

**Skills for Sustainable Employment:
Strategies to Tackle Youth Unemployment**

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Executive Summary

Introduction

There is a crisis in youth employment in the UK and beyond. For at least a decade, transitions into good work have been getting harder, more extended and more precarious for young people. Since the crisis of 2008 it has become clear that the worst effects of labour market changes have been felt by young people. In particular, youth unemployment in the UK and beyond has jumped dramatically and remains stubbornly high.

The reasons are complex and extended periods of unemployment at the start of someone's working life can have a "scarring" effect which can lead to a range of worse outcomes across that person's life. Youth unemployment presents us with a problem as a society that is likely to affect us for decades to come.

This report explores the challenges facing young people in today's labour market. It has a particular focus on young unemployed people and the policies and initiatives to help them find work. A further concern relates not only to the quantity of jobs available to young people, but also the quality. This is important because poor quality jobs can often act as "poverty traps" tracking young people into cycles of employment and unemployment rather than acting as "stepping stones" into decent work.

Youth labour market transitions in international context

We cannot transfer simple solutions from other countries, but many countries have responded to the crisis by strengthening mechanisms to help young workers, with a particular focus on apprenticeships and initial vocational education and training. In countries such as Germany, Denmark and the Netherlands there are examples of effective systems that have protected young workers from the crisis and helped keep youth unemployment low. Those countries also have strong regulations about the quality of work and training provided to young people.

Three main points need to be considered in the UK context:

- These systems all have strong mechanisms to balance the interests of employers, unions and the state. This collective regulation helps ensure that as the economy changes there is strategic planning for workforce development both in terms of numbers and changing skills requirements. They also ensure that there is agreement on the quality of work and training provided.
- All of these systems place some obligation on employers to part-fund skills training, and there are often mechanisms to off-set part of these contributions through tax reliefs and subsidies.
- Vocational routes into employment are generally regarded as prestigious in these systems because the opportunities are jointly regulated by the social partners.

UK policy with regard to helping young workers during the crisis

In the UK, it is clear that there is comparatively little influence of social partners (employers and unions) as compared to other EU member states and this can create complexity and confusion for employers, unions and young people.

We support the recommendations of the TUC *Generation Lost* report (Bivand 2012) that aggregate employment opportunities for young people can be improved by:

- Boosting overall economic activity to improve job opportunities for all workers, including young people.
- A job guarantee to provide employment to all long-term unemployed young people.
- Prioritising young people without work rather than only those claiming Jobseekers' Allowance through effective active labour market policies that provide good quality training and work experience.
- Providing wage subsidies to incentivise employers to recruit young people.
- Expanding education and apprenticeship opportunities.

In addition:

- There is an important role for involving social partners (employers and unions) in the development and implementation of policies in this area. Of particular concern is the quality and quantity of apprenticeships available and trade unions and other stakeholders are well placed to input into local, sectoral and national design and implementation of apprenticeships.
- There is also scope to provide incentives to training providers (schools and colleges) to work with employers to provide learners with quality work experience and job placements while they are in education and training.
- All stakeholders should continue to monitor and evaluate the impact of changes to funding for both further and higher education on participation rates. The government should be prepared to review these changes and act swiftly if there is any evidence of a negative impact on participation.
- Bursaries that replaced the Education Maintenance Allowance (EMA) are complex to deliver, difficult for learners to understand. The EMA should be restored. This is particularly important to cover transport costs of continuing education and training.
- The 16 hour rule limiting job seekers to part-time study is extremely problematic and can act as a disincentive to job seekers to improve their skills and further their education. We recommend removing this rule.
- Proposals for traineeships clearly provide opportunity for young people to develop skills and experience which is welcomed. However, attention needs to be paid to the mechanisms for including social partners in designing and monitoring their quantity and quality.
- Given the costs of continuing education and training, and the impending raising of the participation age, we recommend that free school meal entitlements should be reformed so that students aged 16 – 18 and studying in further education colleges and sixth form colleges are able to benefit from this provision.

Trade unions and young people

We looked for examples of innovation where unions have been successful in improving the quantity and quality of opportunities for young people and identified a good range of case studies that are detailed in the report. The cases highlight the role of unions in improving terms and conditions for young workers, ensuring progression from training into quality jobs, bargaining around issues of particular concern for young workers, and improving the number and quality of apprenticeships. There is clearly a role for unions and union learning representatives to engage with this agenda in workplaces where they are established. One particularly innovative example is of the trade union, Community, which has established a semi-independent training arm, called Communitas, to design and deliver apprenticeships in negotiation with employers. This is particularly innovative as it allows Communitas to draw down funding which can be used to help young people gain the skills they need in the local labour market.

In short, we found considerable evidence that unions are doing innovative things in this area and examples that could be rolled out more widely. Specifically our recommendations are:

- Examples of innovative bargaining outcomes that create good quality training and job opportunities for young workers in the UK and beyond should be shared between unions.
- Unions and their representatives can have a valuable role in negotiating more and better quality apprenticeships, training opportunities, traineeships and work placements. They can also help ensure that any work placement schemes, apprenticeship programmes and other routes for young people into employment offer good quality, paid opportunities to develop skills.
- Mimicking the Communitas example, unions could seek to become training providers themselves.
- Unions in low-paid sectors should consider prioritising negotiations to agree that all workers should be paid at least the full adult rate of the national minimum wage.
- Local union networks (including, but not limited to trades councils) are well placed to understand local labour markets and to work with colleges, employers and young people to explore opportunities for employment and to negotiate with employers to provide good quality opportunities.

Employer engagement in youth unemployment initiatives

Employers are often forgotten in research about unemployment and this is a mistake. We asked 11 employers who are particularly active in the area of recruiting and managing young people about their experiences. What is striking is that even these employers experience considerable challenges in developing and delivering these opportunities.

A frustration of many employers is the complexity of funding and evaluation of apprenticeships and similar schemes. The rationale behind this complexity is

understandable given that it involves the distribution of considerable amounts of public money. But in practice, it means that even very large employers need to work with partners to understand the system and this can act as a barrier to participation. As a result, the picture is one of complexity and variation in provision of opportunities to young people.

A further frustration of employers is how little they are consulted on changes to policy. There is an assumption that employers will simply respond and adapt as policy changes and develops. In practice, however, this can have the effect of forcing employers to disengage. A clear example of this is the raising of the participation age where the lack of systematic employer involvement may well mean that there are fewer work-based opportunities for young people than might otherwise be the case. It is our view that without the engagement of social partners, the effectiveness of policy initiatives will be limited.

A central message from employers is that many of them do want to engage in initiatives to help young people find work, but there are considerable barriers to achieving this. We therefore recommend:

- Engaging and consulting employers in policy change. An example is the raising of participation age which may well prove problematic as a result of the fact that relatively little effort has been invested in engaging employers. There is a risk that young people may be offered inappropriate training or education as a result of the lack of employer engagement.
- A further concern is the view of employers that policy in the broad area of training and apprenticeships is too complex. It is particularly difficult for many of them to understand funding and evaluation requirements. As a result many decide to work with partner organisations, but there is a lack of information regarding the experience and background of these organisations.
- There seems to be an important role for an agency to provide guidance to employers. Employers report that they often face other problems understanding how to support young people into their transitions into work. Particular areas raised with us include understanding wage rates and thinking about how to manage young people as they make their transitions into work.
- Employers sometimes screen potential apprentices by employing young people before offering an apprenticeship. Trade unions and employers should ensure that there is fair access to apprenticeships and other employment to effectively safeguard young people from exploitation.
- Because at least some employers only recruit to apprenticeship programmes from the existing staff pool, it is important that employers and unions, work to ensure that there are appropriate entry routes for young people. These can take a variety of forms and might include traineeship positions, work experience and other mechanisms for giving young people an opportunity to gain employment and skills prior to apprenticeship training.
- In light of evidence of the significant challenges facing large employers in supporting young people into work, it is clear that these barriers are almost certainly more significant for smaller employers. Support to develop apprenticeships, to find appropriate training providers and mechanisms to

provide a quality assurance process for organisations involved in the delivery of such programmes would all help all employers and SMEs in particular.

The experiences of young people

We were keen to involve young people in our research. We interviewed two main groups: young people who have experienced at least six months of unemployment, and young people approaching decisions about what to do when they leave college. One persistent concern related to the lack of sources of advice and guidance. We therefore also extended our interviews to a group of professional careers guidance advisers who regularly work with young people in making choices about education, training and employment.

Our interviews gave us a strong sense of how frustrating the process of seeking work is and how difficult it is to improve the jobs search process in the absence of feedback on applications. The young people we spoke to all expressed a clear understanding that education and qualifications were important to improving their chances of securing the work they were looking for and generally they were keen to stay in education and/or training as long as they could. But there was little sense that the decisions they were making were informed by an understanding of how jobs and the economy more widely have changed. In other words, there was little evidence of any concerted effort at job-matching either as young people made choices about education and training, or when they found themselves unemployed.

When they find themselves unemployed, young people face frustrating experiences with seeking work. These include a lack of openings advertised in the local labour markets, a lack of feedback on applications, jobs being advertised that are not all they seem, and geographic limitations such as a lack of access to transport. We also had feedback from careers advisers and HR specialists that young people need more help to present themselves well in competency based selection processes.

Our policy recommendations are:

- With more and more jobs only advertised online, it is essential that disadvantaged young people have public points of access to the internet.
- Attention needs to be paid to how employers are advertising and presenting jobs. Commission-based jobs frequently involve targets that are extremely difficult to achieve. Bogus self-employment is a concern for some young workers and it is not always clear when jobs are advertised through an agency.
- More work could be done to provide advice and mentoring for young people to identify their skills and competencies in order that they can then present themselves effectively in contemporary recruitment and selection processes.
- Careers advisers used to do link work between employers and young people, partly to find job opportunities, and also to promote the interests of young people themselves. No-one does this anymore and there is a clear need for this kind of provision to improve job-matching.

- Provision of advice and guidance at school is now very patchy and is a serious problem for the future. More work needs to be done to ensure advice and guidance are provided to young people on a one-on-one basis.
- A scheme to provide coaching and mentoring to young unemployed people in addition to the work done through job centres would provide additional support.
- There are opportunities for employers and unions to develop structured work experience programmes and to help young people identify the skills they have developed during work experience.

Opportunities to include youth employment provisions in procurement agreements

A review of evidence shows that EU regulation on procurement does not prohibit the use of social clauses and they are widely used in many other member states. There are good reasons to look at using social clauses in procurement processes to promote youth employment and training opportunities in the UK. Along with low wages, youth unemployment is one of the most serious issues facing the UK labour market and this is a strong argument for prioritising this in negotiations.

- There is scope for both public sector and private sector employers to consider developing procurement policies that place responsibility on managing contractors to include social clauses on youth employment and training.
- Where they are recognised, trade unions should learn from the Living Wage campaigns to explore opportunities to influence procurement processes and campaign for the introduction and monitoring of social clauses providing youth employment and training opportunities.
- Trade unions and other interested actors should consider exploring the opportunities presented by the equality duty in the Equalities Act 2010 with regard to young people's employment and training opportunities.
- Trade unions should support reform of procurement processes to promote employment and training similar to the Procurement Reform Bill that will shortly be enacted in Scotland.

The scope to improve entrepreneurial activity amongst young people

This section reviewed the literature regarding entrepreneurship as an alternative to employment for young people. There is clearly a desire among many young people to run their own businesses. However, it has been shown that many of these businesses are replicative self-employment, rather than true innovative entrepreneurship. Although some of these businesses can be successful, there is a higher rate of failure amongst new firms set up by young people, and less chance that they will provide employment opportunities for others. Although there is evidence of some successful schemes to promote entrepreneurship across the EU, it is important that these schemes address the self-efficacy issue by ensuring that young people have the belief that they can create a successful business. It is also crucial that these schemes do not force young people with poor quality business ideas into entrepreneurship or self-employment out of necessity, simply because there are limited other employment opportunities.

It is clear that initiatives to promote self-employment and entrepreneurship are attractive to young people, but we caution against seeing this as a panacea to the problems of youth unemployment. Such initiatives should be supported where possible but should not be regarded as the primary mechanism for resolving youth unemployment.

Specifically:

- There is scope for targeting initiatives to promote entrepreneurship at young, unemployed people but attention needs to be paid to ensuring that this is not promoting bogus self-employment.
- Mentoring and guidance for young people in becoming entrepreneurs is particularly valuable.
- Schemes to promote entrepreneurship must focus on the issue of self-efficacy to build self-confidence and self-belief amongst young (potential) entrepreneurs.
- An effective way to build self-efficacy is to give young (potential) entrepreneurs opportunities for quality work experience with existing entrepreneurial companies.
- It is important to target support on businesses with the potential to grow and create employment opportunities. The evidence reviewed suggests that these are most likely to be businesses that serve regional, national and international markets rather than focusing only on local markets.