



# A Generation of Change

YOUTH AS NOVA SCOTIA'S DEFINING MOMENT

*Prepared by Paul A. Jacob, Economist & Policy Analyst  
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# Halifax Partnership

## About the Partnership

The Halifax Partnership is Halifax's economic development organization. We help keep, grow and get business, talent and investment in Halifax. We do this through our leadership on economic issues, our core programs, our partnerships across all sectors and by marketing Halifax to the world.

The Partnership is a public-private, not-for-profit organization funded by more than 125 investors and all three levels of government. Our investors and partners see potential all around them and believe in working together to build a stronger city.

We are connectors. We know Halifax and can make the connections that fuel business and economic growth. Through our partnerships and award-winning programs, the Partnership creates opportunities for people to collaborate on ideas and initiatives that make Halifax prosper.

We are the go-to source on the Halifax's economy. We dive deep into what moves Halifax forward and can pinpoint and analyze current trends and the health of our city. We are in the know and on the leading edge of opportunities that spark and drive growth.

## Contact

If you have any questions about this document, its methodology, or how its indices are measured, please contact Paul Jacob, Economist and Policy Analyst, at [pjacob@halifaxpartnership.com](mailto:pjacob@halifaxpartnership.com) for further details.

## Executive Summary

Halifax's and Nova's Scotia's prosperity lies in holding onto our young people and helping them start their future here. This represents the best economic opportunity - and it is within reach. By keeping educated youth here, we can ensure our long-term fiscal sustainability while significantly growing our economy.

Canada's youth between the ages of 20-29 are the most mobile, and when they decide on a place to live, they are likely to stay there for most of their productive and tax-paying life. Keeping them here through this period of mobility will ensure the province can rely on their long-term economic contributions.

Over the last 20 years, an average of 1,300 more youth have left Nova Scotia than have arrived each year. Had Nova Scotia brought in as many youth as have left in the last two decades, we would have an additional 25,000 young people to work here. If Nova Scotia can become a net importer of youth, or at the very least become net neutral, we could also steady our overall population growth.

### How do we do this?

Employment and career opportunities are the main concern for youth. By addressing their employment issues, we can transform the province into a magnet for youth. While there are many qualities that make a province youth friendly, research indicates that access to early-career opportunities is the most significant component currently missing in Nova Scotia. Our collective challenge is to help create the employment prospects that give youth the incentive and the opportunity to stay here.

Studies suggest that those who do find employment have an enviable quality of life. Of those youth who have left, 78% say they want to return. They leave Nova Scotia because they have to, not because they want to. This reality is, our youth want to stay if there are opportunities.

The current employment prospects for young people are challenging. Unemployment rates for Nova Scotians 20-29 are 12.0%, among the highest in Canada. Many youth also face job security and under-employment issues, having to work part-time or in positions that don't utilize their full skills and education. Those who successfully break-in to a career face significantly lower unemployment and under-employment later in life. In the long term, keeping more workers in Nova Scotia will help meet employers' needs for experienced workers. Helping youth transition into meaningful work will dramatically improve their employment prospects and reduce the likelihood they leave the province.

The Partnership's research in this area clearly shows the fiscal and economic effects of retaining youth are substantial. Keeping them here through the volatile out-migration period, means many become permanent economic contributors in their communities. Our economic model also reveals substantial gains for the economy and provincial coffers if youth can be retained. For business, more youth means more customers and a lower overall tax burden.

Addressing this issue requires a private-sector response. While government programs can provide incentives and support, it is the private sector that generates the job opportunities youth need. Industry drives the economy and is the engine of wealth creation. The Partnership is actively soliciting ideas and solutions from the private sector.

## Youth Data

1,300 more youth leave Nova Scotia each year than arrive.

Migration drops at ages 30-39, with only 153 people in this age group leaving on net each year.

78% of youth who left Nova Scotia said they wanted to return.

Nova Scotia youth face a 12% unemployment rate, but this drops to 8% for those who stay into their 30s.

Retaining 1,300 youth in the province over the course of their lifetime could provide \$1.2 billion in after-tax income and \$46.4 million in tax revenue to the province (after expenditures).

# Youth Retention

## Background

In 2014, hot on the heels of the One Nova Scotia *Now or Never Report*, the Halifax Partnership began researching how best to make an impact on the city's and the province's economy. We reviewed the ground-breaking report and its findings with a focus on three fundamental questions:

1. What factors affect our economy?
2. Which of those factors can we act upon most easily?
3. What is the most efficient and effective way to create a positive impact?

One issue rose to the top: Youth Retention

As the *Now or Never Report* so aptly stated:

*"It is a simple fact: unless Nova Scotia first stabilizes [its] population base and then begins to increase the population of working age people, it will not be possible to sustain current levels of economic well-being across the province, let alone improve them."*

*- Now or Never: An Urgent Call to Action for Nova Scotians*

Over the past year, the Partnership has been investigating how to approach our changing demographic. Youth retention is the most viable way to increase our working-age population. We know youth want to stay here and return home, but there are many questions:

- How significant is our changing demography?
- What impact will addressing the problem have on the economy?
- What is the most effective way to address the issue?
- Can the issue be tackled in a fiscally sustainable way?

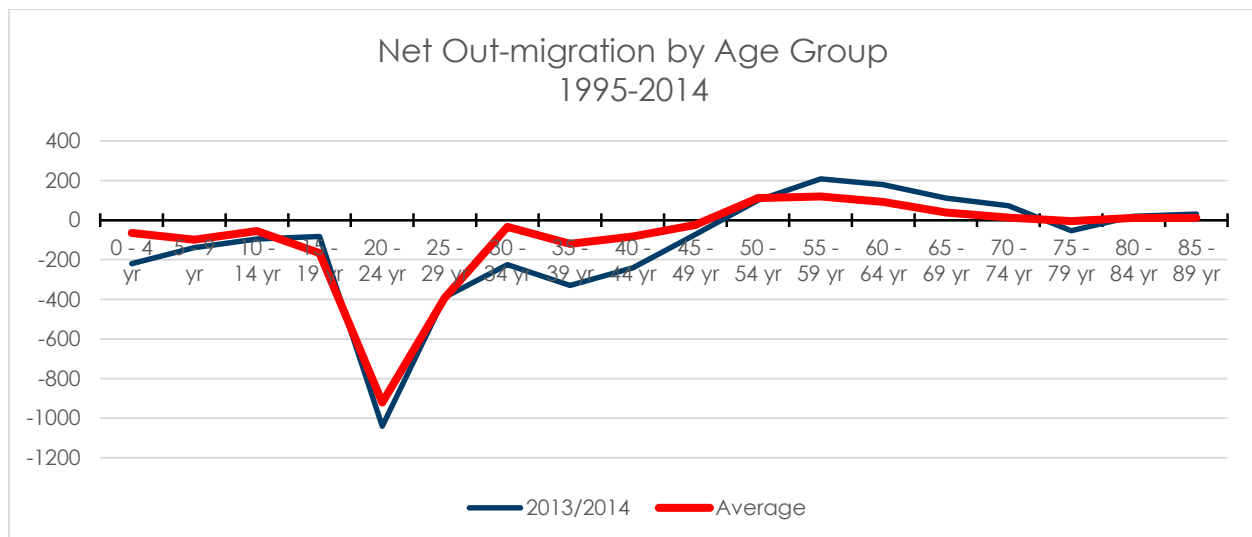
This report presents our answers to these questions.

## Symptoms of Youth Out-migration

Over the last 20 years, an average of 1,300 more youth have left Nova Scotia than have arrived each year. Had Nova Scotia brought in as many youth as have left in the last two decades, we would have an additional 25,000 young people to work here. That more than makes up for the population decline the *Now or Never Report* predicts we will experience by 2038, just over 20 years from now.<sup>1</sup>

Throughout this report we focus on those ages 20 to 29, a strategic group for youth retention. As you can see in the graph below, youth in this age bracket migrate in much larger numbers. They comprise recent graduates and those who are transitioning into the workforce – individuals just beginning the productive, tax-paying part of their life. It is a time of economic and social freedom, and most of these youth have yet to establish long-term attachments to their community. Several life milestones occur around age 30 that significantly reduce the likelihood of out-migration and root individuals in their current community. They are:

- Median age of first child: 28.8 (by age of mother)<sup>2</sup>
- Mean age of marriage: 29.1 (female), 31.1 (male)<sup>3</sup>
- Mean age of first-time home purchase: 29<sup>4</sup>



Source: Statistics Canada, Interprovincial Migration, CANSIM 051-0012

As you can see from the graph, individuals 30 years of age and older migrate in very low numbers. This has two important implications for Nova Scotia. First, it means that if youth can be retained to the age of 30, they will likely settle down permanently in the community. Second, it means that the long-held belief that our youth will return after gaining experience in another province is false. Young people who leave Nova Scotia have not been returning in significant numbers, and they won't come back unless something changes. Relying on other provinces to transition our youth into the job market is not a viable strategy.

This migration pattern is not unique to Nova Scotia. Many provinces across Canada (most notably in Atlantic Canada) experience a high turnover among those ages 20 to 29. However, the reality remains that more youth are leaving our province than arriving. As a result, we are losing valuable workers and our economy suffers.

<sup>1</sup> *Now or Never: An Urgent Call to Action for Nova Scotians*. See population projections, page 12.

<sup>2</sup> Statistics Canada, Canadian Vital Statistics: CANSIM 102-4504.

<sup>3</sup> HRSDC, [Acronyms are usually spelled out before first use] Family Life – Marriage Age and Gender, based on Statistics Canada data

<sup>4</sup> BMO, 2013 online poll on first-home purchases

Net migration numbers are strongly tied to economic performance elsewhere in Canada. High economic growth and strong career prospects in Alberta have been tied to higher out-migration from Atlantic Canada. Similarly, periods of stagnation in the West have been accompanied by much less out-migration from our province. We are competing with other provinces for the talent and the substantial economic contributions of young workers.

It is important to understand that high youth out-migration is a symptom. We need to understand what factors drive this out-migration and what we can do to reverse the trend. To do this, we need to know what youth want from their community.

## Focusing the Issue

Many youth don't consider Nova Scotia a viable location to establish and advance their career. They are driven away by high unemployment rates, low career confidence, negative impressions about the provincial economy, and difficulties attaching to the workforce. In fact, many contend the lack of workforce/career attachment is **the** factor driving youth out-migration in our province. Multiple studies substantiate this belief.

The decision to move is not made lightly and often involves much more than simply finding a job. The research shows that for Nova Scotia, however, many of the challenges that drive youth migration are not as critical. Indeed, Nova Scotia has many livable, youth-friendly communities that are only lacking the workforce opportunities needed to retain youth.

While the following three studies look at different regions in Nova Scotia and take different approaches, all of them reach similar findings. They demonstrate that youth are primarily concerned with how they are going to start their careers and that – absent workforce concerns – Nova Scotia is a very desirable place to live.

**Next Generation Consulting – Halifax (2007):**<sup>5</sup> This survey, commissioned by the Halifax Partnership, collected impressions from 684 youth. It discovered youth have a strong desire to live in Halifax, but face difficulties finding employment. The survey comprised three groups: youth currently living in Halifax, youth who had left the city, and youth who had left the city and returned. Even in Halifax, where unemployment rates are the lowest in the province and prospects for youth are greatest, workforce issues dominated the discussion.

- 79% of youth who had left Halifax were currently considering moving back.
  - When asked why they left, 70% cited employment issues. The second most common reason (education) was a distant second, at only 11%.
- 44% of respondents said their top desire for Halifax was better jobs, career growth, and salaries.
  - The next two top desires were closely tied to employment outcomes, with 14% focused on affordability/the cost of living, and 10% wanting more economic development in the city.
  - Other issues including arts and culture (9%), transportation (9%), and community (7%) trailed job-related priorities.

**Millier Dickinson Blais – Cape Breton (2015):**<sup>6</sup> This project included a survey of 924 youth living in Cape Breton, youth who have moved out of the region, and business/community leaders. Its findings closely mirror those found in Halifax and suggest that the focus on workforce attachment is a common concern across Nova Scotia. Again, workforce issues dominated the discussion.

- 77.3% of youth who left Cape Breton indicated they were considering moving back.
  - 74.3% of those who left listed employment opportunities among their reasons for leaving.
  - The next highest response was educational opportunities (42.5%).
- Of those living in Cape Breton, 60.4% indicated they were satisfied or highly satisfied with the region.

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<sup>5</sup> Attracting and Retaining Talent to Greater Halifax: Findings and Recommendations (2007).

<sup>6</sup> Creating a Prosperous Future: Young Talent Strategy for Cape Breton Island (2015).

- 68.5% believed that “good employment opportunities” were one of the top three characteristics of a great community, higher than any other attribute. This was closely followed by a “sense of community” at 55.9%.
- When asked what Cape Breton offered, only 1.4% thought the region was doing well with respect to employment opportunities, while 70.2% thought the region had a sense of community.
- When asked about attracting youth, the report noted: “The overwhelming response (90% of respondents) was the need to develop good employment opportunities.”
- The survey even asks for solutions, with the top recommendations being to support entrepreneurship (71.1%), promote science and technology (50.6%), and undertake major projects (49.9%).

**Lighting the Way (Junior Achievement) – South Shore (2015):** This survey of 643 high school students across the South Shore provides insight into early impressions of Nova Scotia and provides a much-needed rural perspective. The survey covers those in grades 10-12, with a small sample of grade 9 students. The findings from this report show that concerns and perceptions of local workforce opportunities begin early and establishing a career is as much a concern for youth in rural areas as it is for those in Nova Scotia’s larger cities:

- 70% of high school students planning to leave the South Shore expressed a desire to return later in life.
  - 9% said they would not return because they did not think they would be able to.
- Only 28% of respondents were “very” or “fairly” confident they could meet their long-term career objectives in the South Shore.
  - 37% believed employment opportunities in the region would worsen compared to 9% who believed they would improve in the years ahead.
- Only 4% of respondents stated they did not value Nova Scotia or their community; 44% said friends and family were what they valued most about their community.
- When asked about the most important change needed in the South Shore, 55% said “more jobs”.
  - 23% selected “activities for youth,” the next-highest answer.
- A troubling finding of the report was that even grade 9 students,<sup>7</sup> who likely had little or no interaction with the labour market, were not confident in the local employment prospects. This suggests that youth perceptions and opinions of the labour market become ingrained before there is any actual labour market experience.

As you can see, all three studies come to a similar conclusion: youth are concerned with finding work but are otherwise satisfied with life in Nova Scotia.

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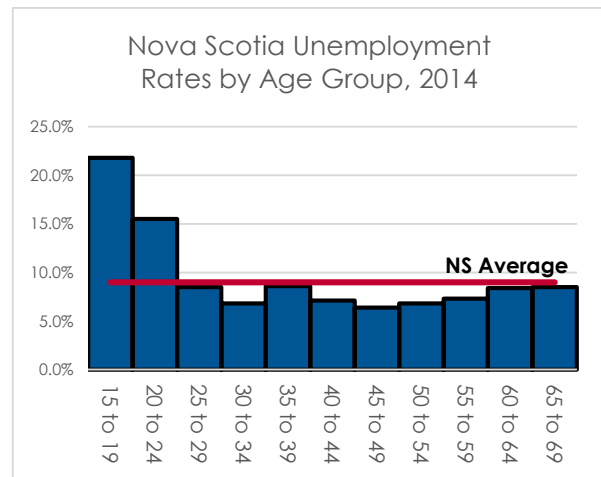
<sup>7</sup> The sample size of grade 9 students was very low, and results are not statistically significant for this age group in particular.



## Youth Employment

Given the importance of employment for keeping youth in Nova Scotia, insight into the current labour force is essential. Unemployment rates among youth in Nova Scotia are high, and many youth face systemic issues with job security and under-employment. Unemployment rates among Nova Scotians ages 20-29 are at 12.0%<sup>8</sup>, among the highest in Canada.

More detailed unemployment rates reveal a more positive picture. Rates drop significantly at the 25-29 age group and stay low. This trend, combined with migration numbers (see the previous section), suggest high unemployment rates are transitory and that migration numbers fall soon after employment options open up. For those who can break into the job market, there appear to be many opportunities.



While this early-career barrier is significant for youth, it is not insurmountable. Temporary interventions to help youth transition into work will open up opportunities for them later in life. This also means that they can contribute to the economy long after they have made it past that initial barrier.

Many youth also face issues of job security and under-employment. For young workers in the Labour Force Survey (ages 15-24), 45% work in part-time positions.<sup>9</sup> This is a much larger share than the rest of Nova Scotia's workforce, of which 16% are part-time. Another report by Statistics Canada shows that in Nova Scotia, 42% of recent university graduates and 16% of recent college graduates work in a position for which they are overqualified.<sup>10</sup> While some of this may be by choice and not necessity, it demonstrates that overall our graduates are under-utilized.

While youth in Nova Scotia face systemically high unemployment and under-employment, data suggests that these issues are transient. Efforts to enhance workforce attachment and transition workers into their careers earlier can provide a substantive long-term economic benefit.

What this data tells us is that the chances of finding meaningful employment for youth in Nova Scotia are not great, but that this situation is transitory. Those who can successfully break-in to the labour market will face significantly lower unemployment and under-employment rates later in life. Easing the transition into the labour force may dramatically improve an individual's employment prospects and reduce the likelihood they leave the province. Given these findings, it is understandable why employment prospects are such a concern for youth.

<sup>8</sup> Statistics Canada, Labour Force Survey: CANSIM: 282-0002.

Graph Source: Statistics Canada, Labour Force Survey: 282-0002.

<sup>9</sup> Statistics Canada, Labour Force Survey: CANSIM 282-0138.

<sup>10</sup> Statistics Canada, Over qualification among recent university graduates in Canada (2014).

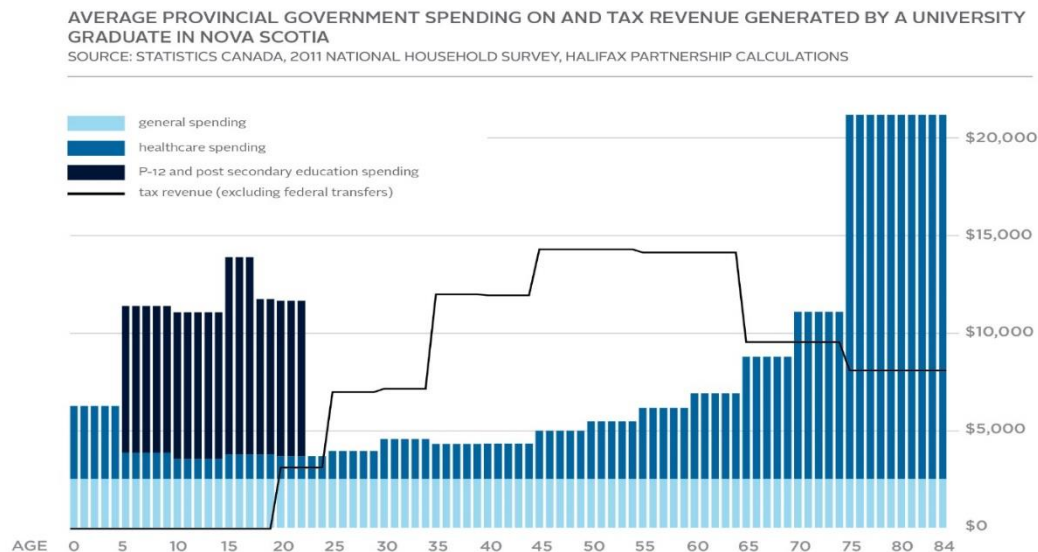


## Economic Effects

Most of our research into youth retention involved the development of a model that enabled us to measure the economic and fiscal effects of keeping youth in Nova Scotia. This framework, known as the Value of Youth Retention (V-YR3) Model, provides a cost-benefit analysis that can be used in a vast array of different situations and scenarios.

The model assesses the fiscal impact on the province when youth remain in the province and details the costs incurred and taxes accrued by those individuals. It accounts for a myriad of factors including their likelihood of finding employment, the strain they put on the healthcare system beyond retirement, and looks at the impact across their full life-cycle evaluation. Income data and tax rates are also used to estimate after-tax income, a measure of how much spending power individuals bring to the economy over their lifetime.

While the model requires long-term forecasting and is not precise enough for budgetary planning, it provides key insights into how to identify high-value individuals, and provides a size and scale of the effects of youth-retention. While youth-retention efforts may seem costly, our findings suggest that an effectively targeted program may actually be a significant source of ongoing revenue for the province. At very conservative estimates, the fiscal impacts of retaining youth are substantial:



- Each youth retained in Nova Scotia would provide over \$34,500 in net tax relief to the province. This tax relief comes in the form of tax revenues over and above the cost of providing public services to the youth.
- That number more than doubles to \$79,800 if that individual has a bachelor's degree or higher.
- Every year 1,300 youth leave Nova Scotia for other provinces. Each cohort of 1,300 youth would over the course of their lifetime provide:
  - An estimated \$1.2 billion in after-tax income to spend
  - Over \$46.4 million in net tax relief to the province

The model's findings demonstrate that a focus on high-value individuals will yield considerably higher net gains. Specifically, post-secondary graduates, who have higher expected incomes and are more likely to work to an older age will provide sizeable economic dividends to the province and the provincial economy if they are retained. The model shows that youth ages 20-29 are at a particularly high-risk of out-migration and that a temporary intervention until these individuals settle down will create stable, long-term benefits for the economy.

From a public finance perspective, the model also reveals that the province spends significant resources on upfront investments in education and end-of-life expenditures on healthcare. Over an individual's life, the productive years from 25 to 70 are critical for recovering these upfront investments and covering the end-of-life costs. Youth retention is particularly important because of the size of the initial investment in education and the fiscal pressure that puts on the provincial coffers. When youth leave for other provinces, they take that investment in human capital (approximately \$250k from the public purse) and use it to generate benefits for another province. In essence, we are exporting millions of dollars in human capital. Recognizing this, there are huge gains to be made in keeping youth here and realizing our fullest return on investment.

In practice, this means we need to help youth stay in Nova Scotia. It means that if they stay in the province for a few years they are very likely to stay for good. Finally, it means that if they stay here permanently, then this is a boon for the economy, for business, and for the province.

## Conclusion

Youth retention represents the best economic opportunity for Nova Scotia. By keeping educated youth in the province, we can ensure our long-term fiscal sustainability while also growing our economy. The status quo cannot be sustained: we now invest heavily in the success and human capital of our youth, but they take that investment to other provinces when they leave Nova Scotia.

Over the last two decades that's what more and more Nova Scotians between the ages of 20-29 have been doing. They uproot before they settle into communities here at the beginning of their productive, tax-paying lives. Major life milestones such as having kids, getting married, and buying a home typically occur around the age of 29 and dramatically reduce the likelihood of both in- and out-migration. Enabling youth to stay in Nova Scotia through this temporary period of high out-migration allows them to become long-term economic contributors to the province and their communities.

Existing research clearly identifies employment opportunities as the dominant concern for youth. Numerous surveys document two realities: employment opportunities draw youth away from the province but those young people would like to return. Bottom line: youth leave Nova Scotia because they have to, not because they want to.

Youth also face significant, albeit temporary, challenges with respect to unemployment, job security, and under-employment. While unemployment, part-time, and under-employment rates are high among youth in Nova Scotia, labour force outcomes are markedly better beginning around age 30. Those who can break in to the labour market, gain experience, and stay face much better prospects.

The economic effects of retaining youth are substantial. Young workers are just entering the most productive part of their lifecycle and creating the economic dividends necessary to cover investment in their early education and future healthcare costs. For business, more youth means more customers and a lower overall tax burden. By resolving short-term labour force issues, we can ensure youth are long-term economic contributors to their communities.

Effectively addressing this issue requires a private-sector response. While government programs can provide incentives and support, it is the private sector that generates the job opportunities that these youth need. Industry drives the economy and is the engine of wealth creation. The Halifax Partnership is actively soliciting ideas and solutions from the private sector.

Together we can provide youth with the opportunities they need to call Nova Scotia home.

**What do you think your business can and should do?**