

Intelligence MEMOS



From: Phil Oreopoulos
To: Canada's Graduating Students
Date: April 30, 2020
Re: **GRADUATING DURING THE COVID-19 RECESSION**

The pandemic response means bleak job prospects for this year's graduating students.

There's no sugar-coating that many will be unable to find full-time work after finishing high school or completing a postsecondary program. The weaker labour market will also have long-lasting effects. But with the significant relief offered recently from the federal government, some patience and ingenuity, there are ways to make the most out of the situation and even come out better for the experience.

Some of my past [research](#) with Till von Wachter from UCLA and Andrew Heisz from Statistics Canada examined the consequences of graduating in a recession sometime during the 1980s and 1990s.

In the first year after graduation, earnings were about 10-15 percent less, on average, than peers who graduated when unemployment rates were 3-4 percentage points lower.

Earnings were lower even after finding work, even after five years. The gap eventually closed after a decade, but by then, unlucky labour market entrants had lost, on average, 5 percent of their lifetime earnings.

What's more, other [research](#) found that graduates in a recession also experienced long-term negative health effects, including lower life-expectancy by an average of half a year.

The consequences of the COVID-19 recession could be even more severe. This year's graduates face labour market conditions significantly worse than those used to estimate past effects.

Months of closed, non-essential, businesses will make finding any work challenging. The longer the 'stay-at-home' restrictions, the more likely a longer economic downturn, compelling hundreds of thousands of graduates to settle for lower paying occupations unrelated to their field.

Fortunately, there are ways to minimize these kinds of adverse impacts. In the short term, job vacancies are likely to be extremely thin, especially while business closures remain enforced. Youth could instead consider acquiring new skills, potentially through online courses, or even staying on in school. Now would be an excellent time to pursue a one- or two-year graduate program of interest that leads to higher earnings, a new career, or a chance to enter the labour market in better times.

Another opportunity is to volunteer. Many organizations and households are currently in dire need of help. Volunteering not only benefits others, but also [increases well-being](#) to the volunteer. It also improves skills that employers value.

In one [study](#), for example, resumes that randomly listed volunteer experience were significantly more likely to receive an invitation for a job interview than those without. [Volunteer Canada](#) provides links to organizations currently looking for help during the pandemic, including virtual volunteering. Some placements require only a few hours per month. Others include travel across the country, are full-time, and pay a living allowance.

The government has [proposed](#) a smorgasbord of spending to provide summer financial relief and financial incentives towards some of these activities. Additional spending has been proposed for increasing summer job wage subsidies, training programs, and new job placements in STEM. Its Canada Student Service Grant, offering at least \$1,250 per month until September, should ease pressure over the summer for those who cannot find work, though the program has the potential to also disincentivize graduates from seriously entering the labour market until the fall. Offering the support only to those receiving financial aid could help reduce this behaviour.

Increased financial grant, loan, and scholarship aid should make it easier to continue with graduate studies. Particularly intriguing is the new Canada Student Service Grant that offers students who volunteer up to \$5,000 in subsequent education support. Also offering this to graduates as cash could allow them to similarly pursue rewarding experience while benefiting communities. The government can also encourage entrepreneurship with start-up seed money. In the longer term, it can promote improved career services for assisting better matches between youth and firms and further subsidize job creation.

As the economy recovers and businesses begin to hire again, there are steps youth can take to minimize adverse effects from the recession.

My co-authors and I [found](#) that those who were more mobile – switching jobs more often – recovered faster. Getting back onto a steeper wage trajectory, therefore, likely requires keeping an eye out for and seizing better job opportunities when they come along, no matter the city or industry.

My advice to graduates this year is to take a long-term perspective. What matters is your long-run well-being, not how much you earn. The pandemic presents opportunities to gain experience, help others, and mature in ways you never otherwise would have imagined.

Phil Oreopoulos is a Professor of Economics at the University of Toronto and the Education Co-Chair for the Abdul Latif Jameel Poverty Action Lab.

To send a comment or leave feedback, email us at blog@cdhowe.org.

The views expressed here are those of the author. The C.D. Howe Institute does not take corporate positions on policy matters.