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THE SCHOOL-TO-WORK TRANSITION: AN OVERVIEW OF TWO RECENT STUDIES

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THE SCHOOL TO WORK TRANSITION

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This paper summarises the findings and insights from two recent studies exploring the nature of the school to work transition in the UK. We set these papers in the context of the broader debate about the youth labour market and highlight their main contributions. This research was funded by the Nuffield Foundation.

1 INTRODUCTION

Recent official statistics suggest the nature of the 16-24 year old population has changed substantially over the past 30 years.¹ It is smaller – by 1 million – yet the number in full-time education has more than doubled, with 42 per cent of young people now studying full-time. Over the same period, employment numbers have fallen by 1.3 million while inactivity has risen (by 0.6 million). Unemployment declined until the early 2000s and then began to rise, fuelled by the recent recession. In the three months to September 2014, 10 per cent of all young people were unemployed. This compares to 15 per cent 30 years ago. The youth unemployment rate² is now 16 per cent, nearly four times that of the rest of the working age population (4.4 per cent).

There is a role for policies that can help individuals at the start of their working lives. The rationale to intervene is particularly strong with young people. Policies that can steer them towards more positive outcomes and help achieve a successful transition to a position of self-sufficiency clearly have the potential to bring about personal benefits to those involved. They also offer substantial exchequer benefits. There is strong evidence that adverse early labour market experiences have long-lasting effects, increasing the risk of unemployment and lower earnings as adults. Successful interventions offer the potential to reduce the lifetime costs associated with increased welfare dependency as adults.

Effective policy formulation relies on detailed evidence on the nature of young people's engagement with the labour market. There are several distinguishing features of the youth labour market. Education plays a more significant role than within the rest of the population. Employment and unemployment levels tend to be more sensitive to economic downturns than those of older workers. Movements between jobs are common, as individuals who have completed their studies search for a position that is a good match for their skills or interests. Perhaps most worrying is the subpopulation who are not in education, employment or training – the so-called "NEET" group. This group is made up of people who are either disengaged from the labour market or who would like to work but do not have a job.

In section 2, we present official statistics describing trends in economic status among young people. A major limitation of these results is that they say nothing about individuals' transitions between states – when they become NEET, when they find work, how long they remain in education, etc. In an attempt to address this evidence gap, Section 3.1 presents the results from our first paper (Dorsett and Lucchino, 2014a). This uses an alternative approach to represent in full detail young people's transitions over the five years beyond school leaving age. We identify a typology of experiences over these five years and consider which age-16 characteristics help predict the particular route an individual is likely to go down. Our second paper (Dorsett and Lucchino, 2014b) is presented in section 3.2, and looks deeper into the question of what influences transitions between employment, unemployment, education and other inactivity. In particular, it allows for these transitions to be influenced by earlier experiences and thereby provides an insight into how young

¹ <http://www.ons.gov.uk/ons/rel/lmac/young-people-in-the-labour-market/2014/rpt-young-people.html>

² That is, the number of unemployed as a proportion of the labour force rather than the population.

people establish themselves in employment or, less positively, how they might end up disengaged from the labour market. Section 4 concludes by drawing out the policy implications of the research.

2 TRENDS IN THE YOUTH LABOUR MARKET

Figure 1 uses official UK-wide statistics to show changes since 1992 in the status of 16-24 year olds. A complication arises from the fact that consistent information on NEETs exists only as far back as 2001. Prior to that, available statistics do not distinguish NEETs from those who are out of work but participating in part-time study or training. Figure 1 knits together the available series to allow an impression of trends over the full-time span for which official data of any kind are available. The categories post-2001 are quite detailed since they allow for the possibility that someone can be working or looking for work while in full-time education, but also that, among those not in work or full-time education, there are some individuals in part-time education/training. For the reason already stated, the categories before 2001 do not make that distinction.

An immediate impression from Figure 1 is that the total number of young people varies quite substantially within this relatively short period. It is the number of people in full-time education that has grown most substantially, while the number employed and not studying full-time has shrunk. When considering the longer-term trends in NEET status, it is clear that part-time training/education accounts for a relatively small proportion of the NEET population (less than 20 per cent in the three months to September 2014). Thus, unless there had been a sizeable change in part-time study prior to 2001, it seems reasonable to assume that the trends traced out by the lines in Figure 1 prior to this point reflect mostly the movements in the NEET population. With this in mind, we see that NEETs have existed throughout the period since 1992 and were more common in the early nineties than they are now.

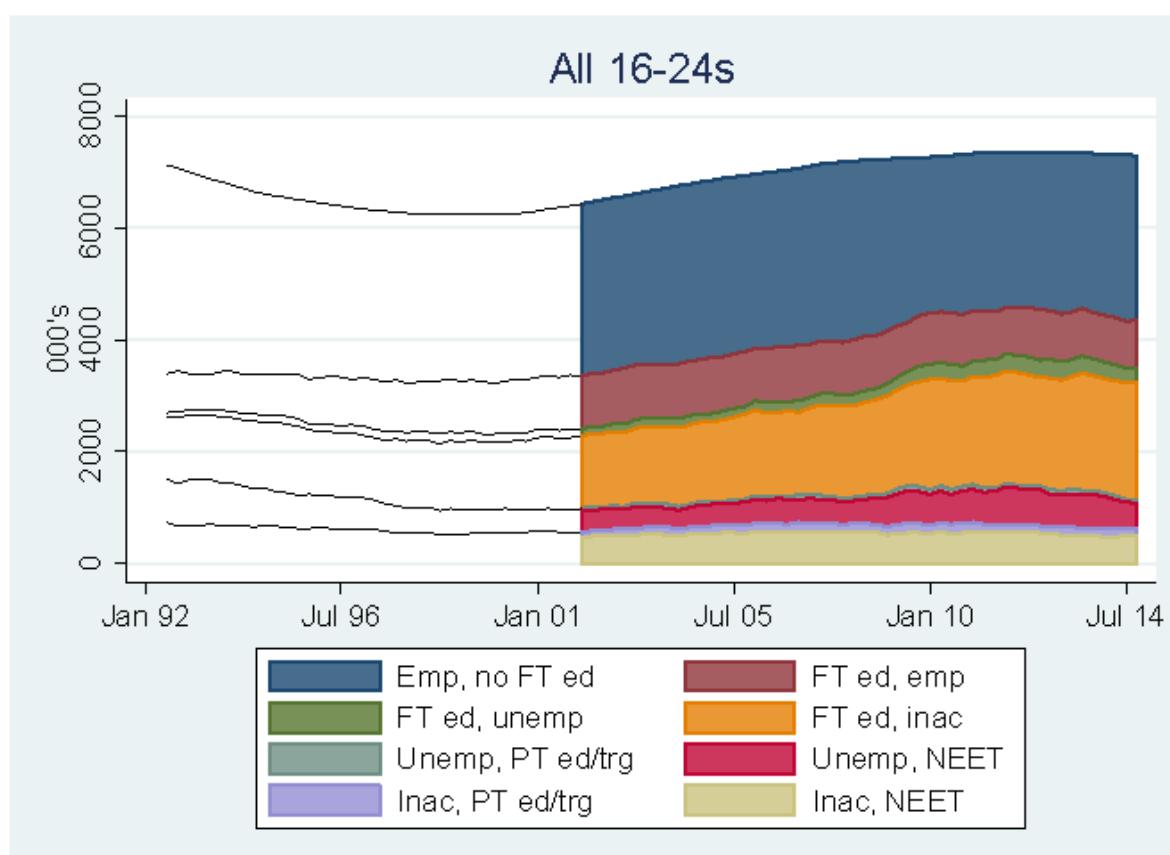


FIGURE 1 YOUNG PEOPLE'S LABOUR MARKET STATUS, 1992-2014

There is of course considerable variety in young people's experiences. Unsurprisingly, there is a strong gender dimension. Figure 2 shows the breakdown of activity for 16-17 and 18-24 year old females. For 16-17 year-olds, the growth in full-time study is clearly visible. This has been driven by a growing tendency to study without working or looking for work. The proportion who are both studying full-time and either working or looking for work has stayed broadly constant overall, yet shows a shift from employment to unemployment. Employment without study – always a minority status – has declined further. What is not immediately obvious is that, in the three months to September 2014, 93 per cent of 16-17 year old girls were involved in education or training to some extent, up from 78 per cent at the end of 2001.

The 18-24s show a very different pattern. Female NEETs aged 18-24 are much more in evidence. They are mostly inactive and the proportion studying part-time is considerably below that among 16-17 year old girls. Employment is much more common, although there has been some decline since 2001. The proportion in full-time education is much lower than for 16-17 year olds. 36 per cent were studying or training in the three months to September 2014, up from 29 per cent at the end of 2001.

The corresponding situation for males is depicted in Figure 3. The pattern for the younger age group looks rather similar to the corresponding chart for 16-17 year-old girls. It is interesting to note the high incidence of part-time training among the economically inactive. More broadly, the rise in study among 16-17 year-old boys has been even more marked than that for similar-aged girls, increasing from 71 per cent at the end of 2001 to 90 per cent in the three months to September 2014. Among the 18-24s, employment is more common for males but it is perhaps among the NEET groups that the most marked differences can be found. It is much less common for 18-24 year old men to be NEET and economically inactive than it is for women of the same age. Unemployed NEETs, on the other hand, are more common among males than females. The rise in study is comparable to that seen for females of the same age, increasing from 28 per cent at the end of 2001 to 34 per cent in the three months to September 2014.

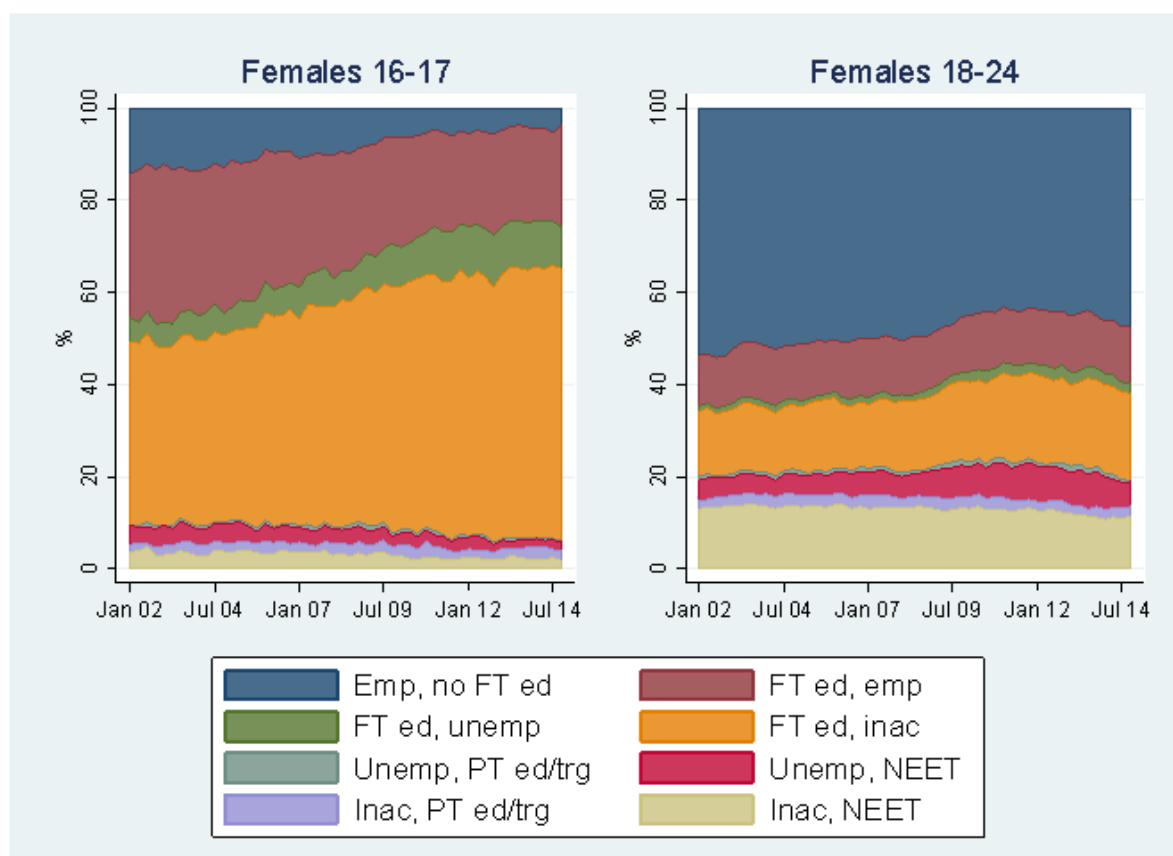


FIGURE 2 YOUNG WOMEN'S LABOUR MARKET STATUS, 1992-2014, BY AGE

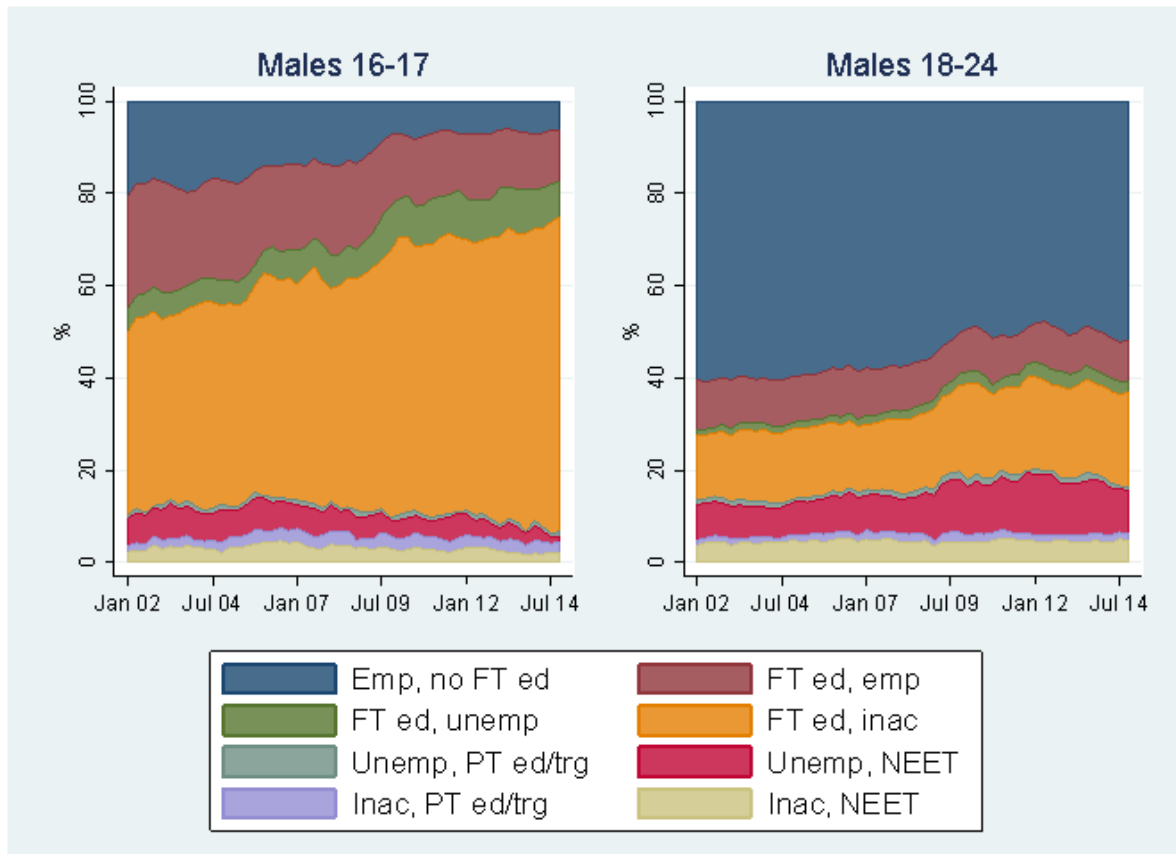


FIGURE 3 YOUNG MEN'S LABOUR MARKET STATUS, 1992-2013, BY AGE

3 INDIVIDUAL TRANSITIONS

The results presented above summarise aggregate trends. They cannot help with other important questions though. For instance, how much movement is there between states? Do some people get 'stuck'? What are the warning signs that might alert us to an individual needing help? In this section, we discuss the results from our two papers that explore these issues.

3.1 SUMMARISING AND UNDERSTANDING EXPERIENCES AFTER SCHOOL-LEAVING AGE

Our first paper studies a sample of young people reaching the end of compulsory schooling between 1991 and 2003 in the UK and traces their outcomes over the following five years (covering the period up to 2008). It presents the results of using a statistical approach that compares the full history for each individual over this period to that of every other individual and provides a measure of similarity. This measure can then be used to identify groups of young people following broadly similar pathways. We use visualisation techniques to give an immediate impression of the general labour market dynamics characterising each group. This provides an alternative to commonly used statistics that summarise outcomes at a point in time (e.g. the unemployment rate) or over a specified period (e.g. time spent unemployed in the previous year) but discard potentially interesting information on labour market dynamics (such as the order in which events occur).

We distinguish between four states: employment, full-time education, unemployed NEET and inactive NEET. The data used in our analysis (the British Household Panel Survey) allow us to create individual histories identifying the *single* main activity each month. Our categories are therefore less granular than those discussed in the previous section, which show combinations of activities (working and studying, for instance).

The results indicate that the school to work transition is successful for most young people, at least over the five-year period considered in this study. More than half our sample appears to achieve a successful entry into employment and roughly a third of the sample spends most of the five-year observation period in full-time education, possibly with a short employment spell. It should be noted that it is not uncommon for individuals in these groups to experience a NEET spell (either unemployed or inactive) at some point. The key point is that these, for these individuals, such a spell is only temporary and does not disrupt their longer-term success.

However, 1 in 10 individuals do not have post-16 experiences that suggest a successful start to their working life or continued education. Instead, they exhibit a variety of histories that might warrant policy attention. Their trajectories are depicted in Figure 4. The horizontal axis starts at the end of compulsory schooling (Y0) and covers the following five years (Y5).

The groups in the middle row describe individuals experiencing some employment but developing only limited labour market attachment ('Partial recovery') or exhibiting patterns of long-term worklessness straddling unemployment and inactivity ('Long-term worklessness'). The top two groups consist of individuals in long-term inactivity from the age of 16 ('Inactive NEET from 16') or 18 ('Inactive NEET from 18'), while the last plot portrays individuals who appear to withdraw from the labour market following an apparently successful entry into employment ('Withdrawals from the labour market'). Virtually all those experiencing these last three trajectories are female and, in most cases, mothers by age 21.

Our analysis uses statistical techniques to understand the influence of distinctive characteristics at age 16 on an individual's overall future labour market trajectory. The aim is partly predictive, though a practical tool for policy targeting would go beyond the scope of this work. Rather, the aim is to evaluate the strength of the link between starting conditions and future outcomes, thereby gauging the scope for social mobility over this period of the life-course.

Our results indicate that, in about two-thirds of cases, the type of future trajectories can be predicted correctly on the basis of circumstances at age 16. Furthermore, the influence of school attainment and parental education and employment will combine and reinforce each other as individuals exhibit more than one such 'risk factor', thereby exacerbating the degree of polarization. Using our model results, we estimate that, while virtually no young males with at least 5 GCSEs at A*-C at age 16 and living with highly educated and employed parents will experience one of the potentially problematic trajectories depicted in Figure 4, this will be the case for almost one in four young males obtaining no GCSEs at 16 and living with unemployed parents holding low qualifications. This sheds light on the significant influence of structural inequalities in influencing later outcomes, and the extent to which they reproduce themselves over time.

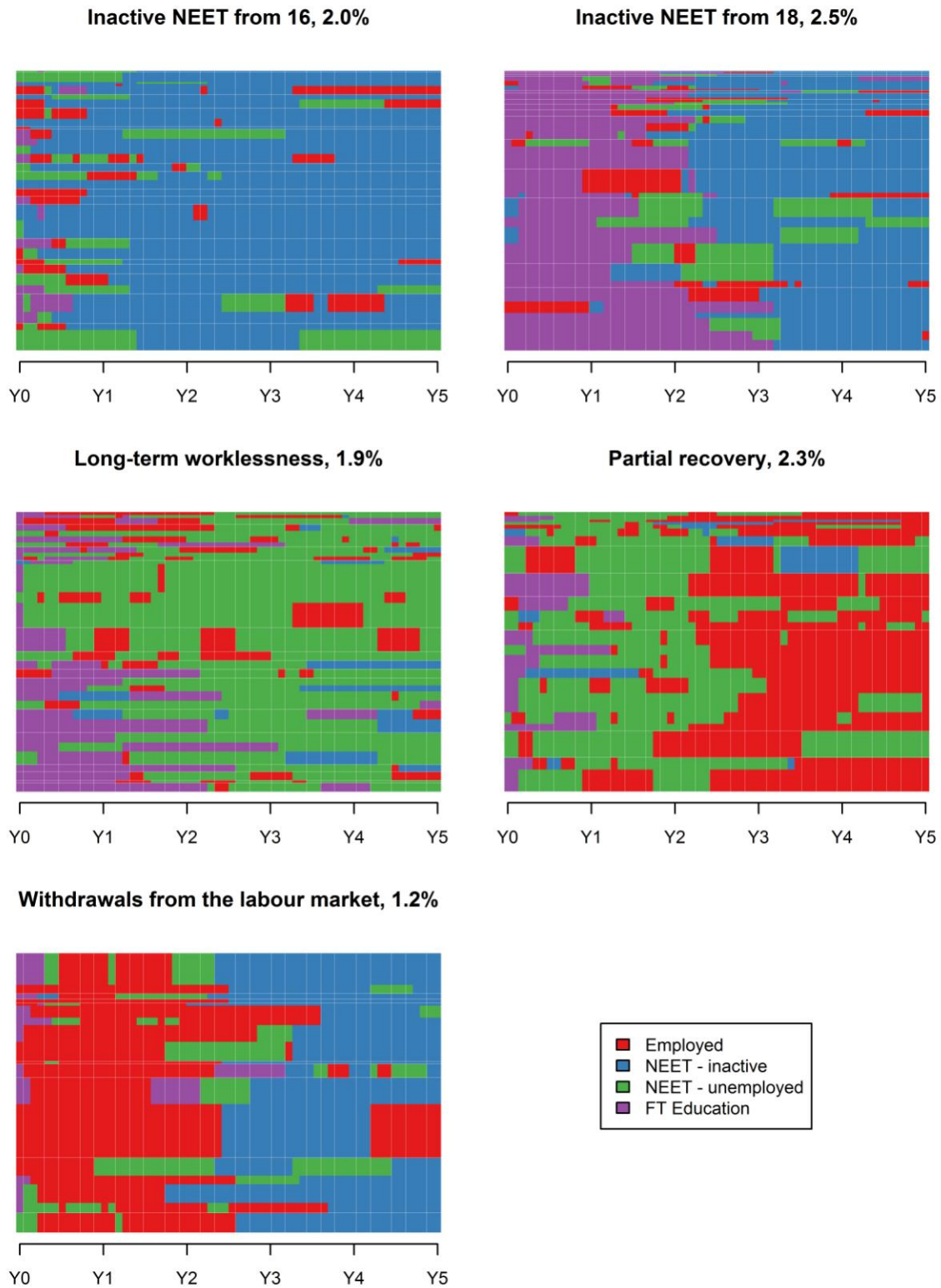


FIGURE 4 POSSIBLY PROBLEMATIC LABOUR MARKET EXPERIENCES IN THE FIVE YEARS POST-SCHOOL LEAVING AGE

3.2 ESTIMATING THE EFFECT OF EXPERIENCE

The research described above provides an insight into the dynamics of individuals' experiences beyond school-leaving age. It also considers the important issue of how characteristics at age 16 might predict outcomes over the next five years. In this sub-section, we present the results from a second paper (Dorsett and Lucchino, 2014b) that explores the role of evolving experience on subsequent transitions.

There are two related reasons why this is of interest. First, while it is accepted that unemployment when young can damage employment and earnings prospects as an adult, little is known about the process underlying this. For instance, there are questions around how the effect of such scarring depends on the length of time unemployed. Conversely, how does a period of employment improve future employment? Second, understanding the dynamics behind individuals' labour market outcomes is important to the design of effective policy. Supply-side labour policies, for example, often rely on the fact that individuals' early labour market experiences shape their subsequent outcomes in important ways. Interventions that can act to replace adverse experiences with more positive ones have the potential to bring about long-term improvements in young people's employment prospects and thereby to positively influence adult outcomes. To be effective in doing this, policymakers must judge how early into an adverse spell they should intervene and how long any such intervention should last.

Our second paper presents the results of estimating a model of young people's transitions. We use the same data as before and consider the same four states. However, we now consider transitions up to age 24, thereby bringing the analysis in line with the usual age range considered to be "youth".

The research has generated a number of findings. Perhaps most notable are the following:

- **Unemployment and Inactive NEET status appear behaviourally distinct.** The results suggest that short prior inactive NEET spells have little effect on unemployment exits but that prior inactive NEET spells of more than a year reduce transitions from unemployment into work.
- **How individuals can become established in a state.** Remaining longer in employment reduces the risk of unemployment. Similarly, spending longer unemployed reduces the chances of finding work, but not of moving to education or inactive NEET status. Spending longer as an inactive NEET reduces transitions to all other states.
- **How previous experience influences transitions.** The length of time spent looking for work does not affect the probability of becoming unemployed again (although the length of time spent in non-compulsory education does). Having experienced unemployment in the past reduces the job-finding rate. The length of prior inactive NEET experience has a similar effect. The length of prior employment spell reduces the risk of those in education becoming unemployed or inactive NEET. The length of a preceding unemployment spell, on the other hand, increases the risk of becoming inactive NEET.

This is a rich pattern of results and to be of use we need to know how these effects interact to shape outcomes. To do this, we use the estimation results to simulate outcomes and then examine how these change when a hypothetical intervention is imposed. This hypothetical intervention is designed to resemble the type of compulsory work experience programme targeted at young people who reach a certain point in their unemployment spell. While on the programme, individuals accumulate employment experience in the same way they would in real work. In this sense, our intervention is idealised, able to provide work experience that is comparable to that gained in unsupported employment. On leaving the programme, individuals who have not found jobs already resume their status of looking for work but now with increased and more recent employment experience. The post-programme simulated outcomes reflect these changes, thereby allowing the impact of participation to be judged.

The simulations necessarily rely on assumptions that greatly simplify how work experience programmes operate in practice. As such, they should be regarded as illustrative rather than relating to an identifiable policy. Nevertheless, they do provide an intuitive means of conveying the implications of the econometric model, and also some sense of how intervening to increase employment experience might influence young people's prospects.

Our results provide estimates of how impacts vary depending on the point at which individuals must participate (referred to as "onset") and the duration of the programme. Figure 5 presents estimates of the mean effect on participants' employment 24 months after entering the programme. These are shown as percentage point differences from what the employment rates would have been in the absence of the programme. Each row corresponds to a different onset of the programme, from 1 month of unemployment to 24 months of unemployment. Each column corresponds to a different programme duration. Cells in the chart are shaded according to their estimated impact size in order to visualise the results more readily.

Figure 5 presents a very mixed pattern of results but it is important to note that the impact estimates in each row relate to a different group of individuals. For instance, the impact estimates in the top row relate only to individuals who remain unemployed for a period of two years. This is a sub-group of those who experience any unemployment (and whose estimated impacts are reported in the bottom row). With this caveat in mind, we see that impacts are greater the longer the longer qualifying spell of unemployment ("onset") and the longer the intervention itself.

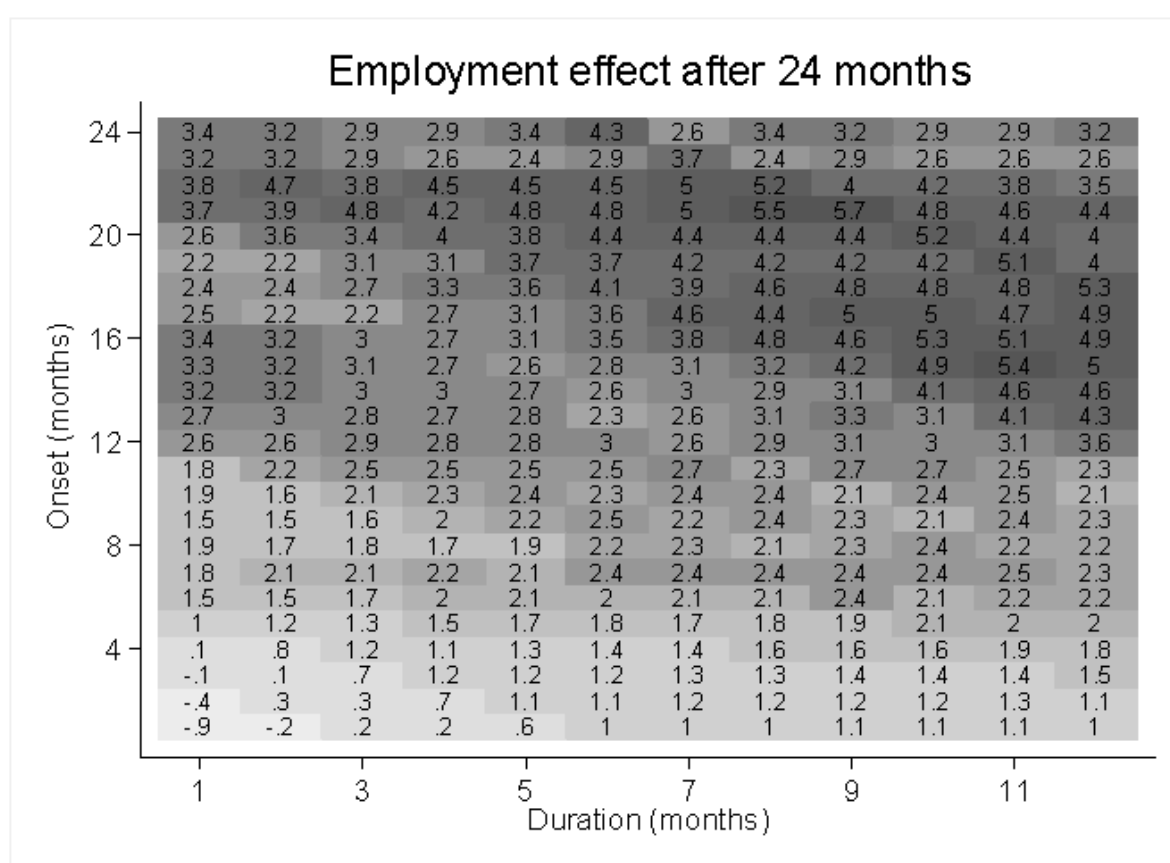


FIGURE 5: SIMULATING THE IMPACT ON MONTH 24 EMPLOYMENT FOR WORK EXPERIENCE PROGRAMME WITH DIFFERENT COMBINATIONS OF ONSET AND DURATION

Figure 6 presents more detailed results for the case of a 12-month (hypothetical) work experience programme, compulsory on reaching 12 months unemployment. Rather than just employment, the impact on all states is shown. Furthermore, the evolution of the impact in each month for the five years following programme entry

is given, shown as a solid line. The dashed lines indicate statistical significance; when these span zero, the impacts are not significant.

This intervention is estimated to increase participants' employment during the period 16-27 months after entry by as much as 4.2 percentage points. This positive impact is mirrored by a significant reduction in unemployment. However, neither of these impacts lasts.

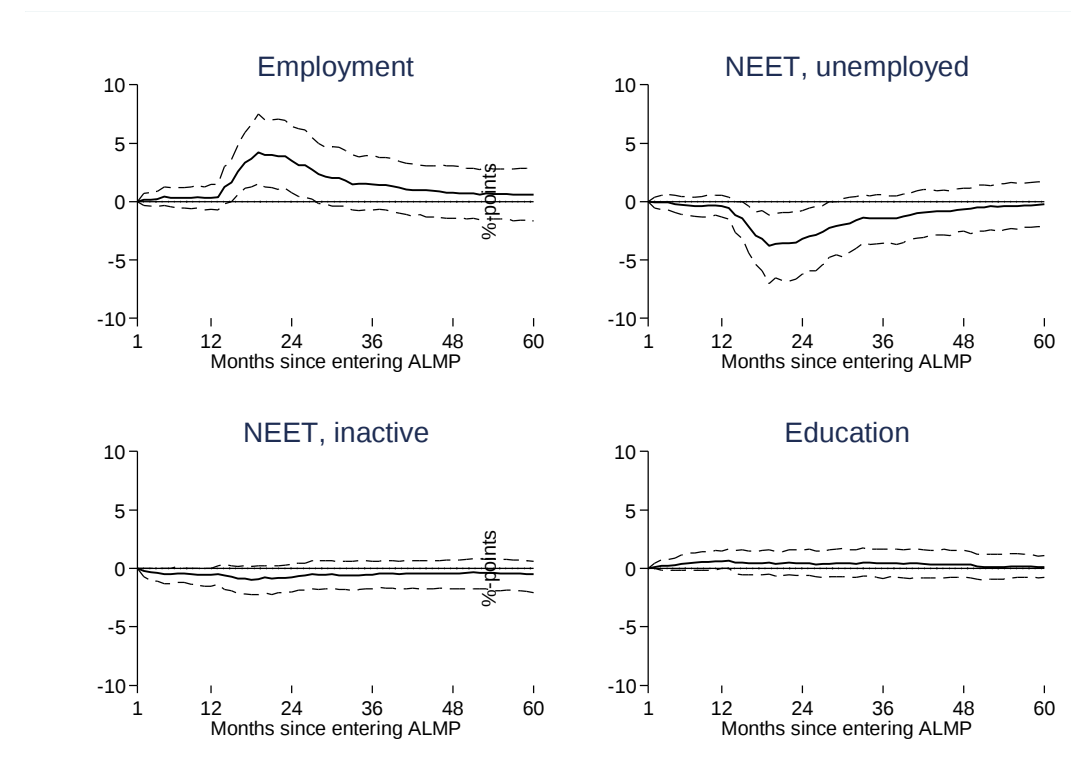


FIGURE 6: SIMULATING THE EFFECT OF A 12 MONTH WORK EXPERIENCE PROGRAMME (OR ACTIVE LABOUR MARKET PROGRAMME, ALMP), BEGINNING AFTER 12 MONTHS UNEMPLOYMENT

4 POLICY IMPLICATIONS

The research summarised in this paper was largely based on data from before the onset of recession in 2008. The youth labour market is particularly susceptible to cyclical fluctuations. However, it also exhibits longer-standing structural problems and, in fact, showed signs of deteriorating even before 2008. At least in part, our results reflect structural issues and, consequently, have ongoing relevance. It is not the case that a return to economic growth will necessarily help the most vulnerable young people

Among the NEET group, there is a fundamental difference between those who are looking for work and those who are not. Worklessness characterises both, but individuals in the latter group are further from the labour market. Much of the debate around the state of the youth labour market focuses on either unemployment or NEET status. Neither of these measures identifies the group who are of particular policy interest – those who are neither studying nor looking for work (our "Inactive NEET" group). There is a strong gender dimension, with young mothers accounting for many of the females in this group. More broadly, though, policy must be sensitive to the fact that there is considerable heterogeneity among the 1 in 10 young people who get 'stuck' in worklessness. In addition to early pregnancy, low educational attainment and low self-confidence are strongly predictive in this regard.

Moreover, the observed labour market patterns indicate that unsuccessful outcomes often start at key decision points in a young person's educational career, particularly at the end of compulsory schooling and at the end of two further academic years. Clear and accessible knowledge of options post-16 and beyond are therefore essential in minimising the risk of 'fractured transitions' – ending one activity without securing a stable outcome in the next. This highlights the need for effective career advice and job-search assistance to facilitate successful employee-employer matches.

Our analysis moves beyond a consideration of the effect of characteristics at age 16 to assess how experiences acquired after that age influence subsequent labour market outcomes. One finding is that remaining longer in employment reduces the risk of unemployment. This suggests a potential role for policy to support young people in the months following employment entry, thereby helping them establish themselves as workers in the longer-run.

The results also shed light on how previous experiences affect later transitions. They confirm that remaining longer in education reduces the risk of unemployment among workers. In other words, by investing in education young people can improve their chances of entering sustained employment. Spending a long time unemployed does not appear to affect the rate of employment exit. This suggests that for this age group it may be preferable to move into work quickly rather than to hold out for a better job offer.

Simulations of a hypothetical work experience programme show how the design of such interventions can determine effectiveness. Specifically, the results suggest impacts vary in a complex way depending on programme duration and eligibility criteria. This provides some clues for the design of similar programmes. It appears from the simulations that, while interventions can increase employment (and reduce unemployment), these effects may not last. That is, the long-run situation is no different from how it would have been in the absence of the programme. Such insights are relevant to the cost-benefit analyses that are used to justify real-world labour market programmes for young people.

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This briefing paper draws on two papers:

Dorsett, R. and Lucchino, P. (2014a) Explaining patterns in the school-to-work transition: an analysis using optimal matching. *Advances in Life Course Research* 22: 1-14. Earlier version available as at <http://niesr.ac.uk/publications/visualising-school-work-transition-analysis-using-optimal-matching-0>.

Dorsett, R. and Lucchino, P. (2014b) Young people's labour market transitions: the role of early experiences. Available at <http://niesr.ac.uk/publications/young-peoples-labour-market-transitions-role-early-experiences>.

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