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Report  
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# Changing face of the youth labour market

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# Changing face of the youth labour market

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This report was written by Lizzie Crowley, Senior Policy Adviser – Skills, CIPD.

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## Executive summary

The youth labour market has been radically reshaped over the past three decades. One of the biggest changes has been the massive expansion of the higher education system, with more and more young people delaying entry to the labour market to pursue academic qualifications. This means that today's young people are more qualified than ever; however, the advantages of higher education have declined, and alternative pathways through the education system are still very limited. The absence of a large-scale, viable alternative to the academic route, coupled with a significant decline in the proportion who combine earning and learning opportunities, means that many young people face a difficult transition from education to the workplace. They often enter the workforce lacking many of the skills that employers highly value, and as the evidence in this report sets out, it is these skills which will become increasingly important in the future.

The recently elected Labour Government has recognised many of these challenges and is seeking to address them via action to:

- review the curriculum to ensure that the education system equips young people with skills they need to succeed in the workplace
- rebalance the apprenticeship system towards young people through the removal of some higher-level apprenticeships and the creation of foundation apprenticeships
- introduce an entitlement of two weeks' worth of work experience and an enhanced careers offer
- introduce a new youth guarantee for 18-to-21-year-olds to ensure access to employment support, apprenticeships or training.

These are positive policy reforms; however, bolder action is required to address the collapse in apprenticeships in recent years, unlock more apprenticeship opportunities for young people and create a strong vocational pathway into the labour market. Thus, we are calling on the government to expand its youth guarantee into a broader apprenticeship guarantee for all young people aged 16 to 24, unlock more youth apprenticeships via enhanced financial incentives for SMEs, and create an improved pre-apprenticeship training programme.

## Introduction

Economic progress across generations in the UK is stagnating. Today's young adults in their 20s and 30s are earning wages [similar to those of the previous generation](#) at the same age, but their financial circumstances have deteriorated when considering rising living costs. The future remains uncertain, as many young people are employed in sectors projected to experience slower job growth, while the availability of essential mid-skill roles – often crucial for career advancement – [continues to decline](#). These challenges are further intensified by regional inequalities, with a young person's location significantly affecting their chances of finding stable, high-quality employment.

At the same time as these long-term structural shifts in the youth labour market, the ways in which young people transition from education into employment has also been radically reshaped over the last 30 years. A growing number of young people, many from increasingly diverse backgrounds, are postponing entry into the workforce to pursue higher education. This shift has led to a significant increase in economic inactivity, resulting in nearly [1 million fewer young people employed](#) compared with 30 years ago, thereby substantially reducing the potential labour force. For many, this investment in human capital is a positive thing; however, [for a substantial minority of young people, this investment no longer pays off](#).

This report provides an overview of the main changes to the youth labour market over the last two decades, investigating changes to:

- participation in the labour market, employment, unemployment and economic inactivity
- qualifications, vocational pathways and educational returns
- job tenure and job security
- employers' perceptions of younger workers
- the types of jobs young people do, sectoral and occupational shifts
- likely future occupational and skills requirements.

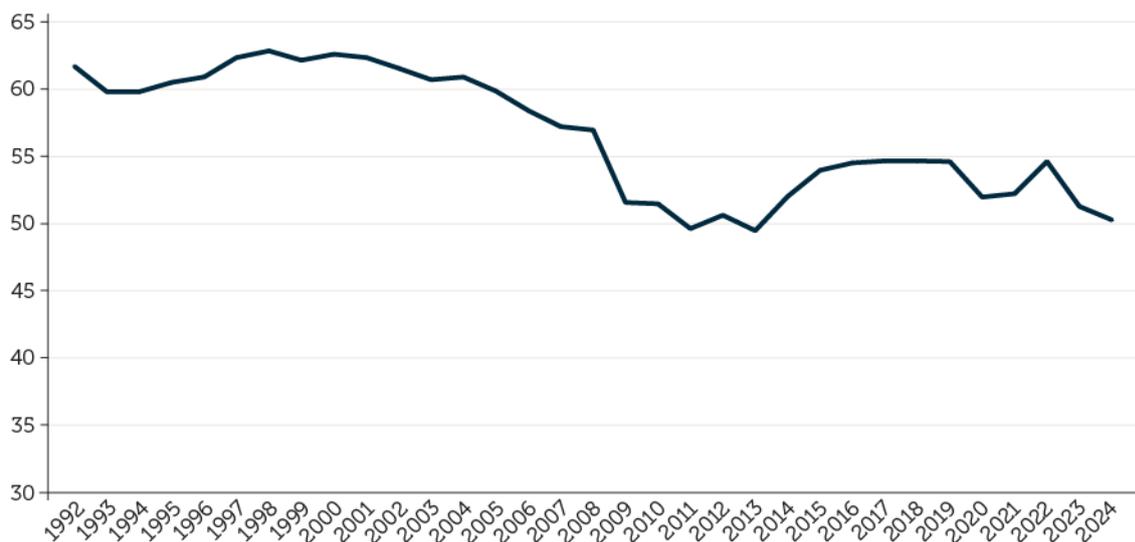
## Changes in employment, economic inactivity and education status

The size of the youth labour market has shrunk – driven not by population changes, nor by the raising of the education participation age, but by fewer young people combining work and learning.

### Declining employment and rising inactivity

Employment rates among young people (16-to-24-year-olds) have declined over the past 30 years. In 1992 (May to July), 62% of young people were in employment, whereas in 2024 this stands at just 50.4% (Figure 1). This means that there are now 775,000 fewer young people in employment than there were in 1992, a decline of 18%. This has not been driven by a falling youth population (which actually increased by 1% over the period) or by increasing youth unemployment, but instead by rising economic inactivity: 41% of young people are now classed as economically inactive, compared with 26% of young people in 1992.

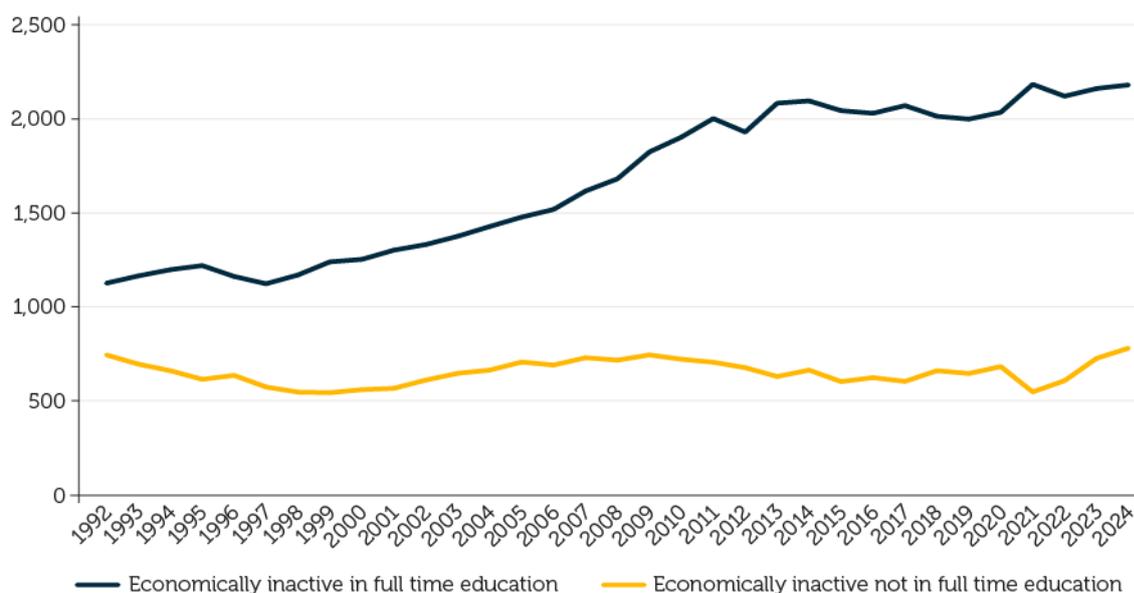
Figure 1: Trends in youth (16-to-24-year-olds) employment rate 1992 to 2024 (May to July)



Source: CIPD analysis of ONS Labour Force Survey

Looking at rising levels of economic inactivity among young people in more detail shows that this increase has been driven by increasing levels of economically inactive young people in full-time education (Figure 2). By contrast, the trend in level of economic inactivity among those not in full-time education or training has remained relatively flat over the period. Between 1992 (May to June) and 2024, the number of young people who were economically inactive and in full-time education almost doubled (+94%) compared with a rise of 5% in inactivity among those not in full-time education.

Figure 2: Economic inactivity rates for young people by education status 1992 to 2024 (May to July) thousands



Source: CIPD analysis of ONS Labour Force Survey

For some young people, not working and delaying entry to the labour market to invest in their human capital development is not necessarily a bad thing, given that for many it will lead to better future earning potential and a reduced likelihood of future unemployment. Increasing the stock of skills in the population is also important for the economy more broadly and for labour productivity. Improvements in skills were [estimated to have accounted for 20%](#) of the UK's productivity growth before the global financial crisis in 2008.

**Yet, the data also highlights that it doesn't need to be an either/or scenario; in fact, many more young people used to do both: combining earning and learning was much more common 30 years ago.**

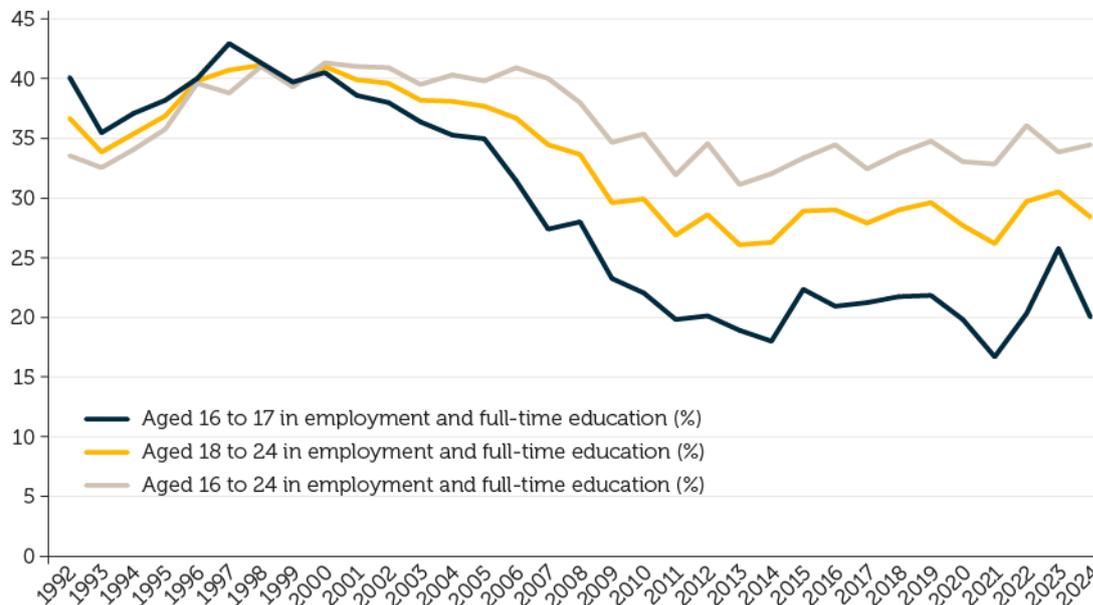
Figure 3 shows the long-term trend in the proportion of young people in full-time education who are in employment. The data shows that since 1997, there has been a significant long-term decline in the number of full-time students aged 16 to 24 who were both earning and learning. This decrease was especially pronounced among 16–17-year-olds, dropping from a peak of 42% in 1997 to just 20% in 2024. The decline among 18–24-year-olds was more moderate, from around 40% in 1997 to 34% in 2024.

The collapse in combining earning and learning for younger age groups is also evident when looking at the proportion of young people who have never had a paid job (this excludes seasonal or holiday work) (Figure 4). Between 2004/05 and 2023/24, the proportion of young people who have never worked increased for all of the age groups (Figure 4). Overall, the number of young people aged 16 to 24 who have never had a paid job increased by around 635,000 over the period, an increase of almost a third (31%). Analysis by the [Resolution Foundation](#) found that the biggest driver for this fall was not the rising overall educational participation rates among young people, but the collapse in young people combining work and study.

This is of some concern, as [previous research](#) has demonstrated the benefits of combining earning and learning, with evidence suggesting that it reduces the likelihood of future spells of unemployment and increases overall lifetime earnings. Individuals who work while pursuing full-time education are 4–6 percentage points less likely to be unemployed or out of

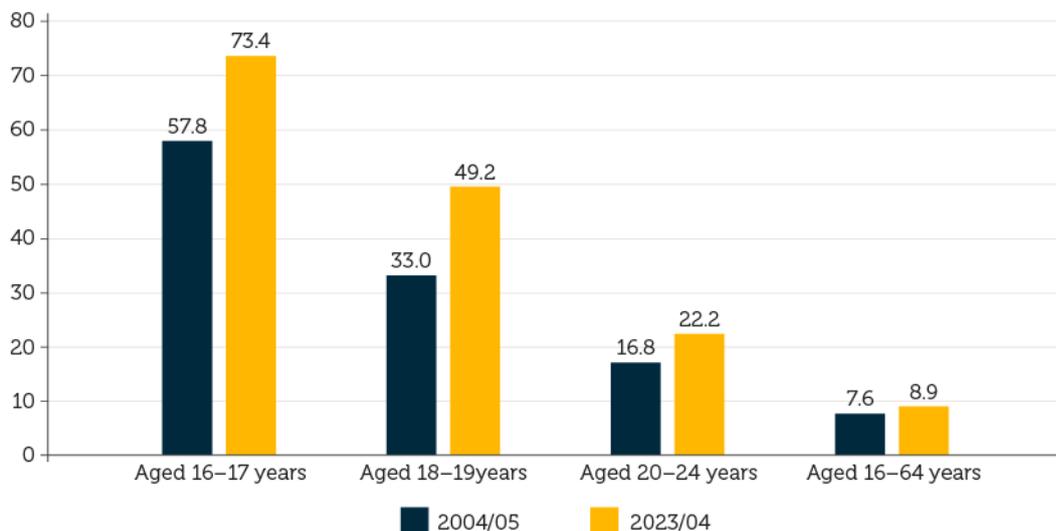
education and training, and they earn 12–15% more after five years compared with those focused solely on education.<sup>1</sup>

**Figure 3: Trends in young people combining education and work - 1992 to 2024 (May to July)**



Source: CIPD analysis of ONS Labour Force Survey

**Figure 4: The proportion of young people who have never had a paid job or place on a scheme – 2004/05 to 2023/24 (June to July)**

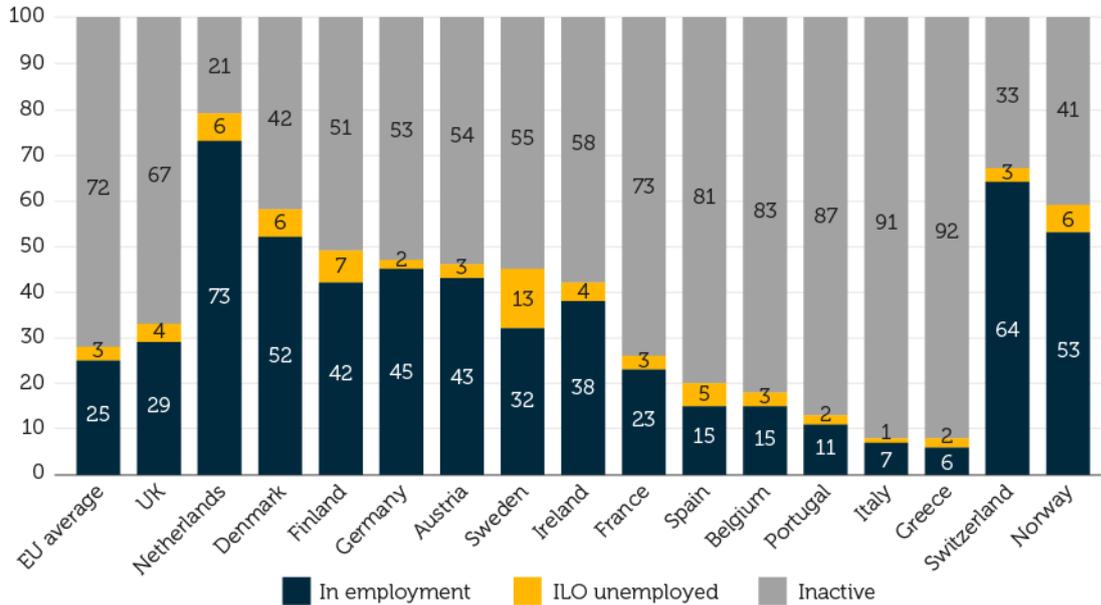


Source: CIPD analysis on ONS Annual Population Survey

Figure 5 shows the pattern of earning and learning across selected European countries in 2022, and while the UK has a proportion relatively in line with the EU average, in some countries young people (15–29-year-olds) in education have a much stronger connection with the labour market. For instance, almost three-quarters of young people in formal education are also in employment in the Netherlands, and almost two-thirds in Switzerland combine education and work.

<sup>1</sup> Conlon, G., Patrignani, P. and Mantovani, I. (2015) *The death of the Saturday job: The decline in earning and learning among young people in the UK*. London: UK Commission for Employment and Skills.

Figure 5: Young people aged 15 to 29 in formal education by labour market status in selected European countries (2022, UK data 2023–24)

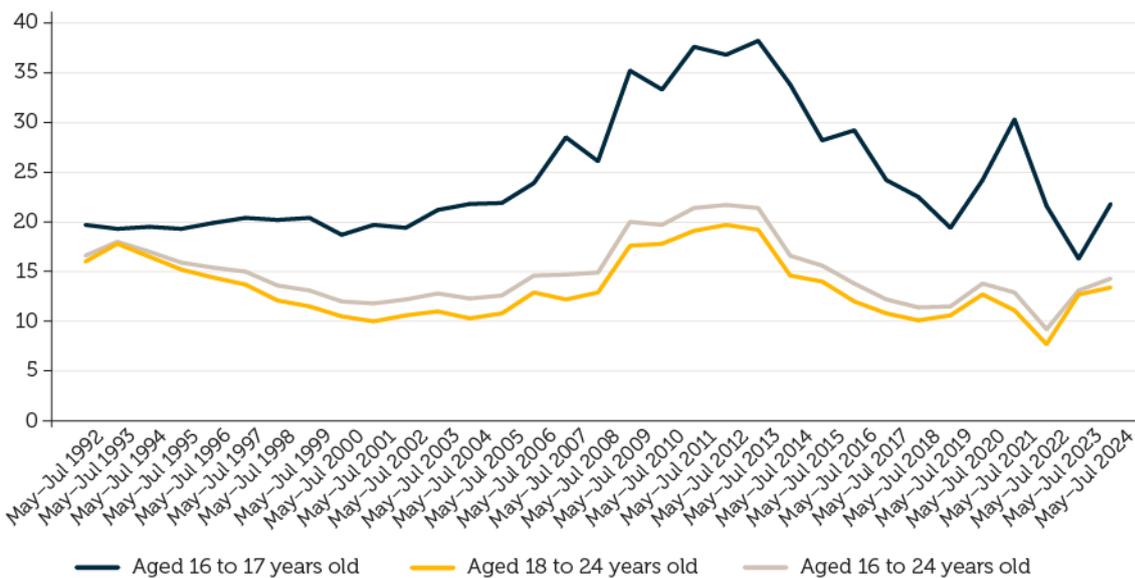


Source: CIPD analysis of ONS Annual Population Survey and Eurostat analysis

### Youth unemployment remains low, but economic inactivity among young men is rising

In 2024 (May to July) almost 600,000 young people aged 16 to 24 in the UK were unemployed; this represented an unemployment rate of 14.2% of the economically active youth population. This is in line with the European average (14.5% in 2023) but considerably higher than the best performing nations; by comparison, Germany had a youth unemployment rate of just 5.9% in 2023.

Figure 6: Youth unemployment rates by age group, 1992 to 2024 (% of economically active population)



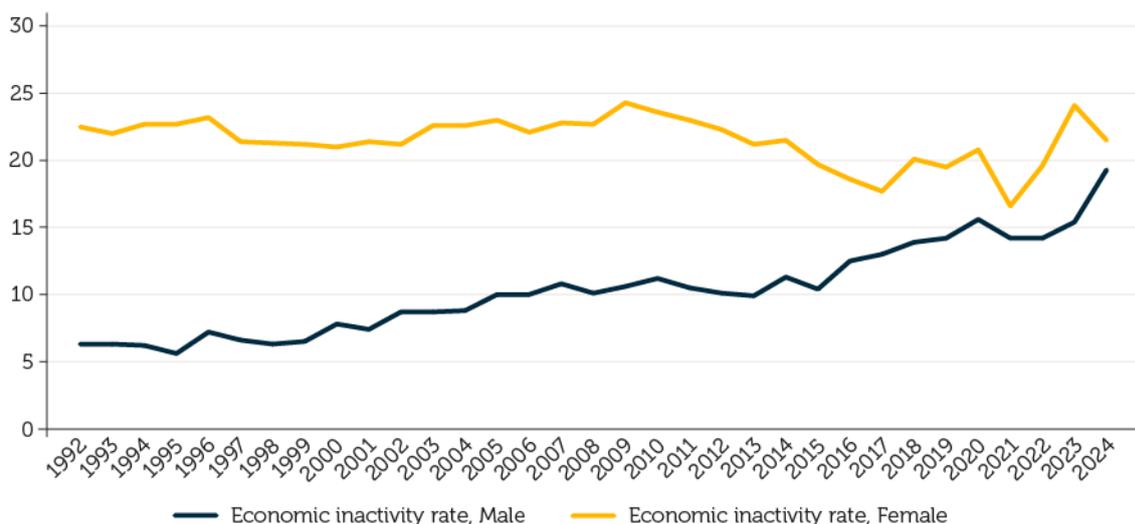
Source: CIPD analysis of ONS Labour Force Survey

Looking at long-term trends in youth unemployment in the UK for those aged 16 to 24 (Figure 6) shows that youth unemployment peaked at 22.5% in 2011 following the 2008 financial crisis, then steadily declined until the end of 2019. By January to March 2020, just before the pandemic, the rate had dropped to 12.3%. After the pandemic hit, youth unemployment initially increased, reaching a high of 15.3% between August and October 2020. The rate then steadily decreased until June to August 2022, when it started to climb again; by May to July 2024, youth unemployment was 45,000 higher than pre-pandemic levels.

Young men are more likely to be unemployed than young women, with unemployment rates in 2024 standing at 16.7% and 11.6% respectively. This gap has been a persistent feature of the youth labour market for quite some time. It is also clear from Figure 6 that younger individuals, those aged 16 to 17, experience higher rates of youth unemployment than individuals aged 18 to 24.

Looking at those young people who are not in full-time education but who are economically inactive reveals a concerning rise in economic inactivity among young men. In 1992 (May to July) just 6.2% of young men aged 16 to 24 were economically inactive and not in full-time education compared with 22.4% of young women. However, since then, rates of economic inactivity for young men have risen steadily, reaching a figure of 19.2% in 2024 – only slightly below that of young women (Figure 7).

Figure 7: Economic inactivity rates for young people not in full-time education, 1992 to 2024 (May to July)



Source: CIPD analysis of ONS Labour Force Survey

Research from the [Resolution Foundation](#) has found that health issues, especially poor mental health, are the primary reason young men aged 18 to 24 are leaving the labour market.

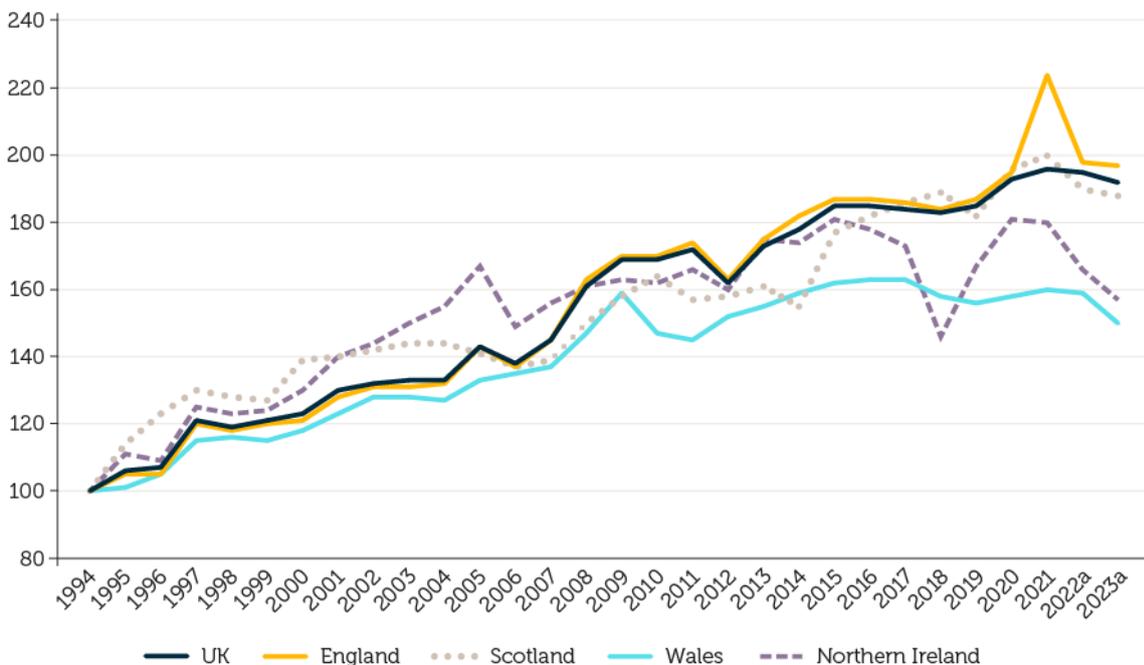
Data from the Labour Force Survey aligns with this finding: in 2023, 28% of economically inactive young men who were classed as NEET (not in education, employment, or training) reported ill health as the cause, up from 13% in 2010. Ill health is also the primary reason for young women classed as NEET, where 26% cited this as the cause, compared with just 7% in 2010. This is concerning, as individuals who are economically inactive due to long-term illness are, understandably, less likely to transition into employment or education compared with those who are unemployed. By contrast, 40% of young women previously cited the primary reason for inactivity was looking after the home/family; this has now fallen to 22.9%,

likely as a result of the increased average age that individuals start a family in the UK, as well as the rise in dual-income households.

## Young people are increasingly well educated

One of the biggest changes in the youth labour market over the past 40 years or so has been the huge increase in the number of young people delaying entry to full-time employment and instead choosing to participate in higher education. Higher education student numbers grew gradually in the 1970s and 1980s, and then rapidly from the end of the 1980s until the middle of the 1990s.<sup>2</sup> Figure 8 shows UCAS admittances to higher education institutions since the mid-1990s up until 2023 in each of the the UK’s four nations, and shows that since the mid-1990s, student numbers for people living in the UK have almost doubled in England (+97%) and Scotland (88%) and increased by over 50% in both Wales and Northern Ireland.

Figure 8: Trends in UCAS admittances for UK domiciled individuals, 1994 to 2023 (index 1994=100)

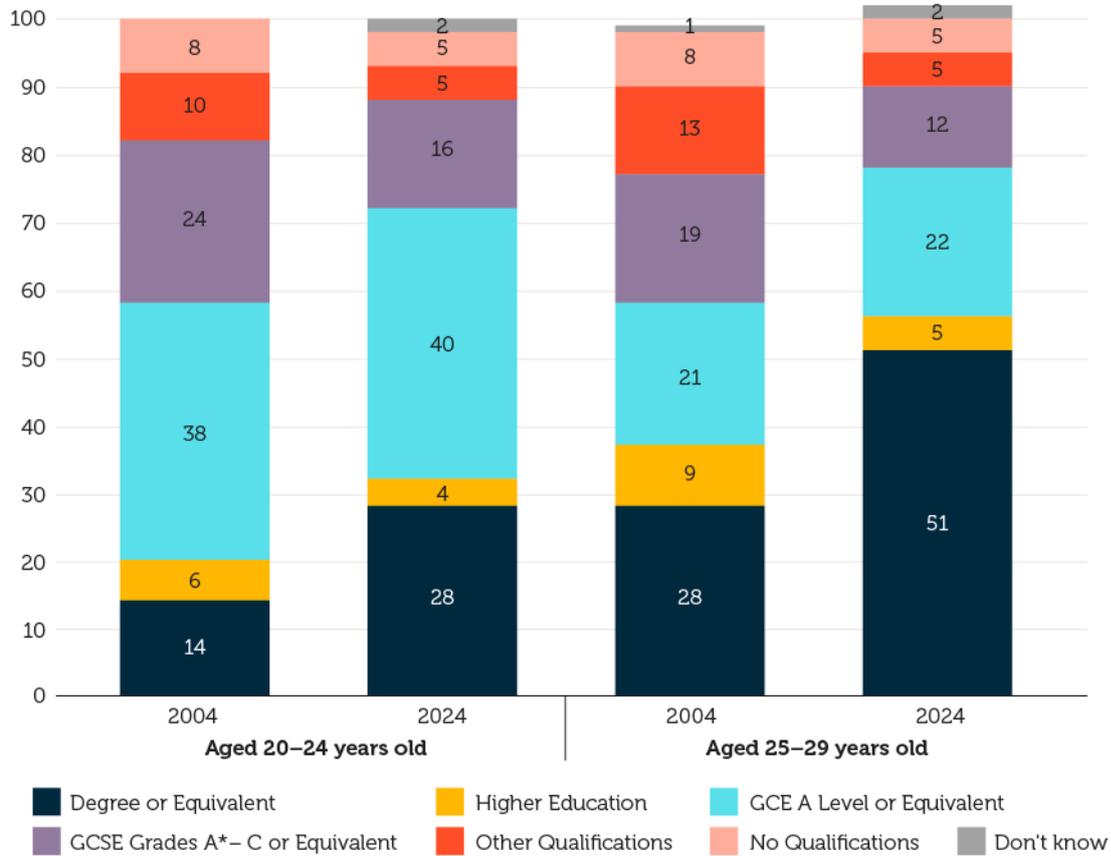


Source: CIPD analysis on UCAS admissions and acceptances

Figure 9 shows that as a result of the huge expansion of the higher education system over the past few decades, the youth labour market is increasingly well educated. In 2024, around half of all young people aged 25 to 29 are educated to degree level or equivalent, up from a figure of 28% two decades ago. The proportion with no qualifications has also fallen, from 8% in 2004 to 5% in 2024.

<sup>2</sup> CIPD. (2015) [Over-qualification and skills mismatch in the graduate labour market](#). Policy report. London: Chartered Institute of Personnel and Development.

Figure 9: Highest qualifications of young people aged between 20 to 24 years old and 25 to 29 years old, 2004 to 2024

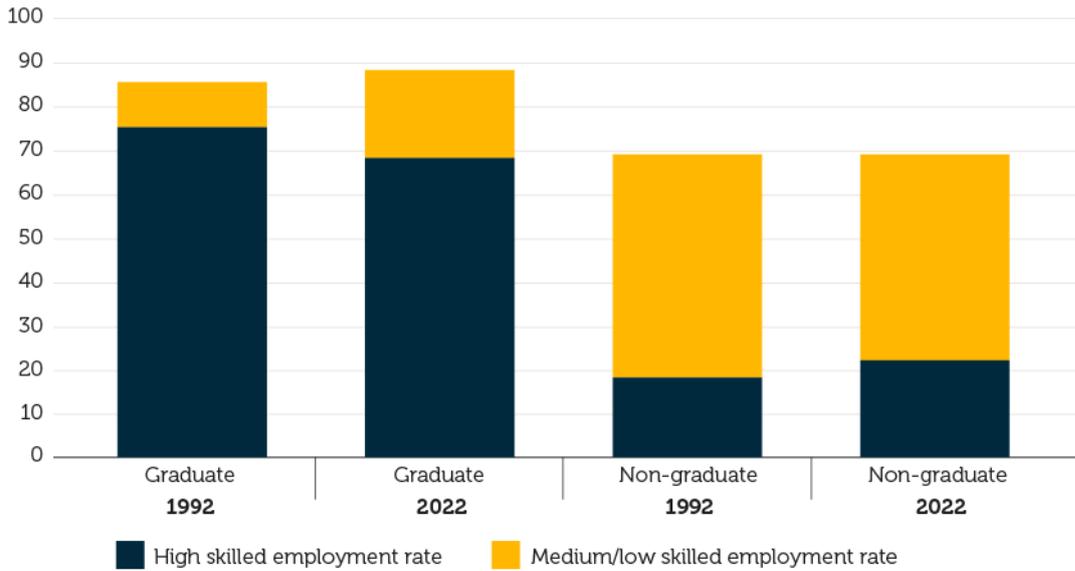


Source: CIPD analysis of ONS's Quarterly Labour Force Survey April to June 2004 and Annual Population Survey June to July 2023/24

Our [previous research](#) has shown that while the UK's higher education sector has experienced rapid growth over the past few decades, this increase has not been accompanied by a corresponding rise in high-skilled jobs. As a result, many graduates find themselves in roles traditionally occupied by non-graduates. Over the past 30 years, a growing number of graduates have entered occupations where a degree is not necessary. This is further reinforced by [other studies](#) which have highlighted a decline in the 'graduate premium', indicating that the economy no longer yields the additional value historically associated with having a degree.

In 1992, the figure for graduates in 'high-skilled employment' stood at 75%. In 2022, 68% of working-age graduates were in 'high-skilled' employment, compared with 22% of non-graduates (Figure 10). Yet it is the growth in the share of graduates in medium- and low-skilled employment that stands out the most – this has doubled from 10% in 1992 to 20% in 2022.

**Figure 10: Type of employment by qualification level (16-64 years old); 1992 to 2022, UK**

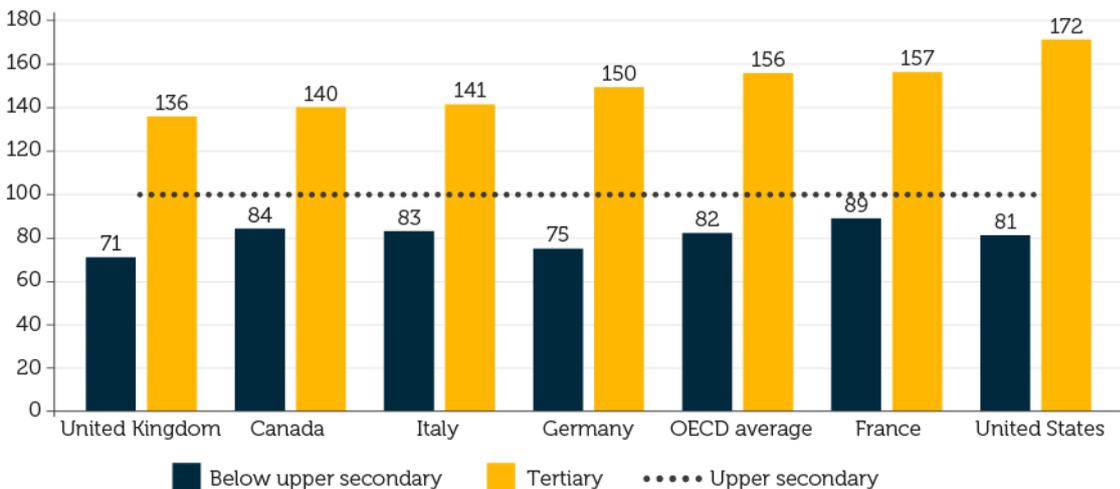


Definition: High-skilled employment rate; % in SOC 1, 2, 3; medium/low-skilled employment rate: SOC 4 to 9.  
 Source: CIP analysis of Labour Force Survey/ONS

Yet, challenges exist at both ends of the spectrum: graduates’ returns lag international competitors, while those with lower-level qualifications also fare poorly.

The UK now boasts one of the most highly qualified workforces in the world, [ranked fifth out of all the OECD economies](#) in the proportion of the population (25 to 64 years old) qualified to tertiary level (level 4 and above). Yet, the returns to tertiary education in the UK lag behind those of its major competitor economies (Figure 11). The earnings of those with tertiary attainment are just 36% higher than those with upper secondary; this is below the OECD average and lagging far behind countries such as France, where earnings are 57% higher, or the USA, where tertiary graduates enjoy a relative earnings boost of 72%. At the other end of the spectrum, those without upper secondary qualifications also fare more poorly in terms of relative earnings than those in other countries. In the UK, those who are qualified below upper secondary earn around 30% less than those who are educated to upper secondary level, against an OECD average of 18% lower relative earnings.

**Figure 11: Relative earnings of workers compared with those with upper secondary attainment, by educational attainment 2022 (upper secondary attainment = 100)**



Source: OECD (2024) Education at a Glance 2024

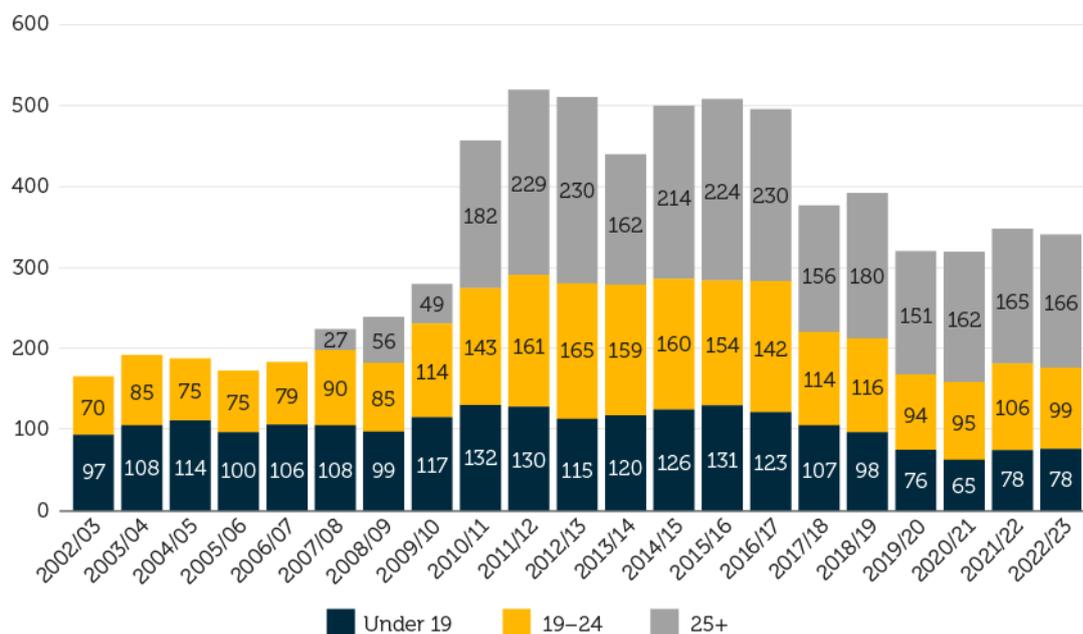
## Alternative pathways for young people remain a small part of the system

Apprenticeships offer invaluable support for young people transitioning from education to the workforce. However, our previous research has demonstrated that the apprenticeship system in England has not adequately served young people for an extended period. Most apprenticeship positions are filled by existing employees rather than fresh entrants to the labour market, with a growing proportion of opportunities being allocated to individuals aged 25 and above. Figure 12 highlights the long-term trend in apprenticeship numbers across broad age categories, revealing that from 2015/16 to 2022/23, apprenticeship starts have declined as follows:

- under 19: a 41% drop, representing nearly 54,000 fewer starts
- ages 19–24: a reduction of just over a third (36%), translating to a decrease of 55,000 starts
- ages 25 and over: a 29% decline, with 63,500 fewer starts.

However, the increase in apprentices aged 25 and over began even before the Apprenticeship Levy and related reforms. In 2005, eligibility was expanded to include those over 25, and with the introduction of higher-level apprenticeships in 2010, this shift significantly altered the age composition of apprenticeship starts (Figure 12).

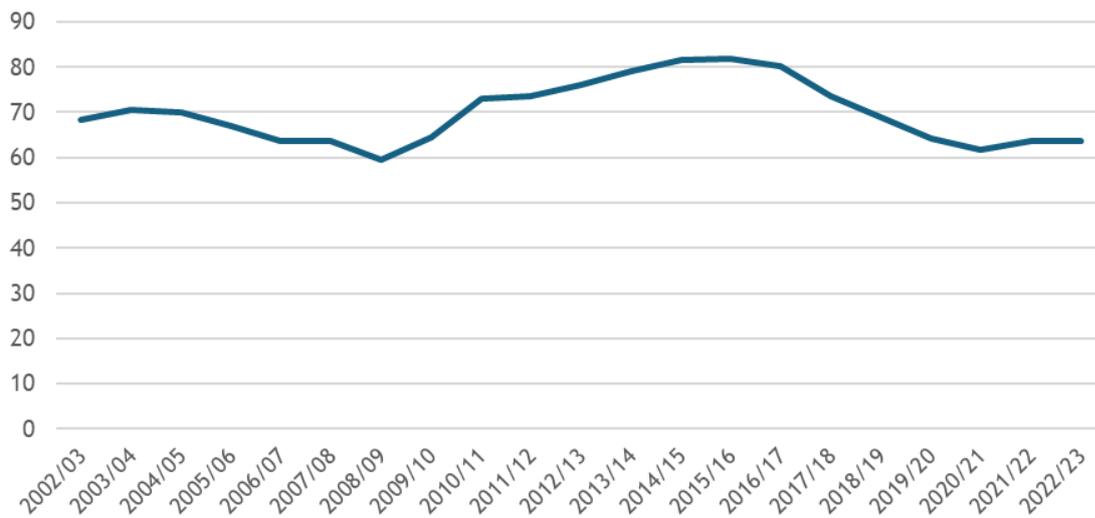
Figure 12: Apprenticeship starts by broad age group 2002/03 to 2022/23 (thousands)



Source: Apprenticeships statistics, DfE \*(figures may not sum due to rounding)

Figure 13 shows the scale of the apprenticeship system in England relative to the size of the youth population. This highlights that, despite a sustained policy focus on apprenticeships for the last decade, it has not increased in importance as a pathway into the labour market for young people. In 2002/03, just 6.8% of the youth population were on an apprenticeship programme; this is in line with 6.4% 20 years later (apprenticeship participation rates of 68 and 64 per 1,000 population aged 16 to 24).

Figure 13: Apprenticeship participation per 1,000 population, 16-24 years old

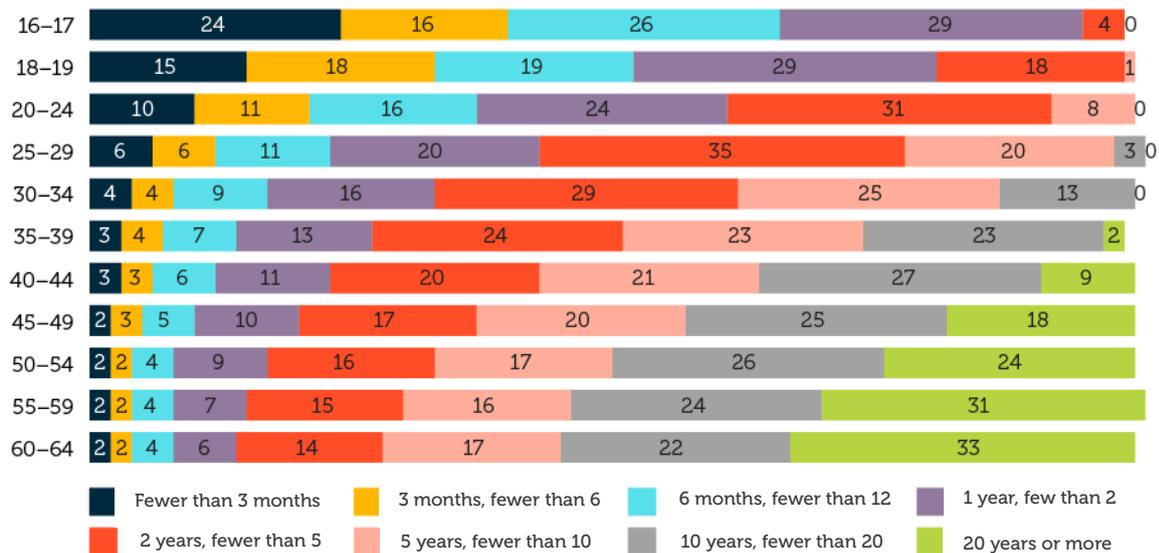


Source: CIPD analysis of DfE Apprenticeship Statistics and ONS Population Estimates

There have also been substantial reforms to the English schooling system, with the ambition to strengthen vocational education training in 16-to-19 provision, via the launch of new technical qualifications – T levels. However, just 16,000 young people enrolled in a T level programme in its fourth year of rollout, according to government data, which also highlights a concerning dropout rate for this flagship qualification. Retention rates for the qualifications are worryingly low, with [a third of the 2021 cohort](#) dropping out before completing the qualification. [Our previous research](#) has also highlighted a widespread lack of awareness among employers regarding the new qualifications, which, given the substantial industry placement element and the above difficulties, is likely to hamper the expansion of this pathway as a viable alternative route into the labour market for young people.

## Young workers tend to move around less in the labour market than previous generations, which has implications for future wage growth

Figure 14: Job tenure by age band 2023/24



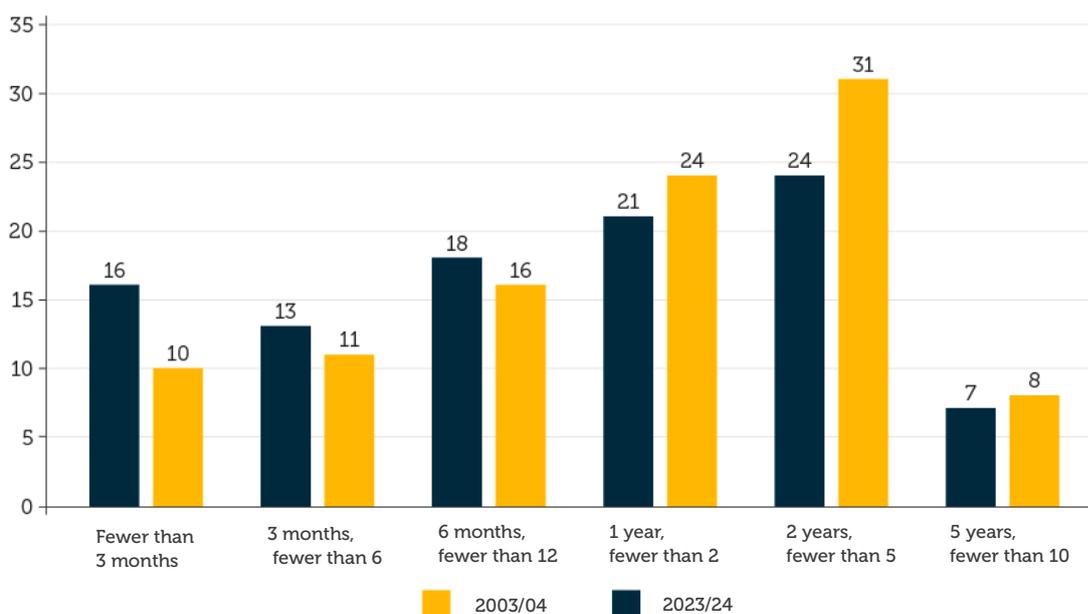
Source: CIPD analysis of ONS Annual Population Survey

Younger workers are less likely to have been with their current employer for a long time. In most cases this is just because younger individuals have not had enough time in the labour market to accumulate long-term employment with a single employer. If we examine tenure by age in the UK (Figure 14), we observe that over half of individuals aged 50 and above have been with their employer for more than 10 years, and a quarter have a tenure exceeding 20 years.

Yet, despite the popular view that younger workers, the so-called Gen Z and millennial generations, like to job hop and avoid the traditional career pathway, evidence from both the UK and the US suggests they stay longer with employers than the previous generation (Generation X) did at the same age. For instance, [research by the Resolution Foundation](#) found that millennials were less likely to job hop than their Gen X predecessors.

Figure 15 supports this; it shows that average job tenure – that is, the length of time someone has stayed with their current employer – has increased for younger workers. Almost 20 years ago, just over half (53%) had been with their employer for more than a year; the figure now stands at almost two-thirds (63%).

Figure 15: Job tenure of young workers (16 to 24 year olds) – 2004/05 and 2023/24 (%)



Source: CIPD analysis on ONS Annual Population Survey

There are several explanations for why young people now have less job mobility than previous generations. One explanation is that cohorts who enter the labour market during economic downturns (like millennials) tend to have more conservative attitudes to risk; another theory is that the [incentives to move jobs are lower](#), because of wage stagnation and rising living costs. While the security of staying in a job offers some benefits, there are also downsides; job switching is a key driver of wage growth for younger workers. Workers who move jobs experience a [4% pay increase on average](#) than those who stay put; increased job tenure across the economy can potentially feed through into higher long-term unemployment.

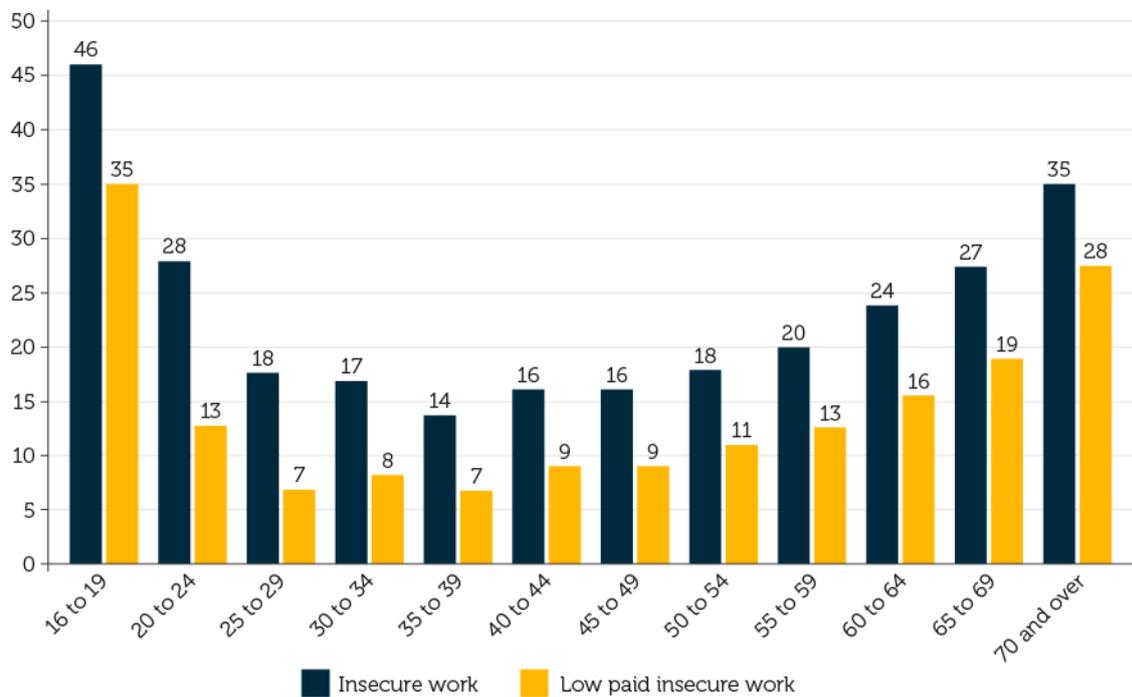
### Younger workers tend to experience a much higher degree of job insecurity

Young people entering the job market often face uncertain career paths. At this stage, they tend to change jobs more frequently, partly because they're more likely to hold temporary roles and are still exploring their career interests. They're also more likely to hold low-wage, short-term jobs, especially in sectors like retail and hospitality, leading to higher overall job insecurity and higher prevalence of low-paid insecure work (Figure 16).

However, while insecurity is a key feature of the UK's youth labour market, [our previous research](#) found that the percentage of non-permanent workers has remained relatively stable for the past 25 years, and most individuals in non-permanent roles, including the self-employed, are opting for this type of work as it aligns with their lifestyle or work preferences.

Yet, while for many this will be a temporary phase and provides important flexibility, serving as a useful bridge from education to employment, it can also keep young people trapped in insecure jobs. There is a real risk that young people may become stuck in low-paid temporary work, cycling through one fixed-term contract after another, often with periods of unemployment in between. In fact, [previous research](#) on young people in low-paid employment indicated that most young people in low-paid jobs 10 years ago were still stuck in low-paying positions a decade later.

Figure 16: Percentage of UK workers in insecure work and low paid insecure work by age, UK, 2021–22



Source: The Living Wage Foundation

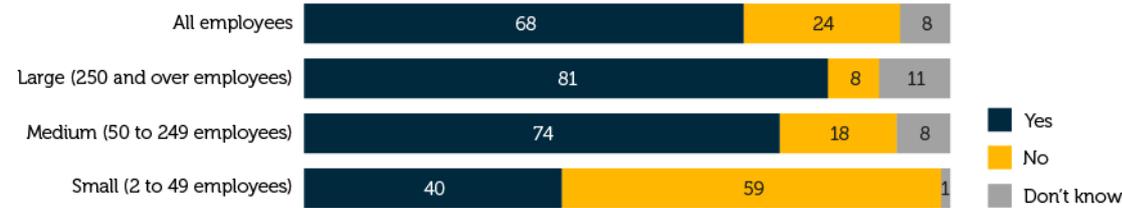
## Employer recruitment patterns and perceptions of young workers

**Employers tend to hold relatively negative views of the work-readiness of young workers; however, wider evidence suggests that this has likely always been the case.**

To gain an understanding of current employer recruitment behaviour as well as their perceptions of current education-leavers, this section of our report draws from both national surveys as well as a recent YouGov panel of over 2,000 senior HR professionals and decision-makers in the UK that took place in September and October 2024.

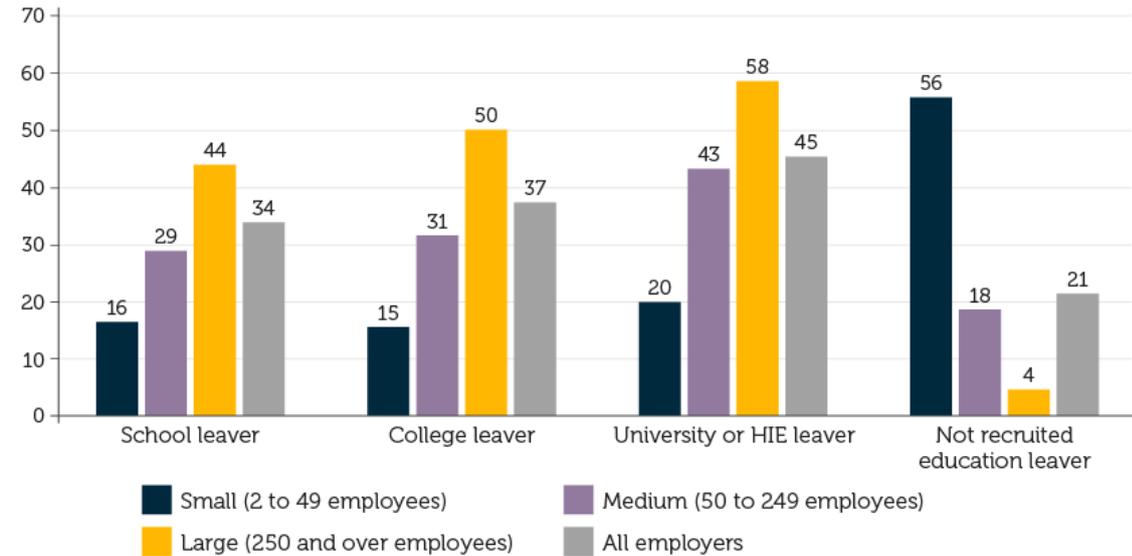
Figure 17 shows employers' youth recruitment over the last 12 months. Overall, 68% of organisations have recruited a young person under the age of 25 in the last 12 months. Recruitment varied by organisational size, with larger organisations more likely to recruit young people compared with smaller employers. However, while recruitment levels are lower, it should be noted that young people are more likely to be employed by SMEs than larger organisations. Recruitment by broad sector shows that organisations in public administration (83%) and in manufacturing and production (75%) are more likely to recruit young people compared with private sector services organisations (65%).

**Figure 17: Recruitment of young people (16 to 24 years old) in the last 12 months in 2024 by organisation size (%)**



Source: CIPD's Labour Market Outlook Autumn 2024

**Figure 18: Recruitment of education leavers to their first job in the past 2 to 3 years in 2024 by organisation size (%)**

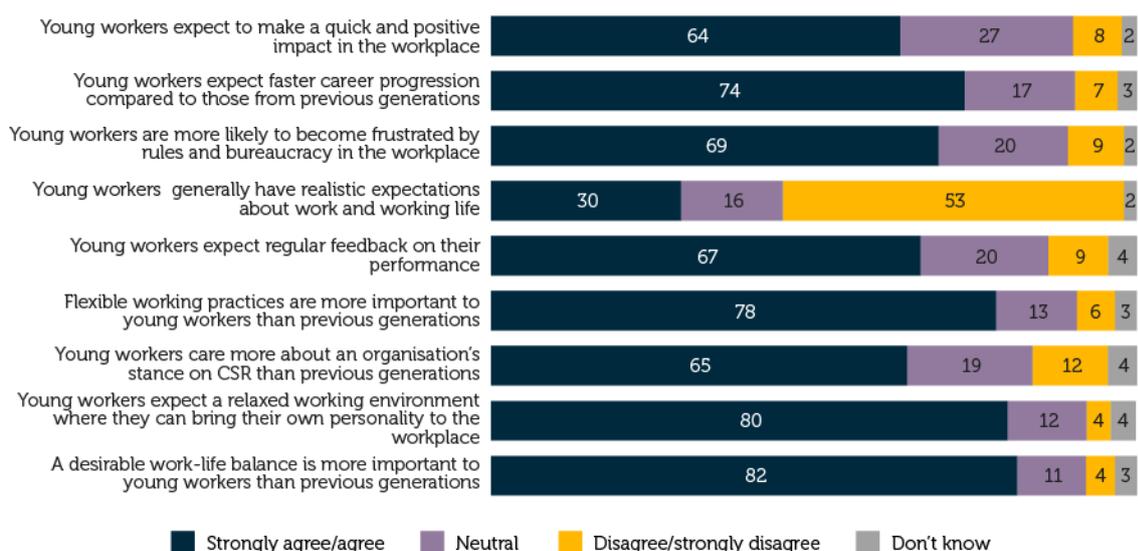


Source: CIPD's Labour Market Outlook Autumn 2024

Turning to recruitment of education-leavers to their first job, Figure 18 shows a similar pattern: smaller organisations are much less likely to have recruited a young person to their first job on leaving education, with over half not recruiting any education-leaver to their first job.

Looking at future recruitment intentions, 28% of organisations are either very likely (10%) or likely (18%) to recruit a young person aged 16 to 24. Unsurprisingly, previous recruitment patterns determine future recruitment plans. Employers who have recruited a young person in the last 12 months are also the most likely to be planning to recruit a young person in the next year: 84% said that they were very likely or likely to recruit a young person, compared with just 14% of employers who had not recruited a young person in the last 12 months.

**Figure 19: Employers' perceptions of young workers' (16-to-24-year-olds) expectation of work and the workplace (%)**



Sample size: Employers who have recruited young people in the past 12 months: 1,377  
 Source: CIPD's Labour Market Outlook Autumn 2024

Employers who did recruit young people aged 16 to 24 were also asked a number of questions related to their views of young workers: their characteristics, experience and skills, and expectations of work.<sup>3</sup> Figure 19 shows employers' perceptions of young workers' expectations of work and the workplace:

- There is a strong degree of consensus that employers feel that young workers value flexible working more than previous generations (78% agree) and that a work-life balance is more important to them compared with previous generations (82%).
- Employers also think that young workers expect to make a quick and positive impact on the workplace (64%) and that they expect faster career progression than previous generations (74%).
- The majority of employers also agree that younger workers are more likely to be frustrated by rules and bureaucracy (69%) and expect a relaxed working environment (80%).
- Yet, over half (53%) think that younger workers do not have a realistic expectation of work and working life.

Figure 20 shows employers' perceptions of young workers' skills, characteristics and experience. The survey evidence shows that employers have relatively negative perceptions about younger workers' social skills, their preparedness for work and their knowledge of how to behave in the workplace:

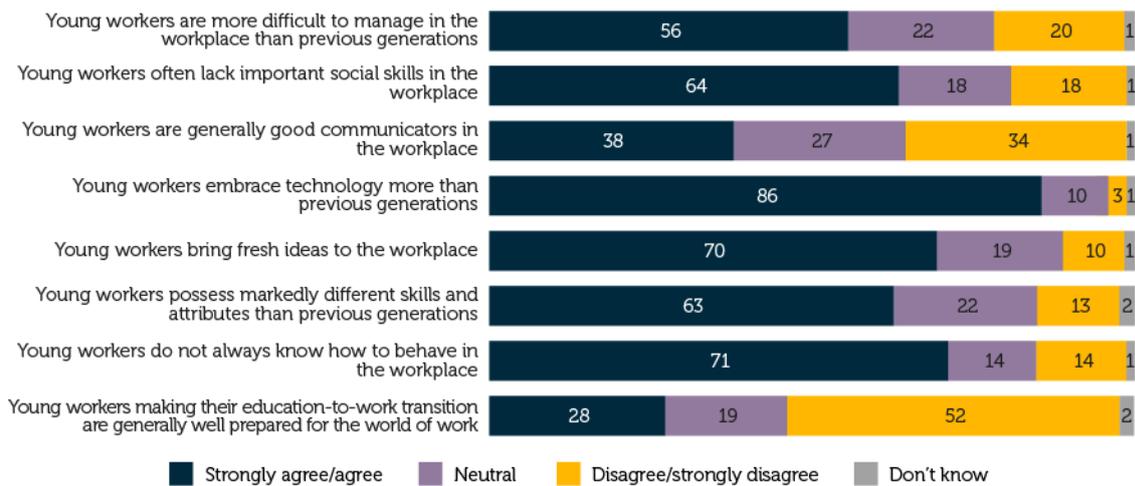
- Over half (52%) of employers disagree that young people making the transition from education to work are well prepared for the world of work.
- Over half (56%) of employers think that young workers are more difficult to manage than previous generations.

<sup>3</sup> The questions were sourced from the following research publication: Grant, K., Egdell, V., and Vincent, D. (2021) [Young people's expectations of work and the readiness of the workplace for young people: Two sides of the same coin?](#) Edinburgh: Carnegie Trust for the Universities of Scotland.

- The majority of employers agree that young workers lack important social skills (64%) and do not always know how to behave in the workplace (71%).

More positively, employers also think that younger workers bring in fresh new ideas (70% agree) and embrace technology more readily than previous generations (86%). Employers also think that young workers possess markedly different skills and attributes compared with previous generations in the workplace.

**Figure 20: Employers’ perceptions of young workers’ (16-to-24-year-olds) skills, characteristics and experience**



Sample size: Employers who have recruited young people in the past 12 months: 1,377  
 Source: CIPD's Labour Market Outlook Autumn 2024

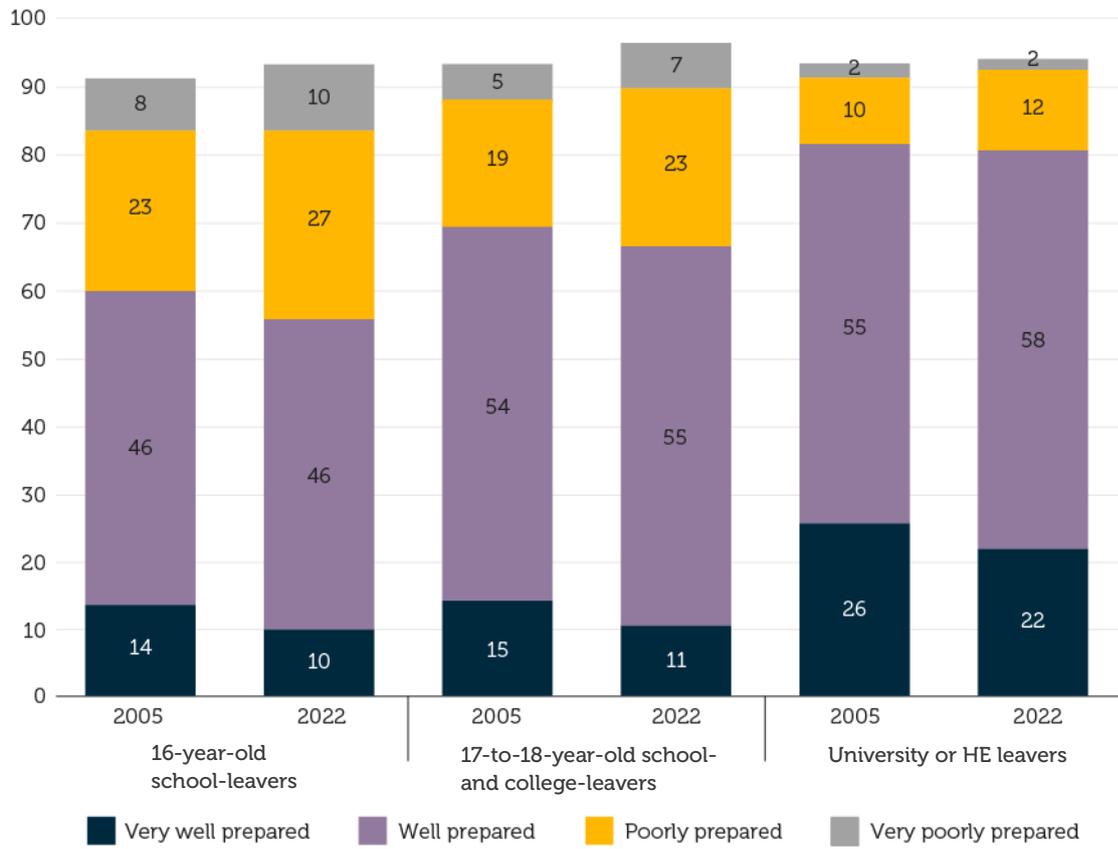
While the survey evidence suggests that many employers may hold some negative views regarding how well younger workers are prepared for the education-to-work transition, evidence from the National Employers Skills Survey highlights a high degree of stability in this area (Figure 21). In 2005, 60% of employers thought that 16-year-old school-leavers were either well prepared or very well prepared for work; this was slightly higher than the figure in 2022 of 56%. There was a similar small decrease in the proportion of employers who thought that 18-year-old school- or college-leavers were well prepared for work – 69% compared with 66% in 2022.

There was virtually no change in the proportion of employers who thought that university-leavers were well prepared. Yet, while the data suggests that only slightly fewer employers think that school- and college-leavers are well prepared for the workplace compared with figures from 2005, it is likely that fewer young people combining work and learning while in full-time education has reduced their ability to develop the broader workplace skills that employers value.

The skills that employers reported to be lacking among young people recruited direct from education who were poorly prepared for work are shown in Figure 22. A lack of working world/life experience or maturity topped the list, followed by concerns about motivation and attitude. Concerns around personality, motivation and attitude featured more prominently for school- and college-leavers than for those recruited from university. Conversely, more employers reported a lack of the required technical skills or competencies as an issue for university-leavers than for other education-leavers, likely due to either the higher expectations or the requirements of the employment opportunities. A similar proportion reported a lack of soft skills among new recruits. Interestingly, only a tiny minority of

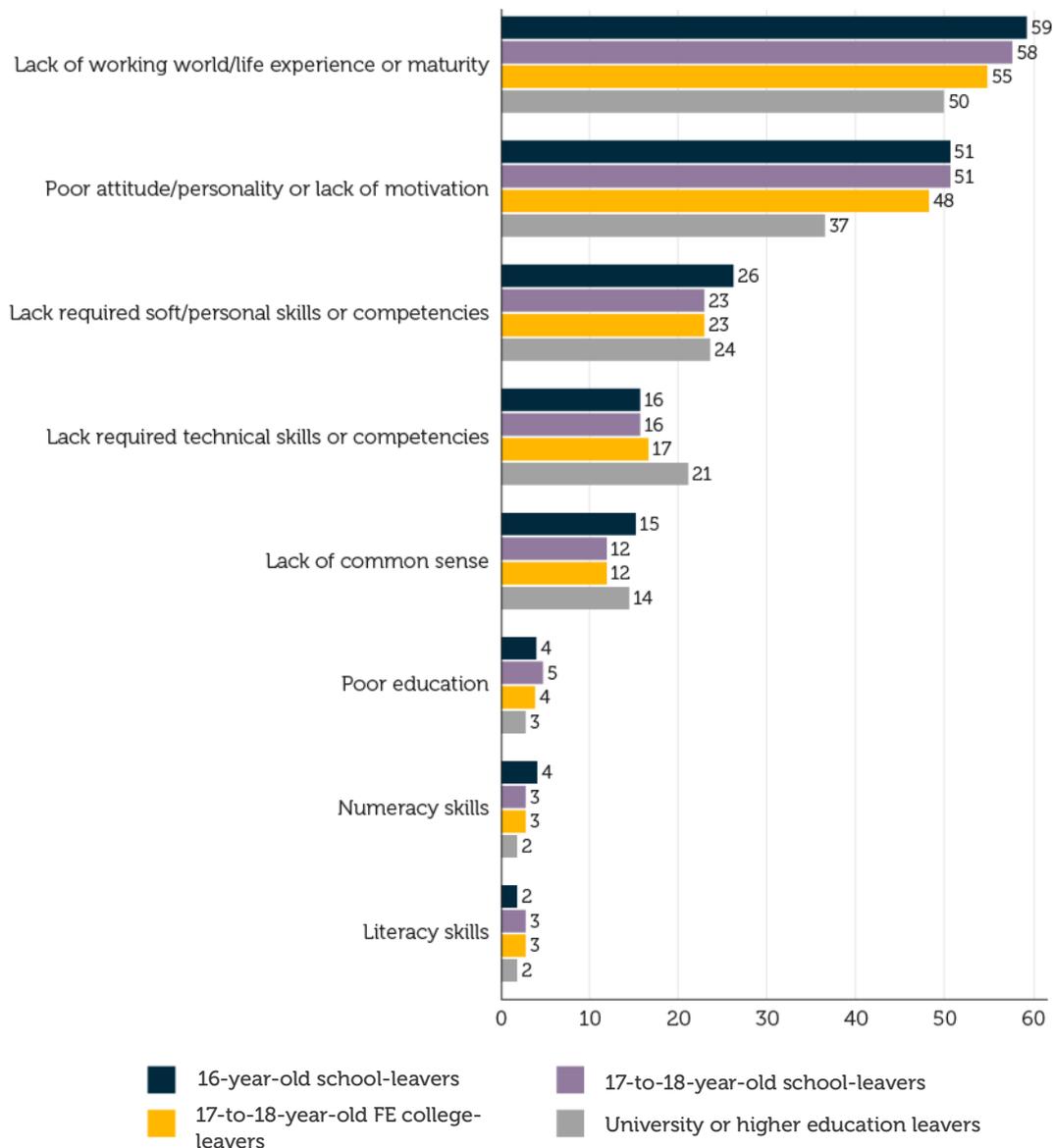
employers reported a problem with poor education, or that education-leavers lacked numeracy or literacy skills.

**Figure 21: Preparedness of education-leavers for work in England, 2005 and 2022**



Source: CIPD analysis of National Employers Skills Survey 2005 and Employers Skills Survey 2022.

**Figure 22: Skills lacking among education-leavers recruited to their first job, 2022 (%)**



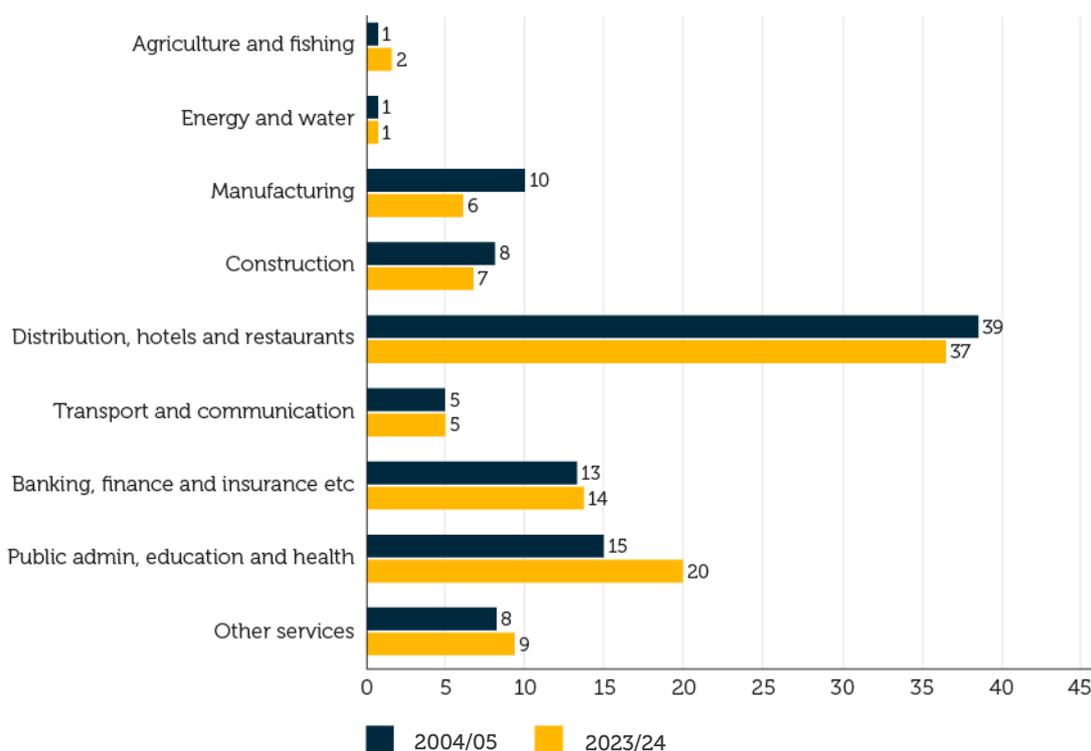
Base: employers who thought that new recruits were poorly prepared for work  
 Source: CIPD analysis of Employers Skills Survey 2022

## Sectoral and occupational shifts and future prospects

**Young workers tend to be concentrated in a few sectors and occupations which have been in long-term decline. Moreover, these are forecast to contract more in the future.**

Youth employment is highly concentrated in distribution, hotels and restaurants, with 37% employed in this sector in 2023/24, compared with 16% of the working-age population. Younger age groups are even more likely to be employed in this sector: over 64% of young people aged 16 to 17 work in this sector, compared with half of 18-to-19-year-olds and 30% of those aged 20 to 24. The overall sectoral distribution of jobs in the youth labour market has remained relatively unchanged over the last two decades, albeit with a smaller proportion of young people in manufacturing and a larger proportion employed in the public administration and health sector (Figure 23).

**Figure 23: Youth employment by broad industry, 2004/5 to 2023/24 (June to July) (%)**

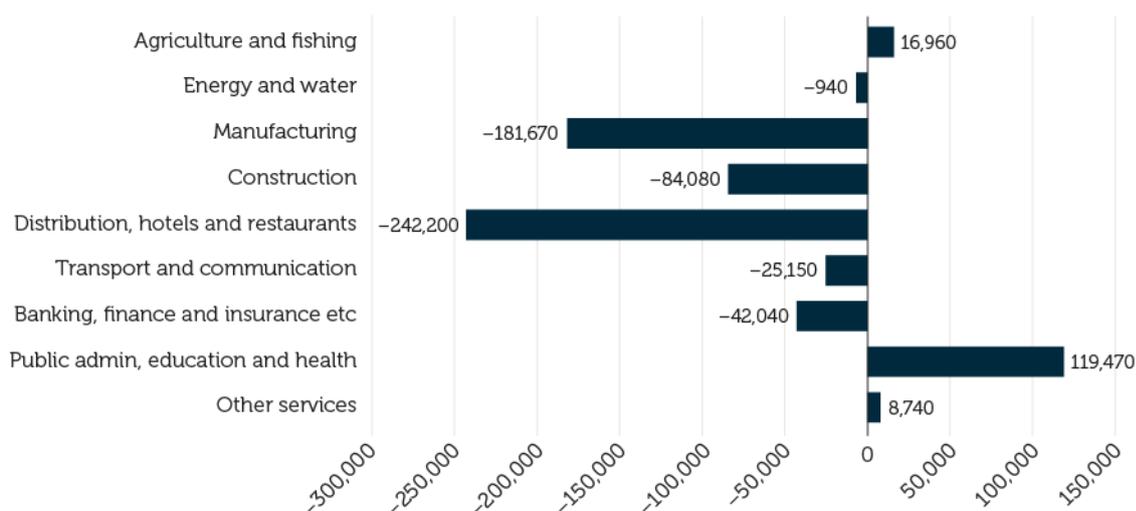


Source: CIPD analysis on ONS Annual Population Survey

However, while the broad sectoral distribution of youth employment has remained relatively constant, there have been substantial falls in the number of young people working in certain industries (Figure 24). Examining the period between 2004/05 to 2023/24 shows that there are around 432,000 fewer young people aged 16 to 24 in employment now than there were 20 years ago, a decline of 11%. The fall in employment levels has been concentrated in a number of sectors of the economy:

- Distribution, hotels and restaurants saw the greatest decline in absolute numbers over the period, where youth employment levels fell by 242,000 over the two decades. While overall employment (16 to 64 years) in this sector contracted by 9% over the period, the fall was greater for younger workers (-16%).
- In 2004/05, around one in 10 young people were in employment in manufacturing; by 2023/24 this had fallen to 6%, a decline of 45% (-181,700). This was much steeper than that experienced by the workforce overall (-27%).
- Youth employment also fell in the construction sector, with a fall of 84,000 (-26%) over the period; again, this was greater than that experienced by the working-age population overall.

Figure 24: Change in youth employment (16 to 24) by broad industry, 2004/05 to 2023/24 (June to July)



Source: CIPD analysis on ONS Annual Population Survey

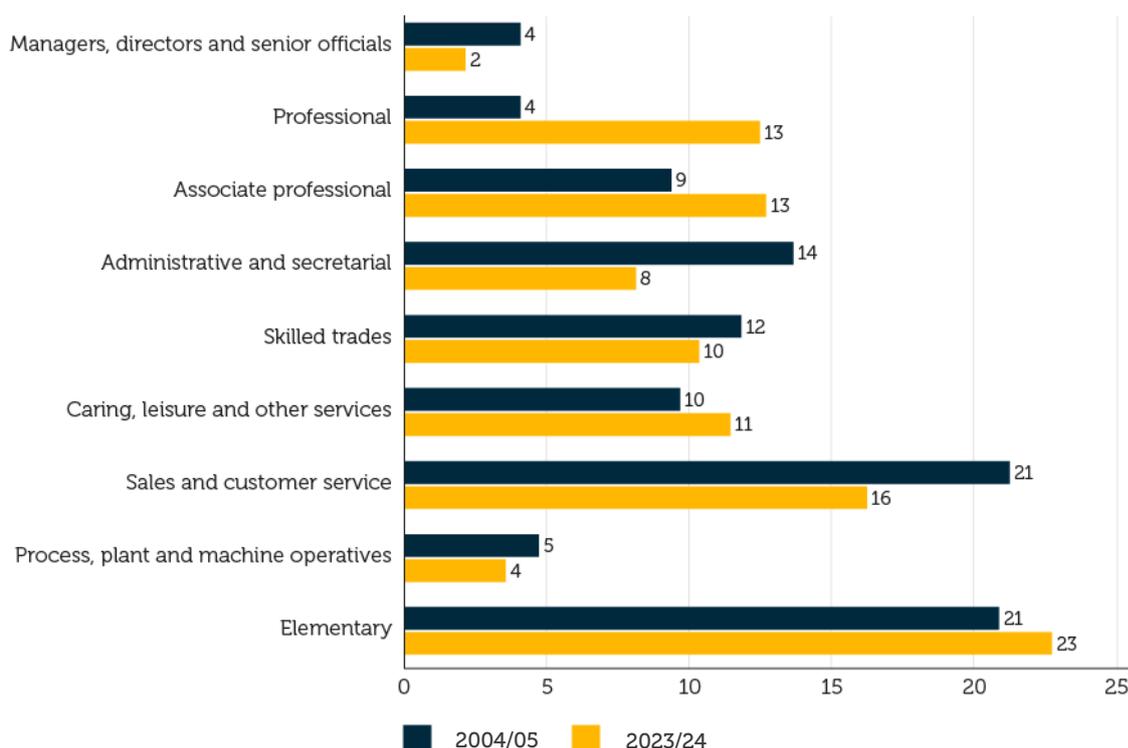
The decline in the number of young people employed in distribution, hotels and restaurants over the period has been driven entirely by younger age groups. Between 2004/05 and 2023/24, the number of 16-to-17-year-olds employed in the sector fell by around 141,000, a decline of 39%, while employment levels for 18-to-19-year-olds contracted by around 115,000 (a decline of 27%); conversely, employment levels for those aged 20 to 24 rose by 2%.

By contrast, the only industry to experience any significant growth in absolute terms over the period was public administration, education and health, which increased by around 119,500, an increase of 19%. However, only those aged 20 to 24 experienced employment growth in the sector; by contrast, employment for those aged 16 to 17 and 18 to 19 fell by 48% (-19,400) and 8% (-7,000) respectively.

There have also been corresponding occupational shifts over the same time period. Figure 25 shows employment by broad occupational categories for 2003/04 and 2023/24 for young people aged 16 to 24. The most notable changes are as follows:

- The proportion of young people employed in administrative and secretarial occupations has fallen from 14% to 8%. This represents a decline of almost 259,000 over the period, a decrease of 47%. This is a much greater decline than experienced by the working-age population as a whole (-17%).
- In 2004/05, just over one-fifth of all young people were employed in sales and customer service occupations; this has now dropped to just 16%. This represents a fall of 271,600, a decline of just under a third (-31%), which is much greater than the overall decline in this occupation (-9%).
- By contrast, there has been an increase in the proportion of young people employed in professional occupations over the period, from 4% to 13%. This represents an increase of almost 274,000, a growth rate of 154% – slightly above that of the working-age population as a whole (+143%).

**Figure 25: Youth employment (16 to 24) by broad occupation, 2004/5 to 2023/24 (June to July) (%)**



Source: CIPD analysis on ONS Annual Population Survey

Analysis by more detailed age groups shows that younger age groups have again been disproportionately impacted by a number of these trends. The number of those aged 16 to 17 in sales and customer services roles fell by 61% (-126,300) over the period, against declines of 43% (-106,400) and 10% (-38,900) for those aged 18 to 19 and 20 to 24, respectively. A similar pattern is also evident in administrative and secretarial occupations; however, while those aged 16 to 17 (-60% or -17,300) and 18 to 19 (-58% or -56,600) saw the biggest contractions (in percentages), those aged 20 to 24 saw the greatest absolute decline (-184,800, or -43%).

Examining a more granular occupational picture shows that young people aged 16 and 17 are concentrated in just two occupational groups, with almost 60% working as either 'sales assistants and retail cashiers' (21%) and 'other elementary services occupations not elsewhere classified' (38%); the latter is predominantly made up of jobs within the accommodation and food services sector.

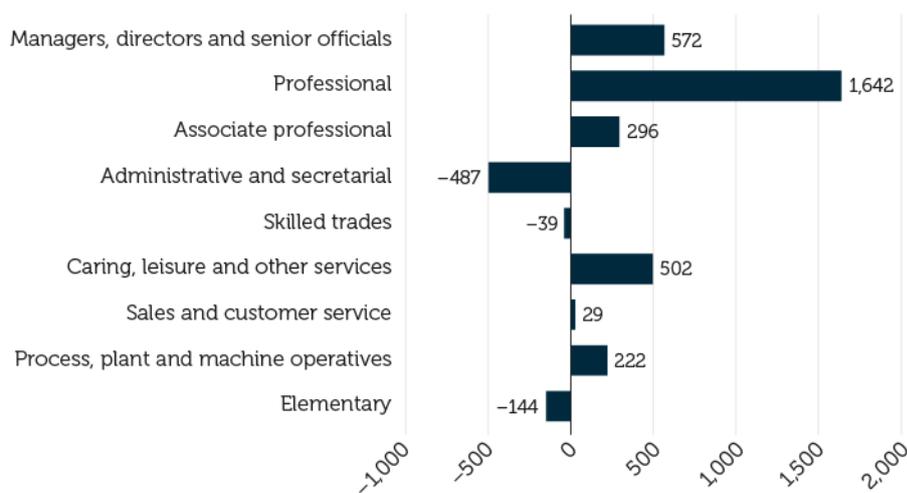
### **The occupations that young workers are concentrated in are forecast to continue to decline**

Figure 26 shows forecast occupational change by broad occupations for the period up to 2035. It is clear that the biggest increases are likely to be at the top of the occupational distribution, and in professional occupations in particular, which are forecast to increase by 20% over the period. Administrative and secretarial jobs are expected to experience the largest fall over the period, projected to lose a total of 487,000 jobs over the period, a decline of 13%. Projected growth at the top end of the occupational distribution means that there will be increased demand for those with higher-level qualifications, while the demand for jobs with lower-level qualifications (level 2 and below) will remain largely unchanged.

Looking at forecast occupational change in more detail shows that the occupations where young people are typically concentrated are expected to experience a decline for the period up to 2035. As we noted earlier, young people tend to be concentrated in just two occupations: elementary service occupations and sales occupations. These taken together make up 64% of jobs for 16-to-17-year-olds, 52% for 18-to-19-year-olds, and 26% of jobs for 20-to-24-year-olds. Between 2020 and 2035 these jobs are forecast to decline by 48,000 and 255,000 respectively (or -12% and -2%).

However, it should be noted that total occupational demand, which includes replacement demand (that is, the demand created by people leaving the labour market) will be positive for all occupational areas.

**Figure 26: UK projected occupational change (thousands) 2020 to 2035**



Source: Occupational Outlook - Long-run employment prospects for the UK – Revised tables and figures, The Skills Imperative 2035, NFER

## Many of the skills young people currently lack are forecast to increase in importance

As well as forecasting occupational change, the Skills Imperative 2035 forecasts the skills that will be in most demand in the future. The research finds that while specialised skills and knowledge will remain crucial for most occupations, it's the transferable 'essential employment skills' that will be most sought after across the job market by 2035. The six top essential skills expected to be in highest demand among employers are: (1) communication, (2) collaboration, (3) problem-solving, (4) organising, planning, and prioritising work, (5) creative thinking, and (6) information literacy – skills related to gathering, processing, and applying information.

As highlighted, young people often lack these skills when entering the labour market, and the decline in earning and learning that has occurred over the last few decades will have likely exacerbated this challenge. This highlights the critical importance of building these skillsets while in the education system and continuing to develop them while in the workplace.

In recognition of the growing importance of these skills, the CIPD, along with a number of influential and respected organisations, came together as the Essential Skills Taskforce to agree a universal framework of essential skills which clearly defines the skills needed to succeed in education, work and life. The [Skills Builder Universal Framework](#), developed by

the Essential Skills Taskforce, is a clear, measurable and authoritative framework that sets out how essential skills can be identified in practice. It provides a common language that both education providers and employers can easily understand and adopt.

## Policy context and future considerations

**Helping young people navigate the increasingly complex job market and build fulfilling careers is a shared responsibility. It demands coordinated efforts from various stakeholders, including policy-makers, educators, training providers, employment support agencies, voluntary and community organisations, business representative bodies, and businesses themselves.**

### Changing policy landscape

The election of the Labour Government in 2024 signalled a change in the direction of skills and labour market policy in the UK. A number of reforms have been announced and the major changes relevant to this report are set out below.

The government has launched a new skills body, [Skills England](#), to bring together key partners to meet the skills needs of the next decade across all regions. The government plans for it to assume the responsibilities of the Institute for Apprenticeships and Technical Education but with an expanded role.

Skills England will be tasked with evaluating skill shortages and demand across the UK and oversee the allocation of the new Growth and Skills Levy, which will replace the current Apprenticeship Levy. The government asserts that Skills England will “bring together businesses, providers, unions, mayoral combined authorities and national government” to ensure England has “the highly trained workforce” it needs. It will also collaborate closely with the Industrial Strategy Council, the Migration Advisory Committee, and various government bodies to align national and regional systems to effectively meet both local and national priorities.

The key proposal behind the Growth and Skills Levy is to allow levy-paying employers to use up to 50% of their contributions to fund non-apprenticeship qualifications approved by Skills England. The list of qualifications that will be eligible is yet to be detailed; however, it is likely that it will include modular courses in priority areas from Labour’s industrial strategy, such as digital and green skills, social care and childcare, functional skills, and pre-apprenticeship training – likely targeted at young people.

More recently, the government announced that it would seek to [rebalance the apprenticeship systems towards young people](#), through expanding apprenticeships and introducing new foundation apprenticeship pathways. To help unlock investment while providing employers with greater flexibility via the new Growth and Skills Levy, employers will be required to co-invest in higher-level apprenticeships for skilled and experienced employees. This approach aims to reduce the costly practice of rebranding existing training as apprenticeships and free up resources to focus on young individuals, who gain the most from these opportunities. They have also proposed more flexibility through the provision of shorter apprenticeships (by changes to the minimum duration of 12 months).

The Labour Government has also [pledged to introduce](#) a new youth guarantee, which will provide opportunities for training, an apprenticeship or help to find work for all young people aged 18 to 21, to prevent young people becoming excluded from the world of work at a young age. The recently published [Get Britain Working](#) white paper set out more detail of the youth guarantee, which will bring together a range of existing entitlements and provisions, and will be trialled from June 2025 through Youth Guarantee Trailblazers areas in eight mayoral authorities across England. The trailblazers will “test ways to tackle persistent challenges around coordination, engagement and accountability”, working in partnership with Jobcentre Plus, the National Careers Service, training and other partners, and local employers.

The government has also [launched a curriculum and assessment review](#) with the ambition to provide a curriculum that builds strong foundations in reading, writing, and numeracy, while also offering every young person the chance to develop creative, digital, and communication skills that are highly valued by employers. To ensure that all young people are able to build their key transferable essential skills while in the education system, we are urging the government to adopt [the Universal Framework](#), which provides a practical and structured way to build and measure essential skills and is already in use in hundreds of schools and colleges across the country.

Alongside this review, the government has also promised to introduce two weeks’ worth of high-quality work experience for every young person and to recruit more than 1,000 new career advisers. It will also foster partnerships between schools, colleges and local employers to equip young people with the skills needed for the workplace. Given the collapse in earning and learning, additional focus on building the skills that employers value, and raising awareness of the importance of these skills, through work experience and a revised curriculum is clearly needed. However, consideration will need to be given to the additional pressure on employers, and educators, to deliver this new work experience commitment, particularly against a backdrop of [falling engagement in work experience by employers](#) – in 2022, 30% of employers had provided work experience in the last 12 months, a decrease from 38% in 2016. To ensure success, it will be particularly important to put into place dedicated resources to source and coordinate placements at a local level.

There is much to welcome about the direction of these policy changes, a number of which the CIPD has been actively calling for. Looking forward, Skills England must engage closely with employers in designing the new Growth and Skills Levy to strike the right balance – boosting youth apprenticeships, upskilling the workforce, and meeting essential skills demands. A more adaptable levy, alongside an improved vocational education and training system, can lay the groundwork for greater business investment in the skills essential to the economy.

In addition, further action will also be required across a number of other areas, including measures to support smaller businesses that do not contribute to the current levy, to unlock more apprenticeships for young people. The decline in SME participation has been a key driver in the overall reduction of apprenticeship numbers, particularly affecting opportunities for young people. We have previously recommended the use of wage incentives for SMEs to increase the number of apprenticeships available for young people.

We also urge the government to expand on its youth guarantee by introducing an apprenticeship guarantee, offering either level 2 or level 3 apprenticeship opportunities to all qualified 16-to-24-year-olds. Our research indicates that nearly 90% of employers would

support such an initiative. Other priorities in this area include strengthened pre-apprenticeship training and new incentives for small businesses to take on apprentices.

## Conclusion

Over the past three decades, the youth labour market has undergone significant transformation. One of the most notable changes has been the substantial expansion of higher education, leading more young people to delay entering the workforce in pursuit of academic qualifications.

Fewer young people now balance work and education, resulting in a smaller youth workforce. This trend is not due to population changes or the raising of the educational participation age but rather reflects a growing separation between work and learning among young people.

While young people today are increasingly well qualified, the benefits of higher qualifications have diminished, with alternative pathways through the education system remaining limited. The lack of a large-scale, effective alternative to academic routes, combined with a notable decrease in opportunities that blend earning and learning, has created a challenging school-to-work transition. Many young individuals enter the workforce without possessing the skills that employers increasingly value. These skills, which include communication, teamwork and problem-solving, are forecast to only increase in importance over the coming years.

Equipping young people for the workforce is essential for long-term productivity and competitiveness. Not only is it crucial for the UK's economic future, but recruiting and developing young talent also benefits organisations in the present by enhancing workforce diversity, introducing fresh ideas and skills, and strengthening talent pipelines. It is vital to support and encourage employers in creating opportunities for young people to access employment and training.

The recently elected Labour Government has recognised many of these challenges, and is seeking to address them via a number of measures, such as increased access to work experience opportunities, a review of the current curriculum, a rebalanced apprenticeship system, and a new youth guarantee. Yet, current proposals are unlikely to go far enough. Bold and strategic action is essential to unlock more apprenticeship opportunities, support young people effectively, and ensure a smoother transition into the labour market. Therefore, we urge the government to expand the youth guarantee into a comprehensive apprenticeship guarantee for all young people aged 16 to 24. This initiative should include increased financial incentives for SMEs to create more youth apprenticeships and the development of an improved pre-apprenticeship training programme.

# CIPD

Chartered Institute of Personnel and Development  
151 The Broadway London SW19 1JQ United Kingdom  
T +44 (0)20 8612 6200 F +44 (0)20 8612 6201  
E [cipd@cipd.co.uk](mailto:cipd@cipd.co.uk) W [cipd.org](http://cipd.org)

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