Education to Employment: Designing a System that Works

Executive Summary
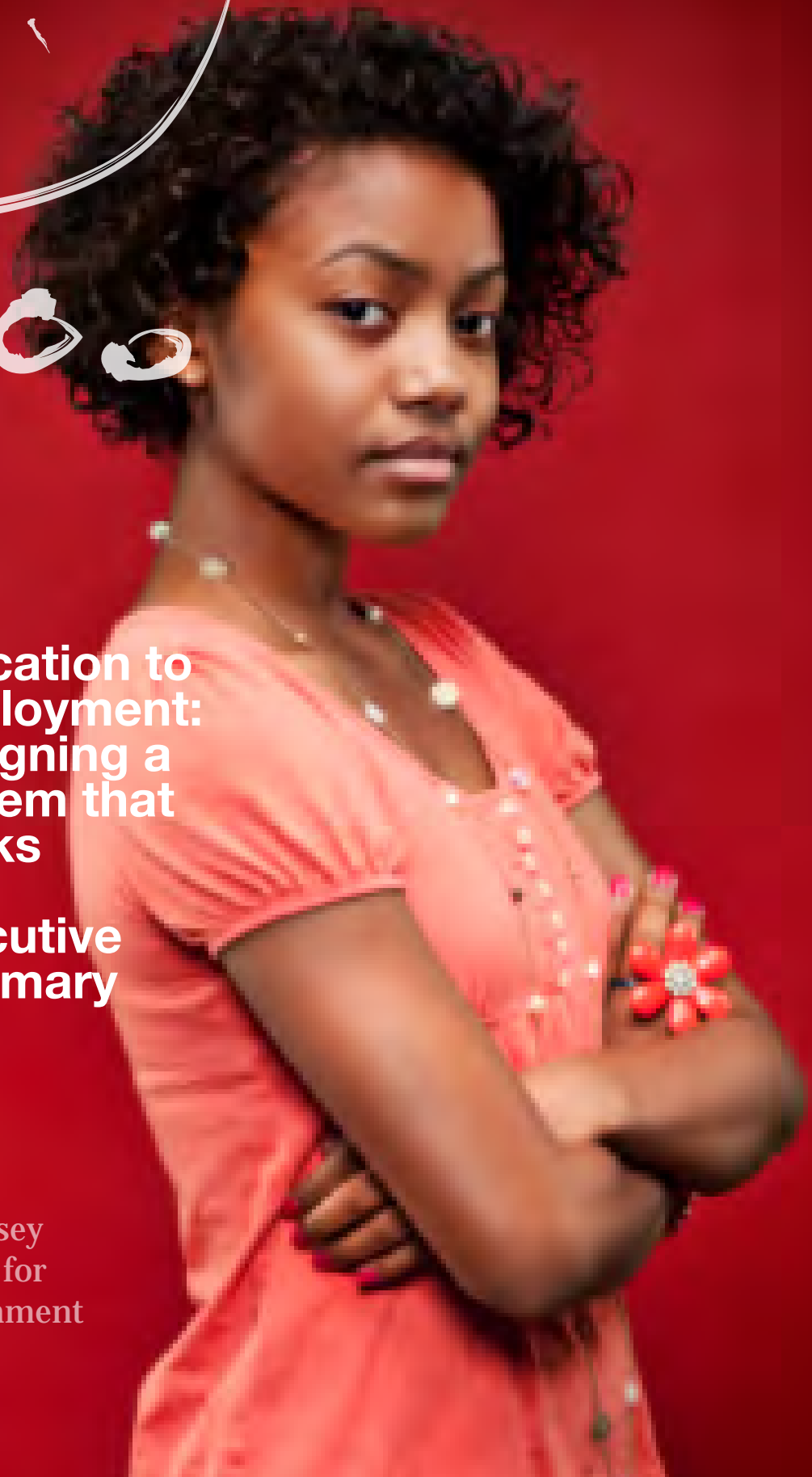
EXECUTIVE SUMMARY

- **Seventy-five million youth are unemployed**

- **Half of youth are not sure that their postsecondary education has improved their chances of finding a job***

- **Almost 40 percent of employers say a lack of skills is the main reason for entry-level vacancies****

Around the world, governments and businesses face a conundrum: high levels of youth unemployment and a shortage of job seekers with critical skills. How can a country successfully move its young people from education to employment? What are the problems? Which interventions work? How can these be scaled up? These are the crucial questions.

In this report, we attempt to answer them. To do so, we developed two unique fact bases. The first is an analysis of more than 100 education-to-employment initiatives from 25 countries, selected on the basis of their innovation and effectiveness. The second is a survey of youth, education providers, and employers in nine countries that are diverse in geography and socioeconomic context: Brazil, Germany, India, Mexico, Morocco, Saudi Arabia, Turkey, the United Kingdom, and the United States.

We started this research recognizing the twin crises of a shortage of jobs and a shortage of skills. In the course of it, though, we realized we needed to take into account another key shortage: the lack of hard data. This deficiency makes it difficult to even begin to understand which skills are required for employment, what practices are the most promising in training youth to become productive citizens and employees, and how to identify the programs that do this best. The state of the world's knowledge about education-to-employment is akin to that regarding school-system reform a dozen years ago, prior to groundbreaking international assessments and related research. We hope this report helps fill this knowledge gap.
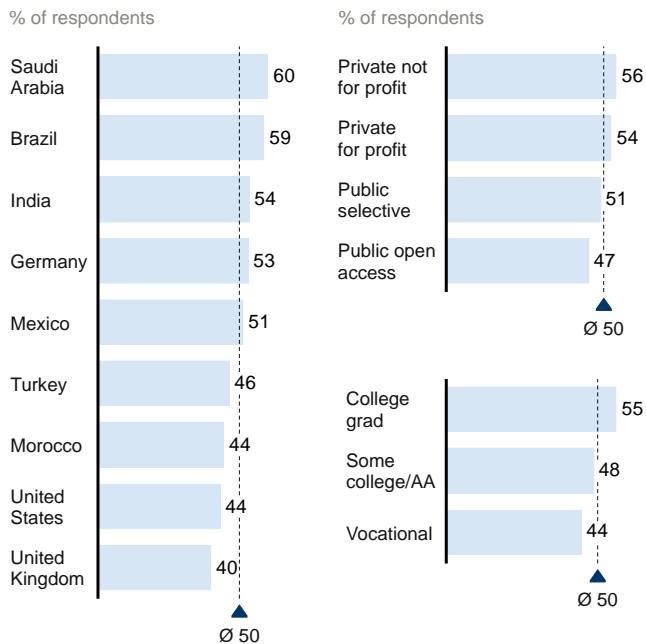
* Exhibit 1 ** Exhibit 2

i'm a Web designer

Exhibit **1**

Only half of youth believe that their post-secondary studies improved their employment opportunities

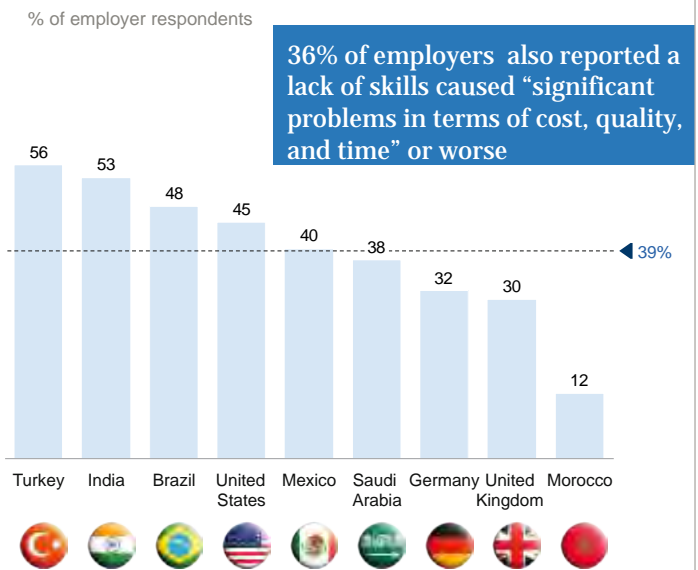Students who believe their postsecondary studies improved their employment opportunities[1]

% of respondents

Saudi Arabia	60
Brazil	59
India	54
Germany	53
Mexico	51
Turkey	46
Morocco	44
United States	44
United Kingdom	40

Ø 50

% of respondents

Private not for profit	56
Private for profit	54
Public selective	51
Public open access	47

Ø 50

College grad	55
Some college/AA	48
Vocational	44

Ø 50

1 My post-high-school education improved my chances of getting a job.

SOURCE: McKinsey survey, Aug-Sept 2012

Exhibit **2**

39% of employers say a skills shortage is a leading reason for entry-level vacancies

Lack of skills is a common reason for entry-level vacancies

% of employer respondents

36% of employers also reported a lack of skills caused "significant problems in terms of cost, quality, and time" or worse

Turkey	India	Brazil	United States	Mexico	Saudi Arabia	Germany	United Kingdom	Morocco
56	53	48	45	40	38	32	30	12

◀ 39%

SOURCE: McKinsey survey, Aug-Sept 2012

The report's findings include the following six highlights:

1 Employers, education providers, and youth live in parallel universes. To put it another way, they have fundamentally different understandings of the same situation. Fewer than half of youth and employers, for example, believe that new graduates are adequately prepared for entry-level positions. Education providers, however, are much more optimistic: 72 percent of them believe new graduates are ready to work (Exhibit 3). The same disconnect occurs with regard to education; 39 percent of education providers believe the main reason students drop out is that the course of study is too difficult, but only 9 percent of youth say this is the case (they are more apt to blame affordability).

Why are the three major stakeholders not seeing the same thing? In large part, this is because they are not engaged with each other. One-third of employers say they never communicate with education providers; of those that do, fewer than half say it proved effective. Meanwhile, more than a third of education providers report that they are unable to estimate the job-placement rates of their graduates. Of those who say they can, 20 percent overestimated this rate compared with what was reported by youth themselves. Nor are youth any better informed: fewer than half say that when they chose what to study they had a good understanding of which disciplines lead to professions with job openings and good wage levels.

Exhibit **3**

Stakeholders hold different views about the readiness of graduates for the job market

Agreement that graduates/new hires are adequately prepared
% of respondents

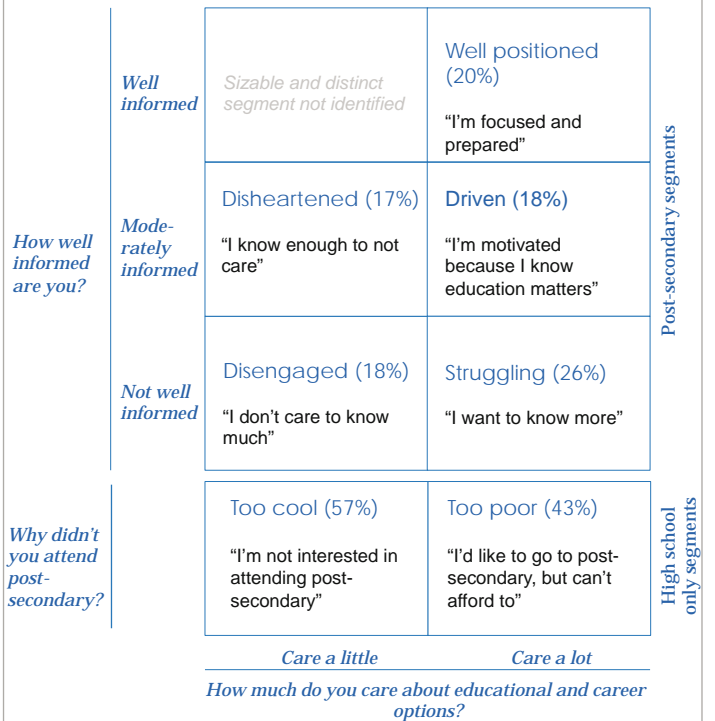|	
Employers[1]	42
Providers[2]	72
Youth[3]	45
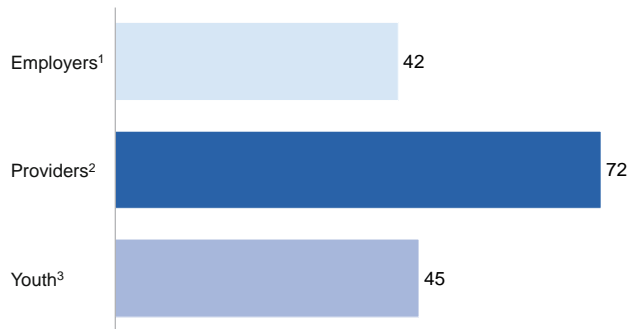
1 Overall, employees we hired in the past year have been adequately prepared by their prehire education and/or training.
2 Overall, graduates from my institution are adequately prepared for entry-level positions in their chosen field of study.
3 Overall, I think I was adequately prepared for an entry-level positions in my chosen field of study.

SOURCE: McKinsey survey, Aug-Sept 2012

Exhibit **4**

Seven distinct youth segments exist

How well informed are you?	Well informed	*Sizable and distinct segment not identified*	Well positioned (20%) "I'm focused and prepared"	Post-secondary segments
	Moderately informed	Disheartened (17%) "I know enough to not care"	Driven (18%) "I'm motivated because I know education matters"	
	Not well informed	Disengaged (18%) "I don't care to know much"	Struggling (26%) "I want to know more"	
Why didn't you attend post-secondary?		Too cool (57%) "I'm not interested in attending post-secondary"	Too poor (43%) "I'd like to go to post-secondary, but can't afford to"	High school only segments
		Care a little	*Care a lot*	

How much do you care about educational and career options?

SOURCE: McKinsey survey, Aug-Sept 2012

2. The education-to-employment journey is fraught with obstacles. In building our fact base, we began to think of the education-to-employment system as a highway with three critical intersections: (1) enrolling in postsecondary education, (2) building skills, and (3) finding a job.

There are significant challenges at each intersection. At the first (enrollment), cost is the top barrier, with 31 percent of high-school graduates indicating they did not continue their education because it was too expensive. Among those who do enroll, 46 percent are convinced they made the right choice in their selection of institution or field of study. At the second intersection (building skills), about 60 percent of youth say that on-the-job training and hands-on learning are the most effective instructional techniques, but fewer than half of that percentage are enrolled in curricula that prioritize those techniques. At the third intersection (finding a job), a quarter of youth do not make a smooth transition to work; their first jobs are unrelated to their field of study and they want to change positions quickly. In emerging markets, this number rose to as much as 40 percent.

3. The education-to-employment system fails for most employers and young people. Examples of positive outcomes in education to employment are the exception rather than the rule.

Based on our survey data, we identified three distinct groups of employers. Only one of them, accounting for less than a third of the cohort (31 percent), is successful in getting the talent it requires. What distinguishes these employers is that they reach out regularly to education providers and youth, offering them time, skills, and money. Of the two other segments, the first is minimally engaged (44 percent) and struggling the most to find the right workers, while the second (25 percent) is somewhat engaged but largely ineffectual.

As for young people, the system is not working for most of them, either. We asked youth a combination of attitudinal and behavioral questions to understand how they thought. On the basis of their answers, as well as their current employment status, we divided them into seven segments—five for those with postsecondary education and two for those without (Exhibit 4). Only two of the seven segments have a positive experience in the job market. They succeed when most do not because they actively manage their decisions about their education and career. The remaining segments range from those who have become disheartened ("I know enough to not care") to those who are disengaged ("I don't care to know more") and those who are struggling ("I want to know more").

Each of the employer and youth segments we identified has different outcomes and motivations; each requires a different set of interventions. We also found that the concentration and mix of these segments can vary significantly by country.

4 Innovative and effective programs around the world have important elements in common.
Two features stand out among all the successful programs we reviewed. First, education providers and employers actively step into one another's worlds. Employers might help to design curricula and offer their employees as faculty, for example, while education providers may have students spend half their time on a job site and secure them hiring guarantees.

Second, in the best programs, employers and education providers work with their students early and intensely. Instead of three distinct intersections occurring in a linear sequence (enrollment leads to skills, which lead to a job), the education-to-employment journey is treated as a continuum in which employers commit to hire youth before they are enrolled in a program to build their skills.

The problem, then, is not that success is impossible or unknowable—it is that it is scattered and small scale compared with the need.

5 Creating a successful education-to-employment system requires new incentives and structures. To increase the rate of success, the education-to-employment system needs to operate differently, in three important ways.

First, stakeholders need better data to make informed choices and manage performance. Parents and young people, for example, need data about career options and training pathways. Imagine what would happen if all educational institutions were as motivated to systematically gather and disseminate data regarding students after they graduated—job-placement rates and career trajectory five years out—as they are regarding students' records before admissions. Young people would have a clear sense of what they could plausibly expect upon leaving a school or taking up a course of study, while education

institutions would think more carefully about what they teach and how they connect their students to the job market.

Second, the most transformative solutions are those that involve multiple providers and employers working within a particular industry or function. These collaborations solve the skill gap at a sector level; by splitting costs among multiple stakeholders (educators, employers, and trainees), investment is reduced for everyone—an incentive for increased participation. Agreements such as nonpoaching deals can also boost employers' willingness to collaborate, even in a competitive environment.

Finally, countries need system integrators (one or several) responsible for taking a high-level view of the entire heterogeneous and fragmented education-to-employment system. The role of the system integrator is to work with education providers and employers to develop skill solutions, gather data, and identify and disseminate positive examples. Such integrators can be defined by sector, region, or target population.

6 **Education-to-employment solutions need to scale up.** There are three challenges to achieving scale: first, constraints on the resources of education providers, such as finding qualified faculty and investing in expansion; second, insufficient opportunities to provide youth with hands-on learning; and third, the hesitancy of employers to invest in training unless it involves specialized skills. There are solutions for each.

In the first instance, coupling technology—the Internet and other low-cost outlets—and a highly standardized curriculum can help to supplement faculty and spread consistent instruction at a modest cost.

For the second challenge, apprenticeships traditionally have provided hands-on experience, but there are not enough spaces to meet demand. Technology, in the form of "serious games" and other kinds of simulations, can help here, too, by offering tailored, detailed, practical experience to large numbers at a comparatively low cost. Serious-game simulation could become the apprenticeship of the 21st century. In a sense, the future of hands-on learning may well be hands-off.

Third, employers often are willing to invest only in those specialized skills whose value they can fully capture; they do not want to spend money on employees who might take their expertise elsewhere. But for providers, it is expensive to develop solutions for every employer. One proven approach is to combine customization and scale by offering a standard core curriculum complemented by employer-specific top-ups.

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The passage from education to employment is a complicated one, with many different needs and requirements demanding negotiation along the way. It is inevitable, then, that there will be a variety of routes. What should concern us all is that far too many young people are getting lost along the way.

Our purpose in this study is to consider the journey from education to employment and to examine what can be done to improve it. By providing new information and analysis, we seek to help employers, education providers, governments, and young people begin to create a different and better system. This report is not a definitive road map, but it is a start and a structured call to action.

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