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FINNISH CENTRE FOR PENSIONS, STUDIES

# EXECUTIVE SUMMARY

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## Labour market attachment of young graduates

In this study, we analyse the labour market attachment of young people with degrees from three different educational levels. Firstly, we review the connection between employment during and after studies. Which are the paths to working life taken by young graduates? Secondly, we examine how frequent employment during studies is and when working lives actually begin. Thirdly, we review young graduates on different employment trajectories, in light of various background information. Our study is based on register data of the Finnish Centre for Pensions, which have been supplemented with data from Statistics Finland. The aim is to provide information on the early stages of working life for the social discussion on the subject.

Extending working lives has been a key socio-political goal in Finland for a couple of decades. The discussions on the length of working lives have focused on the tail end of working life. However, not only those approaching retirement have working lives; we should pay attention also to younger employees. Our study aims first and foremost to raise discussions of the labour market attachment of the under-30-year-olds in today's Finland.

On average, Finns retire on an old-age pension after a working life of 36 years. According to research, people exit from working life at a later age than before, which means that working lives have been extended. The employment rates in the mid-stage of working life have remained unchanged. When talking about the early stages of working life, it is generally assumed that working life starts after graduation. In reality, however, working lives begin already before graduation. Our study shows that a degree from a university of applied sciences or a higher university degree is completed at age 25 or 26, at which time the graduate has been working for 4 to 5 years. On average, a basic-level vocational degree is completed at age 21, but even graduates with this type of degree enter working life well before they complete their studies.

In all three educational levels, there are similar trajectories that lead to a labour market attachment. The trajectory analysis shows that students attach to the labour market through four different trajectories. On three of these trajectories, the amount of working while studying varies but the attachment to working life is clearly stronger after than before graduation, when measured in terms of working hours and wages. On the fourth trajectory, working while studying is relatively common, but for some reason the young people on this trajectory are unable to find their place in the labour market after graduation.

We have labelled the trajectories the traditional, the early, the increasing and the fading trajectories. In the traditional trajectory, employment becomes intensive only after graduation. Roughly 30 per cent of those with a basic vocational degree and 13–15 per cent of those with a degree from a university of applied sciences or with a higher university degree are on this trajectory. In the early trajectory, working and studying closely overlap from the start. Approximately 25 per cent of those with a basic vocational degree and about half of those with a degree from a university of applied sciences or with a higher university degree are on this trajectory. In the increasing trajectory, working increases throughout the period of studies. On all educational levels, approximately one third of the young are on this trajectory. The fourth trajectory is the fading one, in which post-graduate attachment to the labour force is weak. Approximately 13 per cent of graduates with a basic vocational degree and 7 per cent of graduates with a degree from a higher educational level are on this trajectory.

All trajectories include a variable quantity of men and women. The majority of the graduates with a basic vocational degree who are on the fading trajectory are men (55%), while the majority of the graduates with a higher-level university degree on this trajectory are women (65%). Gender-based analyses show that men attach to working life slightly better than women, in particular when measured in terms of wages. Women's attachment to working life in the post-graduation years is weakened by unemployment and family leaves. The unemployment rate is higher among those with a basic vocational degree than among the other groups. Correspondingly, family leaves are more distinctive among those with a higher-level education.

Finnish university students stand out internationally in terms of graduation at a late age. Based on a previous study, one reason for a late graduation is that students work alongside their studies. According to our research, working while studying is a rule rather than an exception on all three educational levels. Intensive working while studying for a degree from a vocational institution or a university of applied sciences does not extend the study period or significantly delay graduation. In the group of university graduates, however, graduation is somewhat delayed due to working while studying: students on the early trajectory graduate approximately one term later than do the students on the other trajectories. On the other hand, the intensity of working during studies has no impact on the graduation age. On all educational levels, working while studying is most common in the summer months than during the academic year, and working becomes more common as the students approach graduation.

Which trajectory students end up on varies per field: the early trajectory is more common among students in the fields of education, social sciences and health, while the fading trajectory is more common among students within the humanities and the arts. On the other hand, students from popular fields enter all types of trajectories. For example, among the males with a higher university degree who are on the fading trajectory, the majority (21%) were students of technology, although relatively few (3%) of all students in this field end up on the fading trajectory.

In practice, attachment to the labour market means finding a profession. At the end of the review period in 2010, the majority of the young (85–91%) were working. Most graduates find jobs that corresponds to their field of education. Based on our review, the young who are on the three paths that are favourable to labour market attachment are generally working either full time or part time. For some of the young, employment overlaps with periods of unemployment and family benefits. The individuals on the fading path, however, are generally solely on an unemployment or a sickness benefit. Those with a higher university degree form an exception: a considerable part (38%) of the graduates in this group has moved abroad. It is difficult to say anything definite about their attachment to the labour market.

We also examined for how long the graduates had worked by the time they reached the age of 26. On average, those on the early trajectory with a higher university degree had a working life that spanned 6.9 years, while those with a degree from a university of applied sciences had worked for 6.8 years. Those with a basic vocational degree did not lag far behind, with an average working life of 6.3 years. The working lives of those with a higher university degree varied depending on educational level. Those on the increasing trajectory had worked for two years less and those on the traditional trajectory for approximately three years less than those on the early trajectory. Those with a basic vocational degree who were on the growing trajectory had worked for one year less and those on the traditional trajectory for 1.8 years less than those on the growing trajectory.

In practice, all young individuals who were on a trajectory with a good attachment to the labour market had earned an earnings-related pension based on work (until age 26). Among those on the fading trajectory, however, some had not accrued any earnings-related pension at all. Of those with a basic vocational degree, 28 per cent had not accrued an earnings-related pension, while the equivalent figure for those with a degree from a university of applied sciences was 23 per cent and for those with a higher university degree 18 per cent.

The average length of the working lives of those with a basic vocational degree and those with a higher university degree is similar, while the working lives of those on the traditional trajectory are practically equally long (5 years). The graduates with a higher degree graduated at approximately the same age. A basic vocational degree is usually completed at a young age, which means that the working lives of students with such a degree had begun earlier than that of the others. Although the individuals on the fading trajectory had also accrued a pension, it was clearly smaller than that of the others.

To summarise, when measured in terms of attachment to the labour market, taking a degree pays off. This does not, however, apply to everyone. Some of the young on the fading trajectory risk displacement. These individuals should be better identified already during their studies. In addition, the group of young people who do not continue studying after secondary school or high school or who have dropped out before graduating have been excluded from our review. Some of them will find their place in the labour market, while others will not. There are already tens of thousands of such young people in Finland, which is far too many.

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