



**For some, luck matters more.
The Impact of the Great Recession
on the Early Careers of Graduates
from Different Socio-Economic
Backgrounds**

Greta Morando (Royal Holloway, Essex, UCL)
with Emilia Del Bono (Essex)

*LLAKES conference
London, 15 November 2018*



What we do and what we find

- We look at first employment destinations of recent graduates (2003/12) from English HEIs (N=1,054,900)
- We focus on the effect of **graduating in bad times**, i.e. when the unemployment rate is high
- We look at whether the effect of unemployment at graduation is **different by socio-economic status** (SES)
- We find that **low SES grads are affected more severely** by graduating in bad time than their counterpart. This is true with respect to both activity status and type of job outcomes.

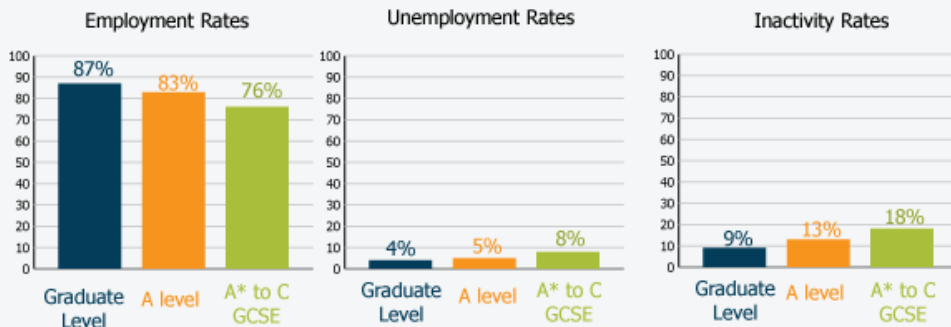
How do graduates fare in the labour market?

Graduates have good labour market outcomes when compared to non-graduates

Even during the recession

HEADLINE LABOUR MARKET FIGURES

April to June 2013

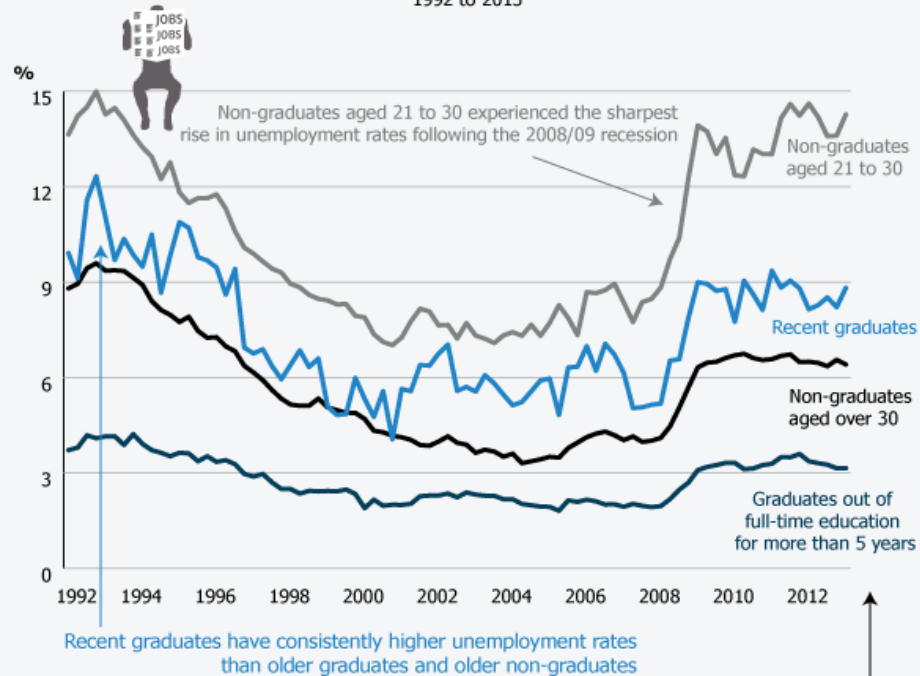


Standard of the highest qualification a person left education with

Graduates were more likely to be employed . . . less likely to be searching for work . . . and less likely to be inactive.

UNEMPLOYMENT RATES

1992 to 2013



Unemployment rates for all groups remain above the level they were at before the 2008/09 recession

Source: Graduates in the UK Labour Market: 2013, ONS



Literature & contribution

- Effects of graduating during a recession

Several papers show that graduating “at a bad times” has negative effect (mainly earnings and occupation) which lasts for several years (3 to 20 years)

Altonji et al. 2016, Kahan 2010, Oreopoulos et al. 2012

- SES and LM outcomes of graduates

Low SES grads are get lower quality jobs after graduation than high SES grads -> based on cross-sectional data

Machin et al. 2009, Macmillan et al. 2015

- Understand the mechanisms explaining why low SES grads disadvantaged in the LM



Data & sample selection

- Destination of leavers from HE (HESA)
 - Years of graduation: 2002/3-2011/2
 - Outcomes at 6 months after graduation (3.5 years after grads for subsample)
 - English HEIs and undergrads only



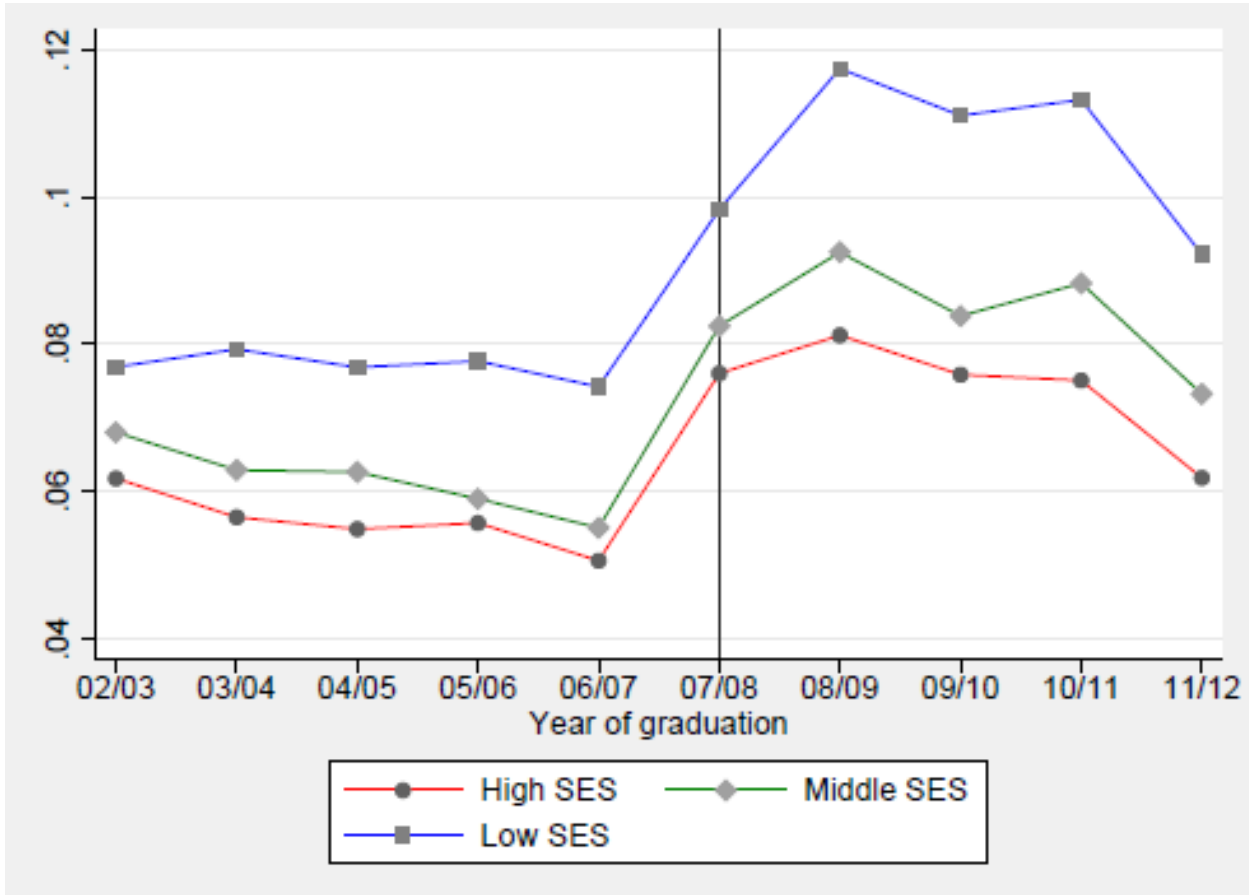
Socio-economic status (SES) index

We apply principal component analysis to construct an overall SES index and split graduates into three groups - **High/Middle/Low SES** - depending on:

- whether they went to **private school**;
- whether they came from an **area from which few young people go to university**;
- the **Index of Multiple Deprivation**.

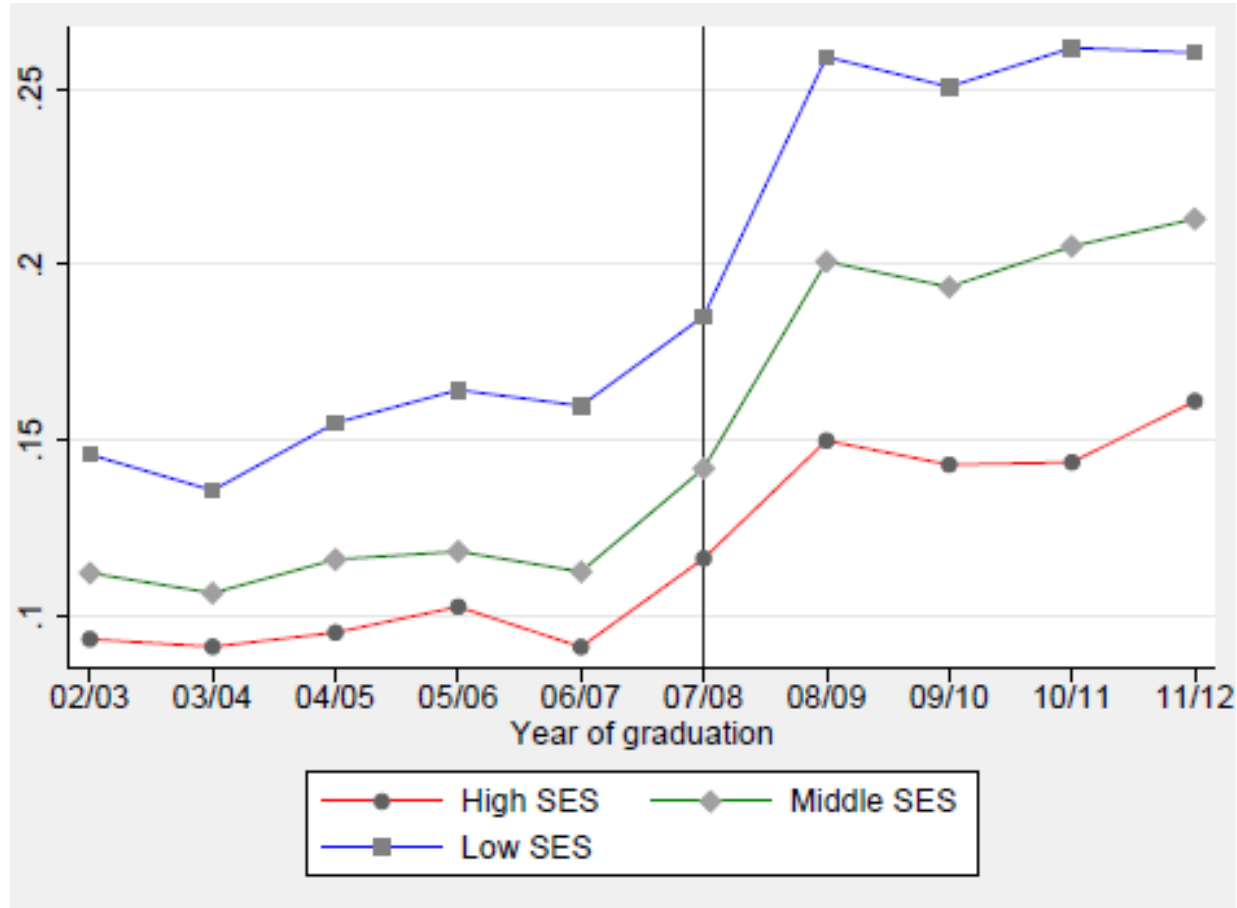
This index takes into account the changes over time in the SES composition of graduates.

Unemployment



Source: own calculation using the Destinations of Leavers from HE survey.

Working in a part-time job



Source: own calculation using the Destinations of Leavers from HE survey.



Do demographics and previous outcomes matter?

No!

The SES-gap persists even when conditioning on:

- individuals' characteristics (i.e. ethnicity)
- HEI "quality"
- academic achievement (degree classification)
- unemployment rate at time of HE enrolment



Main specification

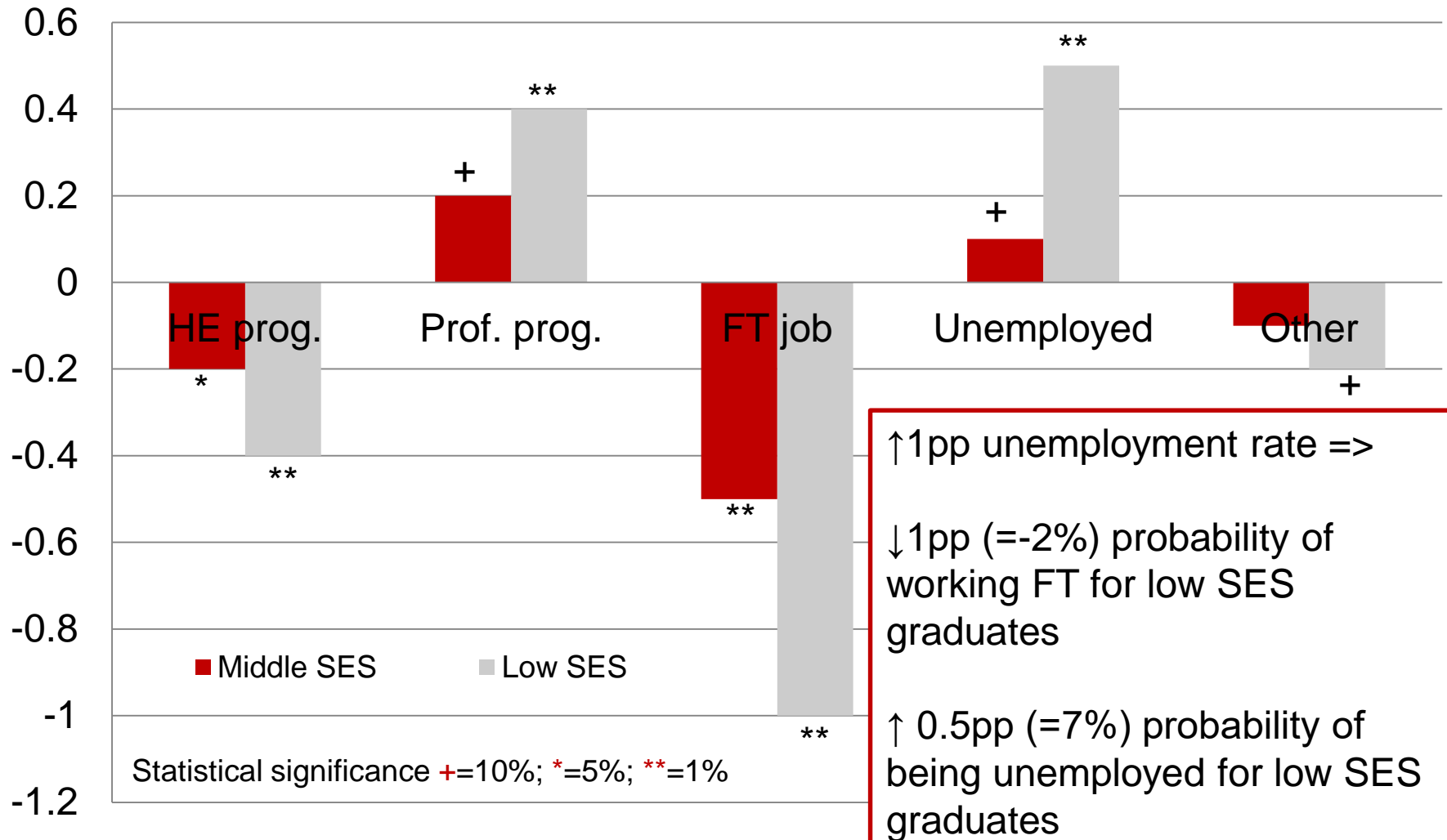
$$Y_{idft} = \alpha + \beta U_{f,t-1} + \gamma SES_i + \delta U_{f,t-1} * SES_i \\ + \lambda U_{d,t-4} + \sigma U_{d,t-4} * SES_i + \theta X_{ift} + \mu_f * t + \xi_{idft},$$

where

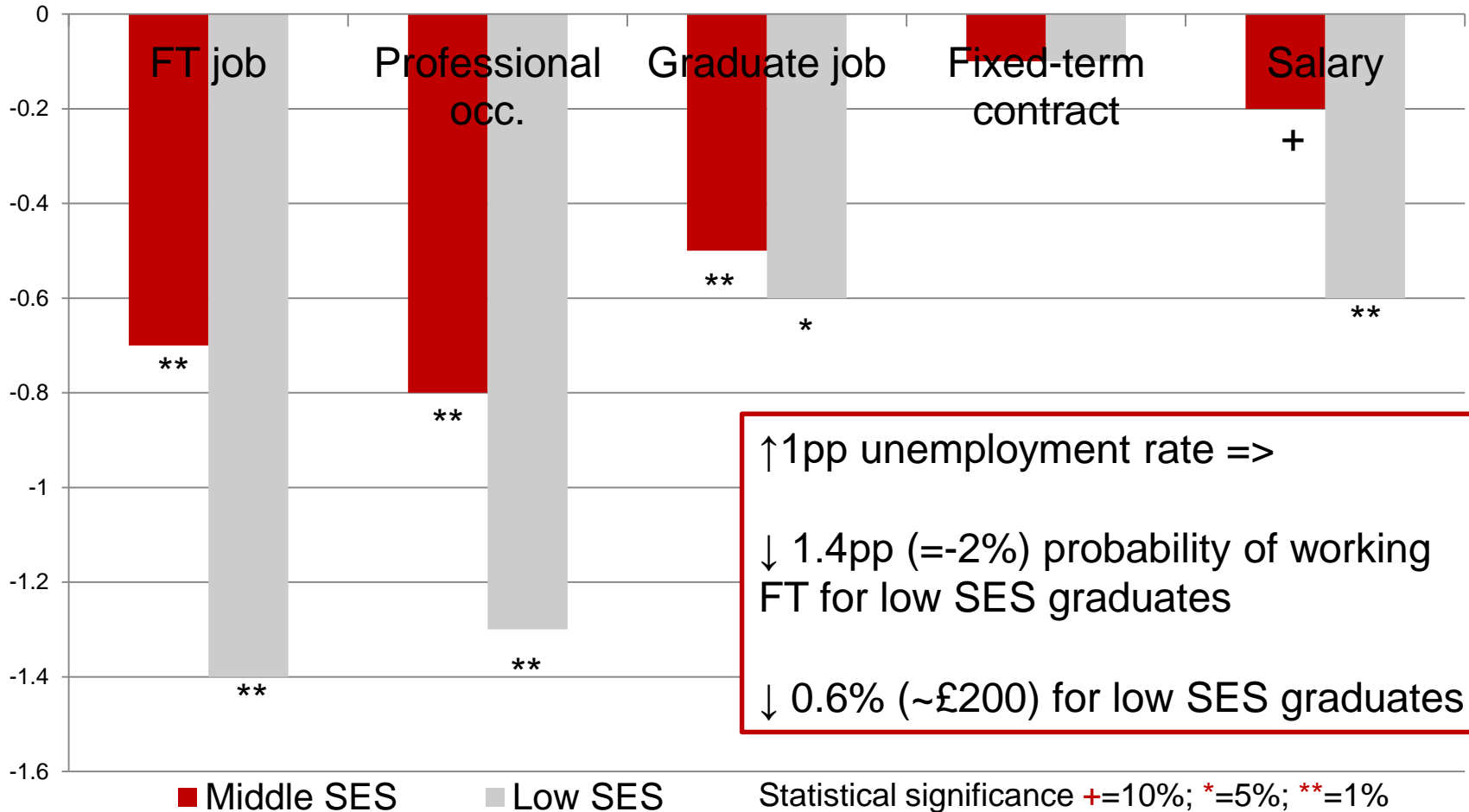
$$\xi_{idft} = \mu_f + \rho_h + \tau_d + \zeta_{idft}.$$

- Y is one of the *activity status* or one of the *job type* outcomes.
- Subscripts: *i* for individual, *t* for cohort, *f* for field of study, *d* for LAD of previous domicile.
- U_f is unemployment rate by field of study at time of graduation (t-1) or at time of enrolment (t-4).

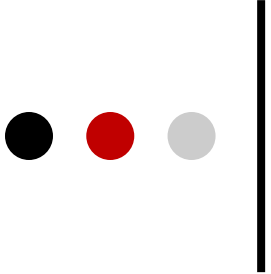
Results: activity status



Results: type of job



↑ 1pp unemployment rate =>
↓ 1.4pp (= -2%) probability of working FT for low SES graduates
↓ 0.6% (~£200) for low SES graduates



Are there differences across different groups?

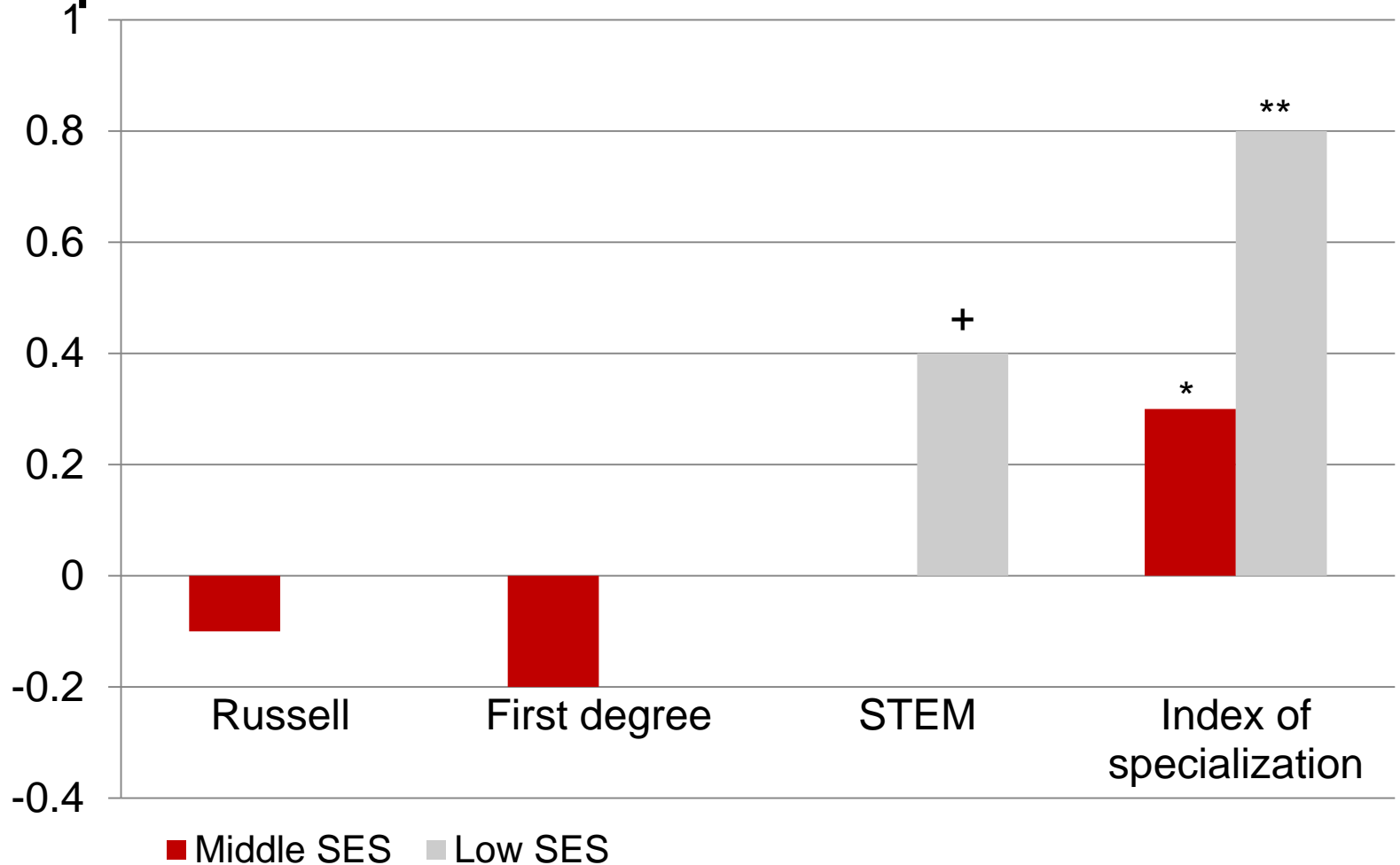
- What could reduce the unequal effects of a recession?
 - Type of university (e.g. Russell, Golden Triangle)
 - Degree classification
 - STEM field
 - Specialization of the field



Index of specialization

- Measures the concentration of graduates in different occupations
- The wider the spread of students' occupations, the less specialized the field of study
- Most specialized fields: Medicine & related; Architecture & Engineering

Probability of being unemployed at 6m after graduation





Discussion

- ❖ The higher the **specialization/focus** of the field of study the more damaging the effect of unemployment on the low and middle SES students in terms of:
 - being unemployed
 - working in a FT job
 - obtaining a professional job
 - finding a graduate job
 - receiving a lower salary



Possible mechanisms

- *Social Networks*: During the recession middle and low SES students are less likely to find their job through social networks, and correspondingly more likely to go through other channels such as employer's websites or recruitment agencies -> cautious interpretation
- *Previous employer*: Middle and low SES graduates who are employed 6 months after finishing their studies are less likely to find a job with a new employer and more likely to revert to their non-placement jobs. This is consistent with low SES graduates finding a job closer to the HEI. There is significant and positive association between the job attributes at 6 months after graduation (full time vs. part time, being in a professional occupation, etc.) and having had a job placement with the same employer during the period of study.



Summary

- Low SES graduates are more likely to suffer when graduating in bad times compared to high SES graduates
- This is true for both activity status and job quality outcomes
- Heterogeneity: Choosing a field of study which is not too “specialized” might help protect low SES graduates from the adverse effect of a recession
- Mechanism: Low SES grads rely more heavily on their previous work experience, especially the type of experience that is less relevant to their qualification. Therefore access to placement jobs or better professional networks appears to be an important element in explaining the unequal effects of a recession.