

Leaving lockdown

Young people's employment in 2021: improvements and challenges in the second year of the Covid-19 pandemic

31 January 2022

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Although they were disproportionately likely to lose their jobs at the start of the Covid-19 pandemic, young people's employment prospects began to improve from spring 2021. In fact, the youth unemployment crisis feared by many at the start of the pandemic did not transpire: by early autumn 2021, the 18-24-year-old unemployment rate was lower than it had been just before the pandemic. This success is in part due to the Coronavirus Job Retention Scheme, which protected jobs throughout the pandemic, and to young people's swift re-entry to work after social-distancing restrictions eased. Moreover, many young people were able to 'ride out' the economic impacts of the pandemic by entering education: the proportion of young people aged 18-24 in full-time education had increased by 3 percentage points from the pre-pandemic period, to 35 per cent (an increase of 119,000).

This spotlight will explore younger people's employment trajectory during the Covid-19 pandemic, before setting out where policy makers should now be focused. It finds that, despite the welcome developments discussed above, there remain clear areas for concern. First, one-in-three 18-24-year-old respondents (and nearly one-in-four surveyed 18-34-year-olds overall) who had been in work on the eve of Covid-19 experienced extended periods of worklessness during the pandemic, which could scar their employment and pay prospects in the longer term. Second, one-third of younger respondents who had fallen out of work during the winter 2021 lockdown have since returned to work on insecure contracts. Third, despite the fact that unemployment hasn't risen among young people over recent quarters, the share of 18-24-year-olds who are economically inactive and not in full-time study has grown slightly since spring last year, especially among men. And finally, all of these changes are associated with higher-than-average mental health risks.

Although there is much to celebrate in relation to the labour market for younger people, policy makers and employers face challenges on two fronts: 1) ensuring that employment support services help younger people who've experienced worklessness to avoid longer-term employment and mental health scarring; 2) making sure that all

younger people – be they entering work for the first time or in need of a new job – have access to good quality work that will help them develop and progress over their working lives.

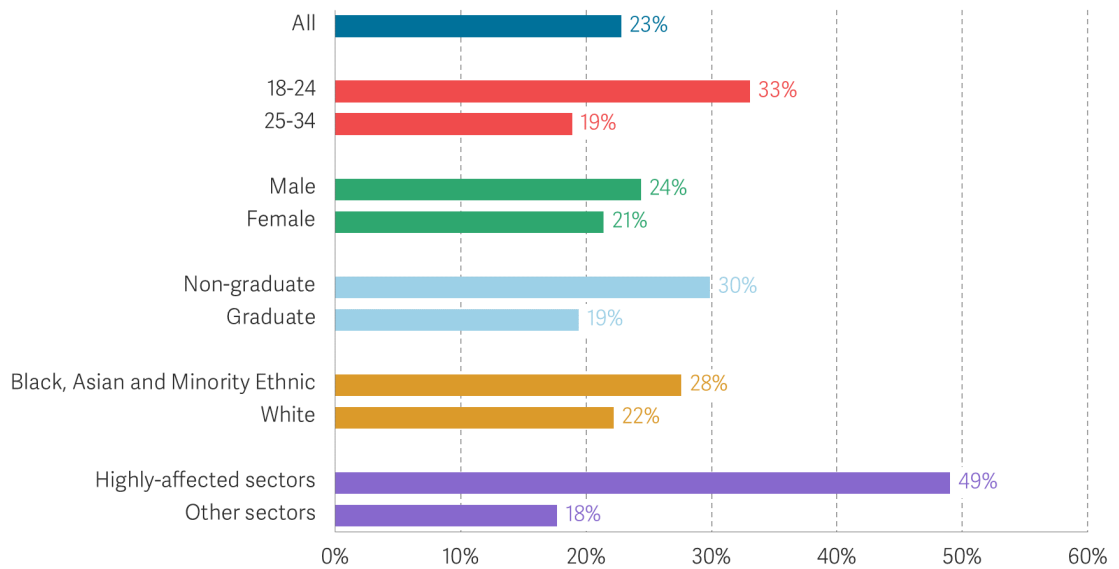
Some groups of young people have been more likely than others to experience significant amounts of worklessness throughout the course of the pandemic

Young people aged 18-24 were the age group most likely to have experienced extended worklessness (having been unemployed, fully furloughed or self-employed without work for three months or more) over the course of the Covid-19 pandemic. [Previous Resolution Foundation research](#) found that 33 per cent of 18-24-year-olds who were in work in February 2020 experienced extended worklessness, compared to 21 per cent of all working-age adults, and the impact on younger people has been unequal. This spotlight will consider how that worklessness has varied between different groups of younger people. It will also discuss younger people's different employment trajectories during the Covid-19 pandemic, and how some of those employment changes are associated with poor mental health. It will conclude by turning to the areas where policy makers should now focus.

Figure 1 sets out the share of younger people who were in work in February 2020 who experienced three or more months of worklessness between March 2020 and October 2021, according to various characteristics, based on an online survey of 6,100 adults.¹ It finds big differences by age even among younger people: 33 per cent of 18-24-year-olds experienced this, compared to 19 per cent of 25-34-year-olds. We also find differences by education level, with 30 per cent of surveyed non-graduates aged 18-34 who were in work before the pandemic having experienced extended worklessness, compared to 19 per cent of their graduate counterparts. 28 per cent of surveyed younger people from a Black, Asian and Minority Ethnic (BAME) background who were in work before the pandemic experienced extended worklessness, compared to 22 per cent of their White counterparts. (Sample size constraints unfortunately prevent us from disaggregating the Black, Asian and Minority Ethnic group into separate ethnicities.)

Unsurprisingly, the biggest factor correlated with younger respondents' extended worklessness was the type of sector they had worked in before the Covid-19 pandemic, in February 2020. Younger respondents who had previously worked in a sector that would be highly affected by social-distancing restrictions and lockdowns (arts, hospitality and non-food retail) were more than two-and-a-half times more likely to experience worklessness for three or more months than those from other sectors.

Figure 1 Half of younger people from highly-affected sectors who were in work before the pandemic experienced three or more months of worklessness
Proportion of 18-34-year-olds who were in work in February 2020 but subsequently went on to experience three months or more of unemployment, full furlough or being self-employed without work, by age, gender, graduate status, ethnicity and the sector they worked in during February 2020: UK



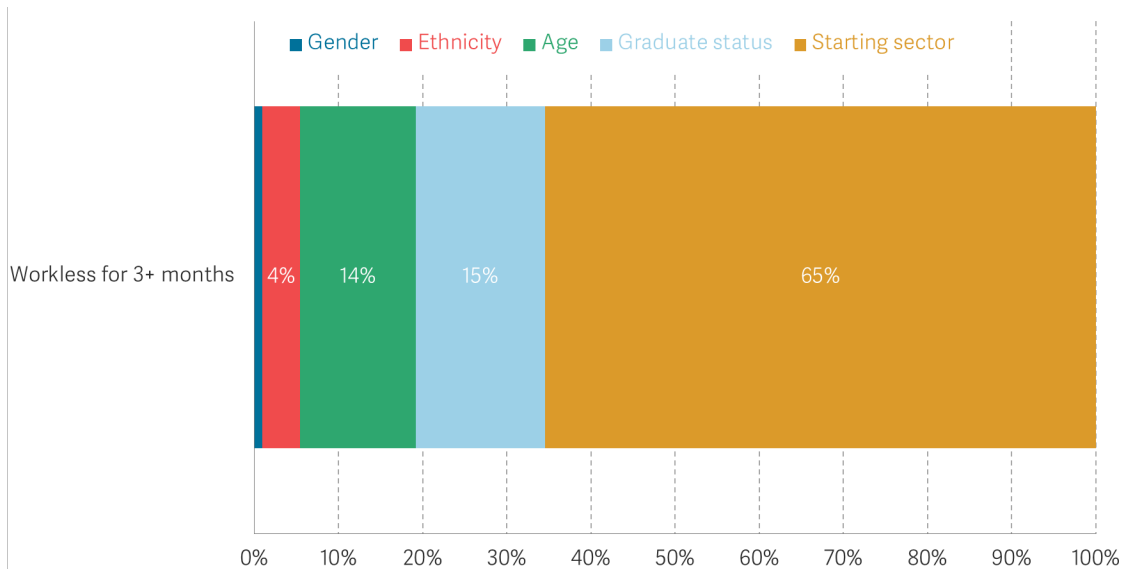
Notes: Base = all UK adults aged 18-34 who were in work in February 2020 (n=1,476). Base by categories: 18-24 = 248; 25-34 = 1,228; Male = 634; Female = 842; Non-graduate = 402; Graduate = 1,024; Black, Asian and Minority Ethnic = 153; White = 1,268; Highly-affected sectors = 207; Other sectors = 1,226. Due to low sample size we are unable to further disaggregate ethnicities categorised under 'Black, Asian and Minority Ethnic'. These figures have been analysed independently and are not the views of YouGov.

Source: Analysis of YouGov, Adults aged 18-65 and the Coronavirus (Covid-19), October 2021 wave.

Figure 2 shows how different factors can affect the odds of a younger respondent experiencing extended worklessness during the pandemic. It finds that the sector they were working in before the pandemic is the dominant factor, explaining almost two-thirds (65 per cent) of the likelihood of a previously-employed respondent aged 18-34 being workless for three or more months. Graduate status and age (whether or not a young person was aged 18-24 or 25-34) are also important: they explain 15 per cent and 14 per cent respectively. After controlling for other factors like starting sector and age, gender and ethnicity explain only a small part of the variance in extended worklessness.

Figure 2 Starting sector is the dominant factor driving younger people's worklessness

Proportion of the variance in whether 18-34-year-olds who were in work in February 2020 were workless for 3+ months, explained by each factor in a regression analysis: UK



Notes: This chart uses a decomposition method called 'dominance analysis' from the Stata package 'domin' to assess the explanatory power of each factor. The method runs a regression with each possible combination of the explanatory variables and compares the change in the amount of variance explained. The regression is a probit regression, on the sample of those in work in February 2020, with a dependent variable the binary outcome of were / were not workless for 3+ months. Because this is a probit regression, the statistic is the pseudo R-squared. Base = all UK adults aged 18-34 who were in work in February 2021, and who have non-missing values for the explanatory variables (n= 1,346). These figures have been analysed independently and are not the views of YouGov.

Source: Analysis of YouGov, Adults aged 18-65 and the Coronavirus (Covid-19), October 2021 wave.

Younger people, and especially those working in highly-affected sectors, experienced a bumpy employment trajectory during the pandemic, but their prospects greatly improved from spring 2021

Throughout the course of the pandemic, worklessness rose and fell with the stringency of social-distancing restrictions: it was especially high during the initial 2020 lockdown and the winter 2021 lockdown, because labour-rich sectors like hospitality and leisure were for the most part unable to operate as normal. But as restrictions eased from the spring of last year, the share of people out of work, including on furlough, reduced significantly.² By October 2021, 76 per cent of respondents aged 18-34 who were in work before the pandemic but workless during the winter lockdown (February and/or March 2021) had returned to work. They returned more quickly than their older counterparts: in April 2021, just as lockdown was easing, 38 per cent of 18-34-year-olds had returned to work, compared to 31 per cent of those aged 35 or over.

In fact, by early autumn 2021, the 18-24-year-old unemployment rate was lower than it had been just before the pandemic: it fell from 10.5 per cent in December-February 2020 to 9.8 per cent in September-November 2021. The fact that youth unemployment did not rise as

high as many had feared (and did not closely approach levels experienced in the aftermath of the financial crisis) is in part due to the Coronavirus Job Retention Scheme, which protected jobs throughout much of 2020 and 2021. It also reflects younger people's rapid re-entry into jobs in sectors such as leisure and non-supermarket retail when restrictions were eased, and a rise in education participation (discussed below).

Although the good news is that respondents who had lost work were able to return to it by the autumn, the less good news is that official statistics now show that the overall share of young people aged 18-24 participating in the labour market hasn't improved in recent months. For example, the proportion of 18-24-year-olds who are neither working nor seeking work (i.e. economically inactive) rose by 2.4 percentage points between December-February 2020 and September-November 2021 (an increase of 89,000). Some of this reflects a welcome increase in the proportion of young people in full-time education, up 3 percentage points (by 119,000) from the pre-pandemic period, to 35 per cent. (The increase in the share of young people in full-time study is larger than the increase in inactivity because many full-time students are employed, and some are seeking work.)³

However, despite a very high level of job vacancies, the overall share of 18-24-year-olds that are both outside of full-time education and are economically inactive has worsened slightly since the spring of last year, from 8.8 per cent (467,000) during May-July 2021 to 10.2 per cent (542,000) during September-November, an increase of 75,000. In total, 15.2 per cent (809,000) of 18-24-year-olds were outside of full-time study and either unemployed or inactive in September-November 2021: this is a significant number of young people who are outside of the labour market. The relative increase in inactivity among non-full-time students was particularly pronounced for 18-24-year-old men: over the same period, inactivity rose from 8.4 to 10.2 per cent (from 229,000 to 276,000, an increase of 47,000).⁴

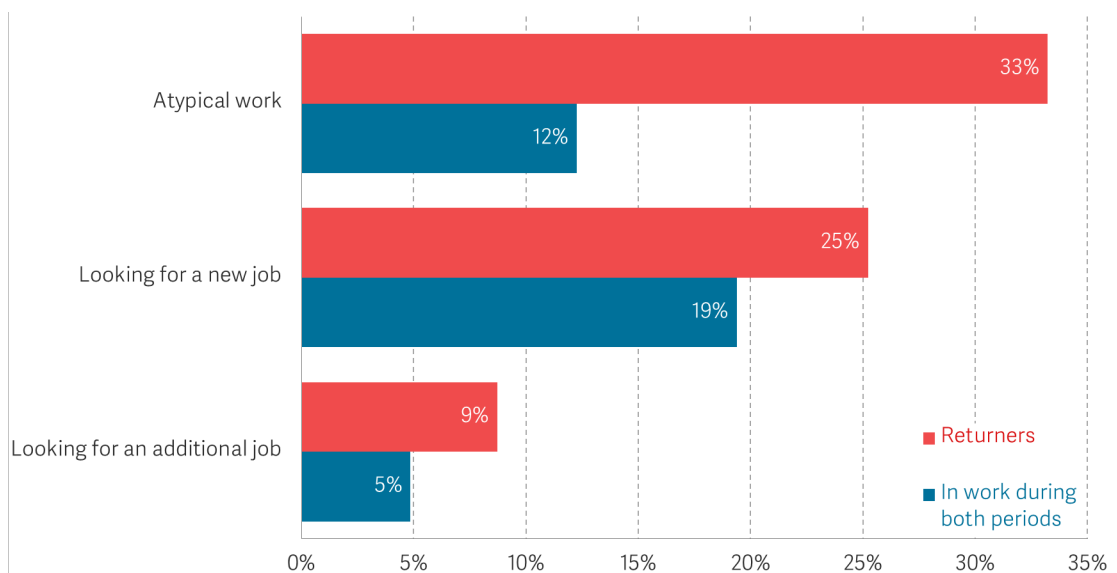
Younger people who have recently returned to work are more likely than average to be on insecure contracts and somewhat more likely to report looking for a new or additional job

Alongside concerns about rising economic inactivity, there is reason to be worried around job quality for younger people. It is not necessarily the case that the majority of surveyed 18-34-year-olds returned to the labour market under much better conditions than before the pandemic. 'Returners' (who were in work before the pandemic, workless in February and/or March 2021 and in work again in October 2021) are more likely to be in atypical work (on a temporary contract, zero-hours contract, doing agency work or working variable hours⁵) than their counterparts who were working during both winter 2021 and October 2021 (see Figure 3). 33 per cent of young 'returners' were in atypical work, compared to 12 per cent of those who were in work during both periods. We do not know the proportion of these respondents that worked on an atypical contract in February 2020. Although it's likely that some returners are returning to the same type of work they were previously in, it appears that returners were

less able than those who worked during both periods to move into more secure and stable forms of employment.

Figure 3 also shows that younger surveyed 'returners' are slightly more likely than those who were in work during the winter of 2021 to be looking for a new or additional job: 25 per cent of returners compared to 19 per cent of those were in work during both periods. 9 per cent of surveyed returners are looking for an additional job, compared to 5 per cent of those employed during both periods. This suggests that while a large share of younger people overall are looking for new or additional jobs, those who recently returned during the summer of 2021 may be slightly less satisfied with their current conditions.

Figure 3 Younger people who returned to work during the summer of 2021 were more likely than those who stayed in work to be on an atypical contract
Proportion of 18-34-year-olds who were in work in February 2020 and October 2021 who are in atypical work and who are looking for a new or additional job, for 'returners' and those who were in work during both periods: UK



Notes: Base = all 18-34-year-olds who in work in February 2020 and October 2021 (n=1,316), Base by categories: Atypical work = 1,278; Looking for a new job = 1,316; Looking for an additional job = 1,316. 'Returners' were out of work in February and/or March 2021, and those who were in work during both periods were in work in February and/or March 2021. These figures have been analysed independently and are not the views of YouGov.
Source: Analysis of YouGov, Adults aged 18-65 and the Coronavirus (Covid-19), October 2021 wave.

A third of younger respondents who previously worked in a sector that was highly affected by social distancing restrictions have since moved out of it, and the vast majority moved to less-affected sectors

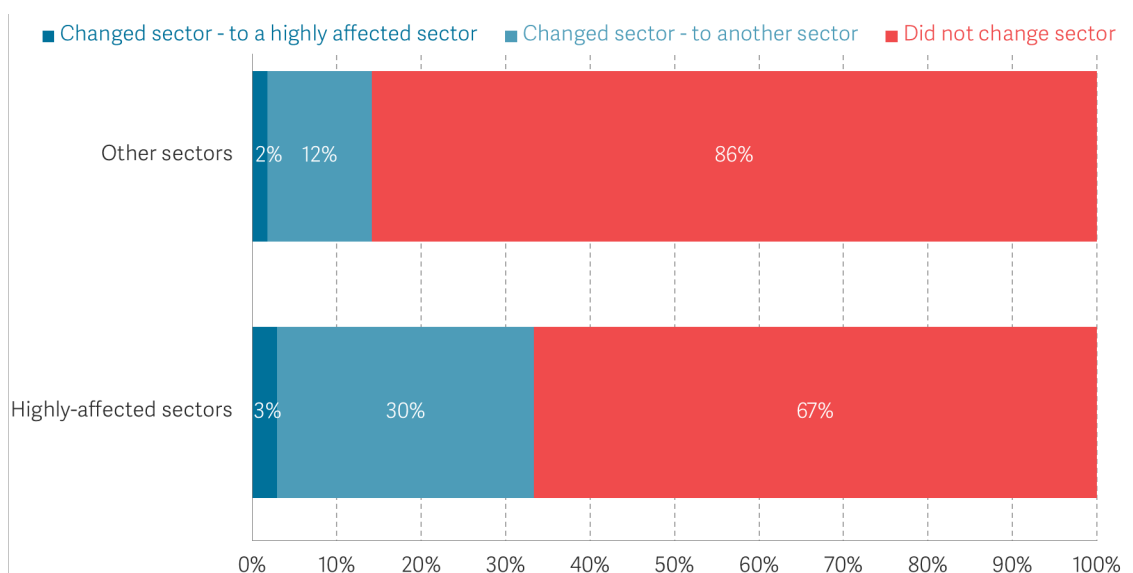
As [previous Resolution Foundation research showed](#), by Q3 2021, job-to-job moves had recovered to the highest level on record, which holds both for young people and the wider workforce.⁶ However, this did not translate into an increase in the proportion of people changing sector. Our YouGov survey data cannot tell us how many young people changed

jobs but stayed in the industry, but it does allow us to examine the proportion of respondents who reported being in the same sector during February 2020 and October 2021 and who reported being in different sectors at the two time periods, including where they went to and from.

Unsurprisingly, surveyed younger people from highly-affected sectors were more likely than their counterparts in other sectors to have moved industry between February 2020 and October 2021. One-third of those who were in a highly-affected sector on the eve of the pandemic went on to move sector, compared to 14 per cent of those in other sectors (see Figure 4). They mainly moved to other, non-affected sectors: 30 per cent of those from highly-affected sectors moved to another sector during the pandemic, and only 3 per cent changed industry into another highly-affected sector. That is, there has not been much churn of younger people moving between highly-affected sectors, for example from a job in non-food retail to a job in leisure. While this is a trend we would normally expect to see (younger people are likely to move out of jobs in highly-affected sectors when they gain experience or get older), given the volatility that these sectors have experienced over recent months, it is good news that younger people were able to move out of them. We are unable to determine whether these respondents who changed sectors attained a pay rise in doing so, but this is an issue we will be returning to in future.

Figure 4 **One third of younger people from highly-affected sectors moved to another sector during the pandemic**

Proportion of 18-34-year-olds who were working in February 2020 who changed sector by September 2021, by sector in February 2020: UK



Notes: Base = all UK adults aged 18-34 who were in work in February 2020 with non-missing observations for starting sector and sector change (n=1,342). Base by categories: Highly-affected sectors = 185; Other sectors = 1,157. These figures have been analysed independently and are not the views of YouGov.

Source: Analysis of YouGov, Adults aged 18-65 and the Coronavirus (Covid-19), October 2021 wave.

Worklessness and poor-quality work are associated with poor mental health

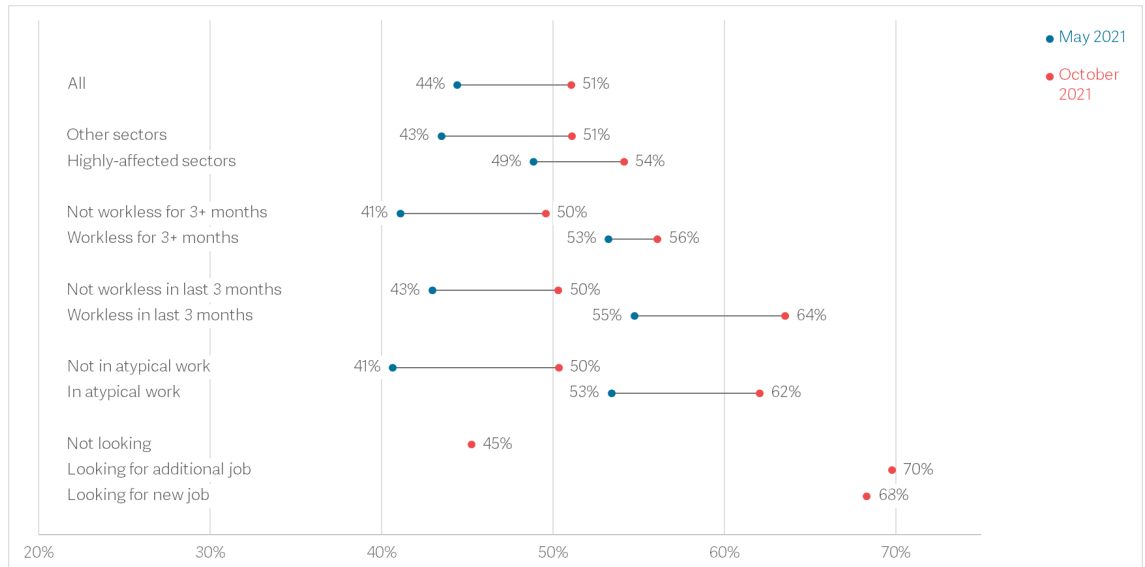
Worklessness, including both unemployment and economic inactivity (outside of being in full-time study), has implications for mental health. [Previous Resolution Foundation research](#) found that being unemployed, economically inactive or in poor-quality work is associated with poor mental health outcomes for young people.

Our survey finds that in general, the proportion of younger people with a common mental disorder (CMD) has increased between May and October, from 47 per cent to 51 per cent.^{7,8} Figure 5 focuses on the prevalence of CMDs among younger people according to their employment status and history. It finds that the proportion of younger respondents who had worked before the pandemic and had reported a CMD rose from 44 to 51 per cent between May and October 2021.

Figure 5 also shows that current and recent worklessness is associated with poorer-than-average mental health: 64 per cent of those who were in work in February 2020 but workless in the last three months reported a CMD, higher than both the 56 per cent of those who were in work in February 2020 and workless during any three months of the pandemic, and the 51 per cent of all younger people who were in work before the pandemic. This is concerning given the increase in inactivity among young people outside of education discussed above.

Even more significant are the differences between young people who are looking for a new or additional job compared to those who are not: in October, 68 per cent of those who were in work before the pandemic and looking for a new job and 70 per cent of those who were looking for an additional job had a CMD, compared to 45 per cent of those who were not. Differences in reported CMD by starting sector were less pronounced (54 and 51 per cent in October among those who were in highly and less-affected sectors before the pandemic, respectively).

Figure 5 Younger people who are workless, or are looking for a new or additional job, are most likely to have mental health problems
 Proportion of 18-34-year-olds who were working in February 2020 with a common mental disorder, by job search status, worklessness, atypical work and starting sector: UK, May 2021 and October 2021



Notes: Base = all UK adults aged 18-34 who were in work in February 2020 with non-missing observations for common mental disorder, using May 2021 data (n=1,523) and October 2021 data (n= 1,476). Base by categories – May data: Workless for 3+ months during the pandemic = 398; Not workless for 3+ months during the pandemic = 1,125; Workless in the previous three months= 183; Not workless in the previous three months = 1,340; Highly-affected sectors = 279; Other sectors = 1,209; In atypical work = 252; Not in atypical work = 1,120). Base by categories – October data: Not looking for a new or additional job = 999; Looking for an additional job = 73; Looking for a new job = 271; Workless for 3+ months during the pandemic = 314; Not workless for 3+ months during the pandemic = 1,162; Workless in the previous three months= 68; Not workless in the previous three months = 1,408; Highly-affected sectors = 207; Other sectors = 1,226; In atypical work = 183; Not in atypical work = 1,161. Respondents are classified as having a ‘common mental disorder’ if they have a GHQ-12 score of three or more. These figures have been analysed independently and are not the views of YouGov.
 Source: Analysis of YouGov, Adults aged 18-65 and the Coronavirus (Covid-19), May 2021 and October 2021 waves.

The past few months have offered some good news for youth employment, but policy makers need to ensure that young people are able to enter the labour market and find high-quality work

We should celebrate the fact that young people returned to work at quick rates as Covid-19 restrictions eased, and that predictions of record-high youth unemployment have not materialised. Despite this, we should not rule out lasting effects of the Covid-19 pandemic on young people. There are at least three challenges that have beset the youth labour market over recent months that have implications for the future: 1) that those who experienced worklessness during the pandemic may be at risk of employment scarring over the longer term; 2) relatedly, that those who have returned to work after a spell of worklessness are more likely to be on an atypical contract and 3) that the share of young people who aren’t participating at all (i.e. the proportion who are inactive and not in full-time study) has worsened over recent months. These employment changes are likely to have negative

consequences on young people's mental health. Some of these consequences are already being seen.

All of this means that as we recover from Covid-19, policy makers and employers face challenges on two fronts to encourage young people back to the labour market: first by supporting them with the confidence and knowledge to find and apply for work. And second by ensuring that good-quality jobs, offering sufficient hours and room for progression, are available to both new entrants and those young people looking to move jobs. We'll be continuing to explore youth employment and its links to mental health and wellbeing at the Resolution Foundation later this year, as part of our work for the [Health Foundation's young people's future health inquiry](#).

¹ The survey was designed and commissioned by the Resolution Foundation and funded by the Health Foundation. The total sample size was 6,100 adults. Fieldwork was undertaken between 14th and 25th October 2021 and the survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18 to 65). Figures in the survey have been analysed independently and are not the views of YouGov or the Health Foundation.

² For further discussion, see: K Handscomb, K Henehan and L Try, [The Living Standards Audit 2021](#), Resolution Foundation, July 2021; M Brewer, H Slaughter & C McCurdy, [Begin again? Assessing the permanent implications of Covid-19 for the UK's labour market](#), Resolution Foundation, November 2021.

³ The proportion of 18-24-year-olds who are inactive has risen by 2.4 percentage points between December-February 2020 and September-November 2021, whereas the proportion of 18-24-year-olds who are full-time students has risen by 3.0 percentage points. This is because not all full-time students are economically inactive: some are employed and some are not in work but seeking work (i.e. they are unemployed). Between September-November 2021, 60 per cent of young people in full-time education were inactive, 36 per cent were employed and 5 per cent were unemployed.

⁴ Source: RF Analysis of ONS, A06 SA: Educational status and labour market status for people aged from 16 to 24 (seasonally adjusted).

⁵ We do not know what type of contract people were on before the Covid-19 pandemic, so it is possible that some of these respondents were also in atypical work before the pandemic.

⁶ This refers to the proportion of people who have moved directly between jobs from one quarter to the next.

⁷ In general, younger people are more likely to have a common mental disorder (CMD) than older adults. In October 2021, 51 per cent of surveyed 18-34-year-olds overall reported a CMD, compared to 43 per cent of their counterparts aged 35 and over.

⁸ 'Common mental disorders' (CMDs) are largely comprised of different types of depression and anxiety including major depressive disorder, bipolar disorder, panic disorder and phobias. Self-report questionnaires are an effective and widely-used method of assessing mental health in general population, and one of the most highly validated and reliable of such tools is the General Health Questionnaire (GHQ). For this analysis, CMD is derived from the GHQ. People's answers to the GHQ are summed to create a scale ranging from 0 to 12, and those with a score of 3 or more are considered to have a CMD.