

Study: Potential earnings losses among high school and postsecondary graduates due to the COVID-19 economic downturn

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The COVID-19 pandemic has impacted young people particularly hard, as the unemployment rate for youth (15 to 24 year-olds) rose from 10.3% in February to a historical high of 29.4% in May. This could have long-term ramifications for class of 2020 high school and postsecondary graduates as they enter the labour market.

A new study presents estimates of the cumulative earnings losses in the first five years after graduation that this year's graduating class could experience, depending on the depth of the economic downturn. Specifically, five scenarios for this year's youth unemployment rate are examined in comparison with the long-term historical average of 14.3%: 16.0%, 19.0%, 22.0%, 25.0%, and 28.0%. Other factors may impact the earnings of graduates, but these are not considered in this study.

Students belonging to this year's class of high school, college, and bachelor's degree graduates could lose from \$23,000 to \$44,000 over the next five years if this year's annual youth unemployment rate reaches 28.0%. This is equivalent to \$4,600 to \$8,800 per year.

Although such losses are at least as large as the average debt load of postsecondary graduates, they are quite small compared with the estimated long-term benefits of graduating with a postsecondary qualification rather than a high school diploma based on an earlier Statistics Canada [study](#). For example, mid-career university graduates generally earn about twice as much as their high school graduate counterparts, corresponding to a difference of roughly \$40,000 in one year alone.

If, instead, this year's youth unemployment rate reaches 19.0%, which is close to the historical high of 19.2% (set in 1983), earnings losses are likely to be far more moderate (from about \$8,000 to \$15,000 over the next five years, or about \$1,600 to \$3,000 per year). Under a scenario where the youth labour market recovers very quickly and the youth unemployment rate reaches 16.0% this year, five-year losses could amount to less than \$6,000 for all groups, or less than \$1,200 per year.

Regardless of the scenario that actually unfolds, this year's female postsecondary graduates may incur larger earnings losses during the next five years than their male counterparts. For example, if this year's youth unemployment rate is 28.0%, female bachelor's degree graduates may lose \$43,674 over a five-year period, compared with \$27,887 among their male counterparts.

Higher education may help young people—those who choose to further their studies—to weather the economic storm. Although high school graduates may lose less in dollar earnings than postsecondary graduates, these potential losses represent a larger share of their earnings since high school graduates earn considerably less than postsecondary graduates on average. For example, under the worst case scenario examined in this study, male high school graduates may lose 19.9% in earnings, compared with 11.6% among their counterparts with a bachelor's degree.



The study "[Potential Earnings Losses among High School and Postsecondary Graduates Due to the COVID-19 Economic Downturn](#)" is now available as part of *Economic Insights* (**11-626-X**). A shorter summary article, "[To what extent might COVID-19 affect the earnings of the class of 2020?](#)," is now available as part of the series *StatCan COVID-19: Data to Insights for a Better Canada* (**45280001**).

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