

Young People's Transitions to an Uncertain Labour Market

by Ewart Keep

Number 70, 2022

Young people face major challenges as they move from education into the labour market. Their transitions have become longer, more complex, and risky while the process of finding a place in the labour market can be prolonged and discontinuous. This Briefing argues that these problems have deep-seated roots and are embedded in the structure of the UK labour market and recruitment practices. It suggests a number of ways forward, the cornerstone of which is the adoption of a Fair Work agenda by governments and job quality as a political goal at national level.

- Many problems young people face in their transitions reflect a defective, casualised and dysfunctional labour market in the UK that needs to change.
- Debates about transitions are inter-connected with wider debates about how the world of work is changing but it is unclear how different sectors and occupations will be affected.
- The youth labour market has shrunk while the security and stability of employment has decreased - too many of the jobs available to young people are low paid 'bad jobs'.
- Employers' demand for skills and their provision of training has declined despite government encouragement and subsidies. This decline has most affected those in low end work.
- The challenges facing young people include: greater use of informal recruitment methods by employers; reliance on applicants' prior experience; employers' lack of knowledge of employment practices; and a new labour market hierarchy of core and non-core workers.
- Such challenges are more difficult for young people with fewer contacts or limited resources and these practices are likely to reinforce social class, ethnicity and gender inequalities.
- The quality and scope of some courses and qualifications/standards is low. Too many apprenticeships, especially in England, are short with limited skills content and do not equip individuals to progress in the labour market.
- Policy makers do not always recognise how profoundly the labour market has changed.
- We need better quality jobs, better management of the employment relationship and better recruitment and selection practices. The starting point for this is a Fair Work policy.
- A Fair Work policy provides the basis for other strategies: aligning skills supply and demand; better labour market information and CIAG; a transition service; and a curriculum to equip young people for life and work in a rapidly changing economy and society.

Introduction

Research suggests major problems with the transitions of young people from education into the labour market and related issues of training and skills. While these problems are especially acute for those not proceeding into higher education, it is not confined to them and transitions are challenging for all young people. Transitions have become longer, more complex, and risky across much of the OECD (Symonds et al., 2011). Transitions are no longer linear but involve “u-turns, detours and zig-zag movements” (Schoon and Lyon-Amos, 2016) while the process of finding a place in the labour market is “often prolonged and discontinuous” (Quintini et al., 2007). In this Briefing, I argue that these problems have deep-seated roots and are embedded in the structure of our labour market and recruitment practices. The UK economy and labour market has frequently been characterised over the last 40 years as low wage, low skill, low productivity, low investment and reliant upon ‘Low Road’ competitive strategies. Many problems with transitions simply reflect a defective, casualised and dysfunctional labour market that needs to change.

Anxiety about the (successful) transition of young people into employment and concern about their skill development and the training on offer to them is not new. A New Training Initiative (NTI) launched in 1981 by the Manpower Services Commission (MSC) was arguably the beginning of the current policy preoccupation with the so-called ‘skills problem’ in the UK. The NTI set out three strategic goals for skills policy in the UK and funded a succession of youth training interventions and schemes. To date, none of NTI’s three main objectives have been met.

Since then, and especially over the past 20 years, transition problems have deepened. It’s important to recognise that even if the global recession and the pandemic had not occurred, youth transitions would still be problematic in many countries. Structural shifts in the labour market and in the supply of education and training have been at work for a long time, the recession has simply amplified their effects and made them more obvious.

The decline of stable labour market and growth of ‘bad jobs’

Many aspects of current debates about transitions are inter-connected with wider debates about how the world of employment and work is changing and what the long-term implications of this really are. We know that technology, not least Artificial Intelligence (AI),

digitalisation and automation, will have a big impact on employment, jobs and skills over the next 20-25 years. The problem is knowing what that impact will be across different sectors and occupations: automation and AI, for example, are driving changes in employment, job structures and task requirements at different rates in different firms and sectors and occupations.

The labour market facing young people now is very different from that encountered by previous generations: the youth labour market itself has shrunk while the security and stability of their employment has decreased with the move to casualised forms of employment practices such as part-time work and zero-hour contracts. They face greater competition for jobs from older workers who need to carry on working and from the reliance of employers in some sectors on adult migrant workers to fill vacancies. The quality of too many of the jobs available to them is poor and, arguably, can be defined as ‘bad jobs’, that is:

- o Low paid (less than 2/3rds median wage)
- o Insecure/casualised
- o Lack of control
- o High stress levels (often with work intensification)
- o Dull, boring, repetitive (short job cycle times)
- o Lack of opportunities for progression

There is a raft of empirical research that demonstrates how these ‘bad jobs’ are associated with a range of negative outcomes for the individuals and families concerned including in-work poverty and poorer health of employees. It is also evident that low pay is a trap from which it is difficult to escape, for example, a Resolution Foundation study in London found that between 2006 and 2016 only 17% of those in low paid work at the start of the period had managed to move up into sustainable better paid work ten years later (D’Arcy and Finch 2017).

Decline in skills demands and training

Other research highlights the impact of changing employment models on the demand for skills and the provision of training. The most recent sweep of the Skills and Employment Survey (SES) in 2018 - a well-established survey series of a representative sample of employees in the UK - identified a depressing picture of a decline relating to the quality and extent of skills, training and work practices. The results of the SES survey, in line with other research, show a weakening in skill-biased technical change, that the demand for some forms of skill was falling, as was the take-up of high-performance work practices. It appears that the

take-up of new technology had not translated into the need for a higher skilled workforce. It is evident that the way in which employers have tried to improve productivity has been through work intensification rather than sophisticated management or investment in plant or equipment or in research and development (R&D).

A similarly bleak picture emerges from a study for TUC that used a suite of surveys to examine employer provided training (Green and Henseke 2019). This found a striking decline in training times in employer-provided training which fell by 60-70% between 1997 and 2017. Notably, those in low end work were more likely to be affected. And yet, this decline was happening at the same time government was not only exhorting employers to do more training but also providing a range of subsidies for this purpose. Once again, it needs to be recognised that the decrease in training was not the effect of the recession.

What the new employment models mean for young people

Three studies illuminate the challenges young people face in their transitions:

- o 'word of mouth': greater use of informal recruitment methods by employers
- o the 'experience trap': reliance by employers on applicants' prior experience
- o a low knowledge base among employers of employment practices and
- o the emergence of a new labour market hierarchy of core and non-core workers.

The **UKCES Youth Inquiry** study found that employers were increasingly recruiting via word-of-mouth and personal recommendation from existing employees (UKCES 2011). Recruitment through existing employee contacts clearly limits access to opportunities for young people from families and communities currently excluded from work or who have less access to the social networks through which information about jobs is communicated. As such, these more informal recruitment methods are very likely to reinforce social class, ethnicity and gender inequalities.

The study also identified what the researchers called 'the experience trap'. This describes the situation where, on the one hand, employers required potential workers to have 'experience' which they used as a convenient proxy for the individual's ability to do the job in question but, on the other, were reluctant to

themselves offer work experience to interested young people.

The **JP Morgan Foundation's** project on HR for Small to Medium-Sized Enterprises (SMEs) provided free HR consultancy support to SMEs in three areas (Glasgow, Hackney and Stoke) to help develop employers' understanding and capacity so that they could take on apprentices (JP Morgan Foundation/CIPD 2017). The reality of the employers' practice on the ground, however, meant that this aim was not realised. In the majority of cases, all the resource was consumed simply getting the firms to be legally compliant employers, so deficient was their understanding and practice of employment relations.

The ESRC-funded **Precarious Pathways** project run by IER at Warwick explored the transitions of young people and graduates (Purcell et al., 2017). In common with the Youth Inquiry study, it found that employers favoured informal methods and used 'experience' as their main approaches to recruitment. Individuals' access to employment was via word-of-mouth recruitment or some type of work trials such as internships, agency work, or the gig economy. The result was to render the learning to earning transitions complex and hard for those with fewer contacts or limited resources. The research noted:

"Prior experience...was required even for selection onto unpaid, short-term student work experience placements"

"all employers saw different types of precarious labour as a better mechanism than interviews for identifying individuals to recruit as employees"

The employers thought that they had little choice but to use such recruitment methods and to limit their staff development and training to core staff in a situation where they perceived themselves to be 'victims' of labour market forces beyond their control:

"they (employers) see themselves as having relatively little power in the labour markets in which they work – even when they are one of the largest employers with over 100 applicants for some jobs"

"Many of the problems encountered by young job seekers derive from the sub-division of work. Even the most progressive and ethical employers we interviewed perceived themselves as constrained by market forces, often with little alternative but to concentrate their training and staff development on their core staff and control additional labour costs as tightly as possible, without consideration of the

wider social impact and future costs to the community”

And technology may be making things worse:

“Future teams will be formed around projects and disbanded at project’s end and may consist of a mix of permanent employees, freelancers, robots, automation and machine learning” - Janice Burns, chief people officer, Degreed, 2021.

There is the emergence of a new labour market hierarchy whereby only a minority will have a ‘career’, others may have a ‘job’ but many more will be in time limited and ever more precarious employment ranging from working on ‘projects’ to ‘gigs’ to ‘tasks’.

In this new hierarchy, a key distinction is between core and contingent workers. For employers, their core workers are their key talent in which to invest training and development; contingent workers are viewed as a cost to be minimised by organising their labour on the basis of specified tasks or by the least amount of time (the minute).

The bottom end of the labour market is a tough place to be, many relatively low-paid occupations are now congested with graduates who have been ‘bumped down’ and who are competing with less well-qualified education leavers for what would previously have been entry-level jobs. This downward displacement is evident in the calculation by the Higher Education Policy Institute (HEPI) calculated that nearly one in six graduates would never repay any of their student even with the reduction of the English student loans earnings repayment threshold to £19,430 p.a.

Overall, there is a problem in the quality of employment in large parts of the UK; it is long standing and is not going away.

The negative effect of the low wage labour market on job design, skill requirements and training

The effect of the low-wage labour market in the UK is reflected in the quality and scope of some courses and qualifications/standards. While some apprenticeships are very worthwhile there are also problems of short apprenticeships with limited skills content that are unlikely to enable the young people to progress in the labour market. This is especially the case in England where apprenticeships are sometimes short, usually 12 months (the minimum duration required by government), designed to train people for specific, often very narrowly-defined entry-level job rather than

equipping apprentices with a broader set of skills that would allow them to fill adjacent jobs or progress in the same broader occupational grouping, or support a change of occupation. Essentially, they are designed for jobs that are low paid, dead end and often require limited skills to perform.

The apprenticeship system, certainly in England, is stratified, intended to produce a hierarchically differentiated workforce with standards for the same job/occupation at different level rather than thinking about broad preparation for young people. Many apprenticeships are also limited in their focus. They are designed to train people for specific, often very narrowly defined jobs such as “Dual Fuel Smart Meter Installer (L2)” or “Mineral Processing Weighbridge Operator (L2)”. Even higher-level apprenticeships can be very limited, for example the job of a Clinical Coder (L3) is defined as “*reading medical notes/records and analysing the contents which then translate into alphanumerical codes that accurately represent the patient’s stay*”*. Most other countries would expect a single, relatively high entry-level course/qualification for the entire workforce.

*(see <https://www.instituteforapprenticeships.org/>)

Limited recognition among policy makers of the realities of the labour market

The labour market has changed profoundly but it seems that policy makers do not always understand this changed world. Much of the talk about the labour market from the UK Government and its ministers stresses the positive, promoting the idea of education and training leading to ‘skilled work’ and ‘good quality jobs’ (neither of which has an official definition). This disconnect from reality among policy makers is evident, for example, in the statement by Mims Davis, Employment Minister, that post pandemic she was looking forward to young people “getting back to the security of regular pay packet”, apparently failing to recognise the reality for a gig worker or someone on variable hours. There is a problem about policy makers understanding of the (poor) quality of many of the jobs on and that, without action, this is unlikely to change any time soon.

Solutions?

I don’t suggest that the following ideas add up to a complete solution, rather they are avenues that need to be investigated as possible ways forward and it is very likely that further action will be needed.

Fair work and good jobs: job quality as a political goal at national level.

As I have argued, many problems with transitions result from a defective, casualised and dysfunctional labour market in the UK and this needs to change. We need better quality jobs, better management of the employment relationship and better recruitment and selection practices. A Fair Work agenda provides a way of thinking about these issues systematically and supporting employers to move to a 'higher road' approach in the employment relationship. Without this general context, other more technical solutions will not make much difference. The starting point has to be job quality and thinking about job quality as a political goal at national level.

In England government rhetoric is around 'good' jobs but there is no definition or policy follow through, at least as yet. Wales and Scotland have a Fair Work policy and this makes a real difference. In my experience on the Scottish Strategic Labour Market Group it was clear how the Scottish Government's commitment to a Fair Work agenda created a completely different policy context within which employers and education and training providers could think about what they are doing and what youth transitions might mean.

Aligning skills supply and demand

The idea of aligning supply and demand is a central policy concern but while it may sound a simple technical matter, it is not. Employers rarely know what they want and if they do, it is late in the day. Even among employers in same sector, what they want from education can differ and may be irreconcilable. Education and training cannot simply flick a switch to immediately provide the necessary recruits to meet demand – the 'pipeline' between individuals entering and exiting education and training can be a long one, especially for young people. In some cases, there may not be suitably qualified young people to recruit to the courses because they lack certain skills, eg in maths or the sciences, because of their prior choices at school. And course choice does not mean career choice, someone may go on to work in a different sector from that which they trained in, sometimes reflecting inter-sectoral/occupational competition for scarce 'talent'.

Better Careers Information, Advice and Guidance (CIAG)

The points made above demonstrate that there is a huge role for better CIAG. This, in turn, relies on good labour market information (LMI), without this we are flying blind with possibly disastrous consequences. We

need high quality CIAG for both young people and adults, without excellent and persistent CIAG, mismatches will continue as will poor decisions by individuals: research shows that young people's perceptions of the opportunities in their local labour market are vastly at odds with the reality.

New sources of LMI are emerging such as web scraping of job advertisements, but the word-of-mouth recruitment models described earlier are not susceptible to this approach. A serious effort and investment of time and resources is needed to understand the new jobs and industries that are emerging and how traditional career structures are changing. None of the four UK nations has resolved this although Scotland and Wales are in a better position with a more uniform and high quality CIAG provision than England but there is a long way to go before CIAG is adequate to the task confronting it.

A transition service

A transition service for both young people and adults that maintains a relationship and offers support after entry to employment is an increasingly popular idea. This was a model used by Careers Services in 1970s and 1980s – support does not end on job entry – and is even more necessary in our continually evolving flexible labour market. It can be done. Greater Manchester offers an example of an integrated transition scheme for individuals with significant health problems that not only helps them gain employment but offers support to both the individuals and their employers to enable them to sustain that work (SQW 2020). This is a model that we should think about especially for more disadvantaged young people who will struggle in the current labour market.

A Curriculum for the 21st Century?

How the education system can best equip young people for life and work in a rapidly changing, complex economy and society is a fraught topic in all four UK nations. Scotland has a Curriculum for Excellence and, following a review by the OECD (OECS 2021), is now having a re-think not so much about the curriculum but how it is delivered (it may be that delivery of a curriculum such as CfE is more demanding than a traditional type of curriculum). Wales is about to embark on a broadly similar experiment; England is not. England has the eBacc resembling a 1950s model offering a narrow academic core curriculum at GCSE level (around age 16). This is allied with qualification reform so that after 16, young people will have a stark 'choice' of academic A levels, T levels (replacing BTECs)

or an apprenticeship (although in reality not many young people in England get an apprenticeship).

Who cares about transitions?

This is an important question, and the answer is different in Scotland and Wales to that in England. Scotland and Wales have afforded it policy priority. England has not. In England, policy makers tend to view the issue of young people 'not in employment, Education or Training (NEET) as 'solved' or no longer much of an issue which can be dealt with by current reforms such as Career Hubs and T levels. But while these initiatives may be useful, the problems go deeper. The issue of youth transitions will not go away rapidly or easily and there are major challenges for policy makers and practitioners and difficult conversations to be had about the future nature of the labour market and the employment relationship.

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About this briefing

This Briefing is based on the public lecture given by Professor Ewart Keep at Moray House School of Education and Sport on 3rd November 2021. It was the fourth Memorial Lecture in honour of the late Professor David Raffé, former director of CES. The lecture is available at https://media.ed.ac.uk/media/David+Raffé+Memorial+Lecture+2021/1_cbc3k8r0

Ewart Keep is Professor Emeritus in Education, Training and Skills at the Department of Education, Oxford University.

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