

Summertime Blues: High School Jobs and the Transition to Work

Part-time jobs during high school provide one of the most commonly-used pathways into regular employment. This note discusses why such contacts are an important job search channel for young workers, and reports that Swedish students who could not return to a former employer due to a workplace closure have significantly worse labour market outcomes. Our results suggest that policies such as subsidizing summer jobs during recessions may ease the transition into work during adverse labour market conditions.

By Dagmar Müller



Illustration: Istock Ma_rish

It is a well-established fact in the economic literature that joblessness during the initial stages of the career can lead to scarring, i. e. negative career consequences in terms of substantial earnings losses and persistent higher risk of unemployment (see e.g. Arulampalam, 2008). In times of economic turmoil, the risk of scarring is exacerbated. There is ample evidence that students who graduate during recessions suffer adverse long-term consequences. For instance, they exhibit lower job-finding rates and lower occupational attainment as compared to peers who enter during more stable conditions. In addition, when these individuals find employment, they are more likely to work for lower-paying and less-productive employers (see Kahn, 2010; Oreopoulos et al., 2012).

Since the early phase of the career is so defining for how the young fare later on, it is important to understand the mechanisms that successful entrants rely on to find employment, as the mode of entry can have implications for the timing and quality of first jobs. Among the most commonly-used job-search channels are social networks. Studies suggest that around a third to a half of all jobs are found through social contacts. It is also established that job search through informal channels is more common among young and less-educated workers (see Topa, 2011). However, we know surprisingly little about how access to social contacts affects the school-to-work transition, and to what extent initial usage matters over the course of the career.

In this note, I will briefly lay out some of the findings in my recent study (Müller 2021), which provides evidence on one important source of such connections: part-time work during high school. In Sweden, contacts with employers established through work during high school account for almost 30 percent of direct transitions into employment after high school. The next section presents some theoretical work on the functioning of such connections. This is followed by a short overview of the prevalence of part-time work during high school. Drawing on Müller (2021), I then provide empirical evidence on how high school graduates fare in the labour market if they lose contact with a former employer due to the closure of the workplace just before graduation. I focus on students in vocational high school programmes since they tend to enter the labour market directly after graduation. The results indicate negative effects in the form of lower earnings and moderately lower regular employment for several years after labour market entry. The results also point to an increased risk of mismatch for students who lost an employer connection in an industry that matches their vocational field of education.

Theoretical studies of social contacts as a job search channel

One of the main theoretical explanations for the importance of social contacts emphasizes their role as sources of information. Such models assume that social contacts increase the flow of information about available vacancies. This increases the chances of finding a job and leads to faster transitions into employment (Calvó-Armengol and Jackson, 2007). A common assumption regarding the usefulness of contacts in transmitting information is based on the intensity of network connections. Weak ties, such as co-workers or acquaintances, are often assumed to carry more novel and relevant information about available jobs as opposed to strong ties such as family and friends (Granovetter, 1973).

Other models focus instead on the firm-side benefits of hiring through social contacts. These models are built around the idea that firms can reduce uncertainty about how well a prospective applicant fits the firm by relying on referrals from incumbent workers. This strategy leads to better matches, reflected in higher average earnings at the time of entry as compared to workers hired through formal channels (Simon and Warner, 1992). In the Montgomery (1991) model, high productivity workers are more likely to recommend other high productivity workers due to assortative matching. By relying on referrals of productive incumbent workers, firms can thus hire more productive workers. The role of networks in transmitting information also points to reasons why social contacts might be more

important for young workers than for other groups in the labour market. Information asymmetries are more severe for young workers as they have fewer means to signal their productivity precisely. For employers, referrals can be a screening tool when formal information about applicants is limited due to a lack of experience and formal qualifications. Using social networks can also reduce the risks associated with periods of unemployment early in the career if they lead to faster transitions into work.

Importance of social contacts for finding the first job

The labour market effects of job finding through social contacts are studied in a growing empirical literature. The results point to generally positive effects of job finding through contacts, such as lower quit rates and longer tenure (see Topa, 2011, for an extensive overview). Kramarz and Nordström Skans (2014) focus explicitly on how different types of social contacts affect sorting patterns among Swedish graduates from different levels of schooling. They identify parental ties as a strong predictor of where graduates find their first job and show that wage growth is higher and tenure is longer in jobs found through parents.

Increasingly, studies are shifting the focus towards the usefulness of social contacts acquired in the labour market. Work-related contacts, such as former co-workers or employers, are more likely to have information about available jobs in a relevant sector and more accurate knowledge of an applicant's abilities. Establishing work-related contacts early on, such as through former employers or co-workers, can therefore be important for young workers with few contacts to a relevant industry or for young workers who cannot rely on their parents for help with entering employment.

In Sweden, part-time work during high school is one of the most commonly-used channels for establishing contacts with the labour market.¹ Most part-time jobs are allocated through the regular labour market and take place during the two months of summer vacation, but students may choose to work part-time also during the school semester.² Around three-quarters of graduates had a part-time job before graduation. However, the share was noticeably lower during the severe recession that hit Sweden during the early 1990s and also following the recession of 2008-2009.

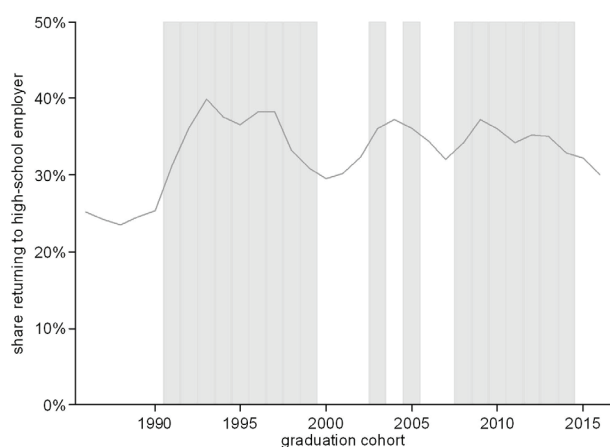
1 This is the case regardless of whether students are enrolled in academic or vocational tracks. Roughly half of all students who graduated from high school during 1986-2015 opted for academic tracks while the other half opted for vocational tracks such as childcare, construction, electricity or vehicles and transport. In the empirical analysis, Müller (2021) focuses on graduates from vocational tracks since this group tends to enter the labour market directly after graduation.

2 While the reported results are based on jobs that are acquired through the regular labor market, municipalities also provide some summer jobs. These municipality-provided jobs are short-term jobs that pay little.

Many students use the connections established through part-time jobs to find their first regular job at a former employer after graduation. Figure 1 shows that re-employment at a former high school employer is common. Around 30 percent of vocational students who find a regular job directly upon graduation return to a former work place. This is in line with the share of displaced workers who are recalled to their last employer in the US. The share of returning graduates is higher during recessions, suggesting that contacts to employers through part-time work become a relatively more common entry channel during recessions. This observation is in line with evidence in Hensvik et al. (2017), which analyzes the role of labour market contacts in matching Swedish graduates to employing firms over the business cycle. Graduates are much more likely to sort into establishments to which they are directly linked through previous work during high school and, to a lesser extent, if indirectly linked through any former co-workers.

The relationship is shown to be twice as strong during deep recessions as compared to good times. A possible explanation is that recessions provide firms with better opportunities to hire workers of whom they have private knowledge, since their monopsony power is larger when workers' outside options are more limited.

Figure 1: Share of vocational students with regular employment who returned to a former high-school employer.



Notes: Figure based on Müller (2021). Shaded areas represent periods of low economic activity.

What happens when students are deprived of contacts due to a workplace closure?

While there is evidence that part-time work during high school matters for what establishments students sort into, we do not know how severely their labour market outcomes are affected if they cannot rely on contacts from part-time work as a job-search channel.

Müller (2021) provides an empirical analysis of the la-

bour market consequences for students who lose a connection to a potential employer due to the closure of a previous workplace. Administrative data on all Swedish graduates from vocational programs during 1986–2015 is used to compare labour 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 based on students from the same school and vocational track who face the same local labour market conditions at the time of graduation. The advantage of using this strategy is that the loss of a connection to a workplace due to a closure is likely unrelated to student characteristics that could explain future labour market outcomes.

The results show that students who lost the opportunity to return to a former employer due to a closure have significantly worse labour market outcomes than their peers with an intact connection. The effects are largest directly after graduation, amounting to a 3-percentage point lower probability of regular employment directly upon graduation and 16 percent lower earnings. These effects decrease over time but persist for 5–10 years before fading out. The results also show that connections matter more if the industry of the workplace matches graduates' vocational program. The negative employment effect is noticeably larger for graduates who lost a connection to a well-matched workplace. The loss of such a connection to a well-matched employer also increases the risk of mismatch at least in the short run and shifts students towards employment in industries that do not match their field of specialization in vocational high school.

There is also evidence that students increase their reliance on their parents as a job-search channel in order to compensate for the loss of employer connections. While this strategy might reduce the risk of early unemployment, it puts at a disadvantage students whose parents have weak labour market attachment.

Concluding remarks

Studying how graduates use contacts to enter the labour market sheds light on how job matching works in practice and, in particular, whether jobs found through contacts lead to more productive matches and better labour market outcomes. The evidence surveyed in this note suggests that connections to a potential employer through part-time work can act as a stepping stone into the labour market. Students who are deprived of this entry channel have significantly worse labour market outcomes for several years after graduation. Graduates who lose a connection to a well-matched employer also end up in worse matches as compared to students with an intact connection.

During the Covid-19 crisis, summer job vacancies in 2020 declined by 30 percent in Stockholm and 18 percent overall in Sweden, thus severely affecting students' opportunities to work during the summer and establish labour market contacts during times of economic turmoil. This diminishes graduates' chances of using existing connections to avoid lengthy job search.

The findings presented here indicate that policies directed towards establishing contacts between graduates and employers can ease the transition into the labour market. Since firms also appear to rely relatively more on hiring of connected workers during economic downturns, it

is likely that policies such as temporarily subsidizing summer jobs in the private sector during recessions can counteract some of the risks associated with entering the labour market during adverse labour market conditions. It is likely that such policies are more effective in reducing the generally higher risk of mismatch during recessions if they are focused on establishing connections to employers that match graduates' qualifications, and have the potential to lead to a job in a relevant industry.



About the author

Dagmar Müller joined IFN in 2020 after obtaining her Ph.D. in Economics in June 2020 from Uppsala University for her dissertation *Social Networks and the School-to-Work Transition*. She is also affiliated with IZA and UCLS.

References

Arulampalam, Wiji. (2008). "Is Unemployment Really Scarring? Effects of Unemployment Experiences on Wages". *Economic Journal*, 111(475), F585–F606. doi.org/10.1111/1468-0297.00664

Calvó-Armengol, Antoni and Matthew O. Jackson (2007). "Networks in Labour Markets: Wage and Employment Dynamics and Inequality". *Journal of Economic Theory*, 132(1), 27–46. doi.org/10.1016/j.jet.2005.07.007

Granovetter, Mark S. (1973). "The Strength of Weak Ties". *American Journal of Sociology*, 78(6), 1360–1380.

Hensvik, Lena, Dagmar Müller and Oskar Nordström Skans (2017). "Connecting the Young: High School Graduates' Matching to First Jobs in Booms and Great Recessions". IFAU Working Paper 2017:2. Uppsala: Institute for Evaluation of Labour Market and Education Policy (IFAU).

Kahn, Lisa B. (2010). "The Long-Term Labour Market Consequences of Graduating from College in a Bad Economy". *Labour Economics*, 17(2), 303–316. doi.org/10.1016/j.labeco.2009.09.002

Kramarz, Francis and Oskar Nordström Skans (2014). "When Strong Ties are Strong: Networks and Youth Labour Market Entry". *Review of Economic Studies*, 81(3), 1164–1200. doi.org/10.1093/restud/rdt049

Montgomery, James D. (1991). "Social Networks and Labour-Market Outcomes: Toward an Economic Analysis". *American Economic Review*, 81(5), 1408–1418.

Müller, Dagmar (2021). "Lost Opportunities: Work during High School, Establishment Closures and the Impact on Career Prospects". IFN Working Paper No. 1381. Stockholm: Research Institute of Industrial Economics (IFN).

Oreopoulos, Philip, Till von Wachter and Andrew Heisz (2012). "The Short- and Long-Term Career Effects of Graduating in a Recession". *American Economic Journal: Applied Economics*, 4(1), 1–29. doi.org/10.1257/app.4.1.1

Simon, Curtis J. and John T. Warner (1992). "Matchmaker, Matchmaker: The Effect of Old Boy Networks on Job Match Quality, Earnings, and Tenure". *Journal of Labor Economics*, 10(3), 306–330.

Topa, Giorgio (2011). "Labour Markets and Referrals". In Jess Benhabib, Alberto Bisin and Matthew O. Jackson (Eds.), *Handbook of Social Economics*, Volume 1B (1193–1221). Amsterdam: Elsevier Science.

This research newsletter is published biannually. In addition a newsletter in Swedish is published seven times a year. To subscribe go to ifn.se.

News from IFN

Editors: Henrik Horn and Lars Persson. Editorial Consultant: David Crouch. Publisher: Fredrik Sjöholm.
Phone: +46-8-665 4500. Email: info@ifn.se.