Chiara Cavaglia Sandra McNally November 13th, 2025

How the Great Recession affected millennial education and careers

*In 2025 the proportion of young British people aged 16 to 24 who were not in education, employment or training was at its highest since 2014. How much impact do educational choices made at that age have on future careers? **Chiara Cavaglia** and **Sandra McNally** show how investment in post-16 education can improve career prospects.*

Between April and June 2025, 948,000 young people in Britain were not in education, employment or training (a category known as NEET). At 12.5 per cent of all people aged 16 to 24 that is the highest proportion since 2014. Research has shown that youth unemployment can have multiple long-lasting negative impacts on pay and employment, mental health and wellbeing. What benefits could getting NEETs, or those at risk of becoming so, back into education have?

Our new research investigates both whether the economic downturn between 2007 and 2009 prompted changes in educational choices made after compulsory secondary education and, if so, what the longer term effects were on careers.

Recessions encourage young people to stay in education

Studies have shown that young workers suffered disproportionately during the “Great Recession”. In England the youth unemployment rate increased from 14 per cent in 2007 to 19.8 per cent in 2010. In America the employment and earnings of millennials (born between 1981 and1996) suffered more than older generations.

We find that many young people responded to rising unemployment during the recession by staying in education longer, especially in vocational training. This led to higher qualification levels and better early career outcomes, even for those who didn't go to university. Our study highlights how smart investment in post-16 education can help to buffer the impact of economic shocks.

In our study, we compare the effect of the recession on outcomes within the millennial generation by comparing the education choices of pupils still in school or college when the recession began in 2007 with the choices made by an earlier, older group. We also make use of spatial variation in the severity of the crisis (proxied by the change in youth unemployment), which was much bigger in some parts of the country than in others.

In principle, bad economic conditions could both increase and decrease enrolment in non-compulsory education. A recession reduces the opportunity cost of education, and so incentivises enrolment, but it also makes it more difficult to afford to stay in education without earning money. In the case of the Great Recession we find that the large economic shock increased the extent of educational participation and reliance on education as a main activity (rather than combining it with employment).

Our study shows both an increase in the achievement of qualifications accompanied and a shift in the type of education. During this time more young people than usual enrolled in courses providing vocational qualifications. This offset a reduction in academic qualifications. Overall, it increases the probability of achieving good upper secondary qualifications but does not change the probability of going to university.

Using a similar approach, we find that the same individuals who stay longer in education also go on to have better careers and earnings several years later. For example, in areas hit by the typical "unemployment shock" at the time, the youngest individuals in our sample could earn on average 13 per cent more (other things equal) than would otherwise have been expected. This is partly driven by increasing their working days (or hours) and partly driven by higher wages.

What was behind these higher earnings? It might show either the effect of enhanced human capital accumulation by younger people, or the effect of entering the labour market at a more favourable time relative to their older peers (when the job market had recovered to some extent). As we find that the positive earnings differential is not sensitive to controlling for economic conditions when cohorts began working, the human capital channel seems a more plausible mechanism. We also find that these labour market benefits are driven by middle to high achievers (as measured by how they did in their exams at the end of primary school).

This study illustrates how the life-stage of young people crucially influences the educational and labour market effects of unemployment shocks, even within the millennial generation. It also shows that if students are encouraged to invest more in their education at this stage, it does pay off in terms of later labour market outcomes.

Policymakers increasingly recognise that educational activities undertaken from ages 16 to 18 really do matter for labour market outcomes, although the vocational sector in Britain is underfunded compared with schools and universities. Our study shows that investments at this stage of a young person's trajectory can be very efficacious. More people classified as NEET is a waste of talent. It is important for them – and for society – that they be enrolled in good education and training programmes.

This blog post is based on "Young people, human capital investment and the Great Recession" published by the Centre for Vocational Education Research.

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