

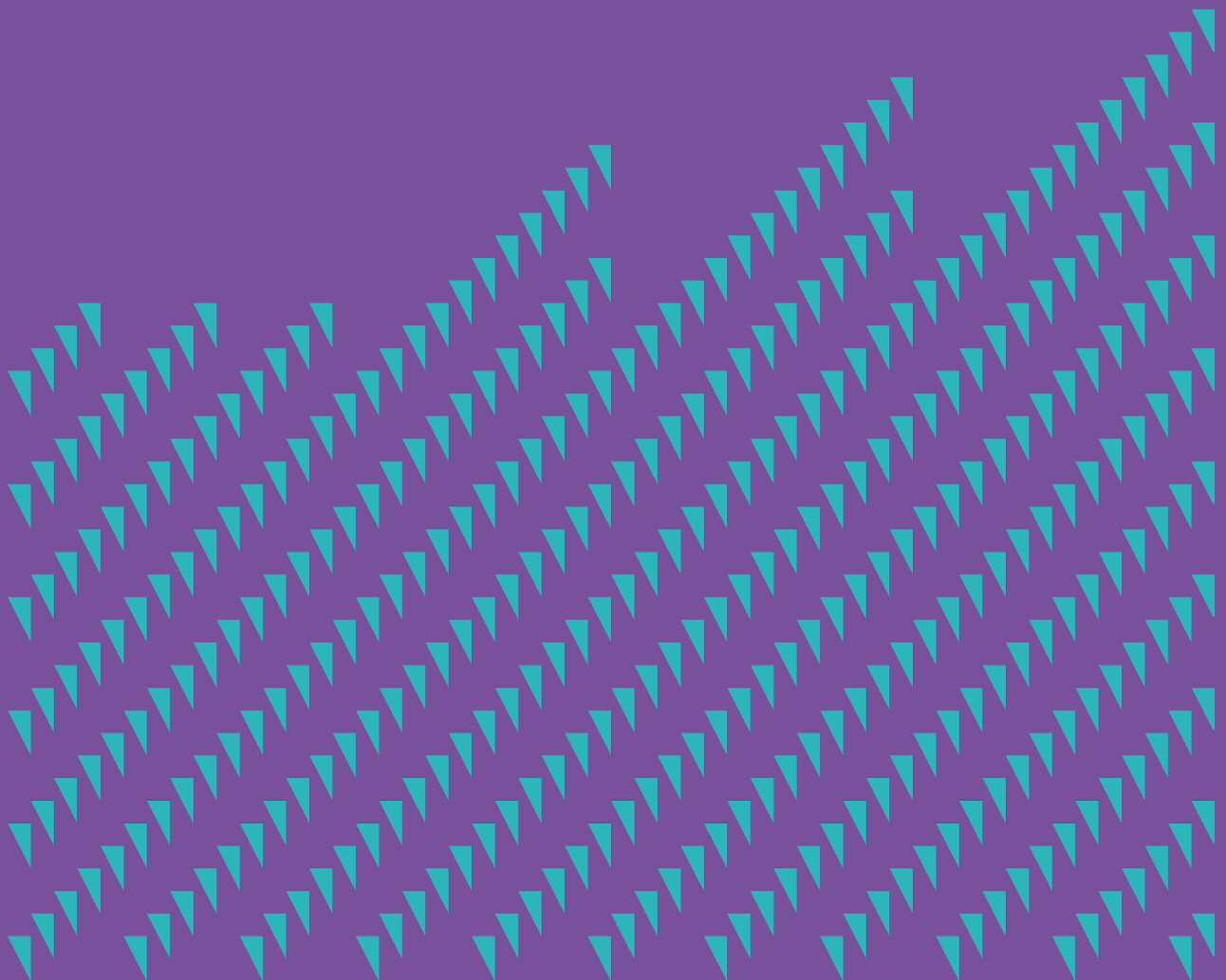


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BRIEFING

Class of 2020

Education leavers in the current crisis

Kathleen Henehan
May 2020



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Summary

The economic fallout from the coronavirus has taken the UK into uncharted territory. While the health sector has gone into overdrive, other large industries ranging from non-food retail to hospitality and travel have been deliberately shut down, resulting in sharper rises in unemployment, and steeper falls in job vacancies, than occurred even during the 2008-2009 economic crisis. The recovery will not be straightforward: restrictions are likely to persist in many sectors, and many businesses will struggle to survive.

This briefing note focuses specifically on the effects this economic crisis will have on education leavers. It estimates the level of employment and pay scarring that they could suffer, and also considers the unique effects that this particular crisis will have by putting at risk many of the roles that non-graduate education leavers first enter into. It discusses a range of policy measures to help those leavers who would like 'ride out' the worst of the storm by staying on in education, as well as policies to help mitigate employment scarring among young people exposed to the current labour market.

Past experience tells us that while recessions naturally drive up unemployment across the population, the effects are more severe for those who have only recently left full-time education. For instance, the unemployment rate rose from 5.2 per cent in 2007 (before the financial crisis began) to a 21st century peak of 8.5 per cent by 2011. Damaging as that was, the effects for recent education leavers were larger: over the same time period, unemployment among those who had left education with GCSE-equivalent qualifications over the previous two years rose from 22 to 32 per cent.

While the realities of being unemployed are damaging in real time – potentially putting health, well-being and security at risk – the experience can also scar a person's employment and pay for years to come. This is particularly worrying for young people, who are more likely to experience unemployment during a downturn, and who have their whole working lives ahead of them.

Indeed, this briefing note expands upon Resolution Foundation research showing that, for several years after having left education, employment rates across the cohorts that left education during the financial crisis were lower than for those who left education after it – with non-graduates experiencing the largest and longest scarring effects. Graduate 'recession leavers' experienced substantial hits too, but more in terms of being stuck in lower-skilled jobs than being out of work altogether. And for several years, both groups had lower hourly pay than their counterparts who left education after the recession.

The sharp rise in unemployment that early benefits and vacancies data suggests is currently happening gives us reason to fear that employment and pay scarring could be large and longer-lasting this time round. To that end, this note applies Office for Budget Responsibility (OBR) coronavirus unemployment projections to an established econometric model based on nearly three decades of data, to estimate employment and pay scarring for today's education leavers.

A 6.1 percentage point hike in the unemployment rate at the point of leaving full-time education (the change forecast by the OBR between Q2 2019 and Q2 2020) entails a 13 per cent lower likelihood of a graduate being in employment three years after having left education. For those with mid-level (some higher education or an A level equivalent education) and lower-level (GCSE-equivalent or below) qualifications, these figures are 27 and 37 per cent, respectively. In other words, the current crisis may reduce the employment chances of lower-skilled young adults leaving education by more than a third, even years down the line when the direct economic effects of the crisis will (hopefully) have abated.

For those managing to find work, pay is expected to be depressed as well: two years on from leaving education, real hourly graduate pay is forecast to be, on average, 7 per cent lower. For leavers with mid- and lower-level qualifications, average hourly pay is forecast to be 9 and 19 per cent lower than had unemployment not risen, respectively.

Worrying though these estimates are, they are unable to account for the unique sectoral effects that characterise the current economic crisis. Unlike previous recessions, the most-affected sectors (those most likely to be shut down as result of social distancing rules, and which will struggle to return to full capacity) are those that attract a large proportion of non-graduates upon leaving education. These include non-food retail, hospitality, travel, the arts, and entertainment. One year after having left full-time education, more than one-third of non-graduates, and more than one-in-five, graduates work in a sector that is now mostly shut down. In other words, the unique nature of the current crisis has damaged the first rung on the employment ladder for a substantial proportion of education leavers – and it is so far unclear when, and to what extent, these sectors will recover.

Under normal circumstances, we would have expected just under half of 18-year-old secondary school leavers, and a minority of 18-24-year-old higher and further full-time education leavers, to stay on in full-time study. That means that, absent a crisis, around 800,000 young adults would have approached the labour market this year. It is this group that our findings should drive policy makers to be particularly concerned about.

Given the sharp onset of this crisis, we might expect a larger proportion of today's potential leavers to try to stay on in education. Indeed, there is evidence of education leavers staying on in education during past recessions – 'riding out' the worst of the economic storm. For instance, there was a 4 per cent annual rise in education participation rates among 16-17-year-olds and 18-20-year-olds between 2008-2009, and a 7 per cent rise among 21-23-year-olds – noticeably higher than the usual growth rates.

Some 'stayers' will have chosen to stay on in education in order to miss the worst of the labour market turmoil (saying nothing of the premium that additional education might yield). This might be a particularly rational approach this time round given the speed and acuteness of labour market effects, but the benefits of doing so depend on the potential for things to go back to normal after the lockdown ends. For example, our model suggests a lower-skilled young adult delaying education exit by a year in this crisis might see the hit to their employment rate three years after leaving reduced from 37 per cent to just 18 per cent.

Another, potentially overlapping, group may be motivated by the fact that the opportunity cost of studying rather than working is lower in times of crisis. Others still – particularly in this crisis – may want the chance to retrain, especially when the sectors they had trained in are suffering. Whatever the reason, many leavers who would like to stay on in education during the worst of this crisis will face substantial hurdles in their attempts to do so. At the same time, a large proportion of young people flowing into the labour market will be scarred as a result of their struggle to find good-quality work. With those challenges in mind, this note discusses a range of policy options that the Government could consider. These are grouped into two broad categories: those that help young people who would like to stay on in education, and those that help the majority of education leavers who in all likelihood will become exposed to the labour market this year.

The challenges in helping young people to stay on in education are diverse. Many 16-17-year-olds planning to do an apprenticeship have had their hopes dashed, while some 18-year-olds may only now be thinking about attending university and may struggle to apply for autumn entry at such a late stage. 18-24-year-olds in England may struggle to study in further education on a full-time basis because, unlike their counterparts in higher education, they do not have access to any maintenance support. And most young people, across education levels, will have missed out on at least some learning.

These varied challenges should encourage the Government to pursue policies that will both help young people in their ability to continue studying, and also help higher and further education institutions to provide opportunities. This will include providing maintenance support for young people in all levels of tertiary education, including

low- and mid-level qualifications, as well as adding flexibility to the university admissions system for those who would now like to apply. Given that universities and other higher education providers will have empty seats, with fewer foreign students coming to the UK, educators and the Government should work together to ensure that any spare capacity can be filled by young people based in the UK who, in light of the downturn, will opt for additional education.

Because students across schools, colleges and universities have had their education, advice and networking opportunities interrupted, if not cut off entirely, the Government should also consider creating an education leaver innovation fund. Schools, colleges and universities could put forward proposals for additional teaching, advice, and services matching leavers to employers – providing them work experience when vacancies are short on the ground.

The second set of policies, designed to help leavers who will enter the labour market, should be grounded in the fact that while there is likely to be a substantial rise in youth unemployment over the coming years (we estimate that an additional 640,000 18-24-year-olds could find themselves unemployed this year alone) the population of unemployed young people will be diverse indeed. Some may have left education with an apprenticeship or a career destination in mind, only to find their sector of choice in severe contraction. Others will lack basic numeracy and literacy skills, with few specific job destinations in their plans. While the tight labour market of recent years was successful in bringing lower-qualified young people into employment, they will struggle the most in a recession labour market.

One-on-one advice and support is an important triage tool, but with so few job vacancies opening up, much more will be needed to stave off high levels of youth unemployment. To that end, the Government should learn from the successes and challenges of the Future Jobs Fund, and develop a job guarantee under which public and private sector employers offer temporary paid jobs to unemployed young adults. The state would cover the wage costs, and the programme would be structured to provide intensive support and target job outcomes.

In order to help young people who otherwise would have been destined for an apprenticeship, the Government should prioritise the smaller number of apprenticeship vacancies that remain for younger apprentices under age 25. Additional safeguards to ensure that apprenticeships for 16-17-year-olds do not fall off of a cliff any more than they already have should also be considered. For those young people that had specific career destinations in mind, the Government should pursue a sectoral approach: working with employers to provide work experience and job interviews in sectors that match young leavers' interests and previous study aims.

An effective policy response will be sizable, but efforts would be buoyed by the fact that today's crop of 18-24-year-olds is smaller in size than those cohorts coming before and after. In other words, the 'demographic dip' in the early 2000s means the Government could help a larger *proportion* of this cohort, while educating a similar *number* of people as in recent years. This crisis seems to offer few silver linings, particularly for education leavers, so we should welcome those we have as we calibrate the response. By acting now, policy makers could stave off some of the most scarring effects of the coronavirus recession that is rocking our labour market.

Recessions scar young people's employment prospects and pay

The current recession, like those that came before it, has already driven up the number of people who are out of work, and cut the number of vacancies available to them. Other adults are reporting substantial reductions in the hours they work and the pay they take home.¹ And while recessions are likely to affect most workers in one way or another, their most pernicious consequences will disproportionately be felt by the most vulnerable: the lowest paid, the lowest qualified and the least experienced.

Past experience tells us, for instance, that while recessions drive up unemployment across the labour market, the effects are larger for those who have only recently left full-time education, in particular those with lower-level qualifications. Figure 1 shows the unemployment rate from 1992-2019 for all adults, all younger (18-29-year-old) adults, and those who left full-time education within the previous two years, according to the highest qualification that they have achieved.²

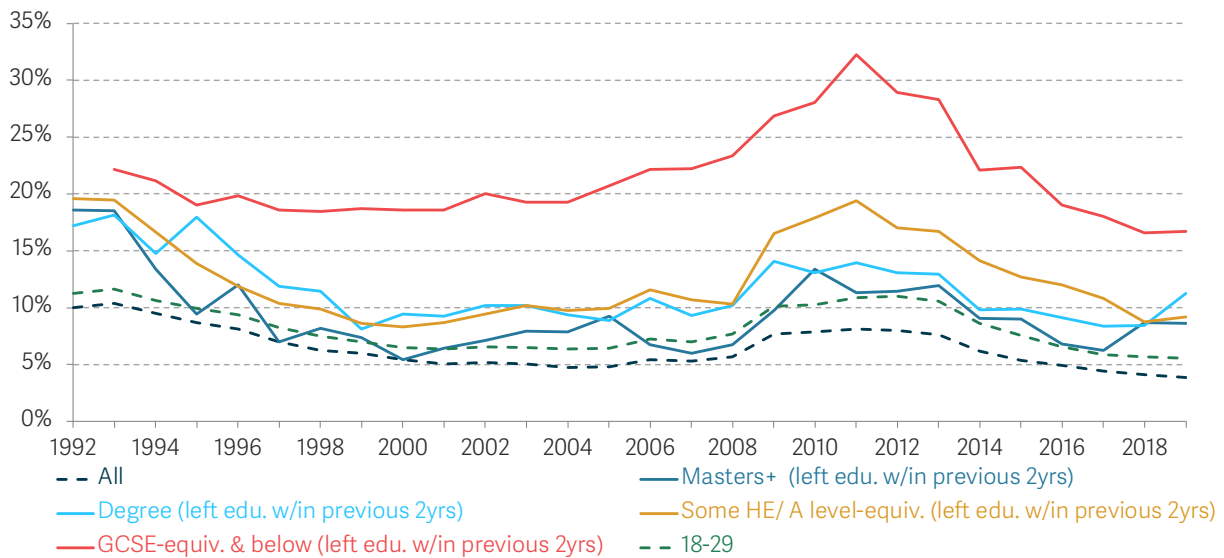
While recessions, such as the 2008 financial crisis, raised unemployment overall, and even more so for 18-29-year-olds (from 8 to 11 per cent between 2008 and 2012), the worst effects were reserved for those who have only recently left full-time education. And among them, recent non-graduate leavers were hardest hit. For those recent leavers with mid-level qualifications (Some higher education/A level-equivalent), unemployment nearly doubled between 2008 and 2011, rising from 10 to 19 per cent. Among those with lower-level qualifications (GCSE-equivalent and below), unemployment rose from 23 to 32 per cent over the same period.

1 See: J Leslie & C McCurdy, [The economic effects of coronavirus in the UK: Utilising timely indicators](#), Resolution Foundation, May 2020.

2 Unless stated otherwise, this briefing note exclusively focuses on students in, or who have recently left, full-time study (sometimes referred to as simply having 'left education'). Removing part-time students allows us to capture more fully the effects of attempting to join the labour market during an economic downturn.

FIGURE 1: Unemployment rose in the wake of the financial crisis, especially among recent education leavers with lower-level qualifications

Unemployment rate by age, highest qualification and whether left full-time education in the previous two years: UK



SOURCE: RF analysis of ONS, Labour Force Survey.

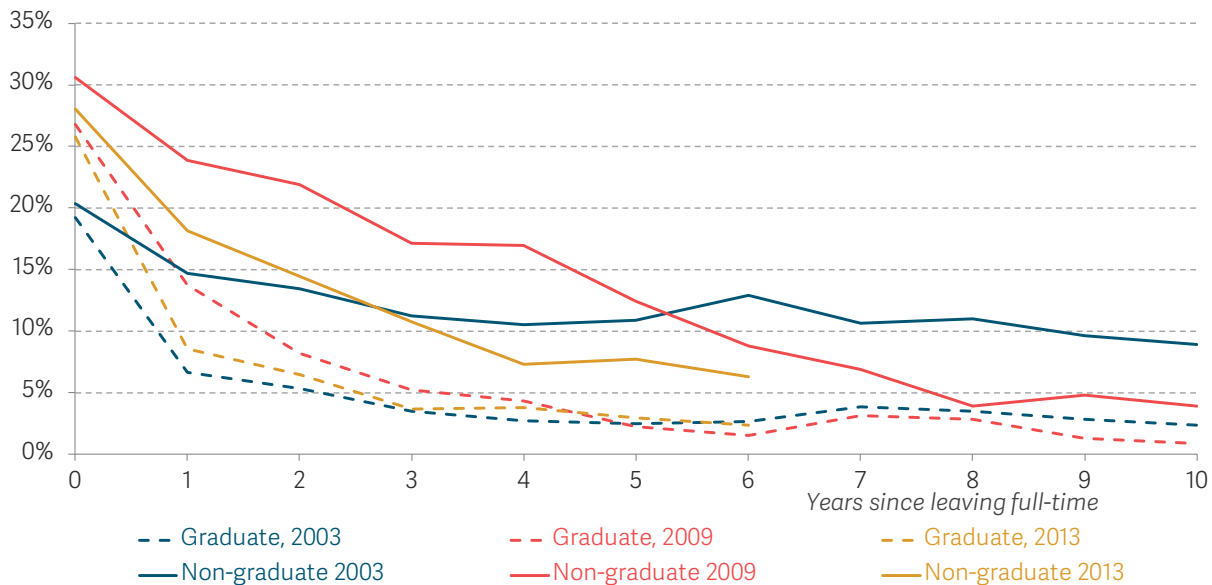
Furthermore, while Britain's recovery from the financial crisis was characterised by a 'jobs boom', the cohorts that left education during the recession continued to suffer from lower employment rates compared to their counterparts who left education with similar qualifications during more auspicious times. Figure 2, for instance, displays the unemployment rate for 2003, 2009 and 2013 education leavers according to the highest qualification they achieved, and the number of years since they left full-time education.³ It shows a marked difference in cohort-level unemployment between similarly qualified leavers at similar points in their careers.

For their first three years in the labour market, both graduates and non-graduates from the 2009 cohort experienced higher rates of unemployment than their 2003 and 2013 counterparts did at the same point in their careers. But the differences are far larger, and persist longer, for non-graduates.

³ These cohorts were chosen to reflect different levels of distance from the financial crisis. While the large majority of GCSE-equivalent leavers in our final cohort (2013) would have turned 16 and left education at the end of the 2012/13 academic year, there is a chance that this cohort includes some students who left with GCSE-equivalent or lower qualifications during the first half of 2013/14. Those students in England who left during the 2013/14 with GCSE-equivalent qualifications may have had a slightly different secondary education experience from other cohorts, since the first stage of policy to raise the participation age (RPA) was implemented in that year. This particular group (who in most cases turned 16 in 2013/14) would have been required to stay on an additional year (until they were 17), and the subsequent cohort (those turning 16 in 2014/15) were required to stay on until 18 (the second stage of the policy). See: Department for Education, [Participation in Education, Training and Employment by 16-18 year olds in England: End 2018](#), June 2019.

FIGURE 2: Unemployment rates for non-graduates who left education during the financial crisis were higher than for those who left after it

Unemployment rate, by year left full-time education and highest qualification held: UK, 2003-2019



SOURCE: RF analysis of ONS, Labour Force Survey.

The effects of being young in a recession appear most acute for those who leave education in its midst, but are not limited to them. The rise in unemployment that is visible in Figure 2 for 2003 non-graduates six years after leaving education coincides with the onset of the 2008-2009 financial crisis. This suggests that while recent leavers may be hit hardest, lower-qualified young people more generally are likely to suffer employment effects as well.

The analysis presented here focuses on the persistent effects of leaving education when unemployment is high, across entire *cohorts*. This complements a wide body of research that focuses on the longer-term scarring effects on employment and pay among *individuals* who have themselves experienced spells of unemployment when young.⁴ For instance, research in the UK has shown that men who experience an extra three months out of work before the age of 23 go on, on average, to experience an additional two months out of work between the ages of 28 and 33.⁵

⁴ For instance, Wiji Arulampalam finds that upon re-entry to work following an unemployment spell, men in Britain are paid 6 per cent less than a similar individual who changed roles without having been unemployed, with that pay difference increasing for four years to 14 per cent. See: W. Arulampalam, *Is Unemployment Really Scarring? Effects of Unemployment Experiences on Wages*, *The Economic Journal* 111(475), October 2008.

⁵ See: P Gregg, *The impact of youth unemployment on adult unemployment in the NCDS*, *The Economic Journal* 111(475), November 2008.

The implication is that the cohort-wide analysis in this paper masks much more acute effects for individuals who personally experience the worst of recessions upon leaving education, particularly those in certain groups. Box 1 explores these differences in more detail, describing a range of existing research in this area.

BOX 1: The unequal scarring effects of unemployment between and within individuals and cohorts

Research in the US, UK and Canada has established that leaving education in the midst of a recession will dampen the employment prospects for that entire cohort of leavers.⁶ While the analysis in this briefing note also focuses on cohort-level scarring effects (by qualification level), some within those groups are likely to weather the storm better than others: Oreopoulos et al., for example, find that more advantaged graduates in Canada are affected less, because of their ability to more quickly move to a better paying firm.

Indeed, research focused on individuals rather than cohorts has captured the different effects of unemployment scarring on different types of young people. For instance, Gregg shows that a person's susceptibility to unemployment is heightened by factors including lower-level qualifications,

financial deprivation and behavioural problems in childhood. These early spells of unemployment are associated with more persistent unemployment spells later in life, particularly among men.⁷

Li and Health focus specifically on the size and length of scarring effects for ethnic minority men and women in Britain, compared to their white British counterparts. They find all else being equal, after having an unemployment spell Pakistani and black African women, and black Caribbean and Bangladeshi men, are substantially more scarred than their white British counterparts.⁸

Additional research in the UK, by Zuccotti and O'Reilly, finds a similar pattern, in that the effects of being not in education, employment or training (NEET) when young are more detrimental for Pakistani and

6 See: P Oreopoulos et al., The short- and long-term career effects of graduating in a recession, *American Economic Journal Applied Economics* 4(1), January 2012; H Schwandt & T von Wachter, Unlucky cohorts: estimating the long-term effects of entering the labor market in a recession in large cross-sectional data sets, NBER Working Paper No. 25141, October 2018; L Kahn, The long-term labor market consequences of graduating from college in a bad economy, *Labour Economics*, 17(2), April 2010; J Cribb, A Hood & R Joyce, Does leaving education in a recession have a lasting impact on living standards?, Institute for Fiscal Studies, November 2017.

7 P Gregg, *The impact of youth unemployment on adult unemployment in the NCDS*, *The Economic Journal* 111(475), April 2008; P Gregg & E Tominey, *The wage scar from male youth unemployment*, *Labour Economics* 12(4), August 2005.

8 Y Li & A Health, *Persisting disadvantages: a study of labour market dynamics of ethnic unemployment and earnings in the UK (2009–2015)*, *Journal of Ethnic and Migration Studies* 46(5), November 2018.

Caribbean women than for white British women.⁹ The scarring effect, given prior unemployment, is particularly worrying since black African and Caribbean men, Pakistani men and black African and Bangladeshi women, women are more likely to experience unemployment in the first place, despite unemployment gaps narrowing over time.¹⁰ In fact, our own econometric models, discussed later in this report, does find strong negative employment effects for graduates from a black, Asian or minority ethnic (BAME) background, although the coefficients were in most cases statistically insignificant.

The effects of youth unemployment generally, and of unemployment driven by unlucky timing of labour market entry specifically, will vary for different groups of people. For instance, this note shows that lower-qualified leavers are particularly affected in terms of employment and job quality. However, they will also differ for individuals within those qualification groups. To that end, policy makers should aim to design policy informed by the group-level effects of scarring, but also attuned to how specific types of individuals within these groups may be scarred most and for longest.

Building on our discussion of employment above, previous Resolution Foundation research showed that for at least five to six years, average levels of pay remained lower for those who left during 2009 than for those who left during 2013.¹¹ We found that non-graduates who left in the midst of the last recession were affected more through lower rates of employment, whereas graduates were more affected via their pay and occupation levels. What appears to have happened is that graduates leaving education during the 2008-2009 recession 'traded down' into lower-paying occupations. Five years after having left education, the proportion of 2009 graduates working in a lower-paid role was 3.8 points (30 per cent) greater than the proportion of 2013 graduates working in these roles at the same point after leaving education.¹² For those with mid- and lower-level qualifications, these figures are 7.1 points (16 per cent) and 7 points (13 per cent) higher, respectively.

This outcome had the dual effect of helping to reduce graduates' own levels of pay (compared to those graduating outside a recession) and of crowding out non-graduates from many of the roles they would have otherwise entered into upon leaving full-time

⁹ C Zuccotti & J O'Reilly, *Do scarring effects vary by ethnicity and gender?*, in J O'Reilly, et al., *Youth Labor in Transition: Inequalities, Mobility, and Policies in Europe*, Oxford Scholarship Online, January 2019.

¹⁰ A Corlett, *Diverse outcomes: living standards by ethnicity*, Resolution Foundation, August 2017.

¹¹ S Clarke, *Growing pains: The impact of leaving education during a recession on earnings and employment*, Resolution Foundation, May 2019.

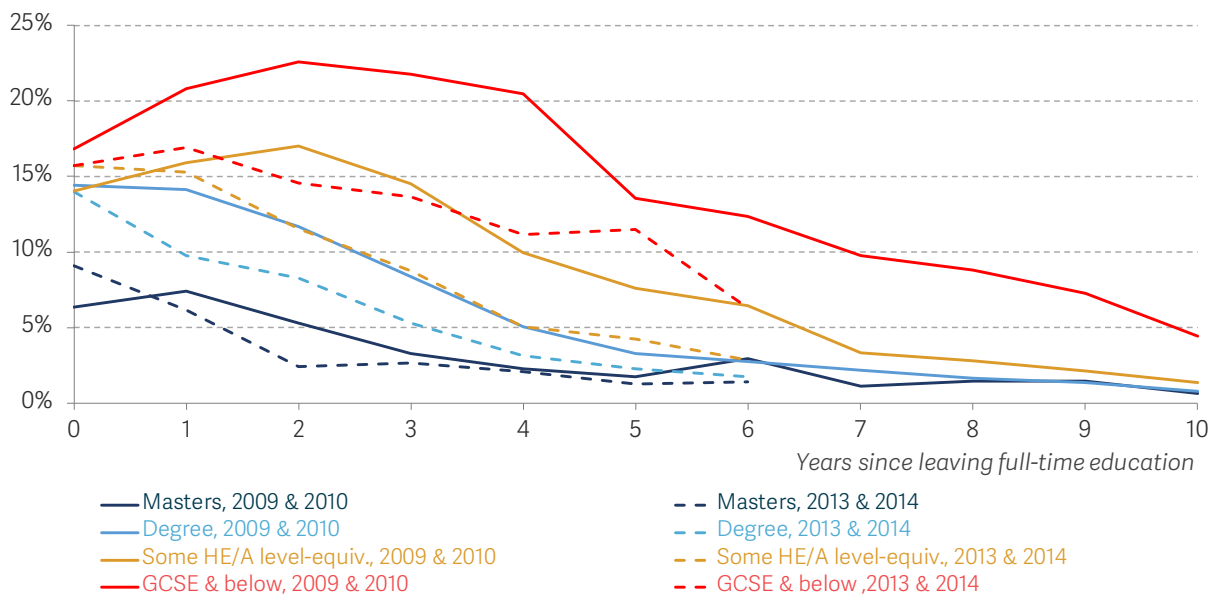
¹² Low-paid occupations are elementary occupations, sales and customer service occupations and caring, leisure and other service occupations.

education. Delving further, our previous research found that the scarring effects on pay among graduates leaving education during the previous crisis was explained by their receiving slower wage growth once in these roles, and lower returns to moving out of them.¹³

Job quality – on many measures – was also lower for 2008-2009 recession leavers for several years after having left education than it was for those who left during 2013 and 2014. This is true when looking at those who want more hours than they have (particularly among the lowest qualified) and on the related measure of involuntary part-time employment (see Figure 3). The picture is starkest for those with lower-level qualifications: four years after leaving education, 21 per cent of 2009 and 2010 leavers worked part time but reported wanting to work on a full-time basis, compared to just 11 per cent of their 2013 and 2014 counterparts with the same number of years' experience. Moreover, the gap in involuntary part-time working that existed between crisis and non-crisis leavers was nearly erased around four years after leaving for graduates, but remains at least six years on for non-graduates.

FIGURE 3: Education leavers during the crisis were more likely to work part time involuntarily in their early careers than those leaving education after it

Proportion of people working part time involuntarily, by year left full-time education and highest qualification held: UK, 2009-2019



NOTES: 'Involuntary' part-time workers are those who say they would prefer a full-time job.
SOURCE: RF analysis of ONS, Labour Force Survey.

¹³ See: S Clarke, *Growing pains: the impact of leaving education during a recession on earnings and employment*, Resolution Foundation, May 2019.

This economic crisis could prove even more scarring for education leavers than recessions past

While this note has so far focused on the effects of leaving education during a crisis in the past, it has said much less about what the future might hold for young people leaving education during, and in the immediate aftermath, of the economic fallout from coronavirus.

To address that topic, we build on previous Resolution Foundation analysis using an econometric model drawing on pooled cross-sections of the *Labour Force Survey* in order to assess the effect of a rise in the unemployment rate (a proxy for wider economic conditions) upon the odds of recent education leavers being in work, being in low-skilled work, and on their average hourly pay.¹⁴ In effect, our model compares employment outcomes for cohorts of education leavers that entered the labour market only a small number of years apart from one and other (i.e. in the midst of and after different recessions), while controlling for observed individual characteristics.¹⁵ It is described in more detail in the Annex.

We calibrate this model to the unemployment increase that is currently happening. In April, the Office for Budget Responsibility (OBR) projected unemployment to be 10 per cent in Q2 2020, up 6.1 points from the 3.9 per cent unemployment rate that prevailed in Q2 2019. This is a very sharp rise, and indeed roughly twice the size of the average increase in the unemployment rate following the 1990-1991 and 2008-2009 recessions.

We first model the effects of this expected 6.1 percentage point increase in unemployment in the year after leaving education on the likelihood of being employed, according to the number of years since a person left education.¹⁶ Figure 4 presents the results for graduates, mid-qualified and lower-qualified education leavers separately. We find, for instance, that three years after having left education, the likelihood of a graduate recession leaver being in employment is estimated to be 13 per cent lower than it would have been had the unemployment rate held flat (i.e. the economy not contracted). For those with mid- and lower-level qualifications, these figures are 27 and 37 per cent less likely, respectively. In other words, our model based on past recessions suggests these

¹⁴ S Clarke, *Growing pains: the impact of leaving education during a recession on earnings and employment*, Resolution Foundation, May 2019.

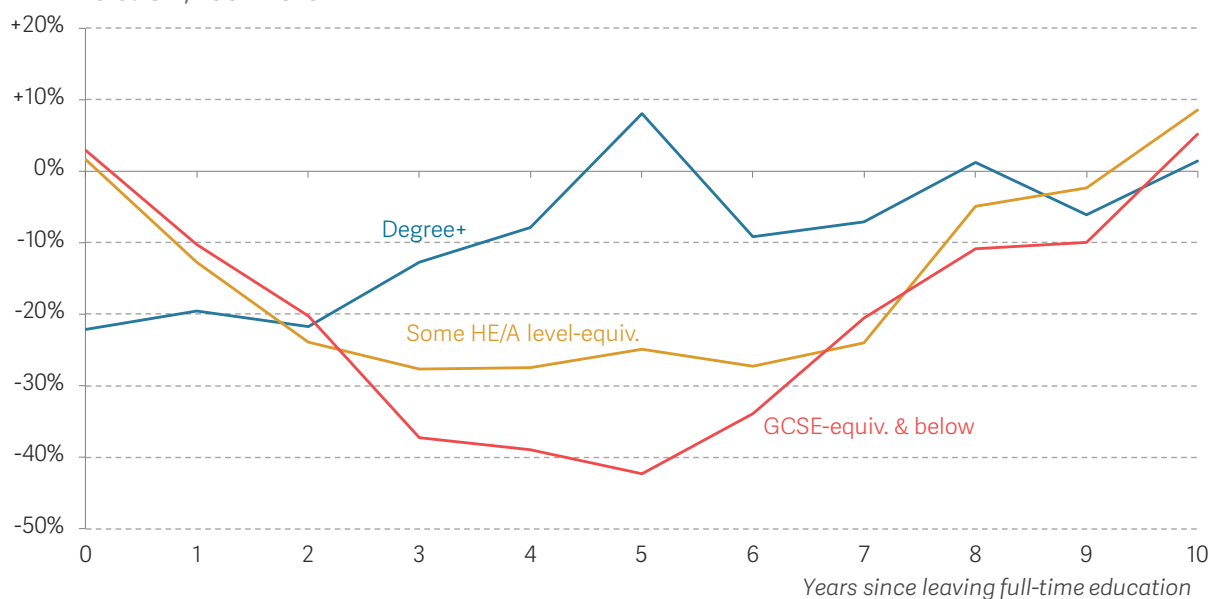
¹⁵ These regressions estimate the relationship between the unemployment rate (a proxy for prevailing economic conditions) at the time an individual left full-time education and subsequent labour market outcomes such as pay, employment and the type of job. They therefore control for the time at which a person entered the labour market and the experience they had when doing so, in addition to their qualifications.

¹⁶ This model uses the unemployment rate in the year after someone leaves education because we do not know the month someone left education; using the following year means we can be certain this is the unemployment rate that leavers would have been met with.

may be the experiences of education leavers in the midst of the current crisis, compared to similar people who have left or will leave education just a few years before or after (who, of course, won't be immune from the effects of the crisis themselves).

FIGURE 4: The coronavirus effect to unemployment is expected to reduce a low-skilled education leaver's chance of being in work by over a third

Change in chance of being employed for a 6.1 percentage point increase in the unemployment rate in the year after leaving full-time education, by highest qualification held: UK, 1992-2019



SOURCE: RF analysis of ONS, Labour Force Survey.

Figure 4 shows that not only is the size of the recession's effect on employment larger for the lowest-qualified, under this model, it lasts longer too. Of course, the length of time that we can expect scarring to persist depends in part on how quickly the economy recovers. Were the economy to recover more quickly than previous recessions, the coming crop of education leavers may find work sooner than expected, with the quicker recovery serving to reduce the overall amount of scarring they'd experience in the longer term.

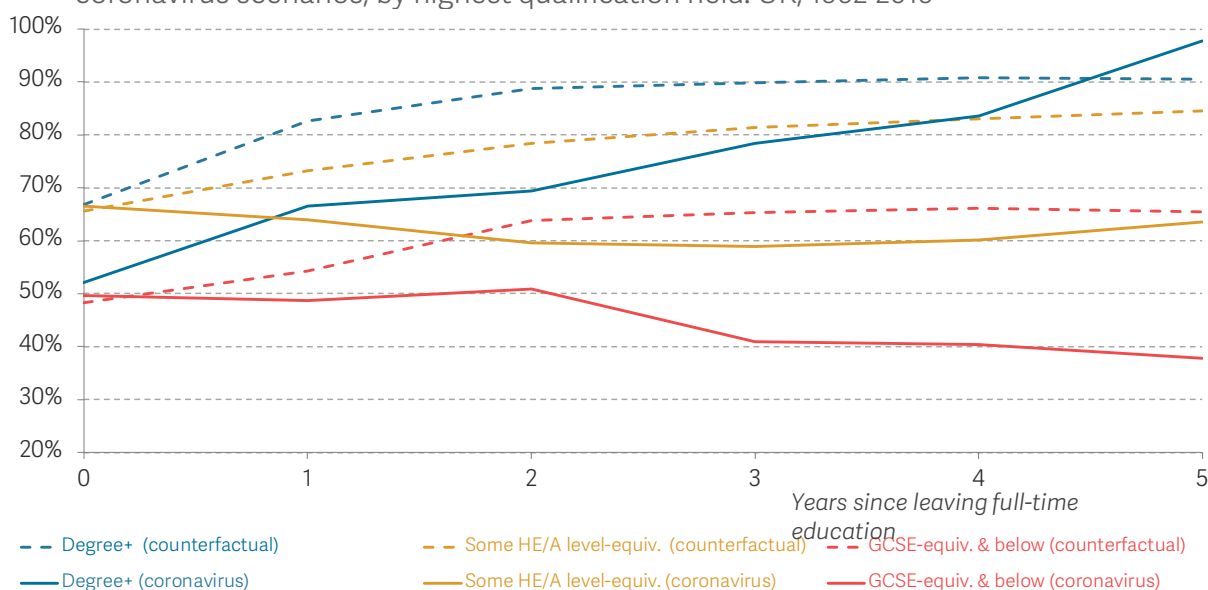
Our model cannot directly account for the speed at which the overall unemployment rate recovers following a peak; it is instead based upon what happened in the past (i.e. between 1992 and 2019). While the OBR has recently forecasted a relatively quick recovery following the current crisis, with unemployment falling from 10 per cent in Q2 2020 back down to 6.2 per cent one year after, the persistence of government restrictions would mean unemployment both rising higher, and recovering more slowly, than the OBR suggests.¹⁷

¹⁷ See: R Hughes et al., *Doing more of what it takes: next steps in the economic response to coronavirus*, Resolution Foundation, April 2020.

Putting recovery estimates to one side, we can view the employment prospects of today’s leavers through a slightly different lens by presenting what we would expect each qualification group’s employment rate to be had they not left during a crisis (i.e. if unemployment had held at 2019 levels) against what we expect it to be in the event of a 6.1 percentage point rise in unemployment. These estimates are shown in Figure 5.

FIGURE 5: Under current projections, the employment rate for lower-qualified education leavers in this crisis three years after leaving education could be as low as 40 per cent

Employment rate in the years after leaving full-time education in counterfactual and coronavirus scenarios, by highest qualification held: UK, 1992-2019



NOTES: Counterfactual trajectories for employment rates in the years after leaving education are estimated based on outcomes for recent education leavers during 2016-2019 measured in the Labour Force Survey, adjusted (based on the ratio between these outcomes and the overall employment rate) to reflect the Office for budget Responsibility’s last pre-coronavirus forecast. The coronavirus scenarios are estimated using the results in Figure 4.

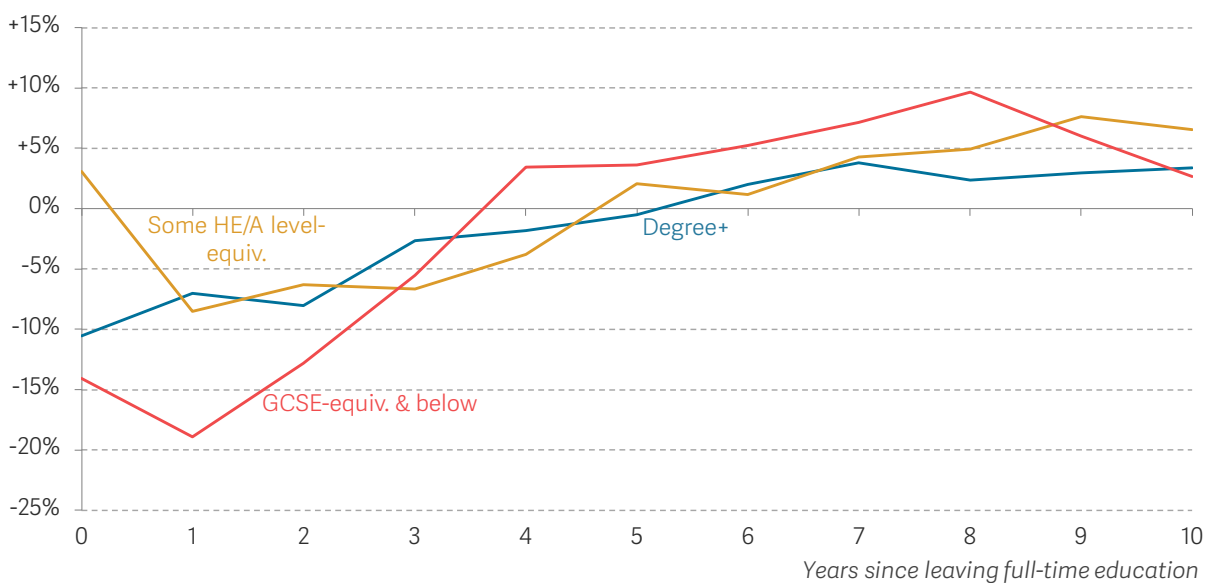
SOURCE: RF analysis of OBR, Economic and Fiscal Outlook, March 2020; OBR, Coronavirus Reference Scenario, April 2020; ONS, Labour Force Survey.

Under our non-crisis (counterfactual) scenario, one year after leaving education employment rates among those with higher-, mid- and lower-level qualifications are 83, 73 and 54 per cent, respectively. Under our coronavirus scenario, we could expect the employment rate among recent graduates to be 66 per cent; the figures for those with mid- and lower-level qualifications would be 64 and 48 per cent, respectively. But while employment scarring effects for graduates reduce after one year and end after four; they persist far longer for non-graduates. In fact, four years after leaving education we’d have previously expected the employment rate for lower-qualified leavers to be 65 per cent; our model suggests that the scarring effects of the current crisis could reduce that figure to 40 per cent.

Of course, economic downturns are likely to affect education leavers in more ways than one. Focusing on those leavers who *are* in employment, Figure 6 models the effects of a 6.1 percentage point increase in unemployment when leaving education on average real hourly pay, according to highest qualification achieved and the number of years since leaving.

FIGURE 6: In the first three years after leaving education, average hourly pay for today's education leavers is expected to be up to one-fifth lower than it would have been absent the current crisis

Change in average hourly pay for a 6.1 percentage point increase in the unemployment rate in the year after leaving education, by highest qualification held: UK, 1992-2019



SOURCE: RF analysis of ONS, Labour Force Survey.

Two years after leaving full-time education, the real hourly pay of new graduates in the current crisis is expected to be 8 per cent lower than had the economy remained stable. Pay for mid-qualified leavers would be 6 per cent lower and lower-qualified leavers' pay would be 13 per cent lower.

Although the initial effects on pay are larger for those with lower-level qualifications, the slightly smaller effects on mid- and higher-qualified education leavers appear to last a bit longer. However, these estimates need to be considered alongside the odds of education leavers being in work in the first place. Figure 4 showed that under a downturn as severe as current OBR projections imply we are experiencing, the likelihood of a lower-qualified education leaver being employed as many as five years after having left education is around two-fifths lower than had the economy not taken a turn for the worse.

Unlike previous recessions, the most-affected sectors are those that attract a large proportion of those leaving education

There are a number of components of previous downturns that sit behind the pay scarring shown above. A key one being education leavers at all levels, and graduates in particular, 'trading down' to lower-skilled occupations (in which they were then more likely to get stuck due to depressed job mobility). During this crisis, however, there is a very large question mark over any group of leavers' ability to do these jobs. Many of the lower-paying roles that education leavers have tended to enter into during their first years in the labour market are in sectors like travel, non-food retail and hospitality that are largely shut down at present, and unlikely to reach full capacity again in the near future. In other words, the first rung of the employment ladder looks to be broken, and it is unclear when, and if, it will be mended back to recent conditions.

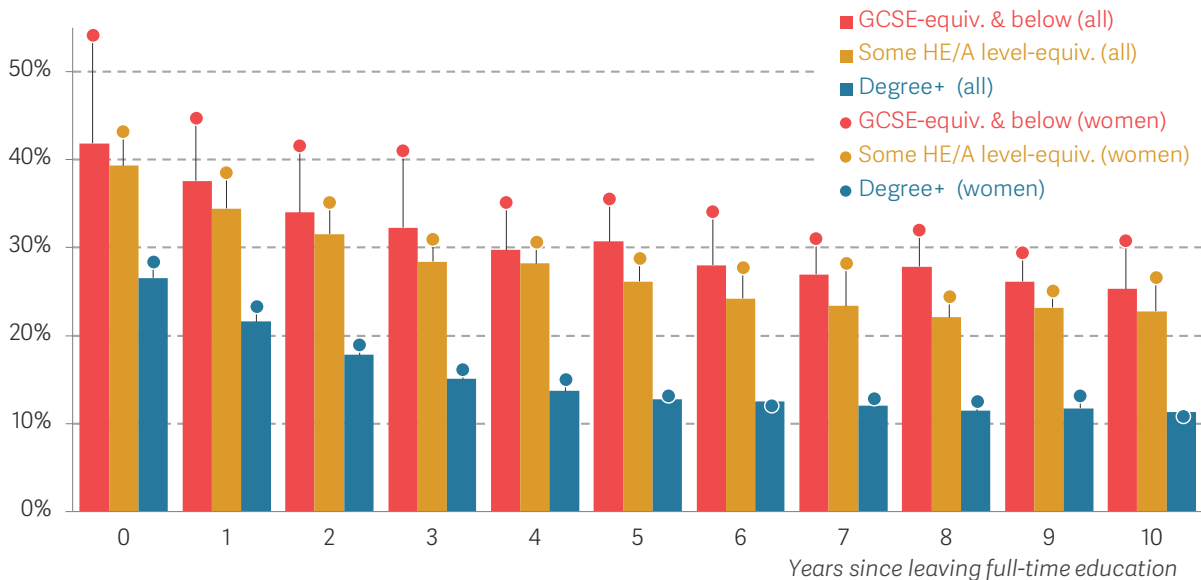
So far, this note has used data on past education leavers' experience in the labour market in order to predict how today's leavers may fare, in terms of employment and pay, over their first years outside full-time education. The regression models that we use, however, cannot account for the fact that the crisis has affected sectors very differently this time around. This is important: recent Resolution Foundation analysis has shown that workers in sectors most at risk from the shutdown in the present, and likely to suffer contractions over the medium-to-longer term, are younger, the lowest paid and with very little job security.¹⁸ Building on that analysis, Figure 7 shows the proportion of education leavers, by qualification and years since having left full-time education, that work in one of these heavily affected sectors. It shows that in their first three years after having left education, more than one-third of non-graduate leavers worked in a shutdown sector. One year after leaving education, more than one-in-five graduates work in these sectors.

Moreover, working in a highly affected sector appears to occur more frequently among women (and in particular women qualified to GCSE or equivalent levels) than among the wider leaver population. For instance, the red dots in Figure 7 show that in the year they left education, just under 55 per cent of young women worked in one of these shutdown sectors; and even three years after leaving education, more than 40 per cent of continued to do so. In other words, these sectors serve as something of first rung into the jobs market for a large proportion of education leavers, including nearly half of lower-qualified women in their first years out of school or college.

¹⁸ See: M Gustafsson & C McCurdy, [Risky business, Economic impacts of the coronavirus crisis on different groups of workers](#), Resolution Foundation, April 2020.

FIGURE 7: A larger proportion of non-graduate leavers begin their careers in shutdown sectors

Proportion working in coronavirus shutdown sectors, by number years since leaving full-time education and highest qualification held: UK, 2009-2019



NOTES: Sectors are: wholesale and retail trade, and repair of motor vehicles; retail excluding food and general retailers; passenger air, sea and river transport; taxi drivers; hotels, restaurants and pubs; real estate activities; photographic activities; renting and leasing of motor vehicles and personal household goods; travel and tour operators; cleaning activities; organisation of conventions and trade shows; other education (sports, recreation, cultural, driving school); arts, entertainment and recreation; repair of personal household goods; dry-cleaning, hairdressing, and physical well-being activities.

SOURCE: RF analysis of ONS, Labour Force Survey.

These are, of course, large numbers of young people whose entry in the labour market could be marred. For instance, one year after having left full-time education in 2017, there were nearly 82,000 non-graduates aged 16-20 working in one of these sectors, and an additional 33,000 graduates aged 21-23. This is, in a sense, a misfortune of age and qualification: while we hear stories about older medics temporarily being called back into service, a large proportion of young and able leavers will struggle to find work.

The risk of a longer-term contraction in shutdown sectors would make the employment predictions set out Figure 4, which do not factor in such large-scale sector shutdowns, very optimistic indeed. This risk could also bring with it something of a triple whammy for lower-qualified leavers specifically: first, even in better economic conditions, this group of leavers is more likely than their counterparts with mid- and higher-level qualifications to work in lower-paid and less secure roles. Second, by dint of leaving education in a recession, they are less likely than their counterparts who left in better economic conditions to find employment. Third, by dint of leaving in *this* recession, with its specific sectoral contractions, they are even less likely than their lower-qualified counterparts who left in previous recessions to find employment shortly after entering the jobs market.

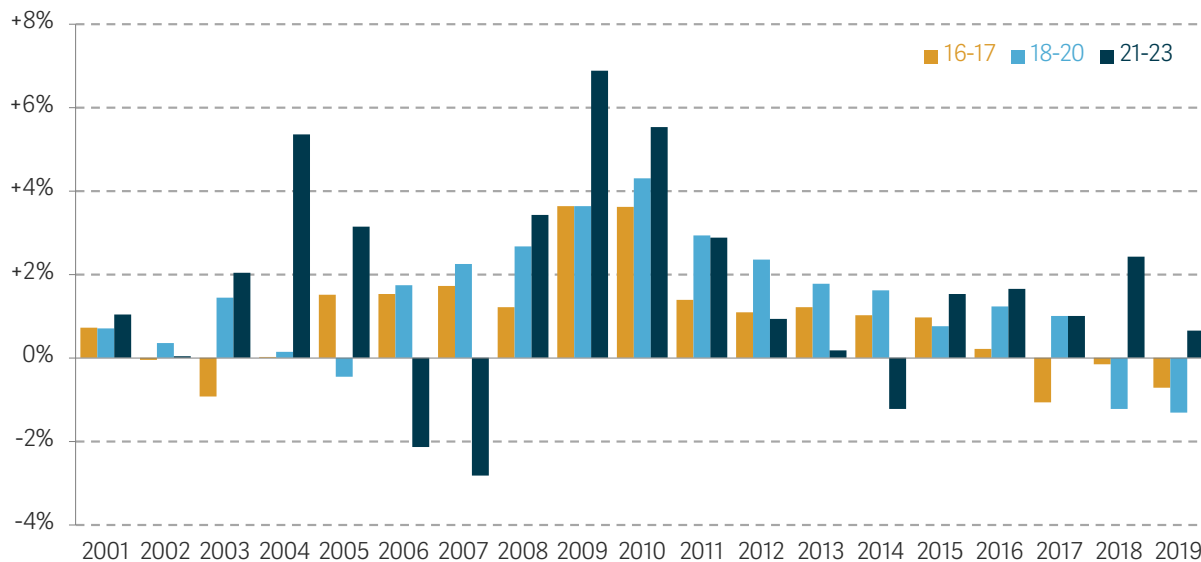
Given these scarring effects for education leavers, it is unsurprising that many stayed on in education in the previous crisis

The analysis in this briefing note has identified the extent to which leavers in previous recessions were scarred in terms of both employment and pay. To the extent that staying in education during the worst of the crisis can prevent young people from experiencing that level of scarring (and to say nothing about the benefits of additional human capital), we might expect some young people to have 'ridden out' the worst of the 2008-2009 recession in education.

There is indeed some evidence of this. For instance, the proportion of 16-17-year-olds in full-time education rose from 77 to 85 per cent between 2007 and 2011; among those 18-20-year-olds full-time participation grew from 43 to 49 per cent and among 21-23-year-olds it rose from 18 to 23 per cent. Impressive as that recession-era growth in staying on may seem in isolation, it needs to be disentangled from broader increases in educational participation. To that end, Figure 8 tracks year-on-year changes in the proportion of each age group studying on a full-time basis.

FIGURE 8: Among 16-23-year-olds, full-time education participation grew more rapidly during the financial crisis

Annual change in the proportion of young people in full-time study at a school, college, polytechnic or university, by age group: UK



NOTES: Bars are smoothed using a two-year rolling average.
SOURCE: RF analysis of ONS, Labour Force Survey.

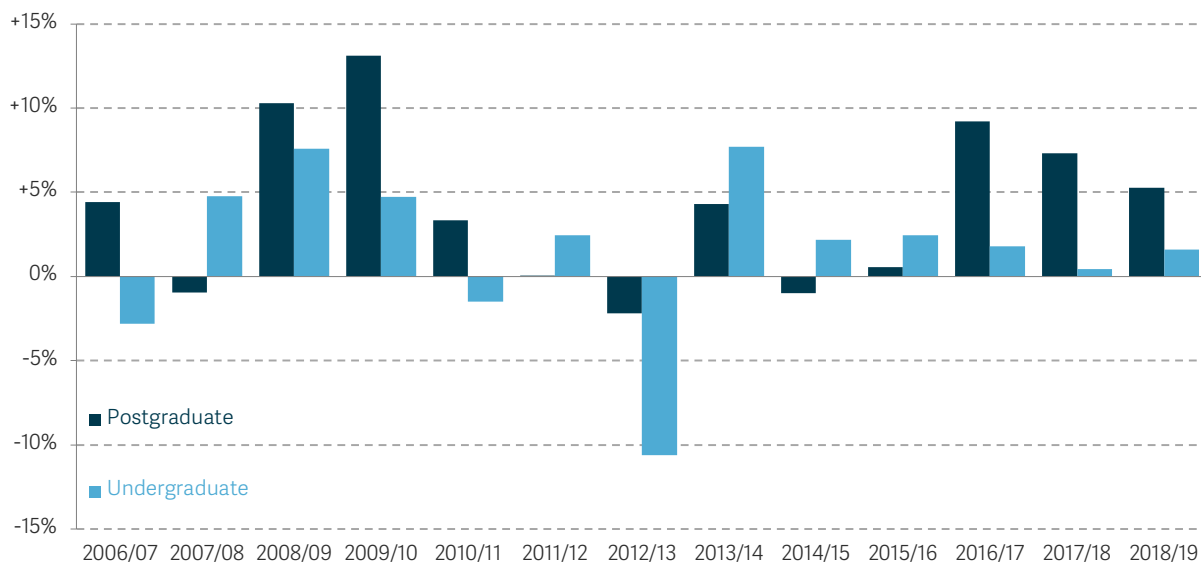
While the rate of growth in full-time participation rose among all groups between 2008 and 2010, the change among 21-23-year-olds was largest, with participation growing by 7 per cent between 2008 and 2009. These patterns lend some credence to the suggestion

that young people in general have in the past attempted to seek shelter in education during a recession. However, the reasonably large rate of increase that occurred among 21-23-year-olds hints specifically at graduates forestalling their entry into the labour market in order to study a Master's degree.

One additional way of probing this outcome is by looking at the year-on-year change in the number of first year higher-education students, as shown in Figure 9.

FIGURE 9: The number of students in full-time postgraduate and undergraduate study rose in the years surrounding the financial crisis

Annual change in the number of full-time, first-year higher education students, by qualification type: UK



SOURCE: Higher Education Statistics Agency.

While figures that specifically show study by level and mode (i.e. part time and full time) are only available from the 2005/06 academic year, there is a clear indication of growth – particularly among full-time, first-year postgraduate students – in 2008/09, 2009/10 and 2010/11 (the onset and peak of the last recession), which would be consistent with graduates delaying their entry into the labour market.

Young people will have a range of reasons for wanting to stay on in education, from 'riding out the storm' to additional learning

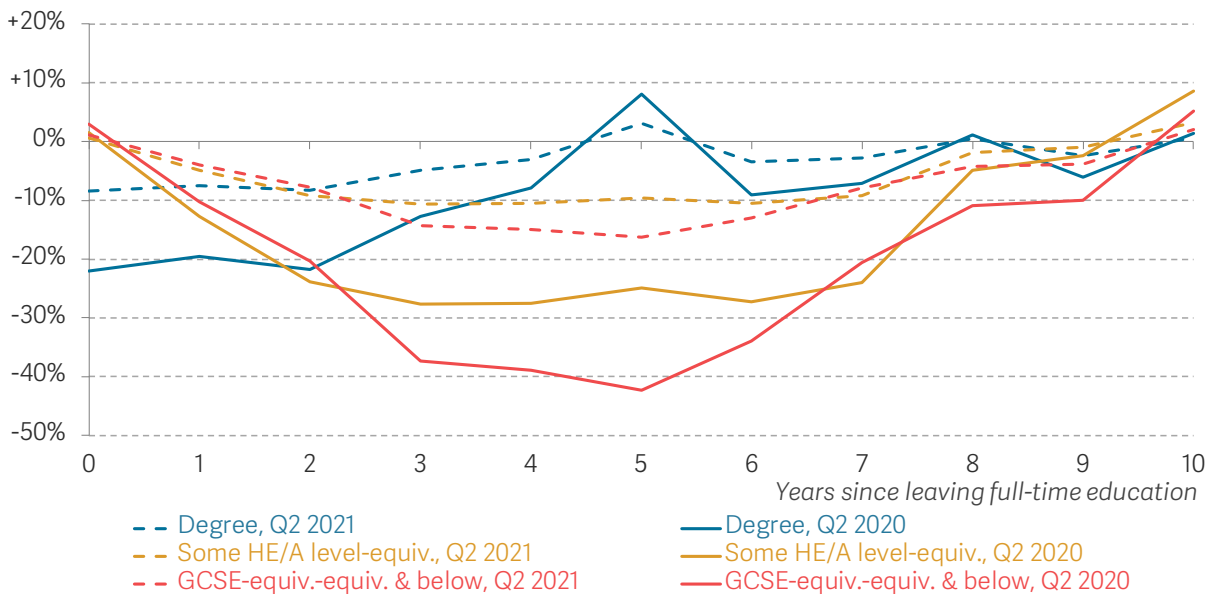
The assumption propping up the 'ride out the storm' narrative mentioned above is that in the midst of a recession young people will opt to stay on in education primarily to avoid unemployment and any gaps in their CV that could in time bias employers against

them (to say nothing of the benefits of the extra education gained). As a starting point for thinking about this ‘delay’ strategy, the regression results shown earlier in this note are instructive.

Taking employment, for example, Figure 10 suggests a lower-skilled young adult delaying education exit by a year in this crisis (which we model as bringing the unemployment rate upon leaving education down from the 10 per cent forecast by the OBR for Q2 2020 to the 6.2 per cent rate forecast for Q2 2021) might see the hit to their employment rate three years after leaving reduced from 37 per cent to just 18 per cent. Ultimately, of course, the size of the benefit incurred by staying in education for an additional year hinges not just on the prevailing unemployment rate near to the time a person leaves education, but also on the speed at which unemployment falls back down. There are big question marks over how quickly this will happen in this crisis, with the winding down of the Coronavirus Job Retention Scheme potentially driving high unemployment inflows even while GDP is recovering.

FIGURE 10: Depending on the shape of the current recession, graduates who stay on in education could be substantially shielded from negative employment scarring

Change in chance of being employed for a 6.1 percentage point (2020) and 2.3 percentage point (2021) increase in the unemployment rate in the year after leaving full-time education, by highest qualification held: UK, 1992-2019



NOTES: The 2020 scenario is modelled based on the change in the unemployment rate between Q2 2019 and Q2 2020 in the OBR’s coronavirus forecasts; the 2021 scenario is modelled based on the change in the unemployment rate between Q2 2019 and Q2 2021 in the OBR’s coronavirus forecasts.

SOURCE: RF analysis of ONS, Labour Force Survey.

Added to the motivation to 'ride out the storm', the biggest cost of staying on in education has always been earnings foregone. The decline in job and pay prospects during a recession lowers this cost. Young people deciding between leaving and staying are likely to weigh up how much better they'd off be by gaining an additional qualification (and any future pay premium that comes with it) compared to going into work and accumulating earnings from a younger age. However, these calculations may require adjustment in a recession, when leavers' prospects of finding a decent job are substantially lower than in better conditions. Finally, the unique sectoral effects that have to date characterised this crisis may offer another reason still for young people – and especially those with lower-level qualifications – to stay on in education.

Whatever a person's reason for staying on, many will face substantial hurdles in their attempts to do so. And however many do stay on, the large number of education leavers approaching the jobs market head on will struggle to find work. To that end, we turn to policy options that will support these groups.

Government should consider policies that help young people to stay on in study, as well as helping leavers navigate a treacherous labour market

The economic fallout from the coronavirus will bring substantial challenges to young people who would otherwise be getting a start in the labour market. Although some of these challenges, like high unemployment and a scarcity of job openings, were prominent features in past recessions, other challenges – ranging from school, college and university closures to near-shutdowns of certain sectors – are unique to the crisis at hand. Many young people have had their education interrupted, with a large socioeconomic divide between those who do and do not have the support and resources to learn effectively from a distance.¹⁹

The number of young people currently facing the choice between further study and exposure to the labour market is large, and the group is diverse. It is made up of a small number of 16-17-year-olds who, based on past years' outcomes, would have expected to be doing an apprenticeship (5 per cent) or other form of work-based learning (6 per cent); roughly 365,000 (52 per cent) 18-year-old school leavers who would not have progressed immediately onto further or higher education after completing their compulsory schooling; and roughly 450,000 18-24-year-olds who would be coming to an end of their current further or higher education studies and not progressing immediately to another

¹⁹ See: C Cullinane & R Montacute, [Covid 19 impacts: school shutdown](#), Sutton Trust, April 2020.

course (figures discussed in more detail in the sections below). In total, all else equal we might have expected 800,000 18-24-year olds to leave education and approach the world of work this year.²⁰

Of course, the current crisis could put a halt to this flow of young people into the labour market, and thereby lead many to make very different choices from their immediate predecessors. With unemployment rising and recent evidence showing that new job vacancy listings have fallen by 76 per cent between the beginning of the coronavirus crisis and the third week of April,²¹ many more of today's leavers could opt to forestall their entry to the labour market by staying on in education.

The following sections turn more specifically the challenges that this group faces, whether opting to continue on in education or trying their hand in the jobs market. In so doing, it highlights a number of broad policy responses that could help to alleviate some of the difficulties, broken down into two broad categories: those that will remove barriers for leavers who opt to stay on in education and those that will help young people navigate their entry into a highly treacherous labour market.

Policies that support young people to stay on in education need to account for a diverse set of challenges

The diversity of reasons why young people would benefit from additional education (particularly in light of the current crisis) will warrant an equally wide range of policy responses. As discussed above, one reason for staying on in education is simply to ride out the worst of the economic storm. In addition, the opportunity cost of studying rather than working is lower in times of crisis. Many may also want the chance to retrain or get more education given that the sector-specific effects of this crisis will have removed vacancies in roles they otherwise might have chosen. In addition, and very unusually, many will have had their education disrupted and would wish to compensate for that.

The vast majority of 16-17-year-olds are enrolled in full-time education and thereby sheltered at least temporarily from the effects of the current crisis on the labour market. In England, for instance, regulations to raise the education participation age (RPA) require

²⁰ These figures present an estimate. There is no single source that provides detailed participation and destination figures for UK students and education leavers across England, Scotland, Wales and Northern Ireland. In order to come to an estimate of what students and leavers are likely to do during and immediately after the 16-18 education stage across the whole of the UK, we have applied the latest available destination and participation rates for England to UK population estimates. To estimate post-compulsory leavers, we use the UK-wide Labour Force Survey to calculate how many UK-born 18-24-year-olds outside of compulsory study are in full-time education and are not in full-time employment. We then calculate the number of expected leavers by dividing these figures by the typical amount of time each qualification takes on a full-time basis, with some rough adjustments for those who would normally move immediately on to further study. Limiting our analysis to UK-born students will inevitably exclude some UK labour market entrants, but it is the only available method for removing foreign students, who came to the UK to study and are a likely to return the labour market in their home country. Source: DfE, [Participation in education, training and employment: 2018](#), June 2019; DfE, [16 to 18 destination measures 2017 to 2018](#), October 2019; ONS, [Population estimates for the UK, England and Wales, Scotland and Northern Ireland: mid-2018](#), June 2019; ONS, Labour Force Survey.

²¹ D Papoutsaki et al., [Weekly vacancy analysis: Vacancy trends in week-ending 19 April 2020](#), Institute for Employment Studies, April 2020.

young people to continue their education or training until their 18th birthday. While most 16-17-year-olds opt to do so in full-time study (83 per cent in England for instance), a small minority are enrolled on apprenticeships (5 per cent in England), or on traineeships or other jobs that include a training component (6 per cent).²²

The current economic crisis puts this group's future chances of taking on a work-based learning programme at major risk: a recent survey of apprenticeship providers found that just 20 per cent of the apprenticeship starts due to take place in April came to fruition, with popular sectors for young people like hospitality and construction among those affected.²³ Beyond apprenticeships, the temporary shutdown of a large proportion of industries, in combination with furloughing and job losses across the wider economy, have raised concerns that employers will soon be unable to provide as many apprenticeships or work-based learning programmes as they had in recent years.²⁴ This has serious implications not only for the apprentices and trainees already in these programmes, but also for those who expect to flow into them in the next academic year.

Applying recent participation patterns in England to the total 16-17-year-old UK population implies a cohort of roughly 160,000 16-17-year-olds who might otherwise have been on, or going into, an apprenticeship, traineeship or other form of work-based learning. Added to that are an additional 30,000 who would have been in a job that offered no training and nearly 55,000 either unemployed, inactive or uncaptured by local authority data.²⁵ While a majority in the latter two groups would previously have fallen foul of RPA requirements,²⁶ there is now a substantial risk that the first group will do so too – as their planned (and existing) work and training opportunities dry up.

On this basis, the Government, local authorities and educators should put in place contingencies to ensure this does not happen – in addition to helping those young people who might have fallen through the cracks anyway. In the first instance, this means employers, local authorities, colleges, and training providers working together to immediately identify whose apprenticeships have stopped and whose new apprenticeship starts are likely to be cancelled.²⁷ Second, policy makers in England, should

²² Department for Education, [Participation in education, training and employment: 2018](#), June 2019.

²³ N Linford, [Revealed: Covid-19 hit to apprenticeship starts](#), FE Week, April 2020.

²⁴ The inability, or reticence, of employers to hire and train young people also has implications for the Government's new Level 3 technical education courses, T Levels, all of which include a mandatory 45-day work placement, and some of which are due to be rolled out this coming September. The number of young people expected to start a T Level this year is very small, and most will not have to complete their work placement during 2020/21 (T levels are two -year programmes), but without any flexibility on the requirement, the inability to source work placements could render some courses unviable over the medium term.

²⁵ Source: DfE, [Participation in education, training and employment: 2018](#), June 2019; DfE, [16 to 18 destination measures 2017 to 2018](#), October 2019; ONS, [Population estimates for the UK, England and Wales, Scotland and Northern Ireland: mid-2018](#), June 2019; ONS, Labour Force Survey. For further details, see footnote 20.

²⁶ There are exceptions for a number of groups, including full-time carers, members of the armed forces, and those on a re-engagement to education programme. Local authorities are also encouraged to apply flexibility with new parents. Young people with a job that offers no training should have been encouraged to take up part-time study or a training that leads to a regulated qualification.

²⁷ The Department for Education have provided some guidance to employers and training providers, though it is likely that young people will incur delays in learning whether or not their programme will move forward. See: K Parker, [Covid-19 and training providers: all you need to know](#), TES, April 2020

consider giving more teeth to RPA requirements – with local authorities committing to find a full-time education place or training opportunity for each 16-17-year-old.

This will imply some funding challenges for both students and educators. Many young people will have been expecting some earnings this year. Some educational institutions will struggle with the cost of teaching more students: in England, for instance, already-strained college funding is broadly allocated according to the number of students taught in the previous year.²⁸ As such, government should consider allocating additional funding on an emergency basis to cater to additional students, alongside committing to a wider conversation about the mechanics of the funding system.

Turning to 18-years-old brings us to a key transition point: most young people that age will complete secondary school, moving on to either higher or further education, an apprenticeship or to the labour market. Taking the latest available destination figures for 18-year-olds in England shows that in the year after leaving their 16-18 education stage, nearly half (48 per cent) immediately continued their studies in higher or further education, with the remainder moving into employment, an apprenticeship, unemployment or inactivity (although many of these young people may decide to return to education in future).²⁹

In other words, given recent student destinations we might expect that just under half of today's 18-year-olds were preparing to directly progress their education elsewhere, and slightly more than half were up until very recently about to enter the labour market. Figure 11 puts those figures into context by applying them to the 2020 UK population of 18-year-olds, showing that just over 330,000 would be on train to immediately continue their education, with the remaining 365,000 divided between moving into employment, an apprenticeship, unemployment, or inactivity.

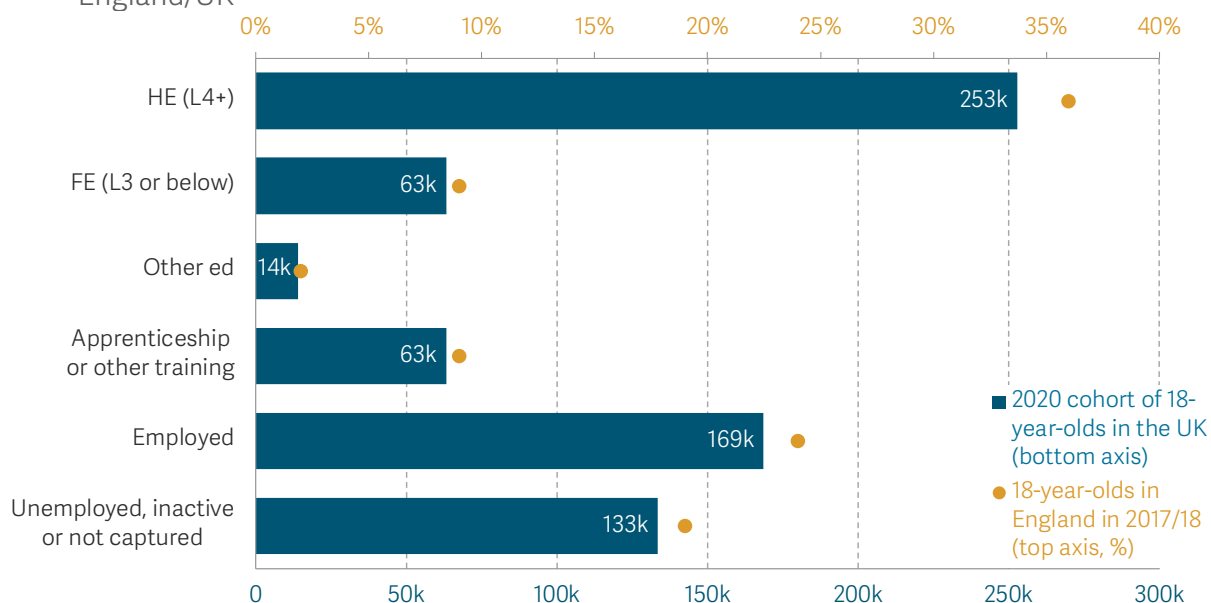
Given the challenging economic conditions set out above, it's likely that some young people will now want to change the destination that they'd so recently had in mind. As discussed above, in 2009 the number of 18-20-year-olds in full-time education (higher or further) grew by 3.6 per cent on the previous year. Applying that increase to today's 18-year-old population would imply an additional 11,500 students across higher and further education next year. Though given the unique challenges of this crisis, those additional numbers could be substantially higher.

²⁸ See: J Britton C Farquharson & L Sibieta, [2019 annual report on education spending in England](#), Institute for Fiscal Studies, September 2019.

²⁹ For instance, the higher education participation rate for the UK indicates that roughly 50 per cent of young people will have had at least some experience in higher education by the time they turn 30. See: Department for Education, [Participation Rates in Higher Education: Academic Years 2006/2007 – 2017/2018](#), September 2019.

FIGURE 11: Around half of 18-year-olds normally go on to further or higher education

Expected destinations of 18-year-olds one year after having left school or college: England/UK



NOTES: UK destination numbers are estimated based on the distribution of destinations in England in 2017/18, applied to the UK population of 18-year-olds in 2020.

SOURCE: DfE, 16 to 18 destination measures 2017 to 2018, October 2019; ONS, Population estimates for the UK, England and Wales, Scotland and Northern Ireland: Mid-2018.

And yet, today's 18-year-old leavers may face challenges in their attempts to stay on. For instance, as of January 2020, 39 per cent (275,000) of UK-domiciled 18-year-olds had applied to higher education.³⁰ While there will be a number of 18-year-old leavers who had not applied to higher education but would now like to do so, the process for applying now is not straightforward: the main deadline to apply for autumn entry into university through the University and College Admissions Service (UCAS) was in January.³¹ Some further flexibility may be needed.

Flexibility would, where possible, also help alleviate some concerns over university finances, where the fall in foreign student fee income is expected to hit sharply.³² To that end, the Government should work with schools, colleges, universities and UCAS to ensure that students have access to robust information, advice and guidance, which makes it clear that even under current arrangements they have until 30 June to apply via UCAS for many courses, and until 20 September to apply via Clearing for university this autumn.

³⁰ They represent about half of applicants to higher education, as many others apply aged 19 or older.

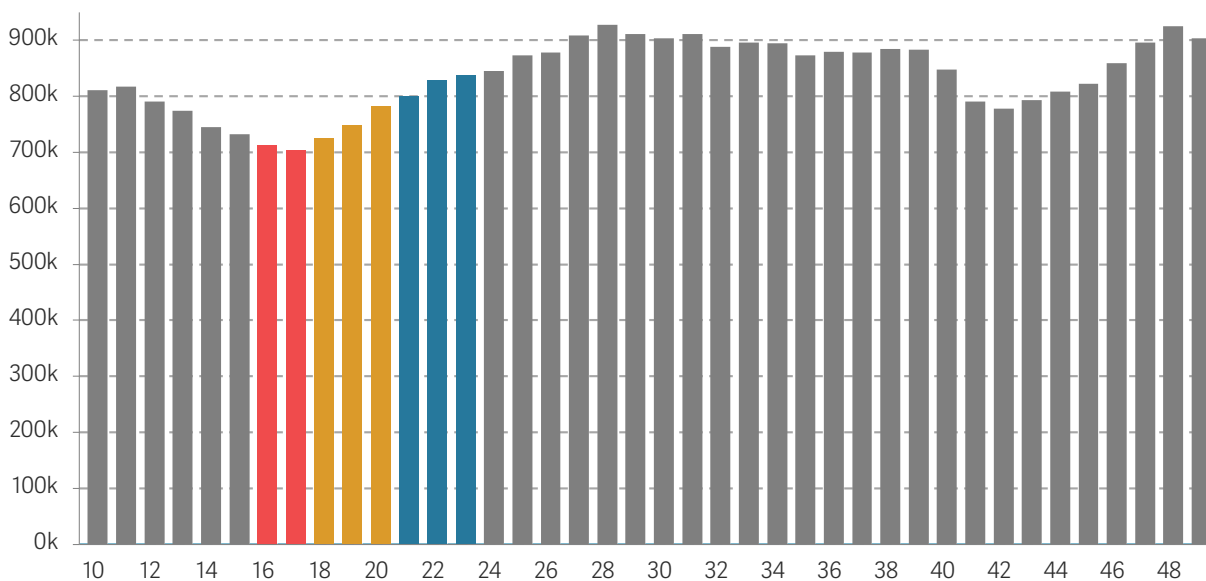
³¹ There are also concerns that the grading provisions put into place as a result of social distancing may negatively affect young people from disadvantaged backgrounds, with some evidence showing that high-achieving students from disadvantaged backgrounds have their grades under-predicted at a higher rate than their counterparts from more socioeconomically advantaged backgrounds. See: C Lough, *Coronavirus: Williamson warned over grading 'injustice'*, Times Educational Supplement, April 2020.

³² See: Universities UK, *Achieving stability in the higher education sector following COVID-19: Achieving stability in the higher education sector following COVID-19*, April 2020.

One of the benefits to acting now is that investing in this particular cohort of 18-year-olds will, in population terms, go further than normal. This cohort of 18-year-olds is unusually small, reflecting the dip in the birth rate around 2002. This means that educating the same absolute *number* of students would benefit a larger *proportion* of this cohort than would have been the case in previous years (see Figure 12).

FIGURE 12: The 'demographic dip' means the Government could help a larger proportion of younger cohorts while educating a similar number of people as in recent years

Size of single-year age groups in 2020: UK



NOTES: Ages 16 and 17 (when GCSEs or other Level 2 qualifications are typically taken), 18-20 (A levels or other Level 3s) and 21-23 (when degrees are typically completed) are highlighted to indicate the size of each cohort potentially affected by policies designed to help young people stay in education. These figures take the Office for National Statistics' 2018 mid-year estimates and add two years to each age in 2018 in order to estimate the size of that cohort in 2020.

SOURCE: RF analysis of ONS, Mid-2018 population estimates.

For instance, roughly 232,000 18-year-olds entered university in 2018 in the UK equivalent to 31 per cent of the 18-year-old population. Allowing that absolute same number of 18-year-olds to enter university today would mean educating more than one-third (34 per cent) of this cohort. Among the numbers of young people reconsidering their plans, we would expect a sizeable portion to want to move onto a further education course at Levels 3 (A level equivalent) or below, or at Levels 4 and 5. Some of these are taught at universities, and others at further education colleges. For instance, Figure 11, above, suggests that before the current crisis began we might have expected roughly 9 per cent (63,000) of 18-year-olds to have taken up study at Level 3 or below.

There are large barriers sitting before young people who would like enter further education courses. Although, in most cases, 18-24-year-old students in further education

will be able to access student finance in order to cover any tuition fees,³³ they will have no access to maintenance support – loans to cover living costs. This also applies to students studying higher-level technical courses (i.e. Levels 4 and 5) outside of higher education.³⁴

Were a young person to opt to protect themselves from the worst of the crisis and develop their skills more broadly, they would need to find another source of income to support their living costs – and most would lose benefit eligibility once they begin to study for more than 16 hours a week.³⁵ This stands in stark contrast to their similarly-aged counterparts in higher education, who on average come from more advantaged backgrounds,³⁶ and who are eligible for an annual maintenance loan worth between £7,500 and £10,500.

On top of the maintenance barrier, there are additional funding restrictions reducing the flexibility of what can be offered both in further education (FE) and higher education (HE). These barriers are longstanding, but given the acute problems facing young people now, there is a strong case for action over the next twelve months. For instance, student finance is only available to those who register for a full qualification, meaning those hoping to study for a shorter period of time or a specific license to practice (e.g. doing a few modules on a full-time basis until the labour market improves) would have to pay upfront.

This is an unlikely scenario for most and drives inequalities in access, especially in the current crisis when household incomes are squeezed more than usual. Similarly, rules that in most cases restrict student finance from those wanting to study for a qualification that is equivalent or lower than the qualification they already have (ELQ rules), make it hard for a student to be funded for an extra six or 12 months doing a different course at the same educational level.

Given the challenges set out above, government should consider a system of additional maintenance support: be that a bursary system or means-tested maintenance loans. Government should also consider offering student finance on a modular basis across FE and HE – so that prospective students won't worry about the risks of being 'locked in' to completing a full course that could last a year or longer.

³³ Young people under age 24 do not pay tuition fees for further education courses at Levels 2 and 3 provided they do not already have one of these qualifications. Those 24 or older, taking on additional courses at a qualification they have already achieved, or taking on a technical (non-higher education/prescribed course) qualification at levels 4 and 5 have access to an advanced learner loan.

³⁴ Often called a 'prescribed' course.

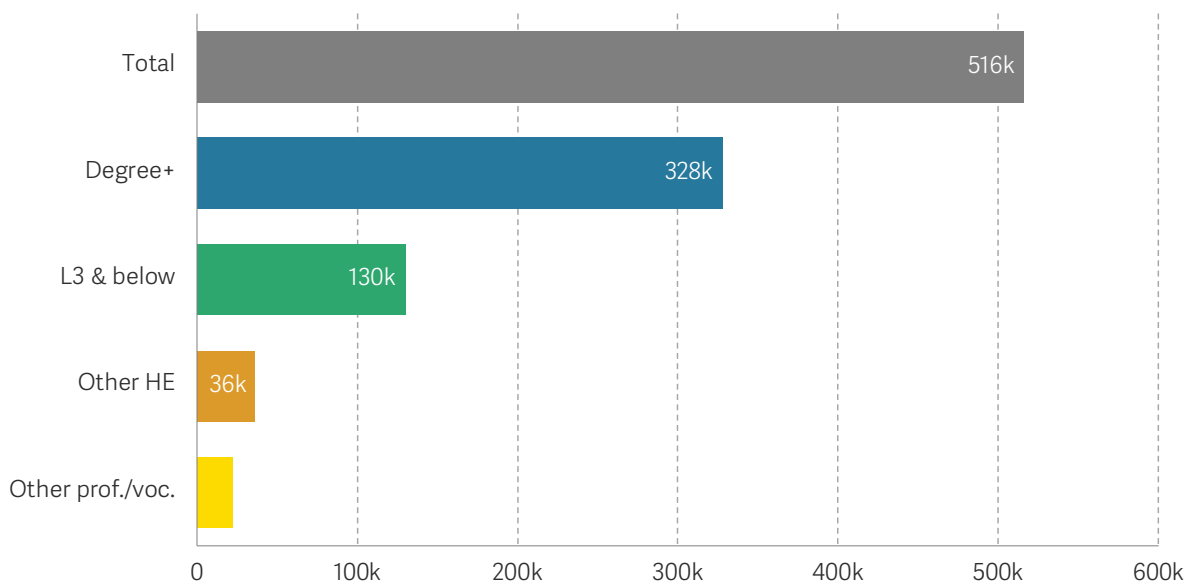
³⁵ For instance, in most cases, full-time students cannot claim Universal Credit. Exceptions include where a student is age 21 and under and studying for their first Level 2 or 3 qualification.

³⁶ For instance, the Labour Force Survey shows that 58 per cent of 18-24-year-olds who were currently studying for a degree during 2015-2019 had parents who were in managerial, professional and associate professional roles when that respondent was age 14. Among those 18-24-year-olds studying for BTEC and City and Guilds qualifications, the equivalent figures are 35 per cent and 40 per cent, respectively.

Shifting our focus from those considering starting their first HE or FE course this year to those completing one, we estimate that roughly 516,000 UK-based 18-24-year-olds will be leaving full-time education in an HE or FE setting (see Figure 13). Of course, not all of these students will progress immediately into the labour market: for instance, universities' destinations data suggests that just over one-third of those on 'other' higher education courses (e.g. 13,000 students on HNCs, HNDs and foundation degrees) would be expected to progress to further study, as would roughly 17 per cent of UK-domiciled Bachelor's degree graduates (56,000).³⁷ This leaves us with an estimate that around 450,000 18-24-year-old HE and FE leavers would be approaching the labour market this year, all else equal.

FIGURE 13: We would expect roughly 500,000 post-compulsory leavers aged 18-24 to be finishing their current course this year

Number of full-time, UK-born students expected to complete their course this year, by level of study: UK



NOTES: Expected leavers are calculated by dividing the number of full-time, UK-born students without a full-time job at each qualification level by the typical number of years it takes to complete each qualification on a full-time basis.

SOURCE: RF analysis of ONS, Labour Force Survey.

In terms of those progressing onto a Master's course, we note a worrying socioeconomic divide in the young graduates who are able to do so: those who do go on to attain a Master's at a young age overwhelmingly come from higher socioeconomic backgrounds.³⁸ Government may want to consider alleviating the disparity in young

³⁷ Estimates based upon latest available UK higher education outcomes data; See: Higher Education Statistics Agency, [Destinations of Leavers from Higher Education 2016/17](#), July 2018.

³⁸ 25-29-year-olds with a Master's degree are more than twice as likely to have parents who worked in an occupation classed as highly skilled, as opposed to one classed as mid- or lower-skilled. See: K Henehan, [Pick up the Pace: the slowdown in educational attainment growth and its widespread effects](#), Resolution Foundation, March 2019.

people's take-up of Master's degrees by increasing loans on a means-tested basis to help recent graduates from disadvantaged backgrounds gain additional education and take shelter from the current economic storm.

This economic crisis is unique in that it runs in parallel with the closure of schools, colleges, training centres and universities. These disruptions themselves could have scarring effects for leavers and younger children alike: although many institutions have moved towards remote learning, there is little doubt that disruptions have brought typical amounts of student learning below normal levels. And the amount and quality of remote learning currently happening appears very unevenly distributed: many young people from disadvantaged backgrounds and education providers in deprived areas do not have the required resources.³⁹ And particular forms of technical education and apprenticeship training are poorly suited to a remote environment.⁴⁰ While this loss of education and guidance will undoubtedly affect students of all ages, those leaving education this year may also suffer from an absence of formal and informal guidance: from on-hand careers advice and interview preparation, to job fairs, to broader opportunities for networking.

This adds up to a conclusion that many young people would be better off getting some more training and education, rather than leaving education immediately. At the same time – though this is a secondary argument – many education institutions are in severe financial difficulty and could be standing empty for several months even as the lockdown is eased. There is a case for a government programme to help fill in these educational gaps in the short term. Since the short time horizon limits the potential for highly specified interventions in this area, the Government could consider launching an education leaver innovation fund.

Schools, colleges, universities and alternative learning providers could put forward proposals for programmes in their areas to help their own leavers, lasting roughly six months. Government would not specify absolute requirements, but identify preferences for programmes that offer learning and have links to employers or work-readiness at their core. Policy makers might also signal preferences designed to help students from disadvantaged backgrounds and deprived areas who have been least able to keep in contact with their schools and colleges.

These proposals could be assessed by the Office for Standards in Education, Children's Services and Skills (OFSTED) or the Office for Students (OfS). Assuming that 20 per cent of 18-year-old leavers from compulsory education and 20 per cent of 18-24-year-old leavers from FE and HE take up the offer, the programme could benefit roughly 160,000 young people. With funding of £1,500 per student, for example, the innovation fund could

³⁹ C Cullinane & R Montacute, [Covid 19 impacts: school shutdown](#), Sutton Trust, April 2020.

⁴⁰ K Parker, [Covid-19 and training providers: all you need to know](#), Times Educational Supplement, April 2020.

be allocated a budget of up to £240 million. Given the time pressures at hand, it would need to be developed in very short order, with the aim of making funds available from the end of June to cover six-month programmes to the end of the year.

Job guarantees and priority access to apprenticeships should be considered to reduce scarring for those who do leave education in this crisis

Our analysis has shown that young people leaving education in the midst of a recession are less likely to be employed, and suffer scars to their pay for years to come. This necessitates a focus on those approaching the labour market this year, either for an apprenticeship or a job.

There were roughly 135,000 16-24-year-olds in England that started an apprenticeship so far during the 2019/20 academic year. While older apprentices (in many cases, pre-existing staff) form an increasingly large majority of starts in higher-education-level apprenticeship programmes (notably in business, administration and law), younger apprentices are disproportionately likely to be in sectors that are at risk of severe contraction in the current crisis. So far during the 2019/20 academic year, half of all 16-24-year-old starts in England were in construction, manufacturing and engineering, leisure and travel, and retail and hospitality. While these sectors may take different amounts of time to recover, contraction is highly likely to lead to a sharp drop in apprenticeship vacancies over the short-to-medium term, effectively blocking a training pathway for recent 16- and 18-year-old education leavers. For those apprentices part-way through programmes, it could risk an end to learning altogether.

As yet, we do not know how many apprentices have been furloughed or laid off,⁴¹ nor do we have any official figures outlining the extent to which businesses' specific apprenticeship 'commitments' (i.e. their plans, registered with the Department for Education's apprenticeships service, to hire a particular number of apprentices over the coming months) have changed since the economic fallout from the coronavirus began.⁴² However, there is worrying evidence – discussed above – that the pipeline for new starters has already dried up: a recent survey found that 80 per cent of planned starts in April did not come to fruition, with public service apprenticeships the only ones to go forward.⁴³

⁴¹ While the Department for Education has helpfully outlined that current apprentices can continue to receive training while being furloughed, and has put contingencies in place for extending end dates, there are doubts about the extent to which training is happening and/or is possible in many sectors.

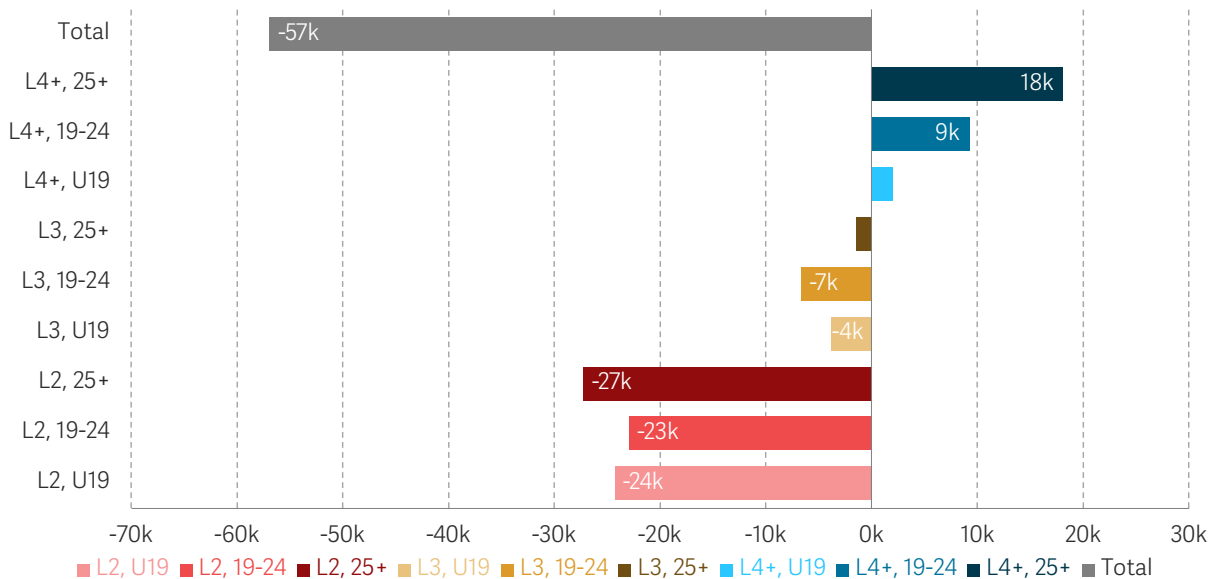
⁴² The latest available figures at the time of writing were recorded in February 2020.

⁴³ N Linford, [Revealed: Covid-19 hit to apprenticeship starts](#), FE Week, April 2020.

Unfortunately, this crisis comes on top of pre-existing challenges to the apprenticeship system. Following on from the implementation of the apprenticeship levy and wider training reforms in April 2017, there has been a steady fall in the number of apprenticeship starts among younger people (Figure 14). By contrast, there has been a smaller – but substantial – rise in the numbers of older apprentices (age 25 and over) studying at higher levels (Level 4+), with some evidence suggesting that a large proportion of these older, higher-level starts comprise pre-existing staff, rather than new starters to a firm.⁴⁴

FIGURE 14: There has been a large fall in the number of apprenticeship starts going to younger people

Change in apprenticeship starts, by age and level of study: England, August-December 2015/16 to August-December 2018/19



SOURCE: RF analysis of DfE, Apprenticeship and levy statistics.

Within that Level 4+ category, much of the growth has been funded by levy-paying firms and taken up specifically by older apprentices studying at the Bachelor’s (Level 6) and Master’s (Level 7) equivalent levels. These Level 6 and 7 programmes are predominantly in professional sectors like accounting and finance, and business management (e.g. MBA-style apprenticeships) and cost on average much more than their programmes at lower levels of study.⁴⁵ This economic crisis could hasten these developments without specific interventions to support younger apprentices.

While government, schools and colleges should work to ensure that 16-17-year-olds who are currently on, or had plans to start, an apprenticeship that’s now been put on hold are given suitable alternatives, there’s a risk that apprentices above the school participation

⁴⁴ See: K Henehan, *Trading up or trading off? Understanding recent changes to England’s apprenticeships system*, Resolution Foundation, August 2019.

⁴⁵ See: K Henehan, *Is the government’s apprenticeships strategy set to change?*, Resolution Foundation, March 2020.

age will be left out. To that end, the Government should consider policies that ensure employers who are able to continue to offer apprenticeships do so in the spirit of providing routes to a good career for young people and new entrants. In practice, that means government mandating that employers spend the majority of their levy funds on training young people (those under 25) and/or on new employees to the firm.

For those existing apprentices who have been furloughed or laid off, the Government should work with colleges and training providers to ensure their training is able to continue and that apprentices have the appropriate resources to take part. Given that some levy-paying employers simply won't have roles appropriate for 16-18-year-olds (e.g. because most of the roles assume a higher level of education), some have called on the Government to create a dedicated 16-18 apprenticeship participation budget. This way, funding for 16-18-year-old apprentices would be just as guaranteed as funding for 16-18-year-old A level students.⁴⁶

Beyond would-be apprentices, the group of education leavers approaching the labour market this year will be varied. Some will leave education with high-level qualifications and career destinations in mind, while others will have struggled to attain basic literacy and numeracy, leaving without much sense of job direction. And while we have outlined the extent to which leavers with lower-level qualifications feel the effects of employment scarring more acutely, scarring is evident among full-time leavers across qualification levels, in a large part because pathways to employment – and for many graduates, pathways to better-paid employment – become blocked. Finally, the number of young people affected won't simply be limited to those who leave education this year. Our analysis of unemployment outcomes for the 2003 cohort of non-graduates, in Figure 2, suggests that even those in their mid-20s today will suffer clear negative effects.

Looking again to the OBR's coronavirus forecasts provides clues as to the scale of the forthcoming rise in youth unemployment. During the financial crisis, the relative increases in the 16+ and 18-24-year-old unemployment rates were similar. Assuming that pattern holds this time around, then the 6.1 percentage point (157 per cent) increase in the unemployment rate that the OBR projects to occur among the 16+ population between Q2 2019 and Q2 2020, would imply an increase in the 18-24-year-old unemployment rate from 10.5 per cent (last available figures) to 27 per cent.

⁴⁶ S Pember & M Corney, [No Time to Lose on Post-16 Education, Training and Jobs](#), Campaign for Learning & NCFE, April 2020; S Evans & J Dromey, [Bridging the Gap: next steps for the apprenticeship levy](#), Learning and Work Institute, October 2019.

This is equivalent to roughly 640,000 additional 18-24-year-olds being unemployed, bringing the unemployed 18-24-year-old population to just over one million.⁴⁷

In the first instance, those in this group who engage with the benefits system will require some form of triage – an increase in the capacity of work coaches to provide one-to-one, specialist support. But while job search and training support can have positive effects, it likely won't be enough in the depths of a recession when vacancies are scarce – particularly in many of the lower-paid and entry-level roles in sectors like retail, hospitality, personal services and leisure that so many young non-graduates get their start in.

On this basis, the Government should learn from the successes and challenges of past job guarantee programmes like the Future Jobs Fund (FJF), under which the state, in combination with employers, charities and local authorities, developed a brokerage that offered temporary (six-month) jobs to young unemployed people receiving benefits, and those in disadvantaged areas. Under this particular scheme, jobs had to be both 'real' and 'new': 'real' in that they were paid, had a job description, and offered genuine experience and support; and 'new' in that a FJF job could not replace a pre-existing one. A large proportion of FJF jobs were in the not-for-profit and charity sectors – areas that may suffer less in terms of vacancy loss in this crisis.

Independent reviews of the programme were positive: among other outcomes, it was shown to have helped move people off benefits; engaged employers – with many saying they were more willing to hire previously unemployed young people in future; raised young people's career aspirations; and provided work-relevant training and qualifications.⁴⁸ A review published in 2012 by the Department for Work and Pensions found that although the programme represented a net cost to the Exchequer of £3,100 per participant, participants themselves gained over £4,000 through increased wages, and employers benefited to the tune of £4,400 per participant, including through increased output.⁴⁹ Given these net benefits, and the scale of the crisis, the Government should consider redeveloping something similar – but, crucially, with more of a focus on securing sustained job outcomes (the main area for improvement of the FJF) – in particular for the many young leavers who have no formal work experience.

⁴⁷ In its April 2020 coronavirus reference scenario, the OBR projected that the 16+ unemployment rate would be 10 per cent in Q2 2020, up 157 per cent from the 3.9 per cent rate that prevailed in Q2 2019. Over the course of the financial crisis, the relative increases in the overall and 18-24-year-old unemployment rates were similar – though the youth unemployment rate is consistently higher in absolute terms. Given those similar relative increases, we apply the OBR's projected 157 per cent increase in the 16+ unemployment rate to the latest available 18-24-year-old unemployment rate (10.5 per cent in December 2019–February 2020, with 408,000 18-24-year-olds unemployed). This increases the 18-24-year-old rate to 27 per cent and adds an additional 640,000 unemployed 18-24-year-olds to the 408,000 unemployed over December–February 2019–2020. The OBR included the Coronavirus Job Retention Scheme, which encourages employers to furlough employees rather than make them redundant, in its forecast assumptions. Source: ONS, Labour Market Statistics; OBR, Coronavirus Reference Scenario, April 2020.

⁴⁸ See: T Fishwick, L Gardiner & P Lane, [Future Jobs Fund: An independent national evaluation](#), Inclusion, July 2011.

⁴⁹ Department for Work and Pensions, [Impact and costs and benefits of the Future Jobs Fund](#), November 2012.

Other groups of young people, including those with higher-level qualifications and a career in mind, or those with vocational or technical qualifications, may benefit from a different set of interventions. For instance, the Institute for Employment Studies has pointed to the success of ‘career pathway’ training in the US, and Sector-Based Work Academies in England, which included 30 weekly hours of pre-employment training, a work experience placement with an employer in that particular sector, and often the guarantee of an interview with that employer.⁵⁰

Still other unemployed young people may benefit from more specific college-based courses, or from particular licenses to practice. It goes without saying that robust, regional, and of course timely labour market information should – as always – underpin these job search, training and work trial initiatives; and in this instance the government may want to pay particular attention to any skills shortages that are likely to arise from the substantial forthcoming changes to the UK immigration regime or the adjustment to the post-lockdown economy.

Conclusion

Past recessions have left cohorts of ‘crisis leavers’ with substantial scarring effects, through the lens of both employment and pay. This briefing note has demonstrated that the depth of that scarring could be even worse this time around, given expectations for how the labour market will perform over the coming months. Looking at the sectoral effects of this crisis gives us more reason for concern still: over one-third of non-graduate leavers begin their careers in roles that are likely to be shut down in the current crisis, and we don’t know when – and to what extent – these sectors will rebound.

These frightening scenarios help to underscore the important role that swift, and sweeping, policy could play in reducing the amount of scarring that today’s education leavers experience. This should include policies supporting those entering the treacherous labour market, running the gamut from advice to job guarantee schemes. In addition, measures to help those who would benefit from staying in education for a little longer are required. The health and economic consequences of coronavirus are on a scale that few had previously imagined, but the past can teach us lessons about how to avoid some of the worst effects.

⁵⁰ T Wilson et al., [Getting back to work: dealing with the labour market impacts of the Covid-19 recession](#), Institute for Employment Studies, April 2020.

Annex: Estimation approach

To estimate the relationship between an individual's hourly pay, the time they entered the labour market, and the amount of experience they have, we estimate the following equation:

$$\begin{aligned} \text{Log pay}_{ict} = & \alpha + \gamma_{eq} \text{Experience}(0 - 10) * \text{Quals}(1 - 3) + \beta_{ec} \text{Experience}(0 - 10) \\ & * \text{Unemployment in year after leaving education} + \vartheta_t \text{Years} \\ & + \delta_c \text{Year left education} + \rho_{ict} \text{Sex} + \epsilon \end{aligned}$$

We regress the natural logarithm of pay for each individual (i) across each cohort (c) at time (t) against a constant, an interaction of the years of experience (0 to 10) with highest qualification held (Masters or higher, degree, A-level, or GCSEs), an interaction of the years of experience with the unemployment rate in the year after they left education, year dummies and a dummy for male or female. We also include a set of three-year cohort dummy variables based on when an individual left education (e.g. a dummy for 1990 to 1992, 1993 to 1995, etc.). These control for any fixed unobservable differences between cohorts, and mean that we are comparing sets of cohorts that left education relatively close (three years) to each other.

The coefficients of interest are the sum of the unemployment term and each of the experience interaction terms. In this way we can estimate how the effects change over time as people become more experienced. In this model we control for a full set of interactions between qualifications and experience.

We also run separate models for each qualification group using the following equation:

$$\begin{aligned} \text{Log pay}_{ict} = & \alpha + \beta_{ec} \text{Experience } 0 - 10 * \text{Unemployment in year after leaving education} \\ & + \vartheta_t \text{Years} + \delta_c \text{Year left education} + \rho_{ict} \text{Sex} + \epsilon \end{aligned}$$

This is the same as the model above but without the full set of interactions between qualifications and experience because we run the model three times, once for each qualification group, while controlling for experience as well as including it as a multiplicative term with unemployment. In both models we cluster standard errors by the year people left education.

We also run the same model but instead of pay being the dependent variable we use employment, whether or not someone is in a low-paying job, and whether or not someone is working part time but wants to work full time. In these cases, we estimate a logit model and calculate odds ratios.

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