
Young people's education and labour market choices aged 16/17 to 18/19

Claire Crawford, Kathryn Duckworth, Anna Vignoles & Gill Wyness

This analysis provides evidence on the educational and labour market transitions made by young people. We use three data sets to do this, covering various different time periods before the recent (2008) recession. Firstly, we use the Longitudinal Study of Young People in England (LSYPE) which contains information on young people who were age 16/17 through to age 18/19 in the period 2007 to 2009. We also use the Labour Force Survey (LFS); again focusing on individuals aged 16/17 to 18/19 but over a longer period 1993-2008. Finally, we use data from the British Household Panel Survey (BHPS), focusing on individuals who were aged 16/17 to 18/19 at some point between 1991 and 2008.

The report addresses two key issues. Firstly it determines the characteristics of young people who make different educational and work transitions at age 16-19. Secondly the report assesses the short and long run (up to 10 years) earning and employment outcomes of young people who make different educational and labour market choices at age 16-19. The overarching objective of the research is to obtain empirical evidence on the early education and employment transitions made by young people, which can then inform policies to improve these transitions into the labour market. We do note however, that the evidence comes largely from *before* the recent recession and therefore may only be applied to the current labour market situation with some caution.

Specifically, the report starts by asking: what are the characteristics and short to longer term economic outcomes of young people who take the following different options between ages 16/17 and 18/19?

1. Full-time study, and not in any kind of work
2. Full-time study, who also undertake some work
3. Full or part-time work with some training
4. Full or part-time work without training or any study
5. Full or part-time work without training but with some study
6. Not in Education, Employment or Training (NEET)

A particular focus of our analysis is whether the outcomes for young people who combine work and training (categories 3 and 5) at age 16-19 are better than the outcomes of young people who take a job without any training (category 4).

In our analysis, the group of young people who combine work and training is relatively heterogeneous. In particular, this group includes both individuals doing unaccredited training that will not result in a qualification, along with young people doing formal training leading to a qualification, such as an apprenticeship (approximately 6% of the cohort). We are aware that there is robust evidence that those who gain apprenticeship qualifications, for example, have higher earnings and better employment outcomes than those who do not gain such qualifications. Thus outcomes for some young people in category 3 are likely to be much better than for others, depending on whether the training leads to an apprenticeship or other qualification which has good economic value in the labour market. However, we do not distinguish whether or not any training being taken at 16-19 leads to a qualification. Rather we estimate whether on average those young people who do a job with any kind of training are better off in the short and longer term than those who go straight into a job with no formal training at all.

The analysis presented has clear policy implications. For instance, the recent Wolf Review (2011) highlighted the pressing need for evidence on, and indeed effective policies for, young people's transitions into the world of work. The report therefore provides relevant analysis for some crucial policy questions about optimal routes into the labour market and whether we should encourage young people to undertake jobs with training at a young age. The evidence presented here will also be relevant for informing the implementation of the Raising of the Participation Age (RPA). The RPA legislation (as outlined in the Education and Schools Act 2008) sets out that all young people in England will continue in education or training to age 17 from 2013 and to age 18 from 2015, though this does not necessarily mean staying in full-time education. Hence the analysis can help policymakers to understand how the requirement to engage young people in some education or training until a later age is likely to affect their outcomes in both the short and longer term.

We are mindful, however, that the evidence we present here is associational only. In the absence of experimental or quasi-experimental evidence, our multivariate analysis cannot necessarily prove causality. While the data that we use is the richest available to us, we cannot discount the possibility that young people who differ in ways that we do not observe in our data – for example, they may be more or less inclined to be independent – are likely to choose different labour market options. Hence when we see that individuals who make a particular type of transition have better labour market outcomes this may be due to such unobserved characteristics rather than the labour market choice that they make. Throughout, we therefore refer to *associations* between initial labour market choices and outcomes rather than the *impact* of initial choices on outcomes.

Key findings

Persistence in activity state

As young people enter the labour market, there is a high degree of persistence in activity status over time - both in the short and longer term and particularly amongst those in work. While this does not necessarily mean that young people remain in the same job, it does indicate that the initial work/study transition made by a young person at age 16/17 is likely to be highly related to what they are doing subsequently at ages 17/18 and 18/19. This has crucial implications for young people who become NEET on leaving school, who are likely to remain in this state in subsequent years. Specifically, we found that:

- Almost half of those who are NEET at age 16/17 are still NEET one year later. Further, almost half of those who are NEET at age 17/18 are still NEET one year later. This persistence in being NEET is observed in all our data sets and is particularly concerning as we also show that there has been a steady rise in the proportion of 18/19 year olds who are NEET since 2000;
- 59% (Table 7¹), of those young people in a job without training at age 16/17 are still in a job without training one year later (though, as noted, not necessarily the same one);
- 71% of those in a job with training at age 16/17 are still in a job with training one year later (again not necessarily the same one).

As well as analysing the activity states of young people, we also consider the characteristics of students who make different initial labour market transitions. For example, we consider the association between the pupil's prior academic achievement, their socio-economic background and the transitions they make. We undertake this analysis using multivariate regression and so we are able to consider the *simultaneous*

¹ Page 38 of main report

associations between a number of different factors, including family socio-economic status and prior achievement levels, and the transitions made by young people.

Socially graded transitions

Our research suggests that the work and study options taken by young people are socially graded:

- The more socio-economically advantaged pupils, as defined by their parents' education or occupational status, are more likely to pursue full-time education options than to take other transitions (at both age 17/18 and 18/19);
- More socio-economically advantaged pupils are also more likely to get jobs with or without training than to be NEET at both age 17/18 and 18/19.

The role of prior achievement

We find that the prior achievement levels of young people pursuing jobs with or without training are similar, as indeed are the achievement levels of those who are NEET at ages 16-18. By contrast students continuing in full-time education at age 18/19 have higher levels of achievement and those who are NEET at a later age (age 18/19) have lower prior achievement.

We consider young people's early academic achievement, as measured by age 11 Key Stage 2 (KS2) test scores, as well as their GCSE scores. Our results show that:

- Young people who enter jobs with and without training at age 16/17 and 17/18 have similar KS2 scores;
- At age 18/19, the KS2 and GCSE test scores of those pursuing jobs with or without training or indeed part-time study with work are also fairly comparable;
- At age 17/18 the KS2 scores of those doing full-time education without work, jobs with or without training, part-time study and NEET are again very similar;
- On the other hand, at age 17/18, young people combining full-time education and work have significantly higher KS2 scores than those who take these other options, allowing for other factors;
- At age 18/19, those in university have the highest KS2 (and indeed GCSE) scores as one might expect. However, young people aged 18/19 in full-time study that is not university have much lower KS2 and GCSE scores so it is not uniformly the case that those who stay in education longer have higher prior achievement;
- Finally, young people who are NEET *at age 18/19* have the lowest KS2 and GCSE scores.

The influence of other factors

We found that the transitions of young people age 16/17 to 18/19 are strongly associated with their parents' aspirations and types of qualification the parent holds, as well as the pupil's own attitude to school and university. These findings are also based on multivariate analysis which, simultaneously allows for the effect of other factors, such as the level of parental education or parental socio-economic status. We found the following:

- At both ages 17/18 and 18/19, children whose parents have vocational training are least likely to be in full-time education; rather, these young people tend to opt for earlier entry into the labour market;
- Similarly, young people at age 17/18 and 18/19 whose parents think it is important to get a job with a "trade" or an apprenticeship or vocational training are much more likely to take a job with training as compared to pursuing full-time study or taking a job without training, potentially suggesting an intergenerational transfer of attitudes towards vocational training;

- The young person's own attitudes are important too. Those who do not continue on in full-time education at age 17/18 and 18/19 had consistently more negative educational attitudes and aspirations whilst at school;
- Girls are more likely to stay in full-time education than boys, but girls who do enter the labour market at age 17/18 or 18/19 are most likely to end up in jobs without training with boys more likely to take a job with training. This partially reflects occupational and sector gender segregation.

The short and longer term outcomes from different transitions

The main focus of our research was to determine the association between the young person's education and employment transitions on leaving compulsory education and their subsequent labour market outcomes (wages and employment) up to ten years later. We start by considering the most vulnerable group, namely those who initially become NEET.

Young people not in education, employment or training

Our analysis suggested that individuals who become NEET on leaving school have a very high risk of remaining unemployed in the medium (5 years) term and have a greater risk of unemployment and lower wages in the long run (up to 10 years on). Undoubtedly the more time that a young person spends being NEET the higher the risk of them having poor labour market outcomes. We also found that if young people who were initially NEET did find work, they were more likely to get a job without any training rather than a job with training.

Specifically our results show that:

- An initial spell of being NEET at age 16/17, 17/18 or 18/19 is associated with an increased risk of further spells of being unemployed up to five years later, though we cannot necessarily say that the experience of being NEET at an earlier age causes the young person to be more likely to be NEET at a later age. The analysis is not necessarily causal. We can however, observe that those who are persistently NEET from age 16/17 to age 18/19 are also far more likely to stay unemployed in the longer term;
- Young people who are initially NEET at age 16/17 and who do then find work are most likely to end up in a job without training;
- Being NEET between the ages of 16/17 and 18/19 is associated with worse outcomes, in terms of both short- and long run wages and employment outcomes, than being in a job without training or indeed any other initial state;
- Young people who become NEET at age 18/19 are at particular risk, either because they have characteristics that may cause them to be more likely to be NEET or indeed because an initial spell of being NEET increases the likelihood of further spells. We found in our BHPS analysis that young people who are NEET at age 18/19 are 27.5 percentage points more likely to be unemployed five years later and 20 percentage points more likely to be so ten years later, as compared to those who were not initially NEET at 18/19.

Jobs without training

A primary goal of our analysis was to assess the implications of students' taking a job without training on leaving full-time education. We found that there were some risks associated with taking a job without training. In particular those who took a job without training at age 16/17 were more likely (than those in full-time education at age 16/17) to be NEET the following year. In general those who took jobs *without* training also appeared to have less stability of employment in the initial years. However, this appears to be a short-run phenomenon. Over a two year period, those who took a job without training initially at age 16/17 were no more likely to be NEET than those who took a job with training. In general being in a job with or without training at age 16/17-18/19 does not appear to increase a person's probability of being unemployed in the

medium (2-3 years) or longer run (5-10 years) compared to those in full-time education at that age. Our results suggest that:

- Taking a job without training at age 16/17 is associated with a higher probability of being NEET the following year at age 17/18 in LFS data only, as compared to taking a job with training or remaining in full-time education at 16/17. However, a person who takes a job with training or a person who takes a job without training (no college) at age 16/17 have a similar risk of being NEET two years later;
- There appears to be more short-run (1-2 years) persistence in employment for those who left school and entered a job with training by age 16/17 as compared to those who took jobs without training, indicating greater stability in jobs with training initially.
- Young people who leave school and enter jobs without training at age 16/17, 17/18 or 18/19 are at no greater risk of being unemployed five or ten years down the line as compared to either young people who stay on in full-time education (without work), or indeed young people who move into jobs with training.

Wages

We then examined the wages (over the medium and longer term) of those who made different transitions on leaving full-time education, focusing on those who took a job without training as compared to those who took jobs with training. We found a cost in the short term from taking a job *with* training, in the sense that those taking jobs with training (including apprenticeships) earned less initially than those who took jobs without training. This is to be expected since those receiving training take lower current wages in exchange for firms investing in their training, and in the case of young people taking apprenticeships the minimum wage is in any case now lower. In the longer term however, we did not find significant differences in the wage levels of young people who initially took jobs with training as compared to those who took jobs without training.

Specifically we found:

- In the short run, wages tend to be higher for those in jobs without training than for those in jobs with training across all ages;
- Over the longer term, those who take jobs with or without training initially (age 16/17 and 17/18) earn similar wages.

Full-time education

Our interest here was comparing those who combined full-time education with work to those who only took full-time education, to determine whether gaining work experience was potentially beneficial. We did find some evidence that combining work and full-time education might be preferable, in terms of leading to better labour market outcomes, as compared to just doing full-time education at age 16-19. For example, the longer young people spend in some kind of work (alongside their studies) the more likely they are to be in work a year later. In summary, our results suggest that full-time education is beneficial and so is work.

Specifically we found:

- Those who continue in full-time education combined with some work at age 16/17 are more likely to be in some kind of work (work with training, work without training or a job with some college) at age 18/19 than those who were initially in full-time education without any work;
- Those combining full-time education and work actually have a lower probability of becoming NEET in the short term (1 year later) and the medium term (5 years later) compared to those who were initially in full-time education only;

- Hence at age 16/17, and more so at age 17/18, doing some work (whether combined with full-time education or with training) is associated with a lower risk of becoming NEET in future.

Implications

This report presents some evidence on the relationship between different labour market and educational transitions made at age 16-19 and short and longer term labour market outcomes.

We find strong associational evidence that young people who become NEET at an early age have worse short and long-term labour market outcomes. We cannot claim that being NEET at age 16-19 necessarily causes these poorer outcomes. It may be that young people who become NEET at an early age have other characteristics that put them at risk of being NEET later in their lives. In either case though, our results do suggest that we might focus policy interventions on those who are initially NEET and hence at greater risk of poor outcomes. Our evidence also indicates that in general, taking a job (whether with training or not) or even combining full-time education and work at an early age (e.g. 16/17 or 17/18) is associated with a lower probability of becoming NEET at age 18/19, as compared to remaining in full-time study only or being initially NEET. Work at an early age may therefore play a protective role in preventing young people from the risk of being NEET later on, though again the evidence is associational.

In the medium and longer term, outcomes for those taking jobs without training were generally not significantly different from those who took jobs with training. Our analysis therefore implies that simply taking a job with training is not sufficient to guarantee better labour market outcomes. To secure higher earnings, young people need training with progression which leads them to acquire an economically valuable qualification.

Our evidence is relevant to forthcoming changes in the law which will ensure that all young people in England continue in education or training leading to an accredited qualification to the end of the academic year in which they turn 17 (from 2013) and to age 18 (from 2015). Young people will be able to choose whether to take a full-time education option or undertake work based learning (e.g. an apprenticeship) or indeed take part-time education and/or training alongside full-time work. Our report cannot determine the impact of this legislation change *per se*. We do find that the short and longer term outcomes of those who take jobs without any training at age 17/18 and 18/19 are quite similar to the outcomes of those who take a job without training. At the same time however, there are some negative associations from taking a job *without* training at an early age. Those taking jobs without training at age 16/17 experience less early job stability than those in jobs with training and are more likely to be NEET at age 17/18. This latter result was not evident at older ages or in different data sets however it does still hint at potential advantages from taking a job *with* training in the short run. In conclusion our evidence indicates that requiring young people age 16/17 and 17/18 to do *accredited* education or training alongside work is likely to have a positive impact on their longer term labour market outcomes only if it results in them gaining an apprenticeship or other valuable qualification. If young people secure jobs with high quality training leading to valuable qualifications, their labour market outcomes *are* likely to be better than those who take jobs without training. If young people take jobs with training that does not result in a valuable qualification, they are unlikely to be better off than those who take jobs without training.

Additional Information

The full report can be accessed at <http://www.education.gov.uk/publications/>

Further information about this research can be obtained from
Sophie Gerrard, 2 St Paul's Place, 125 Norfolk Street, Sheffield, S1 2FJ
Sophie.GERRARD@education.qsi.gov.uk

This research report was commissioned before the new UK Government took office on 11 May 2010. As a result the content may not reflect current Government policy and may make reference to the Department for Children, Schools and Families (DCSF) which has now been replaced by the Department for Education (DFE).

The views expressed in this report are the authors' and do not necessarily reflect those of the Department for Education.