

A woman with dark curly hair, wearing large black headphones and a dark grey button-down shirt, is sitting at a wooden desk. She is looking down at an open notebook and holding a red pen, appearing to be in a focused learning or work environment. The background is a blurred office or library setting with bookshelves.

Lost in Transition:

The UK's Economic Opportunity
from Closing Gaps in Learning Paths

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The transition points

To estimate the potential earnings losses from gaps in learning paths in the UK, we focused on three of the major transition points in an individual's work cycle: The move from further education to work, unemployment due to redundancy, and displacement caused by new technologies.

Having identified these three key transition points, we estimated the number of affected workers, the average duration of unemployment, and the average wages for each group. Based on this, we calculated the estimated earnings loss for each transition point. We used a combination of publicly available datasets, such as those from the UK's Office of National Statistics and the Higher Education Statistics Agency.

1. The transition from school to work.

Many employers report that it is challenging to find graduates that are ready for the world of work. This can delay the length of time it takes for individuals to find full-time employment and begin earning. In the UK there is also a significant number of young people who drop out of the workforce altogether, known as NEETs (Not in Education, Employment or Training).

2. The transition from one job to another.

We focused on involuntary job separations such as redundancies, where individuals are least likely to be prepared for their next role, as they are not usually the ones that have instigated the change.

3. The reskilling cost from automation disruption.

This is where individuals need to find another role because a significant portion of their tasks have been automated. We use OECD data to examine the roles that will see the greatest impact from automation-related technology in the UK, and data from Pearson's Faethm database, which tracks emerging and trending skills and occupations, for the wages of occupations affected by automation. Examples could include telemarketers, payroll clerks, bookkeeping clerks, and cashiers. By impact, we mean jobs where a large proportion of tasks will be completed by some form of technology, to the point where a role is no longer needed.



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Findings

Based on this approach, we estimate annual transition losses of circa £100 billion for the UK economy, representing about 4% of annual UK GDP in 2023. (See Figure 1 for a breakdown of the £96 billion by transition point.) If the UK were able to establish clearer skilling pathways to remove some of the friction from these transition points the economic benefit would be huge.

£96 billion
annual transition losses

Most of this stems from disruption by automation, with £64 billion in earnings at risk, as automation technologies—such as robotic process automation, large-language-model chatbots, and autonomous mobile robotics—require individuals to reskill for changed or completely new tasks.

A crucial finding is that the education-to-work transition point is a pain point for the UK. This is reflected in the high number of young people (16–24 year olds) who are not in employment, education or training, which accounts for 13% of that age group¹. There are nearly 1 million young people, the highest in a decade, who are at high risk of being left behind. Research has shown that a mix of factors is behind this rise, including

Further considerations

Our estimates are conservative, as we have not factored in other transition losses. For example, some workers would like to work full-time but can't find a full-time role; others may suffer from a "skills discount"—that is, they can't find a job that fully matches their skills and thus earn less.

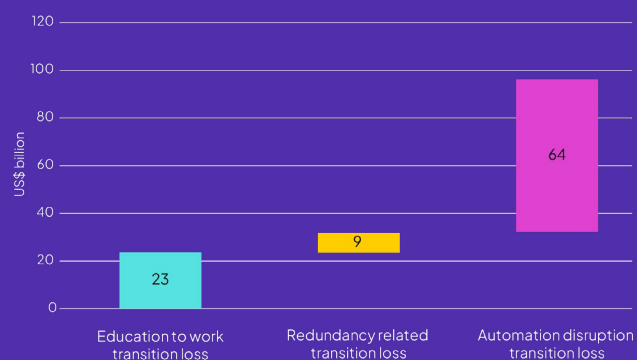
mental health issues, caring responsibilities in the aftermath of the pandemic, low confidence and struggles with the job seeking process.²

Halving the number of economically inactive young people would mitigate losses by £6bn. Helping those young people secure work can significantly benefit the UK economy, ensuring they remain economically active not just today, but for decades ahead, maximizing their long-term contribution to the economy and improving their own wellbeing.

The potential boost to earnings from faster reskilling in response to automation is also significant. For instance, reducing the length of time it takes to reskill by 20 percent would yield additional employee earnings of £13 billion.

Figure 1: Breakdown of annual earnings losses to the UK economy, from gaps in learning transition paths

Annual earning losses to UK economy (£bn), by transition point



In addition, our calculation is based on an individual's earnings. This is useful as it reflects the impact on people—we believe this is important because of the role that skills and employment play in an individual's wellbeing. However, it is worth noting that at the macroeconomic level, the loss—or potential opportunity—from interventions, is even higher.

References

¹ONS, Young people not in education, employment or training (NEET), UK: November 2024, <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/bulletins/youngpeoplenotineducationemploymentor-trainingneet/november2024#main-points>

²Prince's Trust Youth Employment Group, <https://www.kingstrust.org.uk/about-us/our-research/the-power-of-potential-supporting-the-future-of-young-people>