The Frustration of Canada's Over-Credentialed Working Class

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About Cardus Work and Economics

Cardus Work and Economics is committed to the renewal of an economic architecture that supports a wide array of individuals, communities, and the common good.

Key Points

- We define Canada's working class as those in jobs that do not require a post-secondary credential.
- A majority of people in the working class are over-credentialed for the job they hold. Fifty-six percent of them have a post-secondary credential. Nineteen percent even have a university degree.
- The proportion that is over-credentialed has grown steadily over the last two decades, from 42 percent in 2006 to 56 percent in 2024. The proportion with a university degree specifically has more than doubled, from 9 percent in 2006 to 19 percent in 2024.
- Working-class women and working-class immigrants are more likely to be over-credentialed than their male and non-immigrant counterparts.
- Those in the working class earn substantially less than those in the professional and management class and the technical class (classes that over-credentialed working-class workers would belong to if they had jobs that aligned with their education level).
    - Those holding a university degree earn less than half the wage earned by those in the professional and management class (whose jobs require a university degree).
- The situation, due in part to the phenomenon of "credential inflation," has significant economic, political, and social implications.
    - It represents an opportunity cost both to these workers and to the economy as a whole.
    - This population may be disproportionately represented in the growing share of Canadians that is dispirited about its prospects and pessimistic about the future.
- To address this situation:
    - Governments should ensure that working-class families have access to the kinds of childcare that work best for them.
    - Governments, civil society, and universities should work together to better align post-secondary programs to labour-market needs, improve foreign-credential recognition, and promote a pluralist vision of education and labour that is characterized by greater parity of esteem for alternate career paths and greater transferability between types of education.
    - Public funding for different forms of education may need rebalancing.

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Introduction

In 2022, we co-authored a Cardus study that examined what we termed Canada's "new working class," to describe the conditions and circumstances of those Canadians employed in today's working-class jobs.[1] The report received considerable attention for its efforts to bring data and evidence to bear on who actually constitutes the working class, what types of jobs they perform, where they live, and what their economic and social outcomes are.

But one particular finding captured the most attention: more than half of those in working-class jobs (defined as those occupations that typically do not require a post-secondary credential) actually had post-secondary qualifications. It prompted questions about the background and experiences of these workers, their educational profiles, and the factors that have led them to jobs that seemingly under-utilize their human capital.

The purpose of this paper is to take up these questions with greater attention and focus on those whom we have come to think of as Canada's over-credentialed working class. We draw on new data and analysis to better understand this share of the country's working-class population, including, among other considerations, its relative size, age and gender distribution, regional breakdown, and immigration status.

Our key finding is that the over-credentialed represent a *sizable* and *growing* proportion of Canada's working class.[2]

Overqualification is a phenomenon that is not limited to Canada. Researchers in the United States have found that 37 percent of graduates from four-year undergraduate programs are overqualified educationally for their jobs.[3] In the United Kingdom, think-tank scholar David Goodhart has pointed out that five years after graduating, over one third of workers with bachelor's degrees are in jobs that do not require a university credential.[4]

This paper differs from these international studies in that it focuses squarely on the extent of over-credentialization within the working class. It also considers a wider age range than these other studies, which have tended to focus on individuals aged 25–34 on the grounds that post-secondary credentials are a more important factor in labour-market success during the early part of an individual's career. Our study, however, is more interested in the persistence of an over-credentialed working class over time and therefore includes all age cohorts.

1 S. Speer, S. Bezu, and R. Nauta, "Canada's New Working Class," Cardus, 2022, https://www.cardus.ca/research/work-economics/reports/canadas-new-working-class.

2 Statistics Canada, *Canada at a Glance, 2022, Population*, https://www150.statcan.gc.ca/n1/pub/12-581-x/2022001/sec1-eng.htm.

3 J. Weissman, "The Fate of the Overeducated and Underemployed," *Slate*, June 3, 2014, https://slate.com/business/2014/06/overeducated-americans-a-new-study-looks-at-the-fate-of-underemployed-graduates.html.

4 D. Goodhart, "Why Universities Had to Be Challenged," *UnHerd*, July 14, 2020, https://unherd.com/2020/07/why-universities-had-to-be-challenged.

In analyzing the data through this lens, we find that there has been a steady rise in the over-credentialed share of Canada's working class at least since 2006. As we will discuss further below, this has significant economic, political, and social ramifications. Our working hypotheses, which we examine in greater detail below, are that (1) this phenomenon represents an economic opportunity cost both to these workers and to the Canadian economy as a whole, and (2) this population may be disproportionately represented in the growing share of the Canadian public that is dispirited about its economic prospects and pessimistic about the future. In short, the over-credentialed working class are the quintessential cohort of those who "did what they were supposed to" but still "cannot get ahead."

Many policy issues arise in this study, including childcare and immigration, which we touch on below. However, the most significant policy area is education. The growth in the over-credentialed working class raises serious concerns about the state of secondary and post-secondary education in Canada. We examine the phenomenon of "credential inflation," and how this may have contributed to the growth of the over-credentialed working class. We consider ways that governments can more closely link the education system and the realities of the labour market, by promoting co-op programs in high school, encouraging parity of esteem for the skilled trades, making it easier to transfer from one educational program to another, rebalancing the public funding for different forms of post-secondary education, and even rethinking the way in which post-secondary education is funded.

This paper does not make any judgment about the value of pursuing post-secondary education as such. Education is about more than just training for the labour market. It is also about the formation of a human person, preparation for life in general, and the love of learning. For this reason, we use the term "over-credentialed" instead of "overeducated" to describe the phenomenon under consideration. That said, it would be a mistake to underestimate the expectations of students that their education will prepare them for the economy and lead to positive economic outcomes for them.

We begin by laying out the methodology used in the data analysis of this paper. We then consider the demographics of the over-credentialed working class, including their age, gender, and regional distribution, as well as their wages. Following that, we outline in more detail why the growth in the over-credentialed working class is a concern. Finally, we set out policy considerations for closing the gap between the educational attainment of the working class and their labour-market experiences.

Methodology

As in our previous paper, we define the working class as those workers in jobs that typically do not require a post-secondary credential. The economy is increasingly divided between jobs that require these credentials and jobs that do not. Indeed, an individual's socio-economic class has less to do with the level of education they have than with the level of education their job requires. That makes this definition of the working class a useful one for analyzing the labour market.

To isolate this segment of the Canadian labour force, we use the Government of Canada's National Occupational Classification system, which groups jobs in the Canadian economy according to several criteria. One of these criteria is skill level. Prior to a change in 2021, there were four such levels:

A. Occupations usually require university education

B. Occupations usually require college education, specialized training or apprenticeship training

C. Occupations usually require secondary school and/or occupation-specific training

D. On-the-job training is usually provided for occupations[5]

This was the system that we used to analyze Census and Labour Force Survey data in our previous report. We defined the working class as those individuals whose jobs aligned with levels C and D.

The government has since updated its classification system. The new system has six Training, Education, Experience, and Responsibilities (TEER) categories, which provides a more flexible understanding of skill. The categories have numerical codes, as follows:

0. Management occupations
1. Occupations usually require a university degree
2. Occupations usually require a college diploma or apprenticeship training of two or more years; or supervisory occupations
3. Occupations usually require a college diploma or apprenticeship training of less than two years; or more than six months of on-the-job training
4. Occupations usually require a secondary school diploma; or several weeks of on-the-job training
5. Occupations usually require short-term work demonstration and no formal education[6]

The new system does not allow us to draw as sharp a line between working-class jobs and other jobs. For example, TEER 3 includes some jobs that require a community college diploma, which would not usually be counted as working-class jobs, but it also includes some others that require on-the-job training only (albeit a lengthy training period of more than six months), which would typically be considered working-class jobs.

A case could be made for including TEER 3 in the definition of working-class occupations. For the purposes of this paper, however, which examines the growing gap between the level of

5 Government of Canada, *View Structure List – NOC 2016 Version 1.3* (June 2, 2023), https://noc.esdc.gc.ca/Structure/ViewStructureList.

6 Government of Canada, *View Structure List – NOC 2021 Version 1.0* (June 2, 2023), https://noc.esdc.gc.ca/Structure/ViewStructureList.

educational attainment of working-class Canadians and the actual educational requirements of the jobs they hold, it is prudent to narrow our examination to those with jobs in TEERs 4 and 5. These TEER categories enable us to narrow our analysis most clearly to jobs that do not require a post-secondary credential. This choice results in a more conservative estimate of the number of Canadians with educational credentials that exceed the requirements of their working-class jobs. If anything, therefore, our methodology understates the size of this population.[7]

For comparative purposes, we have chosen to characterize TEERs 0 and 1 occupations as representing the professional and management class and TEERs 2 and 3 as representing what we will call the technical class.

The net effect of the new classification system is to shift certain jobs from one category to another. Some move out of our previous working-class definition and into the technical class. These include correctional-service officers, dental assistants, sheriffs and bailiffs, aircraft-assembly inspectors, and bus and transport-truck drivers. Other occupations move into the working-class definition, including meat cutters, construction-trades labourers, livestock labourers, and primary combat members of the Canadian Armed Forces.

One might debate whether certain occupations ought to be in one category or another, but the key points here are (1) the resulting categorization of jobs remains a useful taxonomy of the Canadian labour force for the purposes of this study, and (2) limiting our definition of the working class to those in TEER 4 and 5 occupations will produce a conservative analysis of this cohort's over-credentialization. Table 1 sets out the occupational categories that constitute the working class for the purposes of this analysis.

From there, we analyze demographic microdata from Statistics Canada's Labour Force Survey, paying particular attention to the data on educational attainment.[8] We exclude current full-time students from our analysis so as to avoid distortions in the data caused by those who are in the process of gaining more education.

We also narrow our analysis to those aged 25 and over, except when considering the overall age distribution of the working class, for two main reasons. First, most of those under age 25 simply have not had a chance to attain a post-secondary credential, so the percentage of those in working-class jobs with a post-secondary credential is predictably low (7 percent for ages 15–19 and 37 percent for ages 20–24), and even lower for those with university degrees (0 percent for ages 15–19 and 9 percent for ages 20–24). This skews the overall numbers substantially.

Second, accounting for those below the age of 25 risks introducing seasonal swings into the data because of students entering the workforce during the summer (during which time the Labour Force Survey does not classify them as students). Limiting our analysis to those aged 25 and over thus offers a more relevant and meaningful measure of the proportion of the working class who have an educational credential above the requirements of their jobs.

7 This is confirmed by an analysis of the scenario that includes TEER 3 in the working class. In that alternate scenario, the headline numbers of this paper increase, as predicted: to 61 percent for members of the working class with a post-secondary credential and 20 percent for those with a university degree.

8 Statistics Canada, *Labour Force Survey: January 2006 to March 2024*, Public-use microdata file, https://www150.statcan.gc.ca/n1/en/catalogue/71M0001X#wb-auto-2.

Most of the demographic analysis uses the Labour Force Survey from March 2024, the most recent data available at the time of writing that are not affected by potential swings in summer employment. For greater certainty, however, we compared the results with microdata from some earlier Labour Force Surveys. This comparison produced broadly similar results and did not fundamentally change the findings presented in this paper.

Table 1. Working-Class Occupational Groups, with NOC Classification Numbers, 2023

Broad Occupational Category	Occupational Groups Within the Broad Occupational Categories That Correspond to the Working Class
Business, finance, and administration occupations [1]	Administrative and financial support and supply chain logistics occupations [14]
Occupations in education, law and social, community and government services [4]	Care providers and public protection support occupations [44]
	Student monitors, crossing guards, and related occupations [45]
Occupations in art, culture, recreation, and sport [5]	Support occupations in sport [54]
	Support occupations in art and culture [55]
Sales and service occupations [6]	Sales and service representatives and other customer and personal services occupations [64]
	Sales and service support occupations [65]
Trades, transport, and equipment operators and related occupations [7]	Mail and message distribution, other transport equipment operators, and related maintenance workers [74]
	Helpers and labourers and other transport drivers, operators, and labourers [75]
Natural resources, agriculture, and related production occupations [8]	Workers in natural resources, agriculture, and related production [84]
	Harvesting, landscaping, and natural resources labourers [85]
Occupations in manufacturing and utilities [9]	Machine operators, assemblers, and inspectors in processing, manufacturing, and printing [94]
	Labourers in processing, manufacturing, and utilities [95]

Source: Government of Canada, *View Structure List – NOC 2021 Version 1.0* (June 2, 2023).

Demographics of the Over-Credentialed Working Class

Size

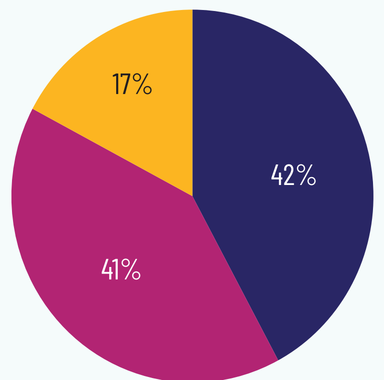
The working class as a whole is the largest socio-economic class in Canada, comprising about 6.5 million people, or 34 percent of the Canadian workforce.[9] Although this percentage has been declining (from 42 percent in 2000), the working class nonetheless remains a potent economic and political force, representing a population larger than that of British Columbia, Canada's third-largest province.

This paper considers the interplay between two variables: a person's educational attainment, and their socio-economic class as defined by the educational requirements of their job. There are two complementary ways of doing so:

1. Examining the distribution of socio-economic class within the group of workers who have a given level of educational attainment
2. Examining the distribution of educational attainment within the group of workers who have jobs in a given socio-economic class

The first way of analyzing the data is useful for understanding the general distribution of workers with post-secondary credentials across the labour market. Figures 1 and 2 break down post-secondary credentials in general, and university degrees in particular, across the three groups: professional and management class, technical class, and working class.

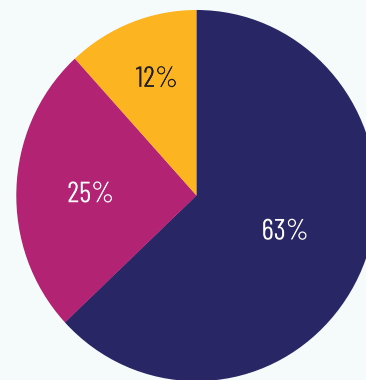
Figure 1. Workers with a Post-Secondary Credential, by Class, 2024



- Professional and management class
- Technical class
- Working class

Source: Statistics Canada, *Labour Force Survey* (March 2024), Public-use microdata file.

Figure 2. Workers with a University Degree, by Class, 2024

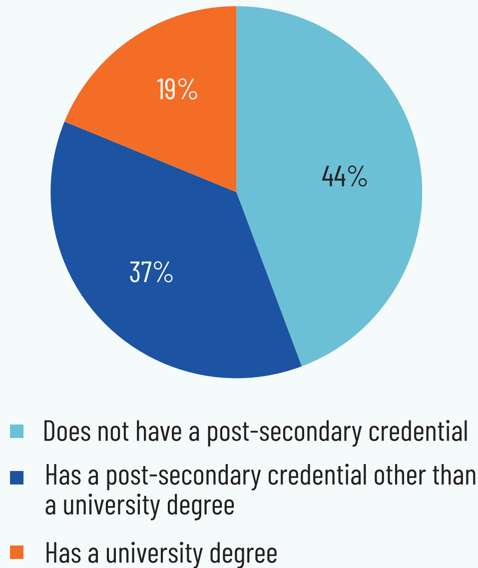


- Professional and management class
- Technical class
- Working class

Source: Statistics Canada, *Labour Force Survey* (March 2024), Public-use microdata file.

9 Speer, Bezu, and Nauta, "Canada's New Working Class."

Figure 3. Working Class, by Educational Attainment, 2024



- Does not have a post-secondary credential
- Has a post-secondary credential other than a university degree
- Has a university degree

Source: Statistics Canada, *Labour Force Survey* (March 2024), Public-use microdata file.

These figures show that the vast majority of people with a post-secondary credential fall in the two socio-economic classes other than the working class. In fact, among Canadians over the age of 25, only 17 percent of those with a post-secondary credential—and only 12 percent of those with a university degree—are in the working class.

It is notable that 37 percent of those with a university degree are working in technical-class or working-class jobs that do not require that level of education. But, overall, it appears that those with a post-secondary credential are generally in jobs that are commensurate with their educational attainment.

Viewing the problem from this angle, however, obscures what is happening within the working class itself. Analyzing the data using the second method paints a clearer picture. Among the working class, 56 percent have some type of post-secondary credential, including 19 percent who have a university degree (figure 3). This over-credentialed cohort represents nearly 2.3 million Canadians over age 25, including more than 770,000 with university degrees.[10]

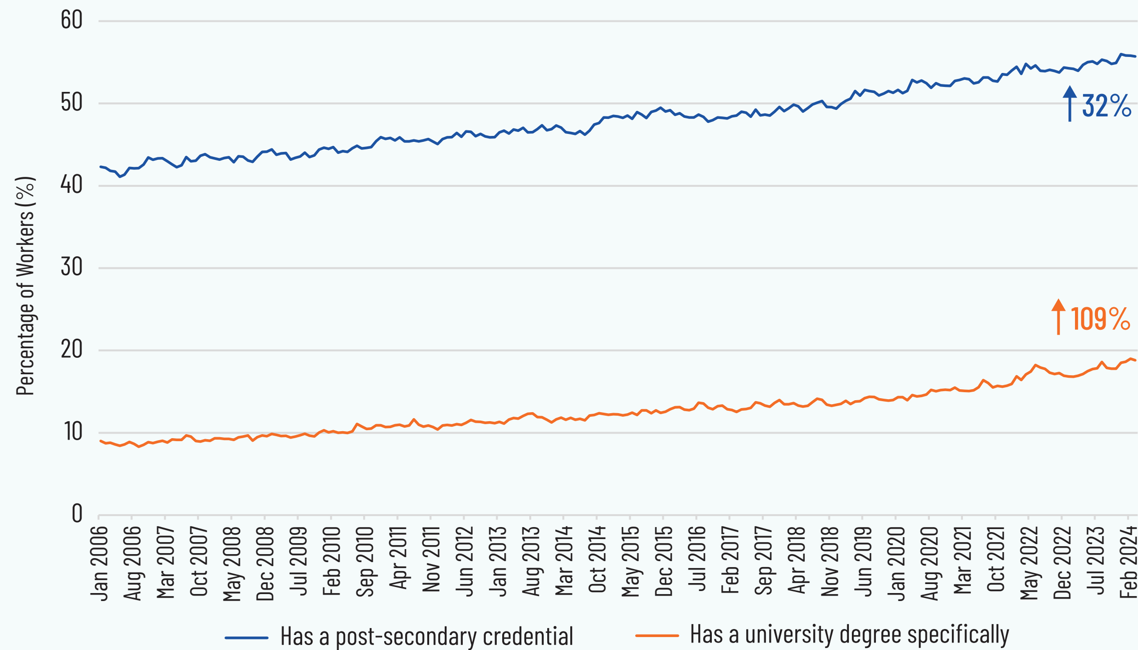
In short: While most people with a post-secondary credential are not in the working class, a majority of those in the working class do have a post-secondary credential. The key point to understanding the working class is the latter.

Growth

The proportion of the working class with a post-secondary credential has increased markedly over time. Since 2006, those aged 25 and older who are in this cohort has risen by nearly a third, from 42 percent to 56 percent. The proportion with a university degree in particular has more than doubled, from 9 percent to 19 percent over the same timeframe.

Figure 4 shows that this upward trend has been sustained over nearly two decades. This length of time suggests that the causes are structural rather than transitionary or the result of contingent factors, such as the pandemic experience or some type of policy change. While there have been fluctuations over this period, the trendline is clear and notable.

10 Authors' calculations based on Statistics Canada, Table 14-10-0017-01: *Labour Force Characteristics by Sex and Detailed Age Group, Monthly, Unadjusted for Seasonality (x 1,000)*, https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410001701.



Source: Statistics Canada, *Labour Force Survey* (January 2006 to March 2024), Public-use microdata file.

These findings mirror those of the Parliamentary Budget Officer's 2015 study, which showed that the percentage of workers whose educational credentials matched their job's requirements had fallen between the years 1991 and 2014, while the percentage of workers that were educationally overqualified for their job had risen over the same period.[11]

Age

When the credentials of the working class are examined according to age, the data exhibit a curve that is skewed toward the younger end of the graph.

Few members of the working class below the age of 25 have any type of post-secondary credential, and thus we excluded this group from our overall analysis.

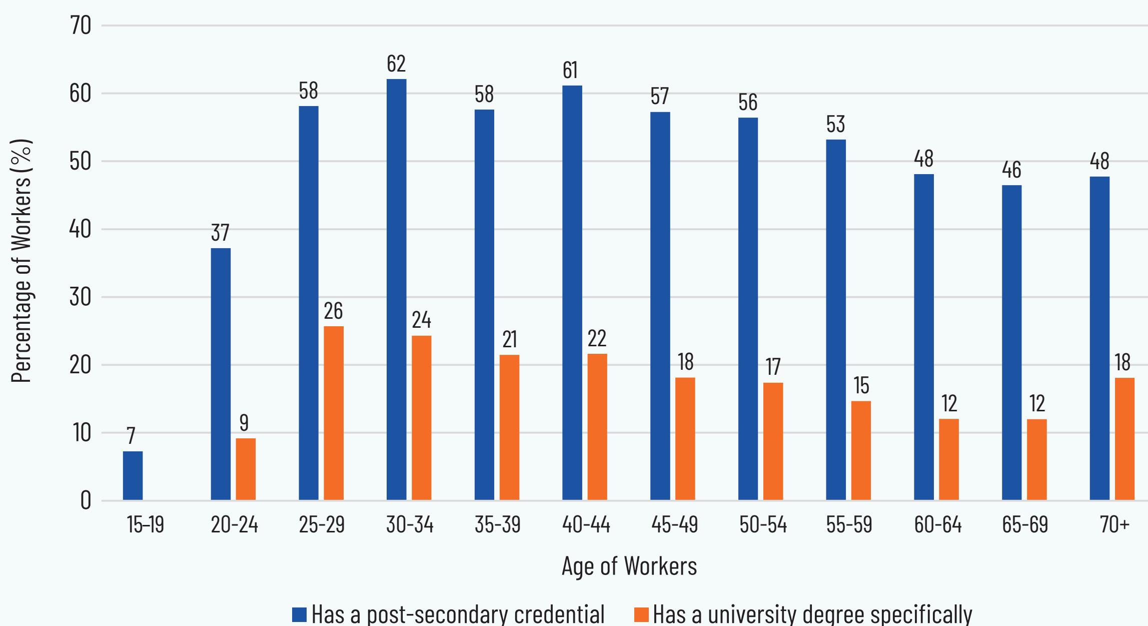
The results are more meaningful for the cohort aged 25 and older. Between ages 25 and 44, the percentage of the working class with a post-secondary credential fluctuates between 58 percent and 62 percent. It begins to trail off after age 45, and it bottoms out at 46 percent to 48 percent as this population enters the age at which people normally retire. The modest decline in the proportion of the working class with a post-secondary credential is likely due to older members of this class being promoted to management positions or other jobs more commensurate with

11 Office of the Parliamentary Budget Officer, Canada, *Labour Market Assessment 2015* (November 12, 2015), https://distribution-a617274656661637473.pbo-dpb.ca/cbdd64e797fdb936dbd27c9c7c1cb779a0a4bee132a7b4cd926a2ff730d4ba90.

their education, as they gain experience over time. Another possible explanation is that younger people may have been more encouraged than older people to obtain a university degree or a college diploma, which could also explain the overall growth in the over-credentialed working class over the last few decades. Nevertheless, the fact that more than half of the working class at age 55–59 do have a post-secondary credential shows either that over-credentialization is a longstanding problem, or that a significant portion of working-class members does not advance to higher-qualification jobs, despite educational attainment and accumulated employment experience, or both.

A slightly different picture emerges for those with a university degree specifically. The curve demonstrates the same upward trend in the early ages, explainable by the fact that so few people at that age have a university degree at all. The curve reaches its peak between ages 25 and 29, where 26 percent of the working class has a university degree. It then trails off in a similar way to those with a post-secondary credential in general, reaching a nadir of 12 percent for the cohort aged 60–69. In contrast to those with a post-secondary credential in general, however, there is a significant upswing after age 70 in the percentage of the working class with a university degree. Perhaps senior citizens are taking working-class jobs post-retirement, or perhaps these individuals are not retiring as quickly as other members of the working class in general, leaving those with university degrees to constitute a greater percentage of the remainder.

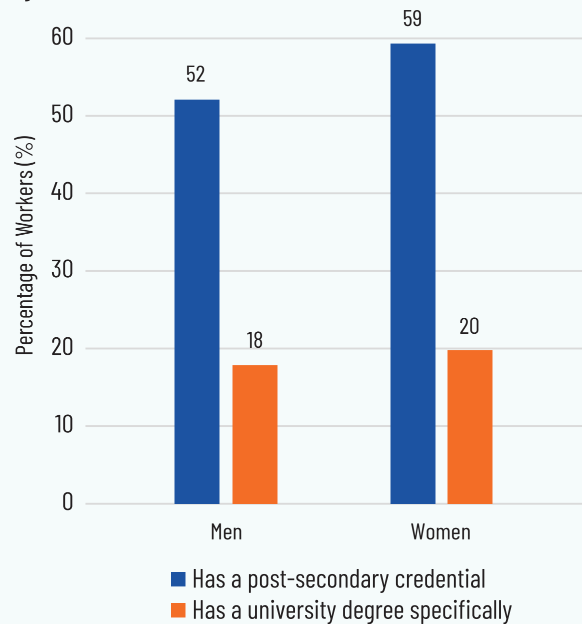
Figure 5. Working Class with a Post-Secondary Credential, by Age, 2024



Source: Statistics Canada, *Labour Force Survey* (March 2024), Public-use microdata file.

The main conclusion to draw from these data is that over-credentialization in the working class is not purely a young-person phenomenon. Over-credentialization persists through all age categories, with a majority of the working class being over-credentialed in every age category below age 60.

Figure 6. Working Class with Post-Secondary Credential, by Sex, 2024



Source: Statistics Canada, *Labour Force Survey* (March 2024), Public-use microdata file.

Gender

While the working class overall is about evenly split along gender lines, differences arise when examining educational attainment.

Among both male and female members of the working class, a majority have a post-secondary credential. The percentage is higher for working-class women, however, with 59 percent holding a post-secondary credential, versus 52 percent of working-class men. A similar but smaller gap is evident among those holding a university degree, with 20 percent of working-class women and 18 percent of working-class men holding one.

It is difficult to conclude from the data what factors are leading to this outcome. Working-class jobs are more likely to be part-time, which some women may opt for in seeking to balance their family and professional lives.[12] However, this fact must be weighed against other evidence showing that working-class jobs, particularly in the service industry, are often done outside of 9–5 hours, which would make this balance more difficult.[13]

12 Speer, Bezu, and Nauta, "Canada's New Working Class."

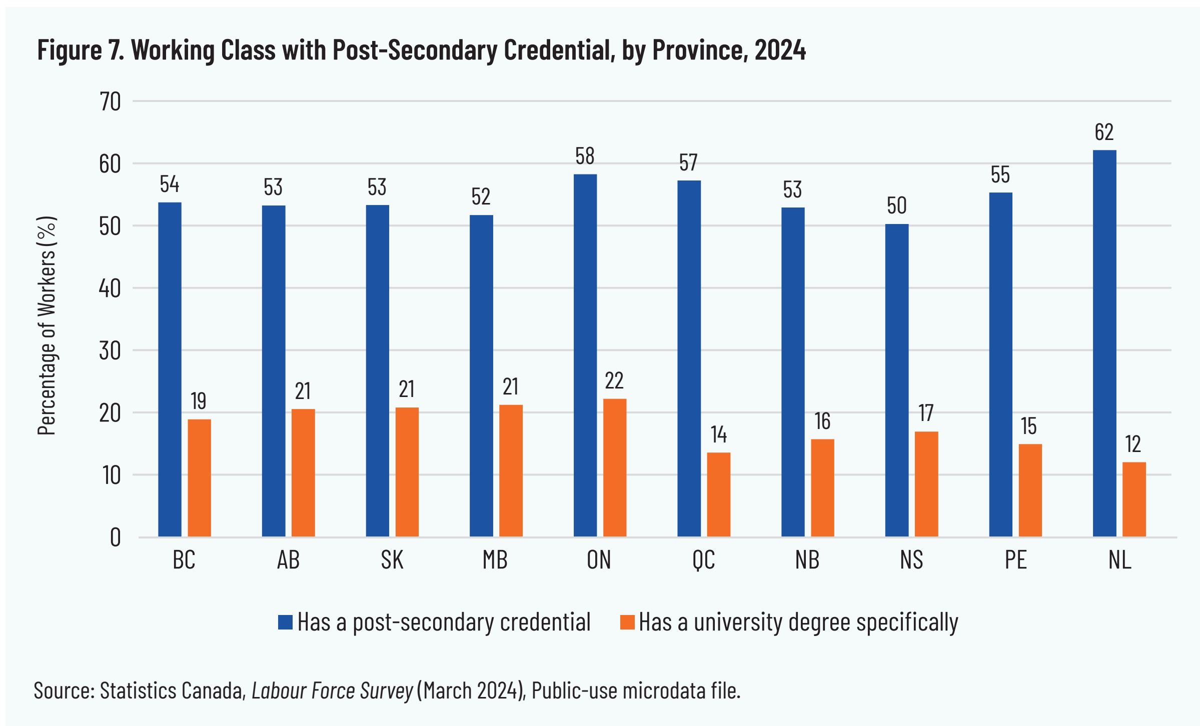
13 Speer, Bezu, and Nauta, "Canada's New Working Class."

Regional Distribution

The proportion of working-class members with a post-secondary credential differs modestly from one province to another, although the proportion is at least 50 percent in each. Newfoundland and Labrador has the highest proportion, at 62 percent. Nova Scotia has the lowest proportion, at 50 percent.

The regional differences are more varied when one focuses on the proportion of the working class with university degrees. The proportion is greater than 20 percent in Ontario and the Prairie provinces. It is 20 percent or less in Atlantic Canada, Quebec, and British Columbia.

Figure 7. Working Class with Post-Secondary Credential, by Province, 2024

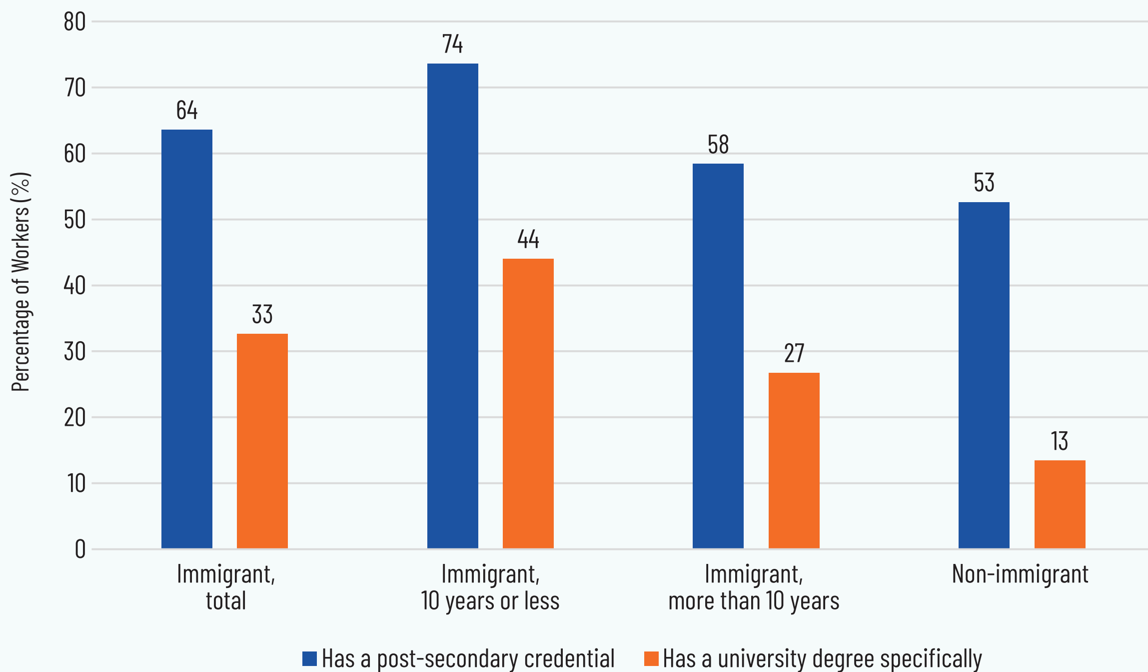


Source: Statistics Canada, *Labour Force Survey* (March 2024), Public-use microdata file.

Immigration Status

In "Canada's New Working Class," we identified immigration status—particularly the recency of a person's arrival in Canada—as a major factor in determining whether they are employed in a working-class job. The Census data analyzed in that study showed a fairly consistent trend: the longer someone had been in Canada, the less likely they were to be employed in a working-class job.

Not surprisingly, the same trend can be seen among working-class immigrants with a post-secondary credential. Sixty-four percent of working-class immigrants have a post-secondary credential, versus 53 percent of working-class non-immigrants. The spread between immigrants and non-immigrants is even greater when it comes to university degrees. Working-class immigrants are more than twice as likely to have a university degree than working-class non-



Source: Statistics Canada, *Labour Force Survey* (March 2024), Public-use microdata file.

immigrants (33 percent, versus 13 percent). Previous research by Statistics Canada also identified immigration status as a major factor associated with overqualification.[14]

The picture becomes starker when looking at recent immigrants. Seventy-four percent of working-class immigrants who came to Canada within the last ten years have a post-secondary credential of some kind. They are also more than three times as likely as non-immigrants to have a university degree. Outcomes are much better for immigrants who came to Canada more than ten years ago, but they nevertheless continue to have higher levels of over-credentialization than their non-immigrant counterparts.

Broad Occupational Categories

In addition to the TEER categories, Canada's National Occupational Classification system sorts jobs according to ten broad occupational categories, which describe at a high level the kind of work done in these jobs. Of these ten, three (legislative and senior management occupations, natural and applied sciences and related occupations, and health occupations) do not include any jobs that are categorized as working class. The remaining seven categories are identified in figure 9.

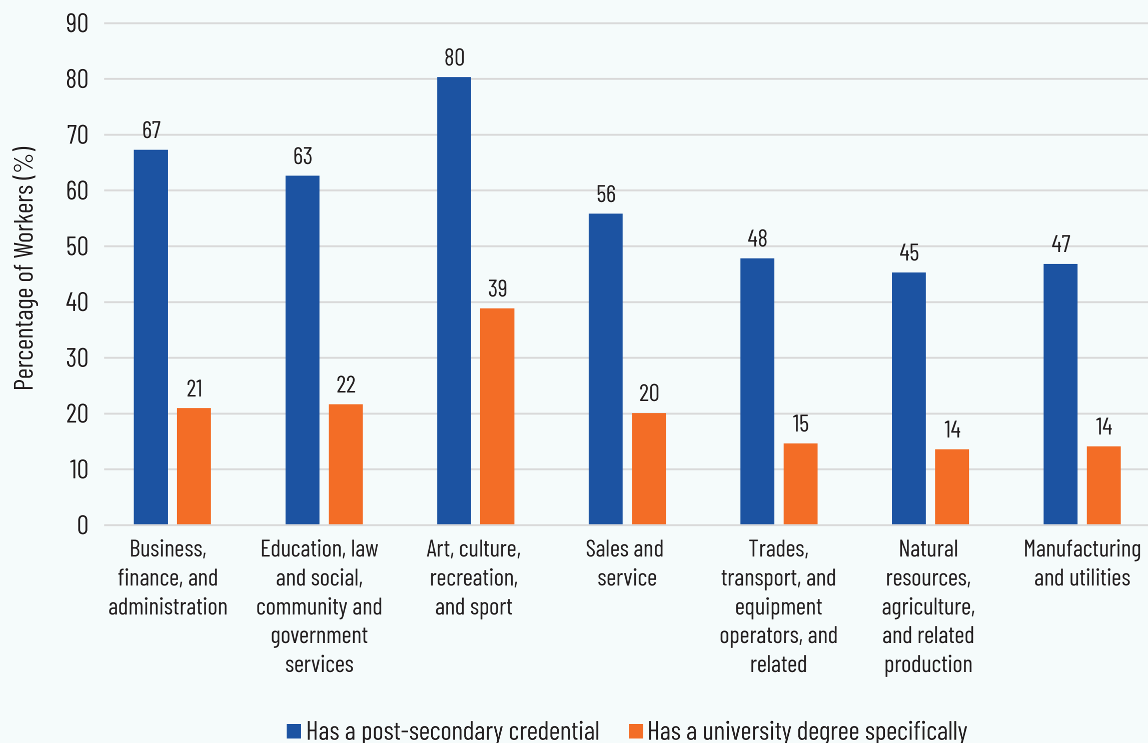
14 S. Uppal and S. LaRochelle-Côté, "Overqualification Among Recent University Graduates in Canada" (April 2014), Statistics Canada, https://www150.statcan.gc.ca/n1/en/pub/75-006-x/2014001/article/11916-eng.pdf?st=OwbNnwgV.

The broad occupational categories in which more than half of the working class have a post-secondary credential are (a) business, finance, and administration occupations, (b) occupations in education, law and social, community and government services, (c) occupations in art, culture, recreation and sport, and (d) sales and service occupations. Interestingly, these are the same broad occupational categories in which at least 20 percent of the working class have a university degree.

The disparities among the broad occupational categories are not small. They can be quite substantial and therefore suggest that the reasons are structural, although what those reasons are remains unclear from these data. It may simply be that more people with a university degree or other post-secondary credential are attracted to these occupations than there are professional- and technical-class jobs available. It may also be that a certain percentage of these people fail to be promoted to positions commensurate with their educational attainment.

Regardless of the reasons, a greater proportion of workers with a post-secondary credential go into business, finance, education, government, arts, and culture expecting a job in the technical class or professional class but end up with one in the working class.

Figure 9. Working Class with Post-Secondary Credential, by Broad Occupational Category, 2024



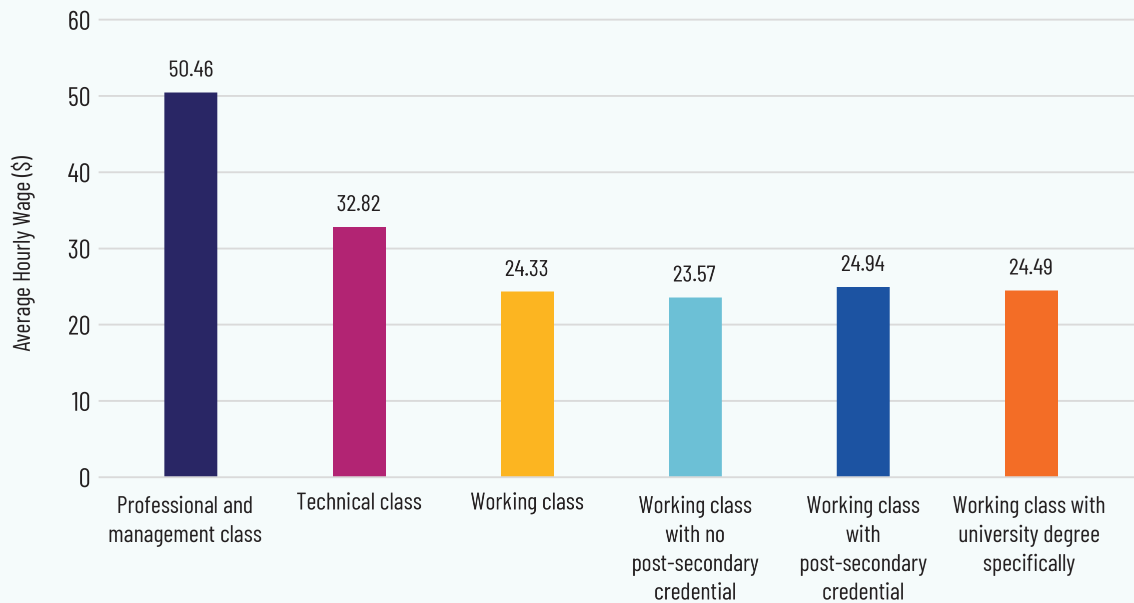
Note: Workers in management positions in these occupations are excluded from analysis.
Source: Statistics Canada, *Labour Force Survey* (March 2024), Public-use microdata file.

Wages

An analysis of the average hourly wage of each class shows, unsurprisingly, that those in the professional and management class earn substantially more on average (just over $50 per hour) than either the technical class (nearly $33 per hour) or the working class (just over $24 per hour).

Within the working class, there is minimal difference in wages between the over-credentialed and those whose educational credentials match the requirements of their job. This suggests that the over-credentialed members of the working class do not receive a premium for having a higher level of education.

Figure 10. Average Hourly Wage, by Class and Educational Attainment, 2024



Source: Statistics Canada, *Labour Force Survey* (March 2024), Public-use microdata file.

The data also show that the over-credentialed working class earns substantially less than those in jobs that match their levels of education. The average hourly wage of a working-class person with a post-secondary credential remains almost $8 per hour less than that of the average worker in the technical class. For those with a university degree, the picture is much worse: the average hourly wage of a working-class worker with a university degree is less than half the average hourly wage of someone in the professional and management class—the class that is commensurate with their educational attainment.

A Snapshot of the Over-Credentialed Working Class

Prior to considering policy solutions that might address the interests and needs of the over-credentialed working class, it is crucial that researchers, policy advisors, and politicians first understand who the working class is. As such, it is appropriate to pause and take stock of the evidence and data thus far.

- *A high proportion of the working class is over-credentialed for their job.* As many as 56 percent of the working class aged 25 and older have a post-secondary credential, which is by definition not necessary for their job. Nineteen percent even have a university degree.
- *The proportion of the working class that is over-credentialed has grown steadily over the last two decades.* The proportion has risen from 42 percent to 56 percent since 2006. The proportion with university degrees has more than doubled, from 9 percent to 19 percent.
- *Over-credentialization persists through all age categories in the working class.* Over-credentialed workers constitute a majority of the working class for all age categories from 25 to 59. Even after age 60, when many Canadians are retiring, they still constitute nearly half of the working class.
- *Working-class women are more likely than working-class men to be over-credentialed.* This is true both for post-secondary credentials in general and for university degrees specifically.
- *Differences can be seen in the regional distribution of the working class with a post-secondary credential, although these differences are starker for those with university degrees.* Ontario and the Prairie provinces have working classes of which greater than 20 percent have university degrees.
- *Working-class immigrants are more likely to be over-credentialed than their non-immigrant counterparts.* That is even more true for recent immigrants. A working-class immigrant who has been in Canada less than ten years is more than three times as likely to have a university degree as is a working-class non-immigrant.
- *The working class in some lines of work is more likely to be over-credentialed than in others.* The broad occupational categories that have the greatest proportion of working-class jobs filled by over-credentialed workers are (a) business, finance, and administration, (b) education, law and social, community and government services, (c) art, culture, recreation, and sport, and (d) sales and service occupations.
- *The working class earns substantially less than the professional and management class and the technical class.* Within the working class, there is little variation in average hourly wage among those with different levels of education. The average hourly wage for the working class with a university degree is less than half the average hourly wage for the professional and management class.

The Concern with Canada's Over-Credentialed Working Class

If there is one key insight from the data in this paper, it is that a substantial and growing gap exists between Canadians' educational attainment and the educational requirements of their actual work. A majority of the working class is now over-credentialed. These workers hold a post-secondary diploma—or even a university degree—that is by definition unnecessary for their jobs.

Is this an inherent concern? One might argue that it is not a concern if it reflects individuals' preferences. That is to say, they may have chosen an occupation that does not require their educational credentials because they pursued learning for its own sake, or because they prefer the location or some other characteristics of the job they hold. Although this may describe some people's situation, it seems unlikely that it is true for most, given that a majority of the working class is over-credentialed and that the proportion has been growing for several decades.

Moreover, the phenomenon of over-credentialization is not new in Canada, although past studies have disagreed on whether it is increasing. A 2014 Statistics Canada study found little evidence that the incidence of overqualification among those aged 25–34 had changed between 1991 and 2011.[15] A 2021 study by Statistics Canada of workers who graduated from university in 2012 and 2013 similarly found that the overqualification rate had remained relatively stable.[16] By contrast, the Parliamentary Budget Officer conducted its own research on the same age cohort in 2015, finding that the rate of overqualification among college graduates had fluctuated somewhat between 1991 and 2014 but that the rate among university graduates had grown.[17]

Our results suggest that the issue is acute and growing among the working class. The situation represents an economic loss at several levels, as the jobs of these Canadians do not leverage their educational capital. This may be less relevant for those who have made the choice voluntarily. But for those who are unhappy with their education-occupation gap, which likely represent the vast majority of this group, the costs are significant.

First, there is the economic loss to the economy as a whole. These workers have knowledge or skills, in which they and the educational system have invested, that are effectively going unused or under-used in their current jobs. This represents underutilized human capital that, if it was better deployed in the labour market, would in theory yield more economic value to the economy as a whole.

Second, there is an economic loss to members of the working class themselves. This paper has shown the large wage gap between members of the working class and members of other classes, regardless of the former's actual educational attainment. A member of the working class with a post-secondary credential is missing out on this higher earning potential that they may have expected from their educational attainment.

15 Uppal and LaRochelle-Côté, "Overqualification Among Recent University Graduates in Canada."

16 D. Galarneau, "Overqualification Among 2012 and 2013 Bachelor's Graduates," Statistics Canada (September 21, 2021), https://www150.statcan.gc.ca/n1/en/pub/81-595-m/81-595-m2021004-eng.pdf?st=BXlhmeIQ.

17 Office of the Parliamentary Budget Officer, Canada, *Labour Market Assessment 2015*.

Third, even if an over-credentialed member of the working class would have ended up in the working class anyway, the cost and time spent unnecessarily pursuing a post-secondary credential, for some, may be understood as an opportunity cost. They could have spent this time working instead of studying, thereby providing economic value to both themselves and to the economy at large. At minimum, they would have used the resources that they spent on school for some other form of consumption or investment.

As we noted earlier, education is about more than boosting economic productivity and enhancing one's earning potential. Higher education is pursued for many reasons, including general interest, self-fulfillment, and a desire for knowledge. These are legitimate and laudatory pursuits, but it would be a mistake to discount the degree to which people seek higher education in order to secure their financial futures. Proponents of increased university funding often justify their positions by pointing to financial returns for university graduates.[18] It is true that university graduates have higher earnings *on average*, but these returns do not accrue to all graduates. The fact that these proponents emphasize the financial returns of a post-secondary education confirms what is common sense: graduates expect that their diploma or degree will grant them access to a class of jobs that is commensurate with their education.

This leads to a fourth problem for the over-credentialization of the working class. This phenomenon may be a source of anxiety and frustration for the over-credentialed working class concerning unfulfilled potential. Researchers from the United States have shown that over-credentialization can lead to unhappiness at work in addition to reduced wages and health outcomes.[19] Many of these people pursued an educational path—and perhaps incurred student debt in the process—that offered the promise of an economic payoff, yet the wages and salaries earned are substantially lower than those earned by workers in other jobs.[20] In Canada, 2.3 million people have obtained a post-secondary credential—including over 700,000 who have obtained a university degree—only to find themselves in a working-class job that offers little to no financial premium for those credentials. But beyond the size of their paycheques, at a more fundamental level these workers may not be drawing all the subjective benefits that work can provide, such as the satisfaction that comes from providing a good or service to others. Those who expected to be working in technical- or professional-class jobs may find it more challenging to realize these non-financial benefits of work.

Many people in this cohort likely consider that they "did what they were supposed to" but still "cannot get ahead." They reflect what some have described as a breakdown of the contemporary promise of Canada. Generations have been socialized to believe that a post-secondary credential is a pathway to good and well-paying employment. For those for whom this promise has failed

18 Cf. R. Romard and R. Robinson, "Back From the Brink: Restoring Public Funding to Ontario's Universities," Canadian Centre for Policy Alternatives, November 2023, https://policyalternatives.ca/sites/default/files/uploads/publications/Ontario%20Office/2023/11/back-from-the-brink.pdf.

19 K. Ueno and A. Krause, "Overeducation, Perceived Career Progress, and Work Satisfaction in Young Adulthood," *Research in Social Stratification and Mobility* 55 (2018): 51–62, https://doi.org/10.1016/j.rssm.2018.03.003.

20 For a further analysis, see Speer, Bezu, and Nauta, "Canada's New Working Class." The average annual employment income of those in working-class jobs was less than half that of Canadians in all other jobs. While only 20 percent of non-working-class Canadians earned less than $800 per week, more than 60 percent of working-class Canadians did.

to materialize, one could envision a great deal of anxiety and frustration. They are likely over-represented in polling that signals growing pessimism about the present and the future.[21]

Causes of Over-Credentialization[22]

There are a number of potential causes of this phenomenon. The data of this paper on immigration suggest, for instance, that foreign-credential recognition is likely playing a role for some.

A more fundamental cause may lie in the rise of credentialism itself, that is, the increasing tendency of employers to rely on educational attainment to judge the suitability of a given individual for a job. It is understandable, to some extent, that employers would make such judgments. After all, an individual's educational attainment does have a significant bearing on their job suitability. The problem arises when employers place *undue* emphasis on the educational credential in choosing candidates for jobs. When the role of educational credentials becomes exaggerated as a measure of qualification, workers are incentivized to attain higher and higher levels of education, overshooting the technical requirements of their jobs.[23] Eventually, jobs that once required a college education now require a university degree. Those that once required a bachelor's degree now require a master's.

Credentialism thus leads to "credential inflation." Ironically, as the educational requirements of jobs rise to new levels, the value of a given post-secondary credential gets diluted, causing a vicious cycle of workers requiring ever higher forms of education to distinguish themselves in the labour market. Many workers with lower credentials that are in fact perfectly adequate for the work will find themselves unequipped to compete under these new expectations.

The problems that arise from this phenomenon are not merely economic in nature but have potentially serious social and political consequences as well. Peter Turchin has argued that instability arises in economic and political systems when there is a large group of people who fail to achieve their expectations of membership in the elite.[24] According to Turchin, this situation is akin to a game of musical chairs, wherein an oversized and growing number of players are all competing for a small number of seats. An increasing number of players who have reasonable expectations of gaining one of the seats fail to secure them.[25] Expectations are unmet, resentment builds, and frustration ensues.

This is a useful analogy for an economy that does not have enough technical- and professional-class jobs for the number of individuals who have graduated from the nation's college and

21 A. Blaff, "Most Canadians Think Canada Is Broken and Are Angry with Trudeau Government: Exclusive Poll," *National Post*, March 7, 2024, https://nationalpost.com/news/politics/canada-is-broken.

22 See a parallel treatment of this topic in S. Speer, "Welcome to the Age of Overeducated Underachievers," *The Hub*, August 12, 2023, https://thehub.ca/2023/08/12/sean-speer-welcome-to-the-age-of-overeducated-underachievers.

23 "Hub Dialogue: David Goodhart on Why University Education Is Not the Only Education That Matters," *The Hub*, October 26, 2021, https://thehub.ca/2021-10-26/hub-dialogue-university-education-is-not-the-only-education.

24 P. Turchin, "Political Instability May Be a Contributor in the Coming Decade," *Nature* 463, no. 608 (2010), https://doi.org/10.1038/463608a.

25 P. Turchin, *End Times: Elites, Counter-Elites, and the Path of Political Disintegration* (Penguin Press, 2023).

university programs. The problem is therefore not just economic but political and social as well. With a sizable and growing group of working-class workers who have obtained a post-secondary credential but cannot find jobs commensurate with their education, Canada risks a similar situation as the game of musical chairs described by Turchin and its possible attendant political consequences.

Social License of Post-Secondary Institutions

This paper comes at a time when colleges and universities across North America are facing questions about the integrity of their programs and their utility for students. Concerns about how post-secondary institutions' reliance on international students exacerbates the housing crisis and crowds out Canadians from jobs have led the federal government to cap the number of international students. This has coincided with some colleges coming under increased scrutiny for the quality of their education, with the federal immigration minister likening certain institutions to "puppy mills"[26] providing "fake"[27] diplomas and promising to crack down on such "bad actors."[28] At the same time, universities are facing calls for major reform as administrators attempt to deal with conflict and accusations of antisemitism on campuses. It would not be an understatement to say that colleges and universities are at a moment of crisis in confidence.

This paper does not seek to engage directly with these questions facing institutions of higher learning, but they are key to understanding the broader societal context in which the data of this paper arise, because they go to the heart of the purpose of a modern post-secondary education and the role of government in subsidizing it. In the midst of this crisis, therefore, the findings of this paper should be especially concerning to colleges and universities, because they call into question another aspect of modern post-secondary education: that is, whether it is properly preparing students for the workforce.

The data from this paper suggest that the education system is failing to match the needs of the Canadian economy. How precisely this is happening is not exactly clear from these data. It may be that institutions are offering too many diplomas for programs that have limited utility in the economy. It may be that certain individuals have been recruited to higher education with a mistaken understanding that their education would lead to greater success in the labour market. Alex Usher has suggested that the modern economy no longer centres on education *per se* but rather on skills, and that the traditional university is not well designed for teaching skills as compared with other forms of training, such as work-integrated learning.[29] It is almost certainly a combination of these and other factors.

Whatever the reason, our education system involves a basic deal between post-secondary institutions and the public: the former agree to educate young people and prepare them for

26 "Federal Government Hikes Income Requirements for Foreign Students, Targets 'Puppy Mill' Schools," *CBC News*, December 7, 2023, https://www.cbc.ca/news/politics/liberals-double-income-requirement-foreign-students-1.7052387.

27 K. Maimann, "B.C., Ontario Vow to Crack Down on Diploma Mill Schools Exploiting International Students," *CBC News*, January 23, 2024, https://www.cbc.ca/news/canada/provinces-cracking-down-on-private-institutions-1.7091194.

28 L. Osman, "Miller To Provinces: If You Can't Fix International Student Rackets Then Feds Will," *Toronto Star*, October 27, 2023, https://www.thestar.com/politics/miller-to-provinces-if-you-cant-fix-international-student-rackets-then-feds-will/article_d6339d39-16f2-5a6f-ab4b-019b1533e363.html.

29 A. Usher, "Overqualification," November 18, 2021, https://higheredstrategy.com/overqualification.

success in life, including in the workplace, and in return the public subsidizes them through their governments. In the case of universities especially, these subsidies include not only direct subsidies for education but also significant amounts provided for research. The question, then, is whether these institutions are holding up their end of the bargain. For those graduates who end up in the working class, the results of our research call this into question.

Policy Implications of the Over-Credentialed Working Class

The Broad Contours of a Policy Agenda for the Working Class

"Canada's New Working Class" offered seven policy themes as the broad contours of an agenda for the working class. These themes were based on the demographic analysis of the working class, which showed that it had changed significantly from the stereotypical understanding.

The seven policy themes, which are fleshed out in greater detail in that earlier report, were:

- *Access to health and dental benefits:* A disproportionate number of the working class have part-time jobs, which are less likely to offer employer-provided benefits.
- *Flexibility in childcare:* Much of the working class works unusual hours or multiple jobs and thus does not fit into the standard 9–5 hours that most centre-based daycare operations offer. Greater flexibility is essential to ensure that childcare fits the lives of the working class.
- *Housing affordability:* Housing has become so unaffordable that average Toronto rent equals 83 percent of a working-class woman's average earnings.
- *Public transit:* This is tied to housing insofar as the working class may have longer commutes and rely more on efficient transportation because they are less likely to afford housing in major municipal centres.
- *Labour regulations and standards:* Working-class jobs are increasingly in the service-based economy. Existing frameworks were designed for an economy based on the production of goods and therefore need to be updated for this new reality.
- *Education:* Because so many members of the working class do not appear to be maximizing the potential of their educational credentials, policymakers need to retool education programs to ensure that graduates are equipped and prepared to meet the needs of the economy.
- *Immigration:* Foreign-credential recognition may be a concern for a substantial portion of the working class, as immigrants—especially recent immigrants—are less likely to be utilizing their educational attainment in their occupations than those born in Canada. Policymakers must also be aware of how low-skilled immigrants such as temporary foreign workers can compete with working-class Canadians for jobs, pushing down their wages.

Policy Concerns for the Over-Credentialed Working Class

All of the above policy areas carry over to the over-credentialed working class in one way or another, as they constitute over half of the working class aged 25 and older. However, three areas stand out from the data analysis of this paper: immigration, childcare, and especially education.

Immigration

Immigration policy, particularly as it relates to foreign-credential recognition, is a significant issue for the immigrants in the over-credentialed working class. It is somewhat comforting that the gap between immigrants and non-immigrants in this respect diminishes the longer that the former group resides in Canada. Nevertheless, a gap remains even after ten years of residency. There may be legitimate differences between seemingly similar levels of education from one country to another, but the under-use of immigrants' skills is a missed opportunity for the economy of their new country and a potential source of frustration for immigrants. Recent news stories about immigrants returning to their countries of origin because they found life in Canada unaffordable seem to bear out these concerns.[30]

Childcare

Childcare also stands out as a policy area of particular concern for the over-credentialed working class. Our finding that working-class women are more likely than working-class men to be over-credentialed suggests that women may be choosing working-class jobs in order to maintain a better balance between family responsibilities and career advancement. If this is their choice, then governments should respect that choice. However, there may be room for governments to ensure that these families have access to the kinds of childcare that work best for them. As we discussed in "Canada's New Working Class" and elsewhere, this access is unlikely to be achieved by the federal government's current childcare program, which is biased in favour of the kinds of childcare that fit the lives of those in professional-class jobs.[31] Flexibility in childcare, therefore, remains a key policy priority for this group.

Education

Education policy is the area that is most directly linked to the specific situation of the over-credentialed working class and is therefore worthy of a more expansive discussion in this paper. The purpose is not to provide a comprehensive policy agenda but rather to draw attention to issues that are particularly relevant to the needs of this cohort and to lay out five general pathways for reform.

30 M. Parkhill, "Young Immigrants May Leave Canada Due to High Cost of Living: Survey," *CTV News*, March 25, 2022, https://www.ctvnews.ca/canada/young-immigrants-may-leave-canada-due-to-high-cost-of-living-survey-1.5835140; N. Keung, "'I Respect Myself Too Much to Stay in Canada': Why So Many New Immigrants Are Leaving," *Toronto Star*, June 11, 2023, https://www.thestar.com/news/canada/i-respect-myself-too-much-to-stay-in-canada-why-so-many-new-immigrants-are/article_a9940db2-a98a-5c27-9b80-d0e95bdca02d.html.

31 Speer, Bezu, and Nauta, "Canada's New Working Class."

1. Governments and civil society should seek to draw a closer association between students and the needs of the workforce. In our previous paper, we suggested that governments should explore an expansion of co-op opportunities in high school. This would have the benefit of giving students real-world experience in various kinds of work before they need to decide whether to pursue post-secondary education. It may also expose them to career paths that they may not have otherwise considered. High schools should lay out the range of career options open to their students and give them the opportunity to investigate the trade-offs that come with these choices. Arming students with knowledge about the diversity of options in the labour market would enable them to make an *informed* decision about the career that best suits them.

   As it stands, however, participating in a co-op program is not the norm in Canadian high schools, and it is made more difficult by onerous administrative requirements.[32] Governments should look at ways to streamline these processes and normalize co-op programs as an integrated part of secondary education.

2. Connected to this, governments and civil-society organizations should rekindle and promote a pluralistic vision of education and labour. Government and social leaders have tended to exalt university education as the key to economic prosperity, sometimes at the expense of other career pathways that may be more well-suited to some people. Yet the data in this paper show that there are legitimate concerns about this. Governments and civil society must recognize that a college or university education is not for everyone and that alternate careers can be more fulfilling and more lucrative for many members of society.[33] For some members of the over-credentialed working class, training in an apprenticeship may have led to a career that is more commensurate with their credentials. Of course, governments should not exalt apprenticeships either. Rather, they should promote the range of career options and let people decide, without pushing them into an educational path that may not be a good fit for them. Ultimately, this may entail changing the mix of funding they provide for university and college education versus other forms of education, such as apprenticeships.

   Fortunately, some provincial governments are taking significant steps toward encouraging greater participation in the skilled trades. The federal government, too, included a focus on apprenticeship in its 2023 budget, recognizing that recruiting workers to the skilled trades is essential to developing the modern workforce.[34] These governments should continue along this path, and others should follow them.

32 B. Dijkema and S. Speer, "The Skilled Trades Are in Need Of Strengthened Apprenticeship Programs," *Policy Options*, February 28, 2020, https://policyoptions.irpp.org/magazines/february-2020/the-skilled-trades-are-in-need-of-strengthened-apprenticeship-programs.

33 B. Dijkema and S. Speer, "Advancing Structural Reforms to the Skilled Trades and Apprenticeships in Ontario," Ontario 360, February 13, 2020, https://on360.ca/policy-papers/advancing-structural-reforms-to-the-skilled-trades-and-apprenticeships-in-ontario.

34 Government of Canada, *Budget 2023: A Made-in-Canada Plan* (2023), https://www.budget.canada.ca/2023/home-accueil-en.html.

3. As part of the same policy agenda described above, governments should increase educational permeability, that is, the ease with which students can transfer from one educational stream to another.

   One common criticism of educational systems that encourage students to consider the skilled trades is that they "stream" students into a particular field in a way that makes it difficult for them to opt for a higher education in the future. There is some merit to this concern. The reverse can also be true, however. One possible interpretation of the key finding of this report is that many students have been streamed into a path of higher education that yielded little to no economic benefit to them.

   Increasing educational permeability may be a solution. Making it easier for students in one stream to transfer to another would enable more students to alter the course of their education as their talents, interests, and circumstances become clearer over time. Students could initially pursue an apprenticeship, for example, knowing that if they want to apply to university later, they may be able to do so and potentially have their non-university credits considered. Likewise, students in university who find themselves drawn to a career that does not require a university degree could more easily transfer their credits to another type of institution.

4. For those who have already gone through the education system and begun their careers in the working class, a greater attention to lifelong learning is essential. For many of these people, pursuing a four-year university degree or a multi-year college diploma may not be an option at their stage in life. Instead, many of these workers will need to focus on microcredentials that teach skills that are specifically desired by employers. Importantly, these can be achieved within a short timeframe, which may be more realistic for those who are already short on time due to working more than one job and having longer commutes.[35] Such credentialing may be able to spur these workers into higher-waged jobs.

   Of course, these workers can pursue higher forms of education if they prefer. In fact, some forms of education—especially those that are more conducive to earning a wage while attending school, such as apprenticeships—may be another realistic option for many of these workers. The key is to ensure that these members of the working class have educational options that allow them to increase their human capital while also balancing the other competing needs of their lives.

5. Finally, there may be a case for rethinking how governments fund post-secondary institutions at a fundamental level. In Canada, the basic model is that governments directly subsidize the cost of university and college education through direct grants to these institutions. Students of these institutions pay some tuition, but much less than the real cost of educating them. The justification for this policy has traditionally been to point to the large positive externalities that are said to come from a post-secondary education. As this paper shows, however, these positive externalities may be overstated.

35 Speer, Bezu, and Nauta, "Canada's New Working Class."

In fact, there is evidence that governments are becoming awake to this reality. According to a recent analysis, the total transfers from provincial governments to universities and colleges has not increased in constant dollars—and in fact has diminished somewhat—since 2009–10.[36] The trend is more notable when the data are examined province by province, with the governments of Alberta, Ontario, and Newfoundland and Labrador marking overall decreases in direct funding to post-secondary institutions of 28 percent, 9 percent, and 6 percent, respectively, over the last five years.[37]

This overall trend is not necessarily a problem, particularly since students' tuition is making up a larger portion of these institutions' funding.[38] In fact, this trend could be part of the solution to the growth of the over-credentialed working class. Having students take on greater financial responsibility for their own education, while simultaneously funding richer scholarship and student-loan programs for those who are in the greatest financial need, could give students the necessary incentive to think more carefully about their educational and career choices.

Asking students to bear more of the costs of their education would in theory cause some of them to rethink whether they wish to make such an investment in their careers. It would at least incentivize more students to ask whether their choice of educational investment is likely to yield the desired economic outcome. Some may choose not to pursue higher education—and for them, that may be the right decision. At the same time, society should not compromise the idea that higher education should be available regardless of wealth, hence the need for more robust funding of scholarships or low-interest loans targeted at low-income students. This combination of reforms would represent a shift in government spending from students with a wealthier background to students with a lower-income background. The effect would be to raise the price signal of education, while protecting those who can least afford it and continuing to guarantee their access to higher education.

36 A. Usher and J. Balfour, "The State of Postsecondary Education in Canada, 2023," Higher Education Strategy Associates, 2023, https://higheredstrategy.com/wp-content/uploads/2023/11/2023-11-03-SPEC-2023_final-2_smaller.pdf.

37 Usher and Balfour, "The State of Postsecondary Education in Canada, 2023."

38 Usher and Balfour, "The State of Postsecondary Education in Canada, 2023."

Conclusion

This paper has examined the educational credentials of what we have termed Canada's "working class," namely, those whose jobs do not require a post-secondary credential. Data from the Labour Force Survey show that 56 percent of those individuals have at least a college diploma, despite being in jobs that require a high-school diploma or on-the-job training only. As many as 19 percent have a university degree. These statistics represent a significant opportunity cost for both these workers and the Canadian economy as a whole.

Although education cannot be reduced to its utility in preparing workers for the labour force, there is no question that this is a significant reason people pursue post-secondary education and a primary reason governments subsidize it. These findings therefore present a significant challenge to Canada's post-secondary institutions at a time when these institutions are already facing significant pushback on several fronts.

The policy agenda presented in this paper is not a comprehensive package of reforms that governments should pursue to improve the lives of the over-credentialed working class, but it does offer a handful of ways to better meet the needs of this important segment of the workforce. It starts with governments and post-secondary institutions ensuring that their programming is responsive to the needs of those they serve. Only in understanding who constitutes the working class and the reasons that so many of them are over-credentialed can policy-makers begin to address the challenges they face to flourishing in the Canadian economy.

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