent.” WIL gives employers the opportunity to provide feedback on the content and structure of PSE programs and curricula and to apprise post-secondary institutions on industry needs. Incorporating these programs into every field of PSE study, as recently recommended by the Business Council of Canada⁵, would enable BC to provide more career-ready PSE graduates and lead the country on school-to-work transitions.

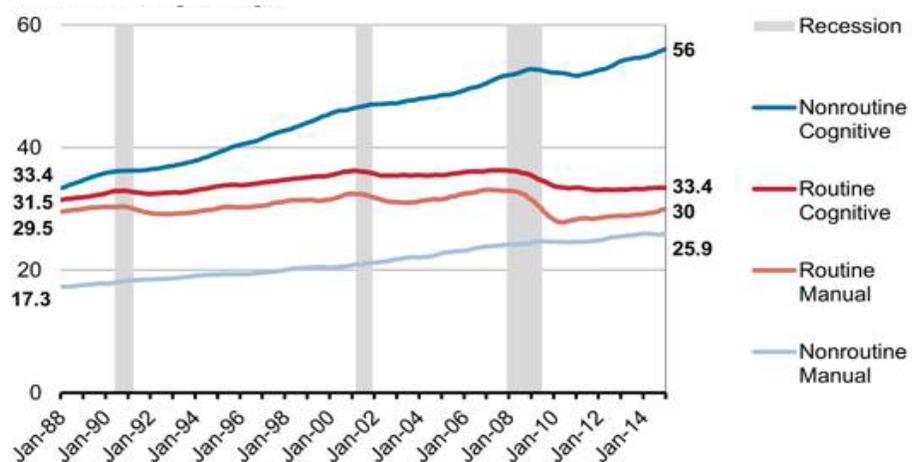
British Columbia is home to good universities, lots of innovative employers, and plenty of talented and motivated people. However, we are losing some of our economic potential as a result of talent shortages, labour market mismatches, and inefficient school-to-work transitions. We can do better. The work environment is changing, including for many entry-level employees, and going forward there is a need for greater engagement and collaboration between the employer community and the PSE sector. Providing the next generation of workers with opportunities to acquire the skills most relevant to

FIGURE 4: **JOB GROWTH IN THE US, PERCENT CHANGE SINCE 2001, 12-MONTH MOVING AVERAGE**



Source: Henry Siu and Nir Jaimovich for Third Way / WSJ.com.

FIGURE 5: **NONROUTINE US JOB GROWTH, TOTAL NUMBER OF JOBS (IN MILLIONS), 12-MONTH MOVING AVERAGE**



Source: Henry Siu and Nir Jaimovich for Third Way / WSJ.com.

success in the labour market would have a positive impact on our economy in several ways: increased wages/incomes, higher productivity, and more efficient job matching.

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⁵ <http://thebusinesscouncil.ca/news-item/bher>.