



# Assessing the Costs and Impacts of Unemployment and Underemployment

The Case of York Region

January 2020

## TABLE OF CONTENTS

<b>Introduction</b>	2
Study Purpose	3
Project Overview	3
Methodology and Outcomes	3
Assessing the Costs of Unemployment	3
Assessing the Impacts of Unemployment	4
Limitations	5
Report Structure	5
<b>Unemployment in York</b>	6
<b>Locally Driven Costs of Unemployment in York</b>	7
Defining the Costs of Unemployment	7
Financial Benefits	7
Employment Insurance Regular Benefits	8
Social Assistance Payments	8
Guidance Programs	8
Employment Ontario	8
Social Assistance Employment Program	9
Loss of Revenue	9
Loss in Social Contribution Payments	9
Table 2: Social Security Contributions for Ontario Workers (2016 reference year)	9
Loss in Direct Taxation	10
Loss of HST Revenue	10
Summary of Costs	11
Gross Domestic Product	11
<b>Impacts of Unemployment and Underemployment in York</b>	12
<b>Recommendations</b>	15
<b>Notes</b>	16

# Introduction

Employment is a primary driver of social and economic policy in Canada. Residents are expected to participate as fully as possible in the economic activity of the community, by earning income and acting as consumers. Social inclusion is in many ways contingent on employment, as working life forms the foundation of personal and collective interactions. Unemployment is, thus, an ongoing social and economic problem for advanced economies, impacting on the life of individuals, families, communities, and society as a whole. For example:

- Employment status has been shown to be a significant determinant of health and mental health status<sup>2</sup>. This has an impact not only on individuals, but on potential public health costs as utilization may increase as unemployment rises<sup>3</sup>.
- Research has suggested links between sustained unemployment and criminal activity, in particular, property crime<sup>4</sup>.
- Sustained periods of unemployment can have an impact on family dynamics, contributing to household breakdown<sup>5</sup>.
- Parental unemployment may be linked to long-term impacts on children<sup>6</sup>, including effects on academic achievement<sup>7</sup>, health outcomes<sup>8</sup>, and future employment prospects<sup>9</sup>.

Unemployment has been shown to have long-term consequences for those who experience sustained periods out of work. Analysis from multiple jurisdictions, including Canada<sup>10</sup>, the United States<sup>11</sup>, and Britain<sup>12</sup>, demonstrate the impact of wage scarring<sup>13</sup>, on both individuals and the productivity of the economy. This is particularly true for youth who experience unemployment and underemployment early in their career<sup>14</sup>.

As a result of the associated negative personal, social and economic impacts, unemployment tends to lead to public expenditure on amelioration efforts, which take the form of financial transfers (to offset lost wages of the unemployed), and guidance programs to support job search and employability. Given their scale and importance, these efforts tend to have a significant cost associated with their development, implementation, and maintenance. For example, Canada's Employment Insurance program, which provides paid benefits to qualified unemployed persons only, paid nearly \$30 billion in benefits in 2016<sup>15</sup>. This does not include the administrative costs associated with program delivery and monitoring and is only one part of Canada's response to unemployment. This response also includes the funding of guidance programs and other services to support job attainment and retention, and support for economic development activities to support job creation.

In the Canadian context, the primary public interventions to address unemployment are funded and directed by the federal or provincial governments. This includes the Employment Insurance Program, the Employment Ontario Program, Ontario Works and the Ontario Disability Support Program, and various other programs under multiple federal and provincial ministries aimed at job development, training, and economic development.

Significantly, however, the implementation of these federal and provincial programs tends to be determined by local economic conditions, accounting for the variability of context that may affect unemployment and those who are unemployed. For example, EI eligibility and rates are variously determined by local employment and labour market characteristics<sup>16</sup> as is service investment through the Employment Ontario Program<sup>17</sup>.

As a result an understanding of unemployment and its costs and impacts at the local level, presents an opportunity to explore more contextualized and appropriate interventions to address unemployment and move individuals back into the workforce.

## Underemployment

In addition to unemployment, a rising concern in Canada and Ontario, as in many advanced economies around the world, is the phenomena of underemployment, defined in this report as a condition when either those who may be employed (full-time or part-time) are not fully utilizing their skills, education, or availability to work. Underemployment is a particular concern for those who are attempting to enter the Canadian labour force for the first time, such as new graduates and recent immigrants<sup>18</sup>.

## Study Purpose

The purpose of this analysis is to develop a preliminary assessment of the locally driven costs of unemployment in York Region, and to provide an analysis of the impacts of unemployment and underemployment on the affected local population. A particular focus has been paid to the impacts on immigrant communities and youth in the region.

Given the importance of employment, in economic, social, and personal terms, and the significant cost associated with the amelioration of unemployment, understanding of the costs and impacts of unemployment and underemployment is a vital aspect of the policy and program planning process. Although there has been work done to assess the costs of unemployment and underemployment, this is generally done at the national level. Therefore, the results of this analysis are intended to complement these efforts by increasing knowledge of the costs and impacts of

unemployment and underemployment from the local perspective.

Finally, this study intends to present a local perspective on the assessment of the cost of unemployment, helping to develop an understanding of local drivers of these costs. This model could be applied and refined to allow for comparative analysis at the sub-national level, allowing for targeted policy planning and implementation.

## Project Overview

To achieve the project purpose, the following research activities were undertaken:

- A qualitative analysis of local experience through key informant interviews and focus groups with individuals who are unemployed, and;
- Implementation of a model of analysis for estimating the cost of unemployment

This approach allowed for an assessment of the monetized costs of unemployment, while also ensuring that the social and economic impacts of unemployment and underemployment on individuals are considered.

## Methodology and Outcomes

This study utilized two broad methodologies to assess the costs and impacts of unemployment and underemployment in York.

### Assessing the Costs of Unemployment

First, to assess the monetized costs of unemployment, a secondary data analysis model has been adapted from a model developed by IDEA Consultant on behalf of the European Federation for Services to Individuals (EFSI)<sup>19</sup>. This model was first applied in 2018 by the Peel-Halton Local



Employment Planning Council to assess the costs of unemployment in that community<sup>20</sup>.

The EFSI model focused on the direct, monetized, costs of unemployment to government, while acknowledging the indirect broad individual and social costs and impacts that related to people being unemployed. As such, the model calculates the cost of an unemployed person to government in relation to the cost of an employed person in the same context. This model includes both expenses (costs of public intervention to ameliorate the impacts of unemployment) and revenue (in the form of tax revenue losses).

The calculations use a mix of federal, provincial, and local data to assess costs across several intervention programs, and then assesses the loss of revenue to government that is driven by local unemployment conditions. In the calculation of public intervention costs, data unique to this study was assessed (national and provincial data). In the calculation of loss of revenue, as with the EFSI study, data on Canada from the Organization for Economic Co-Operation and Development<sup>21</sup> was used in conjunction with national data.

This model is not inclusive of all associated costs of unemployment. As noted in the introduction, research indicates that unemployment may have an indirect impact on multiple social and health programs. However, calculation of the costs within these programs that is directly correlated to unemployment is prohibited by the lack of available disaggregated data. This is a point acknowledged in the EFSI and Peel-Halton studies as well. Therefore, as with those studies, our assessment of monetized costs is limited to those areas that are exclusively and definitively linked to unemployment.

This leaves a potential gap in the analysis. The monetized calculations provide a conservative

minimum cost estimate, based on local unemployment metrics.

## Assessing the Impacts of Unemployment

To address the gap in cost estimates, this study diverges from the EFSI approach, and includes an assessment of local impacts of unemployment, with a focus on the impacts on individuals who are unemployed. In addition, given the growing importance of underemployment, this study includes an assessment of the impacts of underemployment where data was available.

To assess these impacts, qualitative data was collected from key informant interviews and focus groups.

## Key Informant Interviews

A series of key informant interviews were completed with local contacts in employment services, social services (in particular immigrant settlement services), and economic development with the goal of assessing the general landscape of unemployment in York, and developing a base understanding of the impacts that unemployment may have on individuals locally.

Key Informants were selected through local networks associated with the Workforce Planning Board of York Region.

In total, 17 key informant interviews were completed.

## Focus Groups

Focus groups were conducted with individuals who are unemployed in York, with a focus on youth and immigrant communities. The purpose of the focus groups was to assess the general experience of those who have been unemployed or underemployed for a period of time in York.

Participants for the focus groups were recruited via a convenience sampling method, whereby

local clients of employment and social services programs were invited to attend a focus group. In total, there were 3 focus groups completed.

### Limitations

In terms of secondary data analysis, there were limitations on data availability. The first such limitation pertains to data being available at the appropriate level of geography for this study (i.e. at the local and regional level). The primary effect of this limitation was on the cost estimates for unemployment, where the analysis had to rely on national and provincial averages in some cases to complete the required calculations.

The second data availability limitation pertains to the availability of relevant disaggregated data. That is, not all data required to fully assess the costs of unemployment was available as it only exists in an aggregated form where it is conflated with data that does not pertain to unemployment. For example, data on program expenditures related to employment programs funded by Immigration, Refugees, and Citizenship Canada's Settlement Program was not available separately from the overall program expenditures. These overall expenditures include programs that are not related to employment or unemployment, so a direct cost analysis was not able to be calculated in these cases.

As a result of these data limitations, the analysis of costs associated with unemployment is a conservative estimate of minimum costs.

In terms of the qualitative data collection, limitations exist relating to the methodology used. As is standard in qualitative research, a convenience sampling methodology was used. In the case of the in-depth interviews and focus groups, this consisted of targeted and general calls for participants through existing network contacts. The result was a good sample of key

informants, who nonetheless were not fully representative of the diversity of stakeholders in the community.

To address issues of inconsistency in data availability, 2016<sup>22</sup> was used as the reference year for secondary data analysis in this study.

### Report Structure

The balance of this report is divided into four primary sections:

1. The first section provides a brief profile of unemployment in York to provide local context.
2. The second section presents the analysis of monetized costs associated with unemployment in York.
3. The third section provides an analysis of the impacts of unemployment based on the qualitative data collected.
4. Finally, a summary and general conclusion are presented.

# Unemployment in York

In 2016, the unemployment rate in York was 6.4% (6.2% for males, and 6.7% for females)<sup>23</sup>. This was lower than the provincial average of 7.4%<sup>24</sup>.

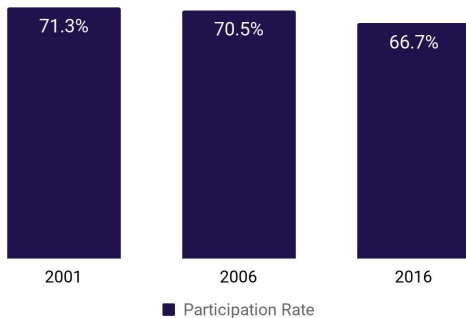
Unemployment Rate in York by Year and Gender



In 2016, the labour market participation rate in York was 66.7% (71.5% for males, and 62.2% for females), meaning that 301,340 individuals were not active in the labour market<sup>25</sup>

Between 2001 and 2016, the participation rate in York dropped from 71.3% to 66.7 (a decrease of 4.6%), indicating an increase in the number of individuals who are not active in the labour market. Over the same period, the provincial participation rate dropped by 2.4%.

Labour Market Participation Rate in York, 2001, 2006, and 2016

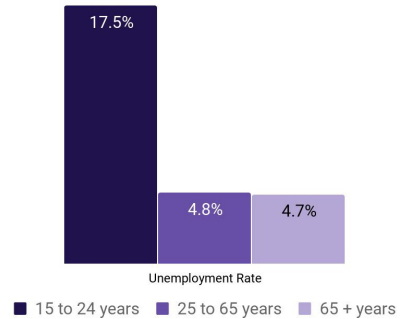


Between 2006 and 2016, the participation rate for youth (age 24 years and under) dropped from 60.5% to 53.8% indicating that more young people were delaying entry to the labour force. At the same time, the participation rate for those age 65 and over increased from

14.1% to 17.3%, indicating that a growing number of seniors were delaying retirement.

In 2016, the unemployment rate for the youth population (those 24 years and under) was 17.5%. Although this is lower than the rate in 2011 (20.2%), the rate of youth unemployment in York remains higher than it was prior to the Recession of 2008/2009.

Unemployment Rate by Broad Age Range, 2016



# Locally Driven Costs of Unemployment in York

The model for the development of a cost analysis for unemployment at the local level was adapted from a 2012 study from the European Federation for Services to Individuals (EFSI)<sup>1</sup>. This study was used as a baseline as it provided an accessible and logical model of analysis that focused on assessing direct costs associated with unemployment, while acknowledging that additional costs do exist, but are difficult to discern (for example the costs associated with healthcare associated with unemployment).

While other studies of the cost of unemployment focus on macroeconomic trends (such as projections of lost wages as a portion of GDP<sup>27</sup>), the EFSI study focused on a practical assessment of public costs pertaining to intervention and lost revenue resulting from an individual being unemployed versus employed. Thus, the EFSI model provided a practical paradigm for the assessment of locally driven costs of unemployment.

## Defining the Costs of Unemployment

Building from the EFSI model, this study defines the costs of unemployment as (1) those public expenditures that are specifically induced by unemployment, and (2) the potential loss of public revenue that results from unemployment. Public expenditures are identified as either *financial benefits* or *guidance programs*. Loss of revenue is identified as lost *social contributions*, *lost income tax revenue*, and *lost value added tax revenue* (i.e. HST). **Table 1** details the costs and losses used in this study, along with the sources of data and reference year for each cost.

Table 1: Data used to assess the cost of unemployment

Type of Cost:	Sources	Reference Year
<b>Financial Benefits:</b>		
Employment Insurance Regular Benefits	Statistics Canada	2016
Social Assistance Benefits (OW & ODSP)	Statistics Canada	2016
	Ministry of Community and Social Services	2016
<b>Guidance Programs:</b>		
Employment Ontario	Ministry of Advanced Education and Skills Development	2016
Social Assistance Employment Program	Ministry of Community and Social Services	2016
<b>Loss of Revenue:</b>		
Social Contributions	Organization for Economic Cooperation and Development	2016
	Statistics Canada	2016
Income Tax Revenue	Organization for Economic Cooperation and Development	2016
	Statistics Canada	2016
HST Revenue	Statistics Canada	2016

The balance of this section presents the calculations of the costs of unemployment detailed in **Table 1** as they pertain to York. At the end, a summary of the per capita cost of an unemployed individual is provided.

## Financial Benefits

Costs associated with financial benefits paid to ameliorate the impact of unemployment include



the federal Employment Insurance Program and the provincial social assistance program, made up of Ontario Works (OW) and the Ontario Disability Support Program (ODSP)<sup>28</sup>.

## Employment Insurance Regular Benefits

The Canadian Employment Insurance Program provides regular benefits to qualified individuals who become unemployed through no fault of their own and who are available for work. The EI program does provide other benefits to those who are not working, including those on parental leave, or medical leave. This study only considers the expenditures made via the regular benefits program as this is the program directly tied to those who are unemployed.

In the reference year of 2016, the average number of monthly individuals receiving EI Regular Benefits in York was **8,928**<sup>29</sup>. In York, **33,045** individuals reported Employment Insurance regular benefit income in 2016<sup>30</sup>. The average amount received by these individuals in 2016 in York was **\$6,053**<sup>31</sup>.

The total EI regular benefit expenditure in York for 2016 was **\$200,010,000**<sup>32</sup>.

## Social Assistance Payments

The Ontario social assistance program consists of two primary programs, Ontario Works (OW), and the Ontario Disability Support Program (ODSP). In order to receive OW income support, an individual must be a resident of Ontario, need money right away to help pay for basic needs (such as food and shelter), and be willing to take part in job search activities. In order to receive ODSP income support, an individual must be a resident of Ontario, demonstrate financial need, and meet the program's definition of a person with a disability.

In 2016, the Ontario Works program provided **\$2,585,742,800** in income support to eligible individuals in the province, and the Ontario Disability Support Program provided **\$4,480,810,300** in income support to eligible individuals in the province<sup>33</sup>.

In York in 2016, a total of **17,545**<sup>34</sup> individuals reported income from social assistance, with an average income of **\$8,962**<sup>35</sup>. The total expenditure in York in 2016 on Social Assistance transfer payments is estimated at **\$157,239,000**<sup>36</sup>.

## Guidance Programs

Costs associated with guidance programs to support the attainment and retention of employment include the Employment Ontario Program and the Social Assistance Employment Program.

## Employment Ontario

Employment Ontario is the primary employment and training network in the province, providing programs and services across four key areas, including: (1) employment and training, (2) apprenticeship, (3) foundational skills, and (4) labour market development. The majority of these programs are delivered by third-party, community-based service providers, contracted by the Ministry of Advanced Education and Skills Development.

Disaggregated local data on the amount of Employment Ontario funding received by organizations that support York was not available to complete a local calculation. Therefore, a provincial average cost per unemployed individual was calculated.

The total estimated cost of the Employment Ontario program in 2016 was **\$1,327,465,918**<sup>37</sup>. In 2016, the unemployed population in Ontario was **529,525**<sup>38</sup>. Therefore, the cost per

unemployed individual in Ontario in 2016 for the Employment Ontario program is **\$2,507<sup>39</sup>**.

In 2016, the unemployed population in York was **38,905<sup>40</sup>**. Therefore, the total cost of Employment Ontario programs in York may be estimated as **\$97,534,835<sup>41</sup>**.

## Social Assistance Employment Program

An additional component of the Ontario social assistance program is the provision of administrative funding to support the delivery of local employment programming for benefit recipients.

The total estimated cost of the social assistance employment program in 2016 was **\$271,734,950<sup>42</sup>**. In 2016, the average monthly social assistance caseload was **625,720<sup>43</sup>**. Therefore, the cost per program beneficiary in 2016 for the social assistance employment program is **\$434<sup>44</sup>**.

In March 2016, the reported monthly Ontario Works<sup>45</sup> caseload in York was **5,860<sup>46</sup>**. Therefore, the total cost of social assistance employment program in York may be estimated as **\$2,543,240<sup>47</sup>**.

## Loss of Revenue

Unemployment also leads to potential loss in revenue for government in the form of reduced social contribution payments (e.g. Employment Insurance premiums), a reduction in available income tax revenue, and a reduction in indirect tax revenue received through consumer behaviour (i.e. HST). By estimating these losses, an additional aspect of the cost of unemployment may be determined.

## Loss in Social Contribution Payments

In Ontario, social contribution payments are made by employers and employees as part of

the mandatory deductions on their income. The standard contributions are described in **Table 2**.

Those who are unemployed and receiving Employment Insurance Benefits are generally exempt from making social security contributions, unless their annual income, including EI, exceeds a threshold amount. At that point they are required to make repayment on benefits paid in proportion to the amount earned over the threshold. For the purpose of this analysis, it is assumed that the average Employment Insurance Beneficiary is exempt from social contribution payments for the duration of their unemployment.

Table 2: Social Security Contributions for Ontario Workers (2016 reference year)

	Employee Contributions	Employer Contributions
Canada Pension Plan	Required contribution of 4.95% of income, less a \$3,500 basic exemption, up to a maximum annual contribution of \$2,544.	Required matching contribution of 4.95% of income, less a \$3,500 basic exemption, up to a maximum annual contribution of \$2,544.
Ontario Health Premium/Employer Health Tax	Income up to \$20,000 is exempt. A progressive contribution is applied after this based on income, up to an annual maximum of \$900.	Employer Health Tax rate based on the value of overall payroll, with a variable rate between 0.98% and 1.95% annually.
Employment Insurance	Required contribution of 1.88% of insurable earnings (wages and salaries) up to \$50,800, with a maximum annual contribution of \$955.	Required contribution of 2.63% of insurable earnings.
Workplace Safety and Insurance Board	n/a	An average contribution rate of 2.95% of wages paid to a maximum of \$88,000 annually

Unemployment may result in potential losses in both employer and employee social contributions. The average employer social contribution rate in 2016 for Canada was **12.1%**<sup>48</sup>.

In York, in 2016 the average employment income was **\$52,177**. Therefore, the average employer social contribution per employee was **\$6,313**<sup>49</sup>.

The average employee social contribution rate in 2016 for Canada was 7.7%<sup>50</sup>.

In York, in 2016 the average employment income was **\$52,177**. Therefore, the average employer social contribution per employee was **\$4,018**<sup>51</sup>.

The cost of unemployment in terms of lost social contributions is the difference between the average employer and employee contributions calculated above and the contribution of someone who is unemployed for the same period. As the social contribution rate of someone receiving EI regular benefits is 0%, the cost of lost social contributions due to unemployment may be assumed to be the exact inverse of that for those who are employed<sup>52</sup>.

## Loss in Direct Taxation

Unemployment results in wage loss, which, in turn, leads to a loss in direct income tax revenue for government.

Based on the average annual income, the average taxation rate for an employed person in York in 2016 was **17.34%**<sup>53</sup>.

Therefore, the average tax amount for those employed in York in 2016 was **\$9,047**<sup>54</sup>.

The cost of unemployment in terms of lost income tax revenue is the difference between the average tax paid by an employed individual calculated above and the tax paid by someone who is unemployed for the same period.

As those who are unemployed, receiving Employment Insurance Benefits or other transfers, are generally either exempt from taxation, or have low-incomes that qualify for the basic personal amount in tax filings, or other credits and tax transfers their tax liability is limited. Therefore, the cost of lost income tax revenue due to unemployment may be assumed to be the exact inverse of that for those who are employed<sup>55</sup>.

## Loss of HST Revenue

Consumers in Ontario are subject to the application of sales tax on purchases. As unemployment limits income, it can be assumed that those who are unemployed have reduced access to income for consumer purchases as compared to those who are employed. Therefore, unemployment can have cumulative effect on indirect tax revenue in the form of sales tax. To calculate the average per capita HST contributions the following formula may be applied:

$(\text{Net Income} - \text{Savings}) \times \text{HST rate} = \text{Sales Tax Revenue}$

In Ontario, the Harmonized Sales Tax (HST) rate is **13%**. In 2016, the average savings rate in Canada was **4.98%**<sup>56</sup> of income. As with the EFSI model, it is assumed that those who are unemployed have 0% savings for the duration of their unemployment.

In York, in 2016 the average after-tax income was **\$41,049**, the average annual net EI benefit was **\$6,063**, and the average net social assistance income was **\$8,962**. Therefore, the sales tax revenue for those employed and unemployed may be calculated as:

- Employed: **\$5,310**
- Employment Insurance: **\$788 (net loss versus employed = -\$4,522)**
- Social Assistance: **\$1,165 (net loss versus employed = -\$4,145)**
- No Income: **\$0 (net loss versus employed = -\$5,310)**

## Summary of Costs

Based on the calculations above, the estimated costs associated with unemployment in York are summarized in **Table 3**.

Table 3: Summary of Costs of Unemployment Per Unemployed Individual in York Region

Type of Cost	Total Amount in York Region
<b>Financial:</b>	
Employment Insurance Regular Benefits	\$6,053
Social Assistance	\$8,962
<b>Guidance Programs:</b>	
Employment Ontario	\$2,253
Social Assistance Employment Program	\$434
<b>Lost Revenue:</b>	
Employer Social Security Contributions	\$6,313
Employee Social Security Contributions	\$4,018
Direct Income Tax	\$9,047
HST (EI)	\$4,522
HST (Social Assistance)	\$4,145
HST (No Income)	\$5,310
<b>Total costs (EI recipient)</b>	<b>\$32,206</b>
<b>Total costs (Social assistance recipient)</b>	<b>\$32,172</b>
<b>Total costs (No income)</b>	<b>\$26,941</b>

The figures provided in Table 3 are based on the available data and should be treated as conservative estimates. They represent calculations of direct costs, and does not include an analysis of the indirect costs that unemployment can enact on other social and health programs.

Based on the data in Table 3, the aggregate cost of unemployment in York ranges from

**\$26,941** in lost public revenue for an unemployed individual who has no source of income, to **\$32,206** in combined public expenditures and lost revenue for an individual who is receiving Employment Insurance regular benefits.

## Gross Domestic Product

A final cost consideration related to unemployment is productivity, as measured by Gross Domestic Product <sup>57</sup>. This can be done by calculating the average annual GDP per employed (productive) individual in Ontario in the reference year. Thus,

- In 2016 the Annual Gross Domestic Product for Ontario was **\$634,257,800,000<sup>58</sup>**.
- In 2016, the Total Employed Population in Ontario was **6,612,150 individuals<sup>59</sup>**.

Based on the above data, the calculated average annual GDP per employed individual in Ontario in 2016 is **\$95,923**. By multiplying this amount by the total number of unemployed in York (38,905 individuals), the total potential cost to productivity may be estimated at **\$3,731,884,315**.

These are estimated costs based on provincial averages, so may not represent the complete picture of productivity loss associated with unemployment locally. However, these estimates do provide an additional indication of the possible costs that may result from unemployment at the local level.

# Impacts of Unemployment and Underemployment in York

In order to develop an initial understanding of the impacts that unemployment and underemployment have on individuals and the community in York, a series of key-informant interviews and focus groups were undertaken.

In total 17 interviews were completed with key informants. This included 7 interviews with local employers, 7 interviews with local social service providers (including representation from employment services, settlement services, and youth services), and 3 interviews with staff from local government economic development departments.

In addition, 3 focus groups were completed with a total of 27 participants representing youth and immigrant job seekers in York.

This section of the report outlines the key themes that have arisen from the qualitative research process. These themes are presented as aggregate findings from across all interviews and focus groups.

## 1. Unemployment has an impact on the community in that it relates to inequality and poverty across York Region.

Respondents indicated that long-term unemployment is a key factor in issues of poverty and inequality in the community. It was noted that this is a complex relationship, as factors that limit an individual's ability to work need to be considered (i.e. disability),

Among service providers and economic development participants, there was a direct and obvious link between sustained unemployment and the social assistance system in York. This kind of unemployment

was differentiated as being chronic and sustained over long periods within a population who face significant barriers to labour market entry or re-entry.

Services providers did also speak to the changing labour market and shifting local employment opportunities that may require high skill sets and experience levels that are out of reach of some residents. This was framed in the context of a skills gap, but was related to a perception that the changing nature of work in York may be leaving some individuals behind and contributing to inequality in the community.

## 2. Unemployment creates significant stress for individuals, affecting their health and mental health, and impacting their interactions with family and friends.

Across all groups in the qualitative research, stress and its impacts on the health and wellbeing of individuals was identified as the primary personal impact of unemployment. In particular, participants who were themselves unemployed noted the precarity and pressure that not working imposes on their lives.

The root of this was usually financial (i.e. an inability to meet expenses), with those who are unemployed experiencing the stress and strain of mounting financial pressures that they cannot address. In the most extreme cases, it was noted that these stresses can lead to food and housing insecurity, adding additional layers of concern and stress to individuals and their families.

In addition to the financial, participants also spoke to the impacts that social exclusion, stemming from being unemployed, have on individuals. This stress may be linked to financial concerns, as in situations when a lack of funds results in an inability to participate in social activities (e.g. dinners out, birthday parties). However, it also appears to be linked to the social structures that being employed provide to our lives. That is, respondents spoke to how being



unemployed had removed access to social networks, daily interactions with colleagues, and routines to daily life.

A final component of this theme was how these stresses extend their impacts to members of the unemployed individuals intimate circle of family and friends. The financial pressures, stress and associated anxiety faced by the individual contributes to family conflict, relationship breakdown, and stress among those closest to the unemployed individual.

3. In general, it is understood that these impacts may be differentially experienced by individuals based on their unique demographic and social characteristics.

Across all participants, there was a feeling that unemployment does affect several groups more so than others, both in frequency and depth<sup>60</sup>. Certain population groups are understood to have a harder time finding work in the first place, and then accessing new opportunities when they leave or lose a current jobs.

The primary groups that participants spoke to as facing barriers to employment were those who are, in general, getting into the Canadian labour market for the first time (beyond the entry level). This includes immigrant groups and recent graduates. The primary barrier for both groups is generally understood to relate to a lack of relevant experience.

In the case of immigrants, this concern relates to the ongoing issues of Canadian experience, and the perceived desire by employers to have workers with locally relevant experience versus general transferable experience from other jurisdictions. Interestingly, this issue was not raised by employers who were interviewed, who did not single out immigrant communities with a particular concern.

In the case of youth, both focus group participants and service providers indicated a perception that youth in York are facing barriers to transitioning from education to full-time employment. Part of this was skill based, especially a perceived lack of soft skills expressed by employers and service providers. But participants also viewed it as an opportunity based, in that they felt that work opportunities have changed and the same entry level positions that were available to new graduates even a decade ago do not exist now. This may be leading to a higher entry threshold in some industries, creating barriers for new graduates who may not have the required experience to meet this threshold.

Another group that is differentially affected by unemployment is those who lose their jobs mid-career. Employment service providers stated that many of their mid-career clients face additional barriers, especially if they are in high-tech, knowledge-based occupations and have had a long-history with a single employer (lack of career diversity). Despite extensive experience, these individuals may need upgrading and training. However, they may not be in a position to be out of work for a sustained period while they complete a training program.

In addition to the issues above, service providers and economic development professionals who participated indicated a belief that unemployment had a more acute and harsh impact on those mid-career than those who were younger and just starting out. This stemmed from two perspectives: (1) that mid-career individuals generally have more personal responsibilities (family, home ownership, etc.) and thus have more to lose from being unemployed, and (2) those who are mid-career have less flexibility in their career path as they have established themselves professionally in ways that may limit their job prospects going forward.

In relation to the former concern, input from youth in focus groups indicates that although the life pressures may vary with age and experience, the impact that unemployment has on them is equally felt no matter their nature. That is, in the case of youth who may not own their home, and may live with parents still, although there was a lack of financial pressure, there was an acute sense of responsibility to live up to expectation and the sacrifice of their parents who helped them to that point.

#### 4. Sustained unemployment creates future employment barriers.

Employment service providers and employers both indicated that concerns may arise for individuals who are unemployed for sustained periods of time. These periods can lead to actual or perceived skill erosion, which may create barriers to long-term employment, or employment in roles and fields commensurate with past experiences.

In the case of employers, they indicated concerns over seeing long gaps in applicants job histories, as they felt that this may mean that the individual is not “work ready”. They indicated that their businesses often do not have the capacity to allow for immediate upskilling of new employees, so they may overlook someone who may be a good fit, but who may be out of practice. Employment service providers also touched upon this concern, but indicated that this varied from employer to employer, and may be mitigated by factors such as the size of the employer, the industry in question, and whether or not the applicant worked with a service provider who could verify skills sets.

A concern that arose among service providers was the role that survival jobs may play in preventing employment in roles commensurate with education and experience. That is, those who may be out of work for long periods are often forced to take on “survival jobs” where they will be underemployed, but are receiving a pay cheque. These roles often lack flexibility, create stress, and do not fully alleviate the

pressures of being unemployed (especially if the financial rewards are low). These conditions make it difficult for the worker to look for other, more appropriate, work, and can actually result in prolonged periods of underemployment.

In addition, those who are seeking work indicated that the worried that sustained unemployment could lead to, or exacerbate, acute health barriers that may impact on one's ability to seek and maintain employment in the future. This relates to the stress and anxiety the result from being unemployed for a sustained period, which can contribute to acute health and mental health issues that make it difficult to seek and secure employment.

#### 5. Underemployment in York is understood as an issue of skills mismatch between an employee and their current role, and it is believed that certain groups within the community are more affected than others.

Participants spoke to the idea of underemployment as it relates to an employee working in a job that is well below their achieved skill set and level of experience. Youth participants in focus groups also related underemployment to their own, and their peers, experiences in the gig economy, noting that although such freelance work could be interesting, challenging, and pay well, it was also precarious and infrequent.

Interestingly, some employers expressed some concern over the phenomenon of underemployment while also acknowledging their own contribution to the problem. This was generally framed as a business decision made based on market and competition forces.

It was generally agreed that currently new graduates and immigrant communities were most likely to be underemployed in York. This was related back to some of the same concerns raised in relation to unemployment. That is, a lack of relevant

experience limiting access to employment in areas relevant to training and education.

6. There is a perceived disconnect between what education providers offer and the kinds of skills and training that local employers require.

Employer, economic development, and service provider participants all spoke to the disconnect between the acquired skills of new graduates and the needs of the local economy. That is, there is a perception that the kinds of training provided by educational institutions are not in line with local labour market and employer needs.

This critique focuses on the lack of adaptability inherent in the education system, which leads to a lack of adjustment to meet current labour market needs. In some industries, the pace of change is too rapid to allow for traditional education models, and employers are looking for opportunities to work with schools to enhance existing, and develop new, training opportunities.

At the same time, new graduates and immigrant job seekers are prepared for a career path that includes ongoing training. In focus groups, participants indicated their understanding of the dynamic nature of their career path, and have taken steps to prepare for change and flux. This being said, little was offered as to the specifics of what they understood this to mean and whether they felt prepared to meet these challenges.

## Recommendations

Based on the analysis of the themes presented in the preceding section, the following general recommendations are provided:

1. A more detailed understanding of the connections between long-term unemployment and inequality and poverty in York needs to be developed, with a focus on assessing the barriers to employment faced by vulnerable communities.
2. Employment service programs in York need to engage and work with partners to ensure that a full suite of support services are in place for clients seeking employment. This should include services to support health, mental health, and family well-being.
3. More research needs to be undertaken to fully assess the nature and impacts of underemployment in York. This should include an assessment of communities most affected and the role that employer decision making has in creating underemployment.
4. The differential effects that unemployment has on specific communities in York needs to be acknowledged and further assessed to help support targeted employment service activities for populations such as youth and new immigrants.
5. The challenges of youth transitioning from school and part-time work to full-time employment need to be recognized. Targeted programming to better prepare youth for full-time employment and the associated search for employment needs to be developed and expanded.
6. The challenges faced by mid-career professionals who may be required to transition from one job to another need to be fully assessed and understood in the local context. Programs to support ongoing skills updating and training need to be more widely available and promoted.
7. Programming to support rapid reemployment of those who are ready to work need to be enhanced and supported in order to prevent sustained unemployment and skill degradation.
8. Efforts to work with local education providers to develop locally relevant training and upgrading programs need to be increased.

# Notes

- <sup>1</sup> Unemployment is defined as the proportion of people who are not currently working but are looking for work.
- <sup>2</sup> **Canadian Public Health Association. (1996).** *Discussion paper on the health impact of unemployment.* Available Online at: [https://www.cpha.ca/sites/default/files/assets/resolutions/1996-dp\\_1\\_e.pdf](https://www.cpha.ca/sites/default/files/assets/resolutions/1996-dp_1_e.pdf)
- <sup>3</sup> For example, **Macassa, G., Hiswals, A.S., Ahmadi, N., Alfredsson, J., Soares, J., and Stankunas, M. (2014).** "Employment status and healthcare utilization in a context of economic recession: Results of a population based survey in East Central Sweden." *Science Journal of Public Health*, 26(6): 610 – 616.. This research from Sweden indicates that in the aftermath of the global recession in 2007-2009 indicated that a cohort of unemployed individuals accessed public health services more frequently than their employed counterparts over the same period.
- <sup>4</sup> **Andresen, M.A. (2015).** "Unemployment, GDP, and Crime: The Importance of Multiple Measurements of the Economy." *Canadian Journal of Criminology and Criminal Justice*, 57(1): 35-58; Phillips, J. and Land, K.C. (2012). "The link between unemployment and crime rate fluctuations: An analysis at the county, state, and national levels." *Social Science Research*, 41(3): 681-694.
- <sup>5</sup> **Mendolina, S. and Doiron, D. (2008).** *The impact of job loss on family dissolution.* Available Online at: <http://esacentral.org.au/images/Mendolia.pdf>.
- <sup>6</sup> **Gray, M. and Baxter, J. (2011).** *Family joblessness and child well-being in Australia.* Paper presented to the conference "Advancing Child and Family Policy Through Research" January 31 – February 1, 2011, Canberra, Australia. Available Online at: <http://library.bsl.org.au/jspui/bitstream/1/3100/1/Family%20joblessness%20and%20child%20well-being%20in%20Australia.pdf>.
- <sup>7</sup> **Stevens, A. and J. Schaller (2009),** —Short-run Effects of Parental Job Loss on Children's Academic Achievement || , NBER Working Paper No. 15480, Cambridge, Massachusetts.
- <sup>8</sup> **Palme, M. and Sandgren, S. (2008).** "Parental Income, Lifetime Income, and Mortality." *Journal of the European Economic Association* Vol. 6(4), pp. 890-911.
- <sup>9</sup> **Oreopoulos, P., M. Page and A.H. Stevens (2008).** "The Intergenerational Effects of Worker Displacement." *Journal of Labor Economics*, 26(3), pp. 455-483.
- <sup>10</sup> **Schwerdtfeger, M. (2013).** *Assessing the Long-Term Costs of Youth Unemployment*, TD Economic Special Report. Available Online at: [https://www.td.com/document/PDF/economics/special/ms0113\\_YouthUnemp.pdf](https://www.td.com/document/PDF/economics/special/ms0113_YouthUnemp.pdf); **Oreopoulos, P., von Wachter, T., and Heisz, A. (2008).** *The Short- and Long-Term Career Effects of Graduating in a Recession: Hysteresis and Heterogeneity in the Market for College Graduates.* Institute for the Study of Labor: Discussion Paper Series.
- <sup>11</sup> **Ayres, S. (2013).** *The High Cost of Youth Unemployment.* Center for American Progress. Available Online at: <https://www.americanprogress.org/wp-content/uploads/2013/04/AyresYouthUnemployment1.pdf>; **Dao, M. C. and Loungani, P. (2010).** *The Tragedy of Unemployment*, International Monetary Fund, Finance and Development Series. Available Online at: <http://www.imf.org/external/pubs/ft/fandd/2010/12/pdf/dao.pdf>; **Kahn, L. (2010).** "The Long-Term Labor Market Consequences of Graduating from College in a Bad Economy", *Labour Economics*, 17(2).
- <sup>12</sup> **The ACEVO Commission on Youth Unemployment. (2012).** *Youth Unemployment: The Crisis We Cannot Afford.* Available Online at: <https://www.bristol.ac.uk/media-library/sites/cmpo/documents/youhunemployment.pdf>.
- <sup>13</sup> Wage scarring is a documented phenomenon whereby future earnings are impacted by periods of sustained unemployment at the early stages of one's working life.
- <sup>14</sup> **Schwerdtfeger, M. (2013).** *Assessing the Long-Term Costs of Youth Unemployment*, TD Economic Special Report. Available Online at: [https://www.td.com/document/PDF/economics/special/ms0113\\_YouthUnemp.pdf](https://www.td.com/document/PDF/economics/special/ms0113_YouthUnemp.pdf); **Gregg, P. and Tominey, E. (2005).** "The wage scar from youth unemployment." CMPO Working Paper Series No. 04/097. Available Online at: <https://www.bristol.ac.uk/media-library/sites/cmpo/migrated/documents/wp97.pdf>.
- <sup>15</sup> **Statistics Canada. (2016).** Census of Population, Statistics Canada Catalogue no. 98-400-X2016120.
- <sup>16</sup> **Government of Canada. (2017).** *EI Regular Benefits – Eligibility.* Available Online at: <https://www.canada.ca/en/services/benefits/ei/ei-regular-benefit/ei-eligibility.html>.
- <sup>17</sup> **Ontario Ministry of Advanced Education and Training (2017).** *Service Provider Funding and Target Adjustment: Technical Training* Presentation. Available Online at: <http://www.tcu.gov.on.ca/eng/eopg/publications/sp-funding-target-adjustment-april-24-en.pdf>.
- <sup>18</sup> Research from The Conference Board of Canada (**Grant, M. (2016).** *Brain Gain 2015: The State of Canada's Learning Recognition System.* Available Online at: <https://www.conferenceboard.ca/e-library/abstract.aspx?did=760>) estimated that in 2015 there were 844,000 Canadians whose skill sets were not fully recognized in the labour market, leading to \$5.0 billion to \$8.3 billion in lost wages due to underemployment. According to the Conference Board's calculations, these numbers had increased significantly since 2001, increasing the economic impact on both individuals and the economy. These findings are supported by analysis from the Parliamentary Budget Office, (**Office of the Parliamentary Budget Officer. (2015).** *Labour Market Assessment 2015.* Available Online at: [http://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2015/Labour%202015/Labour\\_Market\\_Assessment\\_2015\\_EN.pdf](http://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2015/Labour%202015/Labour_Market_Assessment_2015_EN.pdf)) which estimate "that based on educational credentials, the proportion of workers aged 25 to 34 with a university degree who were overqualified in their current position has been on an upward trend since the early 1990s, reaching 40 per cent in 2014.
- <sup>19</sup> **Gerard, M., Valsamis, D., and Van der Beken, W. (IDEA Consultant). (2012).** *Why invest in employment: A study on the cost of unemployment.* Available Online at: [http://www.efsi-europe.eu/fileadmin/MEDIA/publications/Cost\\_of\\_unemployment\\_report/English\\_Study\\_on\\_the\\_cost\\_of\\_unemployment\\_January\\_2013.pdf](http://www.efsi-europe.eu/fileadmin/MEDIA/publications/Cost_of_unemployment_report/English_Study_on_the_cost_of_unemployment_January_2013.pdf).
- <sup>20</sup> **Earle, B. (2018).** *The Costs and Impacts of Unemployment and Underemployment in Peel and Halton.* Available Online at: <https://static1.squarespace.com/static/59d54ac1ccc5c5a938e27565/t/5bad48939140b7ab9f5707cf/1538082969141/The+Costs+of+Unemployment+and+Underemployment+-+LECP+FINAL%5B19018%5D.pdf>
- <sup>21</sup> This data was accessed via the OECD statistics portal, Available Online at: [https://stats.oecd.org/index.aspx?DataSetCode=TABLE\\_11#](https://stats.oecd.org/index.aspx?DataSetCode=TABLE_11#)
- <sup>22</sup> This data year was most consistent and complete as it was the year of the last Canadian Census.
- <sup>23</sup> **Statistics Canada. (2017).** York, RM [Census division], Ontario and Ontario [Province] (table). Census Profile. 2016



Census. Statistics Canada Catalogue no. 98-316-X2016001. Ottawa. Released November 29, 2017.

<https://www12.statcan.gc.ca/census-recensement/2016/dp-pd/prof/index.cfm?Lang=E>

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

<sup>26</sup> **Gerard, M., Valsamis, D., and W. Van der Beken, (2012).** *Why invest in employment? A study on the cost of unemployment.* European Federation for Services to Individuals. Online at: [http://www.efsi-europe.eu/fileadmin/MEDIA/publications/Cost\\_of\\_unemployment\\_report/English\\_Study\\_on\\_the\\_cost\\_of\\_unemployment\\_January\\_2013.pdf](http://www.efsi-europe.eu/fileadmin/MEDIA/publications/Cost_of_unemployment_report/English_Study_on_the_cost_of_unemployment_January_2013.pdf).

<sup>27</sup> For example, **Schwerdtfeger, M. (2013).** *Assessing the Long-Term Costs of Youth Unemployment*, TD Economic Special Report. Online at: [www.td.com/document/PDF/economics/special/ms0113\\_YouthUnemp.pdf](http://www.td.com/document/PDF/economics/special/ms0113_YouthUnemp.pdf).

<sup>28</sup> The cost calculations of these financial benefit programs exclude associated administration costs.

<sup>29</sup> **Statistics Canada. Table 14-10-0014-01.** Employment insurance beneficiaries by census division, monthly, unadjusted for seasonality, inactive.

<sup>30</sup> **Statistics Canada, (2016).** Census of Population, Statistics Canada Catalogue no. 98-400-X2016120.

<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

<sup>33</sup> Expenditure Estimates for the Ministry of Community and Social Services (2016 – 2017); Expenditure Estimates for the Ministry of Community and Social Services (2015 – 2016).

<sup>34</sup> **Statistics Canada, (2016).** Census of Population, Statistics Canada Catalogue no. 98-400-X2016120.

<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

<sup>37</sup> Expenditure Estimates for the Ministry of Advanced Education and Skills Development (2017-2018).

<sup>38</sup> **Statistics Canada. (2017).** *Ontario [Province] and Canada [Country] (table). Census Profile. 2016 Census. Statistics Canada Catalogue no. 98-316-X2016001.* Released November 29, 2017.

<sup>39</sup> Calculation: \$1,327,465,918 total estimated EO program cost in 2016 / 529,525 eligible unemployed individuals in 2016 = \$2,507 per unemployed individual in Ontario.

<sup>40</sup> **Statistics Canada. (2017).** *York, RM [Census division], Ontario and Ontario [Province] (table). Census Profile. 2016 Census. Statistics Canada Catalogue no. 98-316-X2016001.*

<sup>41</sup> Calculation: 38,905 individuals unemployed x \$2,507 (avg.) cost per individual.

<sup>42</sup> Expenditure Estimates for the Ministry of Community and Social Services (2016 – 2017); Expenditure Estimates for the Ministry of Community and Social Services (2015 – 2016).

<sup>43</sup> **Ontario Ministry of Community and Social Services, (2016).** *Social Assistance Caseloads, January 1969 to March 2018.* Available Online at: <http://www.ontario.ca/data/social-assistance-caseloads>.

<sup>44</sup> Calculation: \$271,734,950 total estimated SA employment program cost in 2016 / 625,720 eligible program recipients in 2016 = \$434 per unemployed individual in Ontario.

<sup>45</sup> ODSP is excluded as these individuals are not considered to be unemployed and are out of the labour market.

<sup>46</sup> Social assistance in Ontario: Reports - Ontario Works. (2018). Online at: [www.mcscs.gov.on.ca/en/mcscs/open/sa/trends/ow\\_trends.aspx](http://www.mcscs.gov.on.ca/en/mcscs/open/sa/trends/ow_trends.aspx)

<sup>47</sup> Calculation: OW Caseload of 5,860 x \$434 per case.

<sup>48</sup> **Organization for Economic Cooperation and Development. (2017).** *Stat Table 1.5, Average personal income tax and social security rates on gross labour income.* Available Online at: [https://stats.oecd.org/index.aspx?DataSetCode=TABLE\\_I1#](https://stats.oecd.org/index.aspx?DataSetCode=TABLE_I1#)

<sup>49</sup> Calculation: 12.1% avg. employer contribution rate x \$52,177 avg. employment income in York.

<sup>50</sup> Organization for Economic Cooperation and Development. (2017). *Stat Table 1.5, Average personal income tax and social security rates on gross labour income.* Available Online at: [https://stats.oecd.org/index.aspx?DataSetCode=TABLE\\_I1#](https://stats.oecd.org/index.aspx?DataSetCode=TABLE_I1#)

<sup>51</sup> Calculation: 7.7% avg. employee contribution rate x \$52,177 avg. employment income in York.

<sup>52</sup> York (employer): \$0 (unemployed contribution) - \$6,313 = -\$6,313; York (employee): \$0 (unemployed contribution) - \$4,018 = -\$4,018.

<sup>53</sup> From EY Personal Income Tax Calculator 2016. Online: <https://www.ey.com/ca/en/services/tax/tax-calculators-2016-personal-tax>

<sup>54</sup> Calculation: 17.34% avg. tax rate x \$52,177 avg. employment income in York.

<sup>55</sup> York \$0 (unemployed tax amount) - \$9,047 = -\$9,047.

<sup>56</sup> Trading Economics. (2018). *Canada Household Saving Rate.* Available Online at: <https://tradingeconomics.com/canada/personal-savings>

<sup>57</sup> Gross Domestic Product (GDP) is a monetary measure of the market value of all final goods and services produced in a period of time, often yearly or quarterly. Nominal GDP estimates are commonly used to determine the economic performance of a whole country or region, and to make international comparisons.

<sup>58</sup> Statistics Canada. Table 36-10-0402-01. Gross domestic product (GDP) at basic prices, by industry, provinces and territories (x 1,000,000).

<sup>59</sup> Statistics Canada. 2017. Ontario [Province] and Canada [Country] (table). Census Profile. 2016 Census. Statistics Canada Catalogue no. 98-316-X2016001. <https://www12.statcan.gc.ca/census-recensement/2016/dp-pd/prof/index.cfm?Lang=E>

<sup>60</sup> By frequency we mean the unemployment rate among some sub-population groups (e.g. immigrants, youth, persons with disabilities). By depth we mean the nature of unemployment faced by some communities, which may be manifest in multiple and significant barriers to employment in the community.