

TOUCH
STONE

EXTRAS

Generation lost *Youth unemployment and the youth labour market*



by Paul Bivand

Contents

About the author	4
Acknowledgements	4
Touchstone Extras	4
Executive summary	5
1 Introduction	8
2 Youth unemployment today	9
3 Causes of youth unemployment	12
<i>Youth unemployment and recessions</i>	12
<i>Are young people's wages to blame?</i>	13
<i>Are migrants to blame?</i>	13
4 The youth labour market over time	14
<i>Youth unemployment</i>	14
<i>The rise in youth unemployment from 2004</i>	15
<i>Young people and education</i>	16
<i>16- to 17-year-olds</i>	17
<i>18- to 24-year-olds</i>	18
<i>Youth employment</i>	19
5 The youth labour market compared with other countries	25
6 Can welfare to work programmes reduce youth unemployment?	27
<i>History of UK government programmes</i>	27
<i>Future Jobs Fund</i>	28
<i>The Youth Contract</i>	29
7 Policy recommendations	32
<i>Supporting young people in the short term</i>	32
<i>Longer-term change to support young people</i>	34
Notes	37

About the author

Paul Bivand is Associate Director of Statistics and Analysis at Inclusion, with 30 years' experience in employment and skills policy research. He is also a committee member of the Labour Market Statistics User Group, which operates under the auspices of the Royal Statistical Society.

Acknowledgements

The author would like to thank Dave Simmonds and Tony Wilson at Inclusion, and Richard Exell and Nicola Smith at the TUC, for their support in producing this pamphlet.

Touchstone Extras

These online pamphlets are designed to look in detail at specific areas of current policy debate. Touchstone Extra publications are not statements of TUC policy but instead are designed, like the wider Touchstone Pamphlets series, to inform and stimulate debate. The full series can be downloaded at www.tuc.org.uk/touchstonepamphlets

Executive summary

The experience of unemployment can be particularly damaging for young people, as evidence shows that those who experience prolonged worklessness when they are young are likely to suffer lifelong effects on both earnings and employment prospects. For this reason tackling youth unemployment needs to be a policy imperative.

The cause of high youth unemployment today is strongly linked to the country's overall economic performance: in recent recessions youth unemployment has risen more steeply than all-age unemployment. But it is also true that youth unemployment was rising before the current recession started. It has not always been this way: up to 1970 unemployment rates for people under 20 were *below* those of all ages.

The recessions of the 1980s and 1990s saw substantial rises in youth unemployment. Recovery from recession in all those periods changed the youth labour market: the UK never returned to the 1970s norm of young people leaving school at 16 and immediately getting a job. Higher rates now can be explained partly by the impact of three recessions over a 30-year period, partly by wider changes in the labour market, and partly by the growing number of young people in education who also define themselves as unemployed.

Changes in education participation suggest that our headline measures may not mean what we initially think. While there has been significant recent media coverage considering the 'one in five' unemployed young people who are currently seeking work, the proportion of *all* young people who are 'unemployed' (out of work and seeking it) in the UK is actually 13.5 per cent. This is because the one in five figure is based only on the population of 'economically active' young people, which excludes large numbers who are not working but are not looking for a job.

But this doesn't mean the problem is less significant than we may have feared. Of those young people who are not in education, 17 per cent are unemployed. And when young people who are economically inactive and not in education are added to this total it emerges that a staggering 19.7 per cent of the entire youth population – a different and arguably even more concerning one in five – is currently both out of work and out of education.

Recent years have seen large, and welcome, changes in the proportion of young people in education. Since 1992 learning participation in full-time education for 16- to 17-year-olds in the UK has increased from 65 per cent to 83 per cent and over the same period full-time learning participation for 18- to 24-year-olds has more than doubled. But, despite the improvements of the last decade, learning participation rates among 15- to 24-year-olds in the UK are low by European and developed country standards. The UK also has far more young people with low skill levels compared with other developed countries.

The experiences of young people who are in work are not always seen as a policy concern. But while many young people will progress from lower paid jobs into better work, some are at high risk of cycling between unemployment and low-paid work. Of those young people who have left education 17 per cent are in elementary work while 13 per cent are in sales and customer service occupations. Without support to progress into better jobs and to build their qualifications these young people face uncertain labour market futures. There are also very high rates of underemployment among employed young people who are not in education, with 9 per cent of those who are not in education and are working part-time doing so because they cannot find full-time employment.

Government programmes to support young people have historically been separated into learning and employment support. In addition, support for 16- to 17-year-olds has generally been provided separately to programmes aimed at those aged 18–24. Given that young people are increasingly engaged in both education and employment, and are also likely to move between the two over their early years in the jobs market, there is a strong argument for providing one cohesive service that supports all young people to boost both their learning and employment prospects.

Within this overall package, high quality support to give those facing unemployment the best chance of finding a job should be seen as vital, and there is evidence that government interventions in this area can work. In particular evaluation evidence from the Future Jobs Fund (FJF) found numerous benefits to this approach to tackling unemployment. The benefits of the FJF equated to 70 days fewer on benefits than participants would have spent if the programme had not existed, demonstrating the cost effectiveness of the programme.

It is therefore concerning that the current government has no evidence that any of its recently introduced measures to support young unemployed people will be effective, with some early findings suggesting that Work Experience (a key part of its policy programme) may in fact reduce young people's chances of moving into jobs. There are also growing concerns that the government's 'youth contract' is simply not enough: the 450,000 youth contract specific measures will only provide support to around one in ten young people who are likely to claim Jobseeker's Allowance (JSA) over the period over which it is in place, and few measures are applicable to young workless people who are not claiming benefits.

This pamphlet proposes both short- and longer-term measures to reduce youth unemployment. Key short-term measures include:

- boosting aggregate demand to raise overall economic activity and create more jobs for young people
- expanding targeted support for young people to those who are not in work or education, rather than only those who are currently claiming JSA
- introducing active labour market programmes of proven efficacy and which prioritise supporting young people into better quality jobs with progression prospects; this should include a job guarantee scheme along the lines of the Future Jobs Fund

- ensuring that the scale of support provided to young people is adequate to support the estimated 4.5 million young people who will start a JSA claim over the next three years as well as the large number of young people who are in neither work or education but are not claiming unemployment benefits
- expanding rather than reducing educational opportunities for young people
- strengthening the regulation of apprenticeships and adopting the European social partnership model to achieve a universal quality mark for apprenticeships.

The longer-term challenge is to reconfigure services and support to better reflect the reality of young people's modern labour market experiences, which are far more likely to require significant periods where work and education are combined than has been the case in even the relatively recent past. Key proposals for change include:

- A government goal that by 2020 the UK's young people should be as well qualified for jobs as those in any developed country. Achieving this goal would require a fresh look at how further and higher education systems in the UK are combined with employment, and how access to ongoing educational opportunities could be further expanded.
- The introduction of a new Youth Credit, which would integrate all financial support available for young people into one payment, building on the strongest elements of both JSA and Education Maintenance Allowances (EMAs).
- The development of a new Youth Employment and Skills Service that would bring together the job-related support provided through Jobcentre Plus with the Careers Service for those aged under 25. The role of the new service would not be to get people to take any job at all, but to encourage and support all young people to undertake and progress in either learning or work, or both.
- Incentivising employers to structure employment patterns to enable young people to combine learning and work and to become better at offering opportunities that allow young people to combine employment with education.

1 Introduction

Unemployment is about people who want paid work, but don't have it. So it represents hopes and plans that are unfulfilled because there is not enough money in the household to pay for them, and ambitions that go unrealised because people cannot utilise their skills and talents. For young people, emerging into the labour market from education, the experience of hopes being dashed can affect their prospects for the rest of their lives.

Young people facing unemployment today are undertaking their job search in a particularly challenging context, and are therefore more likely to face unemployment than if they had grown up into an expanding economy. Starting to enter the labour market in a recession is a piece of random bad luck. Expectations, aspirations and plans formed in better times are postponed, perhaps indefinitely.

The high youth unemployment that has resulted from this recession (and previous ones) is considered to be such a challenge as economists in several developed countries have shown that those who experience prolonged unemployment when they are young are likely to suffer lifelong consequences – called 'scarring effects'. The negative effects have been demonstrated by many wage and employment projection studies:

- Gregg and Tominey (2004)¹ found that unemployment of more than six months "damages the wage at 41 even if they remain out of unemployment after the age of 23". The wage scar was 13–21 per cent overall, but reduced to 9–11 per cent if those who had experienced it managed to avoid further unemployment.
- Blanchflower and Bell (2011)² carried through the analysis to age 50, and analysed the effect of youth unemployment on happiness measures at that age. They found that scarring lowered wages and happiness more than 35 years later, and that the longer people were unemployed when young the worse the scarring. Periods of unemployment as an adult did not have anything like the same effect. The study also sought to identify the effect of youth unemployment on people in their adult life, standardising for a range of factors including gender and disability. They were able to conclude that once gender, social class and disability are taken into account youth unemployment still has a scarring effect.
- A Norwegian study by Oddbjørn Raaum and Knut Røed (2002)³ analysed whether the scarring effect was greater or less for those with a 'disadvantaged' background. They found that disadvantage or advantage strongly predicted adult skill levels, but that unemployment in youth affected all disadvantage/skill groups, with no significant difference between them in the extent of 'scarring'.

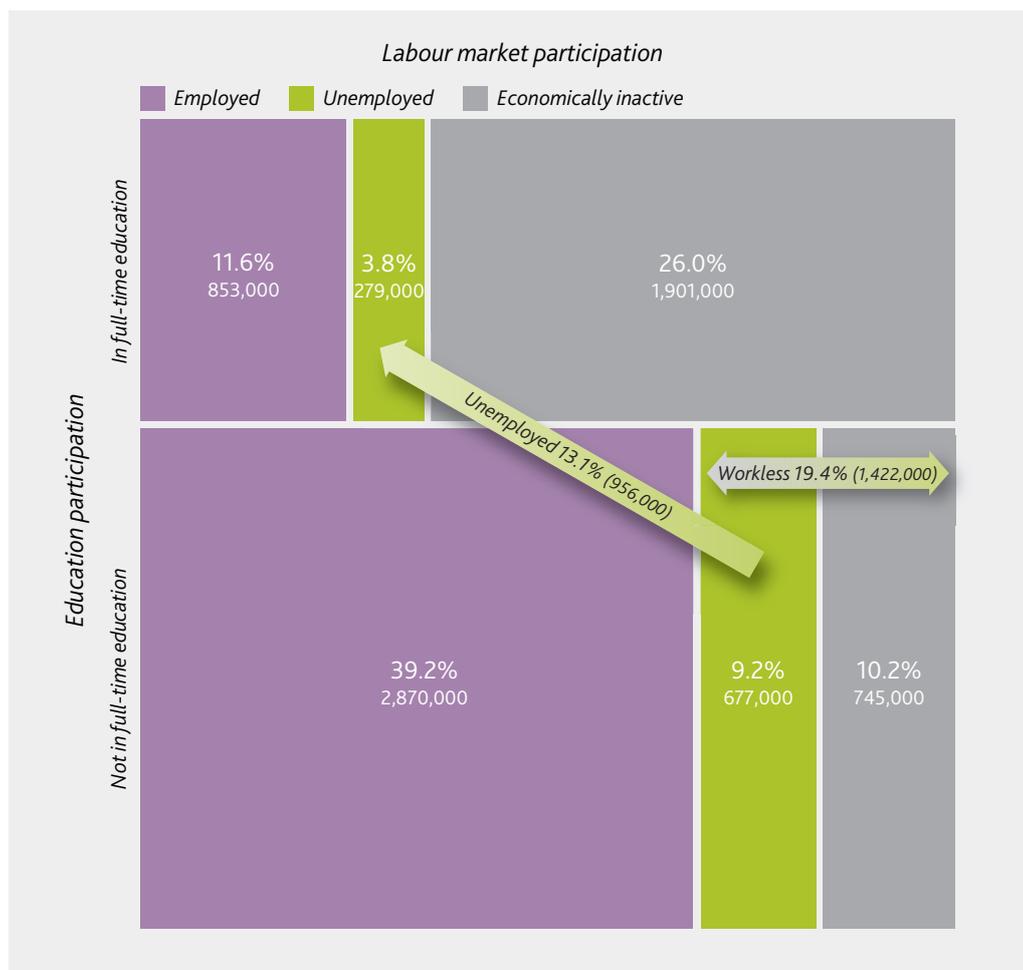
All the studies make strenuous efforts to identify and account for any other factors that can affect lifetime earnings and employment. The effects of unemployment that are identified are those remaining after any known effects, such as those of lower qualification levels, family and individual characteristics and living in areas of high unemployment have been eliminated. Youth unemployment can affect those who experience it, and their families, for decades. Reducing it, and minimising its impacts, need to be social policy priorities.

2 Youth unemployment today

Young people facing unemployment today are a diverse group. Figure 1 looks at young people who are in full-time education and those who are not, and also considers whether they are employed, unemployed or economically inactive. The area of each block is proportional to the number of young people in that category.

The analysis shows that 41 per cent of all young people (aged 16–24) are in full-time education and 13.5 per cent are unemployed (one in seven of the entire age group). Just over 50 per cent of young people are in some form of work, and 26 per cent are economically inactive because they are in education. It also demonstrates that the proportion of young people who are not in education and are workless (i.e. are not working, but are not actively seeking a job) is comparable to the proportion who are unemployed.

Figure 1: Young people (16–24) in education and in the labour force, 2010



This chart shows the average of the period Aug-Oct 2010 to July-Sep 2011

Of those not in full-time education, 17 per cent (or one in six), are unemployed. Currently one in ten of all young people are in this position.

These figures differ from the widely quoted one in five unemployed young people (21.3 per cent), which is a percentage of the number in work or unemployed (the four leftmost blocks), not the total youth population.

It may not really matter whether or not policy-makers quote the one in five (young people who are unemployed, as a proportion of all young people who are unemployed or in work), seven (young people who are unemployed as a proportion of all young people) or ten (young people who are unemployed and not in education as a proportion of all young people) figures, but it is important that the different experiences of the young people in each group are understood. Arguably young people who are not in full-time education and are also unemployed are some of those in greatest need of support. At 10 per cent (November 2011) the proportion of young people in this position is quickly heading towards the 11.9 rate it reached in 1993. This is shown below.

Figure 2: Proportion of young people (16–24) unemployed and not in full-time education



When young people who are economically inactive and not in full-time education are added to the total of young unemployed people who are not in education, a staggering 19.7 per cent of the entire youth population – a different and arguably even more concerning one in five – is included. This group of young people, who are all without access to both work and education, should be the key policy focus of politicians seeking to prevent the development of a 'lost generation'.

In this pamphlet, the term 'workless' is used to define these young people. Their changing fortunes are shown in the Figure 3 below. Again, the proportion of young people in this position is heading towards its 1993 peak.

Figure 3: Proportion of young people (16–24) unemployed or economically inactive and not in full-time education



There are significant variations in youth unemployment, in particular groups with some BME young people, and many disabled young people are facing far higher unemployment rates than their peers. While this pamphlet has not provided in-depth discussion of these issues, the importance of addressing such entrenched labour market irregularities should not be underestimated.

3 Causes of youth unemployment

Youth unemployment and recessions

Young people frequently change their minds about what they want to do, a necessary part of the growing-up process as they learn more about the possibilities (or otherwise) that are open to them. It is therefore expected that unemployment rates might be higher for young people than adults as they decide that something is not for them, and move on to something else.

But in recessions youth unemployment rises more steeply than all-age unemployment. One major reason for this is that young people are entering the labour market all the time and in a recession the number of vacancies available falls sharply. Consequently, young people entering the labour market are faced with a reduced number of available jobs to apply for. In these circumstances youth unemployment is likely to rise faster than adult unemployment (which is a result of adults losing jobs and then looking for new ones).

In addition, in a recession employers that are offering vacancies suitable for young people are faced with large numbers of applicants. As many will have the ability to do the job, employers often try to reduce the numbers of applicants to a manageable number by raising the bar on recruitment criteria, for example requiring relevant experience and sifting on qualification levels. After each recession, employers recruiting find that their higher-calibre recruits (better qualified, or very experienced) are likely to have higher productivity than people recruited in better times, and can therefore be reluctant to reduce entry requirements to the same levels as before recession. This process has led to a ratcheting up of the qualifications and other criteria demanded, in a way that works against young people entering the labour market.

In the two previous recessions (in the 1980s and 1990s) one response to this problem was to encourage older people to leave the labour market. In the current recession this did not happen to any noticeable extent. This is likely to be due to older workers being less inclined to take early retirement, in part for some because of relatively poorer pension entitlements, and also as a result of changes to age discrimination law that forbid explicit selection of older people for redundancy. It has also been widely claimed that employers in this recession have recognised that previous practices of pushing older workers out had hollowed out institutional memories and firms' knowledge bases. This trend is very unlikely to have led to higher youth unemployment in this recession, as the evidence of effectiveness from previous recessions was weak – early retirement schemes seem more likely to have reduced the total number of jobs available rather than having provided young people with more work.

Are young people's wages to blame?

The idea that youth wages may cause youth unemployment is one of the economic theories that reappears whenever youth unemployment is high. But Bell and Blanchflower, summarising recent research on the issue, find no such link (in fact identifying links in the reverse direction). Similarly, for its 2011 report the Low Pay Commission considered an international literature review on the impact of minimum wages on the youth labour market.⁴ This review not only reports the findings of research, but also analyses apparent publication bias in the literature. The published academic research appears to lean heavily to neo-classical economic views (which are the ones that expect any sort of minimum wage to reduce employment). Despite this, the UK findings on the National Minimum Wage (NMW) are predominantly that it has had no negative effect on employment. The case that the NMW has contributed to youth unemployment is extremely weak.

Are migrants to blame?

Migrants have been identified in the press and by some politicians as out-competing young people for the jobs that are available. There has been a series of studies to try to show whether migration into the UK, from Eastern Europe or elsewhere, has impacted on unemployment – and if so by how much. Some of these specifically look at youth unemployment.

One feature of the studies is that those which are wholly model based, using simulated data, may find negative effects on employment or wages in the country accepting migrants. But those which estimate their models based on actual data find no increase in unemployment, and some falls, as a result of migration. Key findings are provided below:

- Tatiana Fic and colleagues at NIESR⁵ studied the impact of A8 and A2 migration flows on the 15 EU countries between 2004 and 2009. They found that unemployment was (marginally) reduced in the UK as a result of migration, but there was also a small negative effect on real wages.
- Sara Lemos studied the impact of Eastern European migration on unemployment and wages in Wales from the period from 2004–6⁶ (the pre-recession period when youth unemployment rose). She found “no evidence of an adverse impact on young, female or low-skilled claimant unemployment and no evidence of an adverse impact on the wages of the low-paid”.
- In 2005, Portes and French⁷ found that “the primary impact of A8 migration has been to increase output and total employment, with minimal impact on native workers, although higher levels of accession-worker migration do appear to be associated with small increases in the claimant unemployment count”. The next year, an enlarged team⁸ found “no discernible statistical evidence to suggest that A8 migration has been a contributor to the rise in claimant unemployment in the UK”. In 2008, Lemos and Portes⁹ returned to the theme, and found “...no statistically significant impact of A8 migration on claimant unemployment, either overall or for any identifiable subgroup. In particular we find no adverse impacts on the young or low-skilled. Nor do we find a statistically significant impact on wages, either on average or at any point in the wage distribution, although the evidence here is less complete.”

The evidence shows that migration is not to blame for youth unemployment.

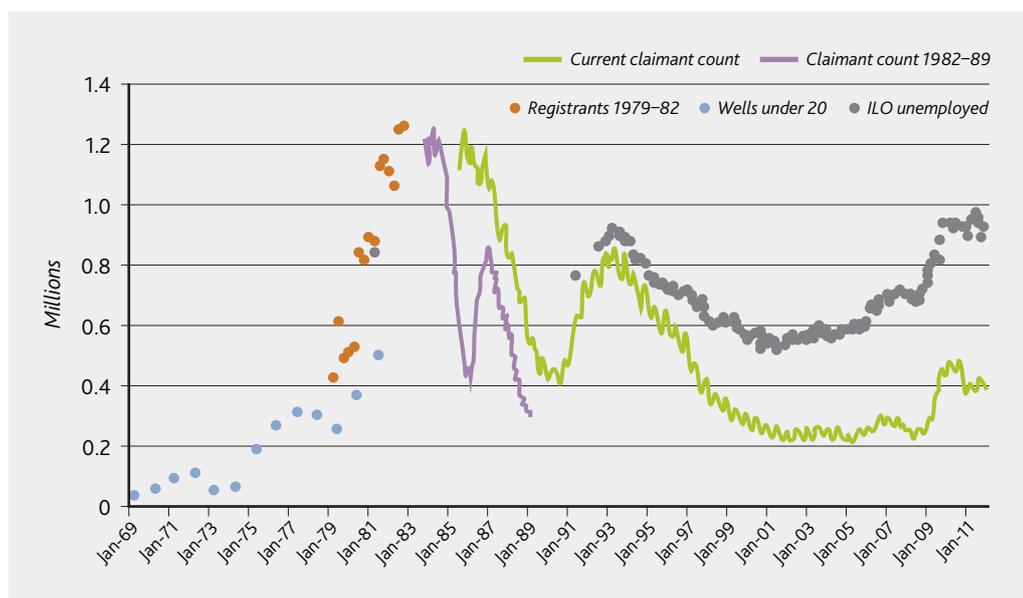
4 The youth labour market over time

Youth unemployment

While youth unemployment rates are higher than adult rates in most developed countries, this has not always been the case. In the UK, unemployment rates for people under 20 used to be *below* those adults up to 1970,¹⁰ although rates for people under 18 were a little higher.

Figure 4 below combines information from a range of different sources and goes back to 1969.¹¹ It shows that by current standards, youth unemployment was very low up to 1975–6. After a sharp rise, unemployment then improved towards the end of the 1970s before the recession that started in 1979–80 saw it rise to 1.25 million (on the measures in place at the time). Youth unemployment remained around that level for at least three years. (This was a period of rapid changes to ways of counting unemployment, so there are multiple lines on the figure.) It then fell at the end of the 1980s, but remained above all pre-1979 figures. The 1991–3 recession saw a further rise, but did not have as bad an effect on youth unemployment as the earlier recession.

Figure 4: Youth unemployment levels (18–24) by different measures Jan 1969–Jan 2011



The post-1993 improvement in youth unemployment was marked by a growing divergence between the internationally agreed standard unemployment measure (the ILO measure) and the benefit claimants' measure. Part of this was due to students who were also unemployed (and were not therefore claiming benefits). While the late 1990s saw the claimant measure fall to lows comparable to the 1970s, the wider measure of youth unemployment remained at levels comparable with the early 1980s for most of the last decade, and in recent years youth unemployment had risen to comparable levels to those seen in the economic downturn of the 1990s.

The rise in youth unemployment from 2004

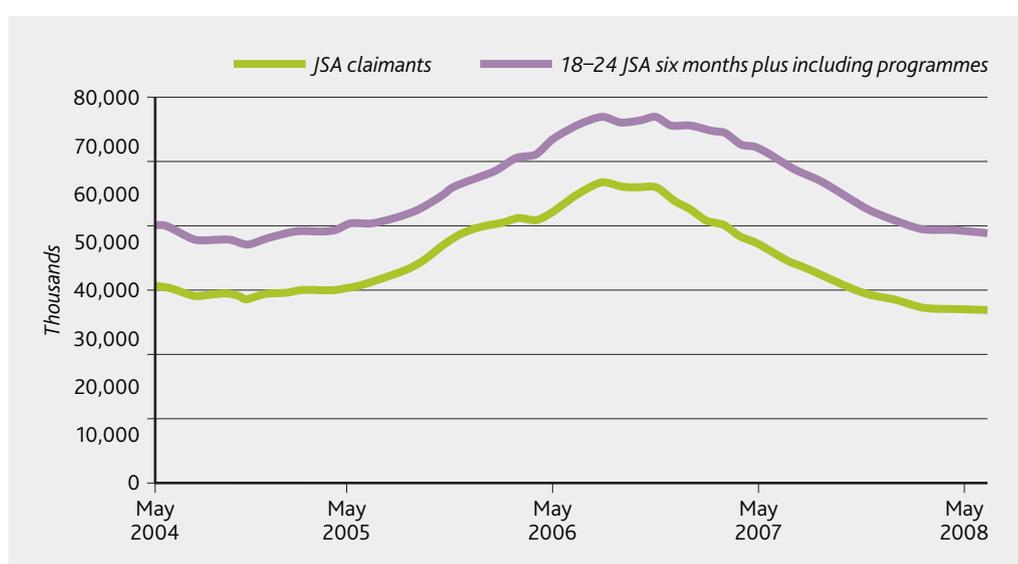
Youth unemployment was rising before the recession. It rose between autumn 2003 and spring 2007 from 11.8 per cent to 14.6 per cent (unemployment rate) or 8.3 per cent to 9.9 per cent (unemployment proportion of entire group of 16- to 24-year-olds). Over this period there was some variation in the trend, with rates rising until 2006 and then declining (although not to pre-autumn 2003 levels). Nine months of improvement followed before the recession started but then youth unemployment rose sharply again.

Youth worklessness (the measure discussed in Section 2, which includes all young people not in full-time education or employment) started its rise earlier, in 2001, and did not show such a marked post-2006 improvement. Over 2004–6, levels of worklessness for this group rose by 124,000, a 31 per cent rise. A subsequent fall of 44,000 retraced one-third of the rise before the recession hit but this was entirely a result of young unemployed people finding employment, worklessness among the economically inactive part of this group (the group not actively seeking work) stabilised rather than falling in 2006–8.

There is as yet no consensus on what caused the rise in youth unemployment in this period. There could be a combination of causes, both underlying factors relating to how young people emerging from the education system related to changing employer demand and a series of administrative changes to the benefits system. Poor skill levels in an increasingly competitive labour market are also likely to have had a real impact. Latest figures show that around 42 per cent of young people currently fail to achieve five or more GCSEs at A-C (including English and Maths). Despite significant improvements in recent years (in 1995/6 the equivalent proportion was 65 per cent), low skills are likely to put some young people at real labour market disadvantage.

Administrative changes are also likely to have had some impact. These were undertaken once the New Deal (Labour's flagship employment programme) was declared to have met its targets in 2001 and the service focus moved away from supporting the young unemployed to other groups (including lone parents and disabled people). Government attention returned when the claimant count rose towards the one million mark in 2006 and Jobcentre staff relaunched the Jobseeker's Allowance regime. Figure 5 below shows that, for long-term unemployed young people who were the primary focus of Jobcentre Plus action over this period, the JSA numbers in April 2008 had fallen back down to below the number before the rise.

Figure 5: Long-term (six months and over) claimant unemployment, 2004–6, 18- to 24-year-olds

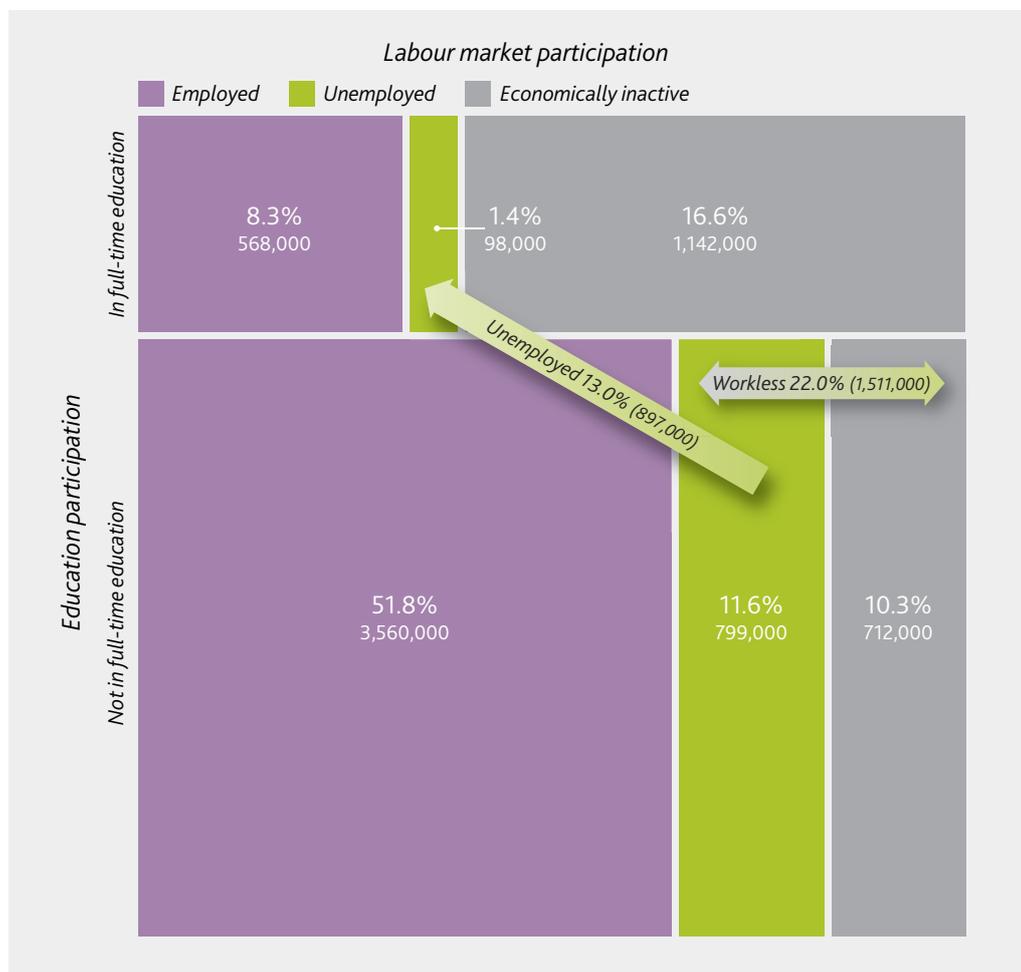


However, this fall in the claimant count did not flow through to the wider measure of unemployment. The tighter JSA regime was accompanied by a jump of some 40,000 in unemployed young people *not* claiming benefits, and a further rise from there onwards. This suggests that wider factors also played a significant role.

Young people and education

There have been substantial increases in educational participation for young people over time. In 1993, 24 per cent of young people were in full-time education (and prior to that the proportion in education was even smaller). This is shown in the following figure, where again the area of each block is proportional to the number of young people in that category. The analysis also shows that in 1993 young people in full-time education were far less likely than now to be either employed or unemployed. In contrast, young people today increasingly combine education with work (or jobseeking).

Figure 6: Proportion of young people (16–24) in full-time education by economic status, 1993



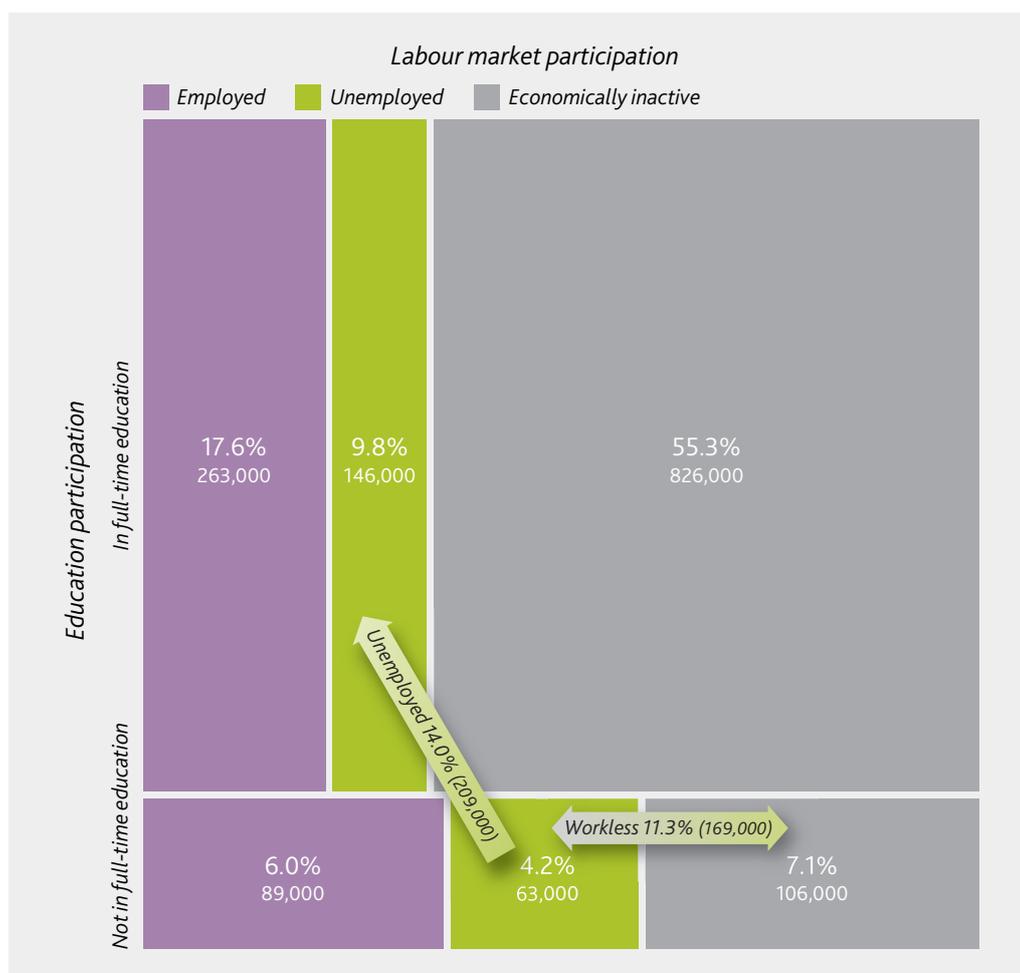
The following sections go on to discuss trends in educational participation among particular age groups of young people.

16- to 17-year-olds

Since 1992 learning participation in full-time education for 16- to 17-year-olds in the UK has increased from 65 per cent to 83 per cent¹². Learning participation rose from 1992 to a peak of 74 per cent at the end of 2000, then reduced a little before the national extension of EMAs in 2004–5 after which learning participation picked up again. There was a further large increase in 2008–9, likely to be due to a lack of alternative opportunities in the recession.

Figure 7 below shows how the population of 16- to 17-year-olds is currently split¹³ between the unemployed, employed and economically active and by whether or not they are in education. It shows that of those not studying 11.3 per cent are out of work, although a majority of the population is in full-time education.

Figure 7: 16- to 17-year-olds in education by labour market participation, 2010¹⁴

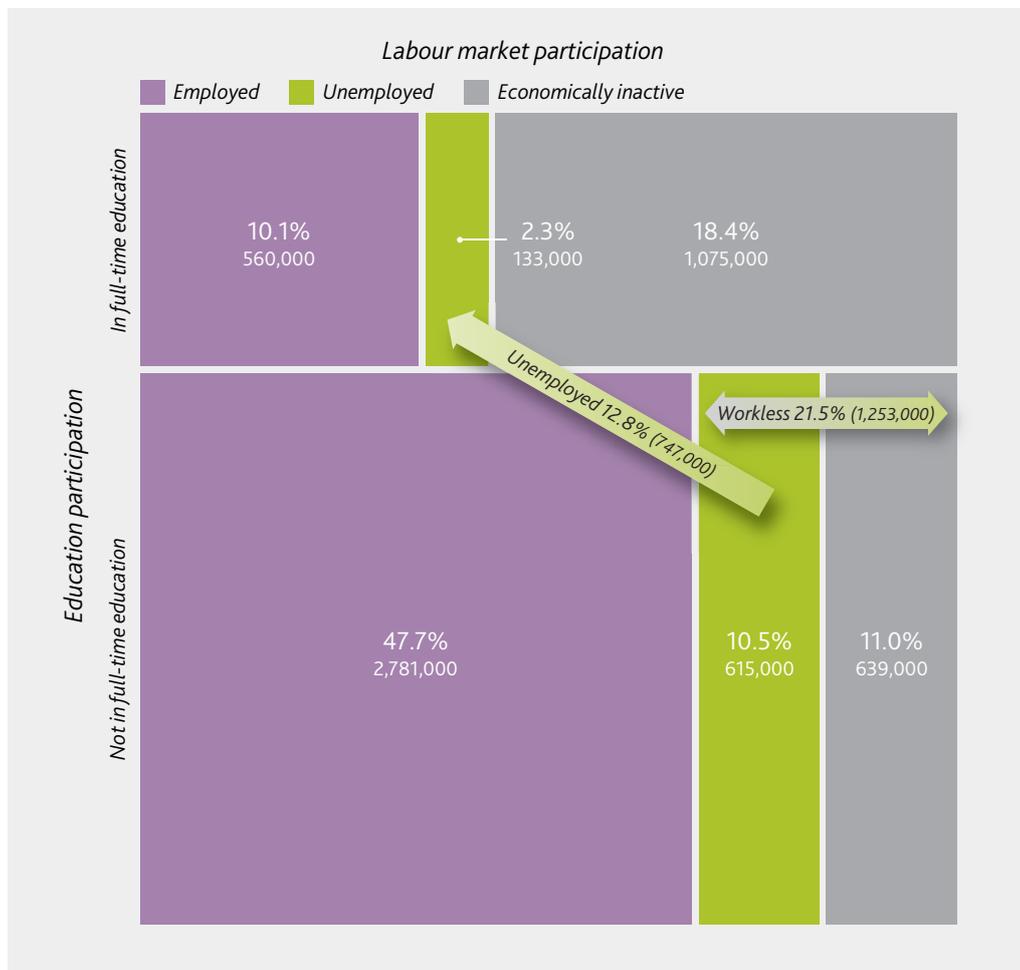


18- to 24-year-olds

Full-time learning participation (which includes further and higher education) among 18- to 24-year-olds has more than doubled since 1992, from 15 per cent to 31 per cent.

As above, Figure 8 (on page 19) shows how the population of 18- to 24-year-olds is split between the unemployed, employed and economically active and by whether or not they are in education. It shows that around 58 per cent of the population is employed, and that of those in full-time education only a small proportion consider themselves unemployed (2.3 per cent). It also demonstrates that substantial numbers of young people in this age group (around 21.5 per cent) are workless while not participating in education.

Figure 8: 18- to 24-year-olds in education by labour market participation, 2010



Youth employment

Youth employment has also changed significantly over recent decades. A 1982 Department of Employment research paper found, for example, that only 23 per cent of young people stayed on at school post-16 in Sunderland, 60 per cent in St Albans and 40 per cent in Leicester. In contrast current DfE figures for 16–17 learning participation are 85 per cent in Sunderland, 95 per cent in Hertfordshire and 97 per cent in Leicester. The England figure for 16- and 17-year-olds in learning is 89 per cent.

The 1982 study also divided the types of job available to young people into six groups. These were:

- semi-skilled and unskilled manual (male); for example, factory operative, messenger boy, shelf-filler, packer, general labourer
- semi-skilled and unskilled manual and sales (female); for example, machinist, packer, counter assistant, checkout assistant
- skilled manual (male); for example, apprentice in engineering, construction or printing trades
- skilled manual and clerical (female); for example, hairdresser, cook, shorthand typist, general clerk

- white-collar careers (male); for example, bank clerk, technician, professional trainee, management trainee
- white-collar careers (female); for example trainee manager (retail), administration, professional trainee.

Some of these occupations (or their successors) are still taken by young people entering the labour market. But many new occupational groups have arisen, and others have disappeared almost completely. The decline in the numbers employed in manufacturing, and within manufacturing the automation of many tasks that would previously have been done by young workers, has particularly affected the semi-skilled, unskilled and skilled routes into employment. The growth of the service sector has also led to a growth in jobs occupied by young people, such as in the fast food industry. Gender segregation in the youth labour market remains and although is not seen to be as inevitable as was the case in the past, in some areas of work it is stark.

Today 3.5 million young people are in employment (one million of whom are also in some form of education). Table 1 below shows their occupational pattern.¹⁵ The percentages are of all young people in employment.¹⁶ The analysis shows that of all young people who work, 71 per cent are not in education, 6 per cent are in part-time education and 24 per cent are in full-time education.

Table 1: Youth employment (15–24) by occupation type and educational participation, Labour Force Survey, January–March 2011, not seasonally adjusted, percentage of all young people in employment

	<i>Full-time education (%)</i>	<i>Part-time education (%)</i>	<i>Not in education (%)</i>	<i>Total (%)</i>	<i>Total</i>
Managers, directors and senior officials	0	0	3	3	109,000
Professional occupations	1	1	6	7	252,000
Associate professional and technical occupations	1	0	8	9	335,000
Administrative and secretarial occupations	1	1	8	10	370,000
Skilled trades occupations	1	2	8	11	388,000
Caring, leisure and other service occupations	2	1	9	12	429,000
Sales and customer service occupations	8	1	13	22	781,000
Process, plant and machine operatives	0	0	4	4	139,000
Elementary occupations	9	1	12	22	779,000
Total (%)	24	6	71	100	3,582,000
Total	843,000	198,000	2,541,000	3,582,000	

The largest occupational groups are sales and customer service and elementary occupations, with 44 per cent of all employed young people working in these positions. Overall only 10 per cent of young people are employed in professional or managerial occupations, with these most likely to be held by those in their early 20s.

Table 2 below shows the same information but sets out employment trends for young people in each category of educational or economic activity. It demonstrates that for those in full-time education, nearly three-quarters of jobs are in elementary or sales occupations, while young workers not in education have a wider spread across the occupational spectrum (with 17 per cent in elementary occupations). Those working and in part-time education have a different pattern. Twenty-nine per cent are in skilled trades, followed by 13 per cent in caring, leisure and other services and also 13 per cent in professional occupations. This combination of work and learning suggests many of these young people are apprentices.

Table 2: Youth employment (15–24) by occupation type and educational participation, Labour Force Survey, January–March 2011, not seasonally adjusted, percentage of all young people in each category of educational participation

	<i>Full-time education (%)</i>	<i>Part-time education (%)</i>	<i>Not in education (%)</i>	<i>Total (%)</i>	<i>Total</i>
Managers, directors and senior officials	1	2	4	1	109,000
Professional occupations	3	13	8	3	252,000
Associate professional and technical occupations	6	8	11	6	335,000
Administrative and secretarial occupations	5	11	12	5	370,000
Skilled trades occupations	4	29	12	4	388,000
Caring, leisure and other service occupations	8	13	13	8	429,000
Sales and customer service occupations	36	10	18	36	781,000
Process, plant and machine operatives	1	3	5	1	139,000
Elementary occupations	37	11	17	37	779,000
Total (%)	100	100	100	100	3,582,000
Total	843,000	198,000	2,541,000	3,582,000	

Table 3 below shows young people's employment pattern by sector.¹⁷ The concentration on employment in retail (26 per cent of all young people in work) and accommodation and food services (13 per cent of all young people in work) remains clear, and the pattern of a wider spread of employment sectors for those not enrolled on a course also continues.

Table 3: Youth employment (15–24) by sector and educational participation, Labour Force Survey, January–March 2011, not seasonally adjusted, percentage of all young people in employment.

	<i>Full-time education (%)</i>	<i>Part-time education (%)</i>	<i>Not enrolled (%)</i>	<i>Total (%)</i>	<i>Total</i>
Manufacturing	0	1	7	8	269,000
Construction	0	1	6	7	249,000
Wholesale, retail, repair of vehicles	10	1	15	26	916,000
Transport and storage	0	0	3	3	98,000
Accommodation and food services	7	0	6	13	475,000
Information and communication	0	0	2	2	82,000
Financial and insurance activities	0	0	3	3	120,000
Professional, scientific, technical activities	0	1	3	4	124,000
Administration and support services	0	0	4	5	161,000
Public administration and defence	0	0	3	3	108,000
Education	1	0	5	6	222,000
Health and social work	1	0	7	9	308,000
Arts, entertainment and recreation	2	0	3	5	168,000
Other service activities	1	0	3	4	129,000
Total	23	6	71	100	3,541,000
Total	829,000	196,000	2,516,000	3,541,000	

Table 4 below shows part-time and full-time employment status for young people. This shows a marked divergence between full-time students and other young people in work, with those in full-time education far more likely than others to work part-time. Of all young people in work only 2 per cent are in full-time education and full-time employment, while 54 per cent work full-time and are not enrolled on a course. Of all young people in work, 9 per cent are in part-time employment because they cannot find a full-time job.

Table 4: Youth employment (15–24) by educational participation and employment status, Labour Force Survey, January–March 2011, not seasonally adjusted, percentage of all young people

	<i>Full-time education (%)</i>	<i>Part-time education (%)</i>	<i>Not in education (%)</i>	<i>Total (%)</i>	<i>Total</i>
Part-time: student	21	1	2	25	894,000
Part-time: could not find full-time job	0	0	9	9	331,000
Part-time: did not want full-time job	0	0	5	5	193,000
Full-time	2	4	54	60	2,144,000
All part-time	22	2	17	40	1,470,000
Total	24	5	71	100	3,614,000

Considering the same information, Table 5 below shows how employment status varies within each group of young people. Ninety-three per cent of those in full-time education were working part-time, while three out of four of those not in education worked full-time. More than half of the part-time workers who are not in education have part-time jobs because they cannot not find full-time work (323,000 workers), more than one-quarter of all the involuntary part-time workers in the UK. This demonstrates a significant problem of youth under-employment.

Table 5: Youth employment (15–24) by educational participation and employment status, Labour Force Survey, January–March 2011, not seasonally adjusted, percentage of young people in each category of educational participation

	<i>Full-time education (%)</i>	<i>Part-time education (%)</i>	<i>Not in education (%)</i>	<i>Total (%)</i>	<i>Total</i>
Part-time: student	90	21	3	25	894,000
Part-time: could not find full-time job	0	2	13	9	331,000
Part-time: did not want full-time job	1	4	7	5	193,000
Full-time	7	71	76	59	2,144,000
All part-time	93	29	24	41	1,470,000
Total	857,000	199,000	2,558,000	3,614,000	3,614,000

The data also show that temporary contracts appear to be less prevalent than might be expected. Only 12 per cent of employed young people reported being on a temporary contract. In addition, 5 per cent of employed young people reported being self-employed, with some of these likely to be falsely self-employed rather than genuine entrepreneurs.

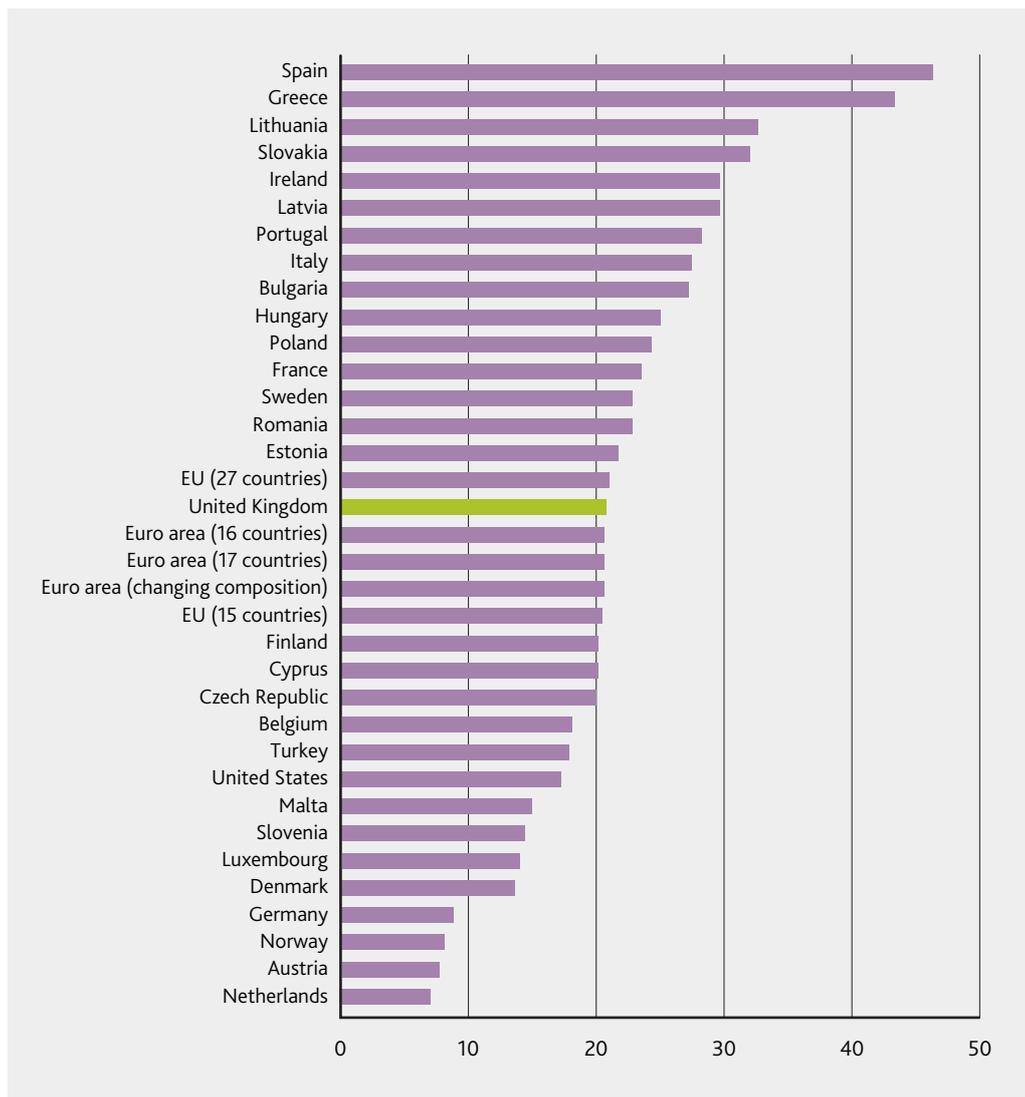
Overall, the patterns of jobs that young people do appears to have changed little compared with the 1980s. And the changes there have been (for example a growth in service sector employment – particularly in care work – and a fall in jobs in manufacturing) appear related to the overall change in the economy. However, there have been significant changes in the composition of the young employed group, with just under a third are now also in education.

While those in full-time education are most likely to be in the lowest-paid work, substantial proportions of young people not in education are working full-time in low-paying wholesale, retail and accommodation and food services sectors, and across the youth labour market involuntary part-time work is exceptionally high. In an increasingly competitive labour market the future prospects of these young people, if they are unable to access employment progression or educational opportunities, are likely to be poor.

5 The youth labour market compared with other countries

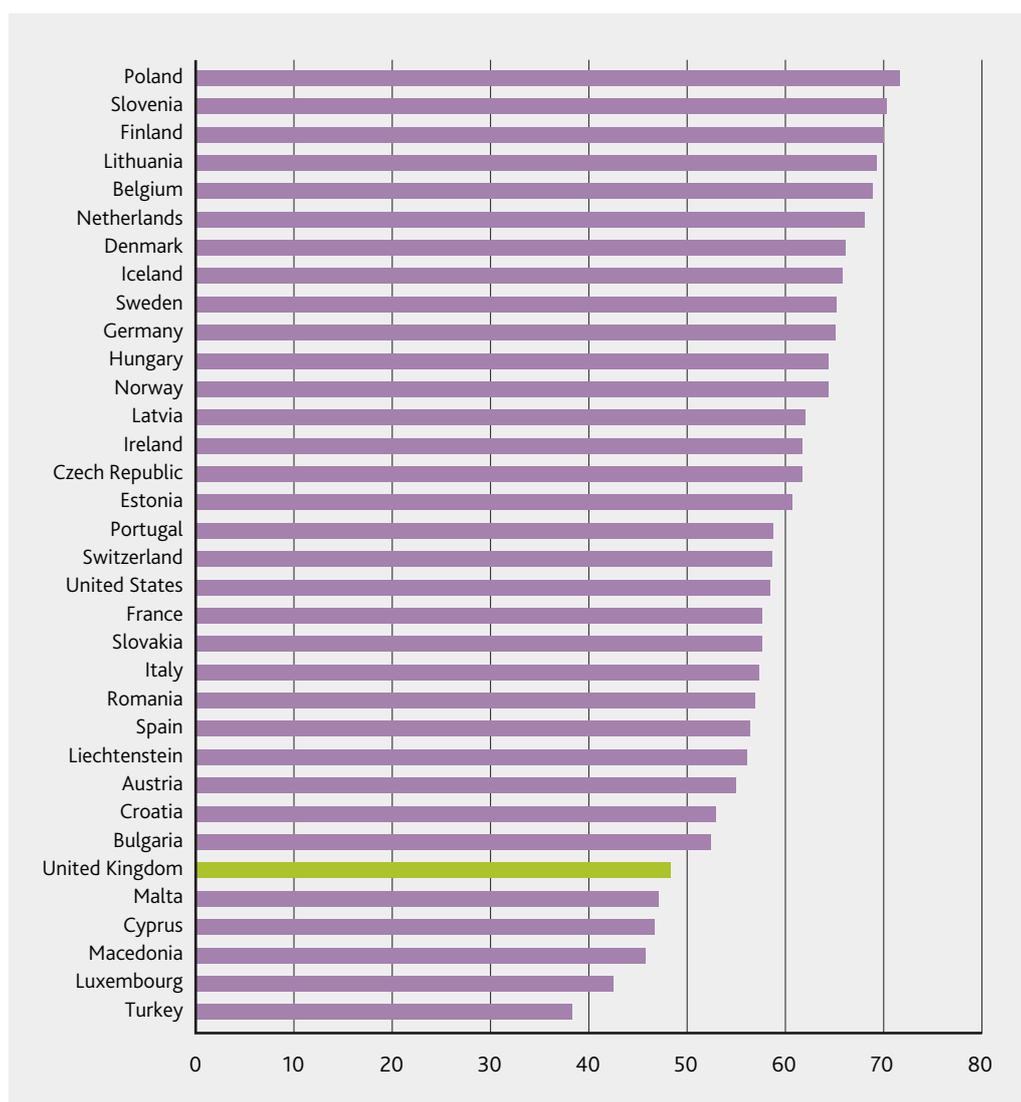
Youth unemployment rates in the UK are mid-range compared to other European countries, yet they are more than double the rates in a group of countries including Germany, Austria and the Netherlands that follow 'apprenticeship' models, which provide strong links between educational participation and employment. UK youth unemployment rates are also higher than those in the USA.¹⁸ This can be seen in Figure 9 below.¹⁹

Figure 9: Youth unemployment levels (15–24) across Europe, June 2011



The picture changes considerably for educational participation. Despite rising learning participation rates over recent years, educational participation among 15- to 24-year-olds in the UK is low by European and developed country standards. Figure 10 below (from Eurostat data) shows the proportion of the age group who participate in learning. It shows that the UK's 48.4 per cent ranks below *all* EU countries other than Malta, Cyprus and Luxembourg.²⁰

Figure 10: Levels of educational participation (15–24) across Europe, June 2011



6 *Can welfare to work programmes reduce youth unemployment?*

History of UK government programmes

UK government programmes aimed at helping young people into or towards the labour market have historically been characterised by a sharp divide between learning programmes (through the further education system) and employment programmes (which are contracted by the DWP).

In the 1980s, all young people from the age of 16 were within the scope of programmes run by the Department of Employment, including the Youth Opportunities Programmes and later the Youth Training Scheme (YTS). From the late 1980s on the under-18s were moved out of eligibility for unemployment-related benefits and provided with a replacement guarantee of a training place (YTS or similar), which paid a training allowance. Entry to this system became managed by Careers Services. This was the system that was in place during the 1990s recession.

Under the last government, the Careers Service role was replaced by Connexions. Over this period the dominant feature of the youth labour market was a large expansion of learning participation among 16- to 17-year-olds. Employment programmes for 16- to 17-year-olds had disappeared.

For those aged 18–24 the New Deal for Young People was introduced in 1998 with a commitment that those entering the later stages of the programme would have access to either full-time training and education or training combined with various types of work experience. Over the life of the New Deal, the training element reduced.

The current government has replaced the employment programmes for young people with the single Work Programme. The Work Programme builds on the last government's approach, but also allows access to training funded by other parts of government, such as through FE colleges and learning providers, which has not always been the case in the past.

So while education and employment services have become increasingly linked, they remain separate for 18- to 24-year-olds. In contrast, support for 16- to 17-year-olds now focuses almost exclusively on education provision and remains separate to services for older young people.

Future Jobs Fund

The last government responded to the recession by changing the programmes offered to young people. In addition to the New Deal for Young People, it started the Future Jobs Fund (FJF) providing (before cancellation by the new government) 105,000 six-month jobs for young people, and some adults who lived in deprived areas.

An evaluation of the FJF found that numerous benefits to this approach to tackling unemployment were reported in interviews and focus groups with participants, employers and stakeholders. Key findings were that the FJF:

- provided people with a real job with a real wage at a time when few were available
- engaged employers, many of whom said they were now more likely to employ an unemployed young person or engage with future welfare to work programmes
- moved people off long-term benefits, many of whom had been claiming for decades or had multiple barriers to employment
- benefitted communities, both in terms of the expansion of programmes serving communities and in terms of an improved sense of citizenship and cohesion
- transferred benefits to the voluntary sector, charities and social enterprise, also engaging the private sector in some cases
- increased the distances people were prepared to travel to work
- brought together and made effective use of dynamic sub-regional partnerships
- raised people's career aspirations, and their levels of relevant training and qualifications
- improved people's health and reduced criminal behaviour.

However, there were a number of areas for improvement of the FJF that were identified by participants, stakeholders and employers. Findings of particular note were that the FJF:

- was rushed during the bidding and implementation stages in the eyes of many of those involved
- suffered from slow and changeable DWP guidance, and onerous or inconsistent DWP monitoring
- received poor applications, insufficient numbers of applications or applications from ineligible people from Jobcentre Plus
- had very limited ability to engage private sector employers because jobs had to have an element of community benefit; this decreased the potential for job sustainment
- did not offer enough support to voluntary and community sector employers
- did not place enough emphasis on progression into sustained work following FJF
- in some cases provided irrelevant or inconsistent training, and did not cover some training that was essential to certain jobs.

Union involvement in awarding FJF bids and in monitoring implementation also helped guard against job displacement.

An analysis of the FJF's value for money suggested that it had a net cost to government of £3,946 per participant, or just over £9,000 per job outcome when direct tax revenues and benefit savings were taken into account. This cost-benefit calculation did not account for benefits such as indirect tax revenues, wider community benefits and long-term tax revenues and so was likely to have overstated the cost of FJF. The benefits of FJF equated to 70 days' fewer on benefits than participants would have spent if the programme had not existed, above and beyond the time spent in FJF jobs. Both this figure and the estimated cost per job outcome are comparable to past evaluations of the New Deal for Young People: the difference in the economic situation between the two periods shows just how successful the FJF was.

The official impact assessment of the FJF is not due to be published until early 2012, and as of the end of 2011 the official qualitative research on participants' experiences had not been published, despite being promised for 'spring 2011'.²¹

The Youth Contract

The current government announced a 'Youth Contract' on 25 November 2011, after the headline youth unemployment figures crossed the 1 million mark.

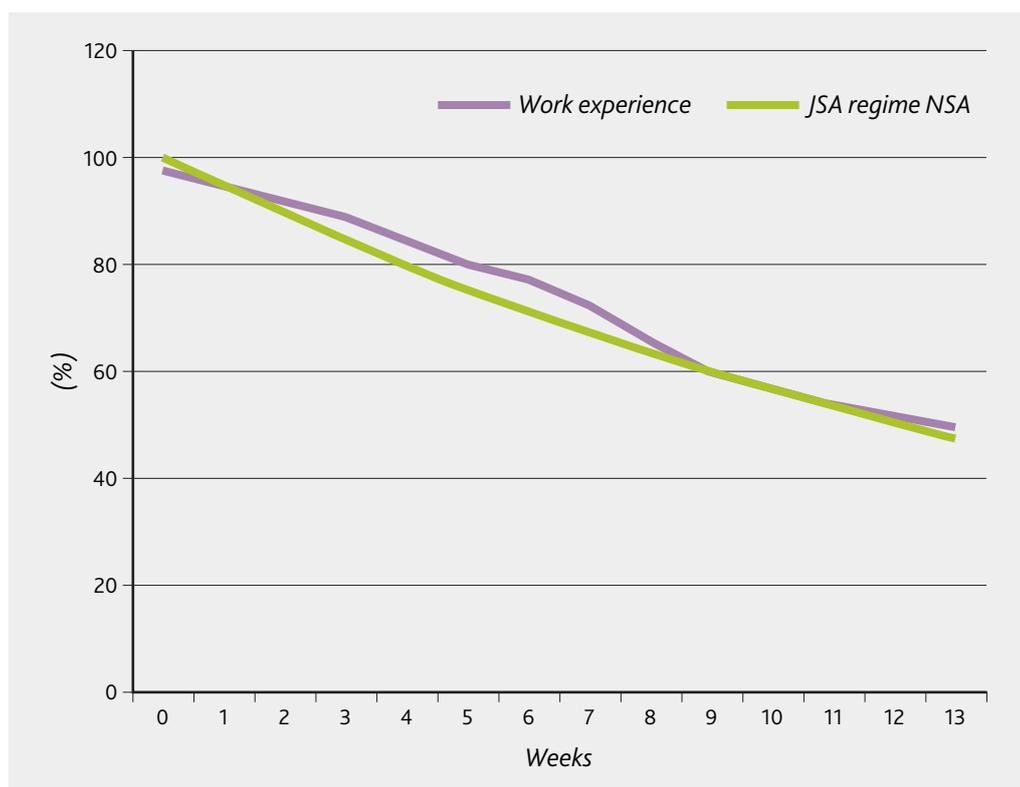
Mainly aimed at JSA claimants aged 18–24 (480,000 out of 730,000 unemployed young people excluding students) it provides additional Jobcentre Plus adviser time for young unemployed people, and requires them to sign on weekly rather than fortnightly from month five of their claims.

Under the contract either a Work Experience placement or a Sector-Based Work Academy place (discussed below) will be offered to every 18- to 24-year-old JSA claimant after three months. Sector-Based Work Academies combine three interventions that together take no more than six weeks: pre-employment training, work experience with an employer and a guaranteed job interview. They provide significantly less formal training for young people than previous programmes, and the demand from employers for their creation came because the skills elements of some existing programmes were perceived to be too onerous (a full Level 2 qualification) or too transferable (via NVQs). Sector-based work academies therefore drop both.

The unpaid Work Experience element involves working for a trial period for an employer for up to 8 weeks, or 12 weeks where the employer commits to an apprenticeship place. The DWP reports²² that 51 per cent of Work Experience starters were no longer claiming benefits after 13 weeks. However, this figure is fairly close to that which would normally be expected for young people. Analysis of the 'threshold flows' for young people over the relevant period in January–March 2011 found that an expected 53 per cent of young people would have left benefits over this period had no programme been in place.²³

So, as a first approximation, this analysis finds that the benefit of the Work Experience scheme did not accrue to the young people, who remained on benefit during the eight week period at a *higher* rate than those who did not have access to the programme.²⁴ The benefit of Work Experience would thus seem more likely to accrue to participating employers who gain the benefit of eight weeks of unpaid labour. The findings are shown in Figure 11 below.

Figure 11: Proportion of young people remaining on benefit, by whether or not they have undertaken work experience (figures are not seasonally adjusted)



The headline element in the Youth Contract is the estimated 160,000 wage incentives of £2,275 'to make it easier for private sector employers to take on young people' for young participants in the Work Programme. The wage incentives seem (at the date of writing) to be for six months and to cover approximately half the NMW.

Work Programme providers would normally get paid a Job Outcome Payment for a young person completing six months in employment, and then receive a sustainment payment for each subsequent four weeks of employment. It is not yet clear whether the Job Outcome Payment will be paid in respect of young people who complete their six months and are not kept on (although the incentive for the Work Programme providers is very much to ensure that young people are either kept on or moved into another job as soon as possible).

Provision of these jobs solely in the private sector, with little effective monitoring in place, provides little protection for other workers of job displacement. While the government plans to ask employers to certify that the jobs are additional and not displacing other workers, in practice it will be very difficult to ensure that employers don't just substitute subsidised young people for other workers, or indeed substitute free Work Experience workers for paid ones. It is therefore vital that the government pays close attention this potential trend – and acts to prevent employers who are found to be using subsidies or Work Experience to displace real jobs from further participation in the programme. There is also a strong case for government agencies to work more closely with private sector unions to identify and challenge job displacement.

The Youth Contract also provides funding to enable 40,000 incentives for small firms to take on young apprentices. And the final element is a new £50 million-a-year programme to provide support for some of the most disadvantaged 16- to 17-year-olds not in education, employment or training. Support for this group had previously been provided through the Connexions service and the E2E (entry to employment) training programme, and the new funding does little to offset the funding cuts that have already been made in assistance for this group.

The Youth Contract is a three-year programme, and therefore the numbers and spending need to be assessed over the three years. The total number of young people covered by the Youth Contract specific measures comes to 450,000 over this 36 month period. As there are 1.45 million young people not in education or employment on the latest figures, and 480,000 JSA claimants, the 450,000 total looks comparable to the current JSA claimant number. As there have, since the recession started, been around 1.5 million new JSA claims by 18- to 24-year-olds a year, a likely three-year total would come to approximately 4.5 million. Therefore 450,000 Youth Contract specific measures provide support to approximately one in every ten young people likely to claim JSA over the period.²⁵ This is nowhere near enough to provide adequate support to the entire population of young unemployed people, particularly as the quality of both the training and work experience interventions appear poorer than many that have been introduced in the recent past.

7 Policy recommendations

Tackling youth unemployment in the UK will need both short- and long-term solutions. While the crisis facing many young people today needs specific measures to give those who are seeking work the best possible chance of finding it, there are also longer-run policy challenges to improving young people's labour market prospects. The imperative of boosting young people's educational participation is accompanied by a need to develop a more sophisticated approach to supporting those who are out of work – targeting measures simply at the claimant unemployed, for example, risks missing large numbers of workless young people who may have low chances of moving in work or education or who are in part-time low-paid work, with no access to progression routes or access to learning. And of course, the success of any measures to reduce youth unemployment will be affected by social and economic inequalities, and the extent to which government investment in tackling them is prioritised.

Supporting young people in the short-term²⁶

There is no simple solution to tackling rising youth unemployment, and any chance of success will reply on combining wider measures to boost economic growth with targeted interventions, as set out below. We also know what won't work: although many economists tend to have a theory-based view that minimum wages should reduce employment, the evidence does not back up this proposition. Rather than seeking to reduce pay for those in work, a sensible approach to youth unemployment needs to focus on boosting the net number of vacancies across the economy and ensuring young people are as well equipped as possible to compete for them.

Boosting aggregate demand

The most significant action the government could take to address youth unemployment would be to boost aggregate demand to raise overall economic activity. Our analysis has shown that as job vacancies decline young people are inevitably affected most, as fewer opportunities present themselves and entry thresholds for the remaining available posts are raised. Without a significant increase in economic activity across the UK, a substantial fall in youth unemployment will be near impossible to achieve.

Prioritising those who are workless

Analysis for this paper suggests that the government's priority should be to focus on the wholly out of work – the nearly 1.5 million who are out of work and not participating in education – rather than simply upon the claimant unemployed. The number of young people who are without work and are not engaged in learning has risen by 232,000 since the recession started, a reduction back to pre-recession levels should be the first priority. This may mean reviewing the mix of policies currently in place to support young unemployed people, with greater consideration given to the wider workless group (for example to boost their participation in education) than has been the case in the government's recession response up until now.

Effective active labour market programmes

Active labour market programmes have potential to provide support for young people facing difficult circumstances. However, a question mark remains about the extent to which specific programmes actually benefit their participants.

Early evidence is also that the government's Work Experience scheme is failing to increase young people's chances of moving into jobs, with participants less likely than those in the general population to move into work after a period of participation on the scheme. And Sector Based Work Academy places are providing a poorer quality of training provision to young people than was previously the case. Instead of introducing welfare to work on the cheap, the government should therefore learn from the significant body of research on the effectiveness of such programmes, and focus on providing well-funded support that has the highest chance of building young people's skills and experience in a way which can be proven to boost their chances of future employment. This would include a significant role for a national job guarantee scheme, as is discussed below.

Wage/employment subsidies for young people

The Future Jobs Fund model was effective at both providing quality experience of a real job to young people who would otherwise have found themselves without one, and preventing long-term unemployment. It is a great shame that one of the government's first acts was to cut this cost effective-scheme. It should be reinstated.

While the employment subsidies provided under the Youth Contract are welcome, if likely to be less effective than the Future Jobs Fund, this analysis has also shown that the scale of the wage incentives looks far too small against the scale of the need that young people are likely to face over the next three years. Blanchflower and Bell have suggested that the public sector has greater capacity to hire young people, particularly in health and education. While public sector employment is currently undergoing a significant period of contraction, there is no reason why those vacancies that do still exist could not be better targeted to young people, or why the public sector could not provide another important employment subsidy route.

Expansion of education

Additional support to boost young people's educational participation is needed now more than ever. However, the government has made a series of policy decisions that have made participating in education for young people aged 16–25 seem significantly more expensive, at a time when any confidence in future careers is at an all-time low. For example, moving to loan finance for post-16 education when jobs are so uncertain risks young people declining the bet. The government should therefore keep under constant review the impacts its policies are having on young people's levels of educational participation, and be prepared to act should it be found that this option is becoming less achievable for young people at a time when many are in greatest need of accessing it. There is also an urgent need to look at the role that FE colleges could play in supporting more young people to remain in education and training. Colleges have a long tradition of supporting young people who require a 'second chance' to engage in learning and skills, and a positive reassessment of the core funding of colleges and maintenance support arrangements for young FE students could go some way to enabling many more young people to remain in education or training.

More and better apprenticeships

High-quality apprenticeships enable young people to work productively and at the same time learn skills that are valued by employers. The government has demonstrated a commitment to this agenda by increasing funding to allow more employers to recruit apprentices and also by beginning to tackle widespread concerns about quality. However, there is a growing acknowledgement that in order to achieve substantial progress in expanding high-quality apprenticeships we need to learn from those European countries (and our own domestic sectors) where the apprenticeship brand is synonymous with quality. Strengthening the regulation of apprenticeships and adopting the European social partnership model are two challenges that need to be tackled in order to achieve a universal quality mark for apprenticeships.²⁷

The institutions that could act to improve apprenticeships are already in place with sector bodies such as Sector Skills Councils, which are licensed by the UK Commission for Employment and Skills (UKCES), providing a possible means to build a new social partnership approach to ensuring apprenticeship quality and guaranteeing equality of access. Regulation also needs to play a role in building a quality apprenticeship brand by setting some minimum national standards that would apply to all provision, including: a minimum duration; a right for participants to progress to a full Level 3 apprenticeship if they wish; and greater enforcement of equality of access.

Compared with most other European countries, employer involvement in apprenticeships in the UK remains poor and it is increasingly evident that encouragement and exhortation are not enough to persuade more employers to get engaged in this form of training. A range of measures therefore needs to be adopted to achieve a breakthrough on this front, including: binding sectoral and sub-sectoral agreements by social partners; more extensive use of procurement; more effective use of tax relief on training; and, human capital reporting requirements in annual reports.

Longer-term change to support young people

The nature of unemployment and the youth labour market today has changed significantly from the recent past. Far more young people are participating in education, and those who are not are facing competition from increasingly qualified peers. It is also now far more usual than was previously the case for young people to combine work and learning, which brings particular challenges depending on the precise balance that particular young people strike between employment and education.

However, the institutions and programmes in place to tackle youth unemployment are arguably still based upon a separation between both forms of activity, and need to be updated to reflect these changed circumstances

Educational participation

The aspiration for the future has to be that our young people should be as well qualified for jobs as those in any developed country, and to this end the Government should aim for this to be the case by 2020. But at the moment both the UK's educational participation and qualification levels are far below those of most developed nations. While the last government's aim to achieve 50 per cent of an age group getting into higher education was derided by some commentators, this level is modest by the standards of most developed nations. It is clear that a country that aims to specialise in high-value goods and services needs to have a well-qualified workforce: 50 per cent higher educational participation from 16 to 24 is already becoming uncompetitive.

Achieving this ambition will require considerable change in the shape of the UK's higher education infrastructure. We do not make specific proposals here, but there is an immediate need to explore how the UK's system of further and higher education compares with that of other countries where participation levels are far higher, and to introduce policy change on this basis.

Our analysis also suggests that better enabling young people to combine work and education provides the best means to achieve very high educational participation, while also meeting employers' needs. This suggests the need for ongoing expansion in apprenticeship places, as well as further consideration of how wider forms of FE college education could be better linked to employment.

A new Youth Credit

A new way of understanding the relationship between young people's work and learning needs new institutions. Given the evidence that better enabling young people to combine work and learning is likely to provide the best longer-term means to boost their employment prospects, there is a strong case for integrating the financial support that is made available to young people on this basis. This could be through a 'Youth Credit' that takes the best parts of the EMA/Adult Learning Grant and the JSA regime for young people.

Such a credit could involve a regular payment that would be sufficient for basic needs, but conditional upon participation in education and/or jobseeking. While detailed development work would be required, the conditionality could be based around attendance in learning and achievement of agreed objectives, and looking for jobs or learning opportunities. A challenge for the Youth Credit would be to ensure the system provided claimants with sufficient flexibility to meet educational requirements, guarding against a system where jobsearch conditionality served to hamper ongoing engagement in learning.

The current plan for 16- and 17-year-olds to have to undertake learning (with the only cash support at the discretion of educational institutions) while those aged 18 or over receive Universal Credit maintains the age 18 barrier that ignores the trend towards rising levels of education participation among young people post-18. The suggestion here is that the same basic system would cover living costs regardless of whether young people who were not working were out of work, in the FE system, or in higher education. This would be a major simplification and would also cut back on the distinction between academic and vocational education. The basic level of living costs covered could be supplemented by work, and it also seems that a Universal Credit-style taper system that incentivises working part-time could be appropriate for students.

A new Youth Employment and Skills Service

The same principle should apply to the services that provide support for young people, which should ensure that support for seeking work be provided to those in learning, and vice versa. This should bring together the job-related support provided through Jobcentre Plus and what remains of the Careers Service for those aged under 25. This proposal would involve separating the parts of Jobcentre Plus that deal with young people from those that deal with the over-25s. The role of the new service would not be to get people to take any job at all, but to encourage and support young people to undertake either learning or work, or both. This may include low-paid jobs, but also learning provision predicated on people moving into better employment, recognising that for many young people in work progression is unlikely without further access to education and ongoing careers advice. By tracking young people through both education and employment the service would be able to identify and support young people should they drop out of either group, and attempt to get them back on track as soon as possible.

Ideally such a service would also be able to provide tailored provision for 16- to 17-year-olds, recognising their distinct needs but allowing for an easy support transition as they turn 18. This would correct a policy error going back to the 1980s. The stubbornly high level of workless 16–18s even in the best years of the last government owes a great deal to the limitations of the support and services that were available to this group. Because the under-18s were eligible for benefits only in extreme circumstances, the Careers Service and later Connexions offered only Training Schemes with a Training Allowance, and later EMAs. If the young people relied on their families or on other means of gaining some cash, there was little that could be done to incentivise young people to engage. Similarly, Connexions services struggled to engage with young people who could have benefitted from their help, and may have been more willing if greater financial support had been available. If the Youth Credit and Youth Employment and Skills Service had existed, arguably young people would have been more likely to engage with a service offering an additional financial support and a push towards both work and learning.

The role of employers

It is vital that public policy recognises and promotes the importance of employers taking young people on in actual jobs. Work experience has its place, but not as a replacement for paid work.

Employers also need to structure employment patterns around young people who are combining learning with work. Many employers are already experts at this, such as large supermarket chains and significant portions of the fast food industry. However, other employers find managing young people and shift work difficult, which closes off many jobs that young people could use to develop their employability skills while also continuing participation in learning.

Employers could also do more to actively support young people in building their skills. This includes boosting participation in apprenticeship programmes, as well as linking employment opportunities to higher education programmes, sandwich courses and promoting arrangements to recruit students on work-related programmes in holiday periods.

Notes

- 1 Paul Gregg and Emma Tominey, *The Wage Scar from Youth Unemployment*, CMPO, The University of Bristol, February 2004, abstract.
- 2 David N.F. Bell and David G. Blanchflower, *Youth Unemployment in Europe and the United States*, IZA Discussion Paper No. 5673, April 2011.
- 3 Oddbjørn Raaum and Knut Røed, *Do Business Cycle Conditions at the Time of Labour Market Entry Affect Future Unemployment?*, Memorandum No. 12/2002, Department of Economics, University of Oslo.
- 4 Professor Richard Croucher and Professor Geoff White, *The Impact of Minimum Wages on the Youth Labour Market: An international literature review for the Low Pay Commission*, Middlesex University and University of Greenwich, March 2011. www.lowpay.gov.uk/lowpay/research/pdf/RizovCroucherFinal.pdf
- 5 Tatiana Fic, Dawn Holland, Paweł Paluchowski, Ana Rincon-Aznar and Lucy Stokes, *Labour Mobility within the EU: The impact of enlargement and transitional arrangements*, NIESR Discussion Paper No. 379, revised version, August 2011.
- 6 Sara Lemos, *Labour Market Effects of Eastern European Migration in Wales*, University of Leicester, Working Paper No. 10/03, January 2010.
- 7 *The Impact of Free Movement of Workers from Central and Eastern Europe on the UK Labour Market: Early Evidence*, Jonathan Portes and Simon French, Department for Work and Pensions Working Paper No 18.
- 8 Nicola Gilpin, Matthew Henty, Sara Lemos, Jonathan Portes and Chris Bullen, *The Impact of Free Movement of Workers from Central and Eastern Europe on the UK Labour Market*, Department for Work and Pensions Working Paper No. 29.
- 9 Sara Lemos and Jonathan Portes, *The Impact of Migration from the New European Union Member States on Native Workers*, Department for Work and Pensions Working Paper No. 52, June 2008.
- 10 William Wells, *The Relative Pay and Employment of Young People*, Department of Employment Research Paper No. 42, Table D17, December 1983.
- 11 The chart shows numbers, so the growth in the population of young people over this period means that the proportionate position of young people now is slightly better than that shown in the figure. It also includes students in the wider unemployed measure, and at least partly in the earlier claimant count figures when students were allowed to claim in the holidays.
- 12 This does not include apprenticeships and part-time learning, which would further increase the figure. Department for Education data for England puts overall learning participation at 89 per cent (including these latter categories).

- 13 While the proportion and numbers not in full-time education and not in employment have remained within a narrow band, it should not be thought that this is a static population. Previous studies have shown that there is very considerable movement into and out of learning and into and out of work.
- 14 Full-time education in these analyses is based on survey responses that ask whether people are studying full time or part time. Apprenticeships are not easily identified from the surveys, but a brief examination of the data suggests that there are relatively large numbers of young people employed and in part-time learning in those sectors that have large numbers of apprentices. In the figures, this group would be classed as 'in employment: not in full-time education'. Therefore, this group does include not only those in jobs without training but also apprentices and those in jobs with workplace-based training that the young people (or their parents responding to the survey) do not see as learning. It is, however, a minority of young people who are undertaking learning of this nature: as previous analysis in this report including those not in employment has shown, there are about 267,000 part-time students, 4 per cent of young people aged 18–24 in the UK.
- 15 As we are looking at young people aged up to 25, this includes the proportions who have achieved sufficient qualifications to participate in professional occupations.
- 16 For this table 15-year-olds are included as a result of changes to Labour Force Survey variables. As these tables cover only workers, and young people under 16 are excluded from employment questions, there should be no difference.
- 17 Rows with less than 50,000 young people employed have been suppressed.
- 18 As one might expect, youth unemployment rates in Greece, Spain, Portugal, Italy and Ireland are substantially higher than in the UK, but they are not alone. The Eastern European group of nations also has high youth unemployment rates.
- 19 International organisations such as the OECD and Eurostat try extremely hard to measure indicators in a common way across countries, but this does not always succeed in every respect. Equivalence of qualifications is a particular issue. The learning participation presented here is based on an international classification of levels of qualification that should cover all relevant learning, but may omit some.
- 20 The UK figure from Eurostat is closely comparable to the figures that have been dealt with elsewhere in this report, despite including 15-year-olds (necessary to produce internationally comparable figures).
- 21 Work and Pensions Committee, *Youth Unemployment and the Future Jobs Fund: Government Response to the Committee's First Report of Session 2010-1*, 15 March 2011.
- 22 *Early Analysis of Work Experience Participant Outcomes*, November 2011: http://statistics.dwp.gov.uk/asd/asd1/adhoc_analysis/2011/work_experience_participant_outcomes.pdf
- 23 The Work Experience figures are not seasonally adjusted, so a fair comparison also uses non-seasonally adjusted claimant count data. However, January–March is seasonally poor usually, so flow data from Work Experience may be expected to improve in the future.

- 24 It remains possible that this first analysis is too pessimistic. If the young people who started Work Experience were less employable than the average new 18–24 JSA claimant, a lower background threshold flow would be expected, and therefore a positive difference recorded. A properly conducted evaluation controlling for this possibility would, however, be needed to be sure about whether or not this was the case.
- 25 Of course, the 4.5 million new claims will not be from 4.5 million individuals. Some will claim more than once. But, equally, over the three years it is likely that some young people will go on more than one of the Youth Contract measures, and on other 'support' that is in place or in train already, such as Work Programme provision, Work Experience places, Mandatory Work Activity and skills support that may also be mandatory.
- 26 In January 2010, David Blanchflower and David Bell published *Youth Unemployment: Deja Vu?* This section draws heavily upon their proposals.
- 27 Tony Dolphin and Tess Lanning (eds), *Rethinking Apprenticeships*, IPPR, November 2011.
- 28 Fees are a different question and are not covered here.

The TOUCHSTONE Blog

Go to www.touchstoneblog.org.uk for informed and lively progressive comment on the big policy issues of the day. Blog posts are written by TUC experts with a passion for social justice.



Trades Union Congress
Congress House
Great Russell Street
London WC1B 3LS

www.tuc.org.uk

© 2012 TUC

Cover illustration: Lo Cole