

Labor Market Contacts and the Transition from School to Work

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THIS REPORT PRESENTS results on the importance of part-time work during high school for students' transition from school to work. Summer and part-time jobs during high school offer students an important job-search channel that is particularly important during recessions. The report provides evidence on how students from vocational high school programs fare in the labor market if their former workplace closes down soon before graduation. Students who lose the opportunity to return to a former workplace due to a closure are negatively affected in terms of stable employment and income as compared to classmates, particularly if the former workplace matched their vocational high school program.

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Previous research has shown that the transition from school to the labor market has important implications for future career prospects. Even short spells of unemployment after graduation can have long-lasting consequences and lead to higher unemployment and lower incomes later in life.¹ Students who graduate during recessions exhibit lower job-finding rates and occupational attainment and are more likely to work for lower-paying employers.²

It is thus crucial to understand the factors benefitting students during a successful transition from school to work as well as the channels used by young entrants to find employment. A common channel for entering the labor market concerns ties to the labor market; for instance, through summer or part-time jobs during high school. For graduates with little work experience, temporary jobs during high school can provide an important source of information for potential employers and can reduce uncertainty regarding a candidate in the hiring decision.

In Sweden, around 30 percent of vocational high school students who find a stable job directly following graduation return to a former employer for whom they worked during high school. However, we know little with regard to how students would have fared without this opportunity to return to a previous workplace from high school. This report provides an empirical analysis of the labor market consequences for students who lose a connection to a potential employer due to the closure of their previous workplace.³ I use administrative data on all Swedish graduates from vocational programs during 1986–2016 to compare labor market outcomes between students whose former workplace closed down just prior to graduation and students whose former workplace did not close down. This comparison is made between students from the same class and with the same vocational training. The advantage of using this strategy is that the loss of a connection to a workplace due to closure is likely unrelated to student characteristics that could explain future labor market outcomes.

The results show that students affected by the closure of a former workplace are 2.7 percentage points less likely to have a stable job after graduation. This effect is twice as large for graduates who lost a connection to a well-matched workplace (i.e., an employer in an industry related to their vocational program). The graduates who lost a connection to a well-matched employer are also more likely to end up in worse matches, meaning that they are more

likely to find employment in industries that do not match their vocational education. Graduates who lost the opportunity to return to a former employer from high school also have 13 percent lower earnings compared to their classmates upon graduation. These effects decrease over time but persist for several years.

In a report written together with Lena Hensvik and Oskar Nordström Skans,⁴ we also show that ties to employers are important in terms of where students find employment. Firms are much more likely to hire students who worked for them during high school than to hire other students from the same class and with the same vocational education but who did not work for them. One interpretation of this pattern is that employers value private information on potential job candidates as this can reduce uncertainty in the hiring decisions. This relationship is much stronger during recessions, which implies that ties to potential employers end up becoming a relatively more common entry port into the labor market when there are few job openings.

Taken together, these results suggest that policies directed toward strengthening contacts between the labor market and graduates can ease the transition into the labor market, particularly if the focus is on establishing employer contacts within industries providing relevant job opportunities with regard to the occupation-specific field of specialization in vocational programs.

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1. See, for example, Gregg (2001), Burgess et al. (2003), Arulampalam (2008) or Neumark (2002).
2. Kahn (2010), Oreopoulos et al. (2012).
3. The summary is based on the analysis in Müller (2020).
4. Hensvik et al. (2017).

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