

The Youth Inquiry

Employers' perspectives on tackling
youth unemployment

March 2011



Contents

Foreword.....	3
Executive Summary	4
Introduction	9
Methodology	10
Who and where are the young employed?	11
The changing nature of work for young people	14
What are employers' experiences of recruiting young people?.....	17
What are employers' experiences with government support to recruit young people?.....	20
Complexity of the Offer	21
Awareness of the offer.....	23
Employer use and satisfaction with services.....	24
Findings on Specific Initiatives.....	25
Conclusions and recommendations	32

Foreword from Commissioner Valerie Todd

Concern about rising youth unemployment and the effects of this on our young people, the economy and wider society, prompted Commissioners to set up this Youth Inquiry. This report is the culmination of several months of analysis and evidence gathering and I would like to thank all those who contributed through survey responses, meetings and discussions.

We wanted to understand more about young people seeking work and our findings tell us that the young unemployed include a diverse range of people and circumstances, for example some are in full-time education. But there are also issues for those who are in work; temporary contracts and 'under-employment' are common, training in the workplace is declining faster than for any other age group and relative earnings are decreasing.

We also wanted to know what it would take for more employers to offer more young people jobs and work-based training opportunities. Our findings tell us that the single most important thing would be an improvement in the general economic climate.

The UK Commission's joint sponsor, the Department for Work and Pensions, was also keen to know how the Government's initiatives to tackle youth unemployment were viewed by employers. Those employers who have used the various forms of government support to help them recruit have been broadly satisfied, although awareness is patchy and at times the raft of initiatives on offer has been confusing.

There are important messages for employers in this report. Very few of us take on young people straight from school, college or university and there is scope to do more. Those of us who do employ young people rate them very highly, while most employers who find young people poorly prepared complain that they lack work experience.

There is a clear message here: if we want young people who are ready for the workplace we need to be willing to help build their employability skills.

There are many ways we can play our part, from offering a short period of work experience or an internship to taking on an apprentice, or providing a job opening for a school, college or university leaver. We should also seriously consider using the government support on offer to help us to take on young people who have been unemployed for a while, or who face some kind of disadvantage.

If we do this, the evidence shows that not only will young people gain the skills they need to get into work and progress once they are there, it can also bring huge benefits to our businesses.



A handwritten signature in blue ink that reads "Valerie Todd". The signature is stylized and written in a cursive-like font.

Valerie Todd
Commissioner, UK Commission for Employment and Skills
Talent & Resources Director, Crossrail

Executive Summary

The UK Commission's inquiry into youth unemployment was driven by Commissioners' concerns about rising youth unemployment. The exact scale of the problem, particularly in relation to previous recessions, is subject to some debate. However, it is clear that regardless of who should or should not be counted as unemployed, there is near unanimous agreement that youth unemployment remains a serious issue that needs to be addressed.

Youth unemployment is a top priority for the coalition government, as it was for its predecessor. As part of wider plans for reform of welfare to work provision, our joint sponsor, the Department for Work and Pensions (DWP) is interested to know what employers think about government measures that have been introduced to ease the situation.

The Youth Inquiry (the Inquiry henceforth) sought to answer three questions:

- Who and where are the young unemployed?
- What are employers' experiences with government support to recruit young people?
- What works from the employer perspective in recruiting young people?

We developed a comprehensive evidence base looking at a wide variety of characteristics of the young unemployed including geography, ethnicity and qualification level. This evidence base is referred to throughout this document. The overall findings show firstly, that the composition of the young unemployed differs markedly from that of previous recessions due to a significant increase in participation in education. Secondly, the nature of work itself is changing for young people and this may also be contributing to the rise in unemployment. Thirdly, contrary to the conventional wisdom, the vast majority of employers who recruit young people straight from school, college and university find them well, or very well prepared for work. Those who find them poorly prepared cite lack of work and life experience as the main reason.

The young unemployed include a hugely diverse group of people and circumstances. They include those with the lowest levels of skills as well as graduates; around 28 per cent of them are in full-time education. Also, the risk of being unemployed can vary by a whole range of different characteristics, including where young people live, their level of education and their ethnic background amongst many others. Policy solutions clearly need to respond to this diversity.

Work itself is changing and in a way that is particularly affecting the young. While the low numbers of young people going into work directly from education partly reflects the 'pull' of further and higher education, it also reflects the 'push' effect of the lack of jobs for young people. The recession has also left around a tenth of the total employed workforce 'under-employed', i.e. they want to work more hours than are currently available in their job. This affects young people in two ways. Firstly young people in work are more likely to be under-employed themselves. Secondly, the large population of under-employed workers means that employers have scope to increase output without recruiting more people. This makes it harder for young people looking for work.

We also know that the proportion of employees receiving work-related training is on the decline, and while young people still receive more training than other age groups, the number receiving training is declining faster. Young people are also twice as likely to be employed on temporary contracts. Decreasing relative earnings combine with all of this to suggest that job quality is deteriorating for young people.

Concern about levels of youth unemployment led both the previous and the current government to introduce policies to tackle it. The previous administration brought in a raft of offers aimed at employers, including job subsidies, increased support for Apprenticeships, and financial support and brokering of internships. In addition the 'Backing Young Britain' campaign asked employers to sign up to one or more of a variety of different activities.

Through a range of methods, we sought employers' views of government initiatives and support to recruiting young people. Overall the employers who used the initiatives are satisfied with them. However, those who engaged with the support think that overall it is comprehensive but confused, with too many initiatives and too many organisations involved. They complained about the range of initiatives all launched around the same time. Following this elements were changed, withdrawn or re-branded without much notice, which added to the confusion. There is a tension between keeping things simple and the variety of support required to respond to the diverse needs of employers and the young unemployed. The evidence suggests we have not yet got the balance right.

Awareness of the offer amongst employers in general varies from very high for established initiatives (around 50 per cent for Apprenticeships, Train to Gain and New Deal) to lower rates for the new initiatives announced as part of the Young Person's Guarantee such as the Future Jobs Fund (FJF) and Graduate Talent Pool (10 to 15 per cent). While this difference is to be expected, it raises the question of whether government capitalised sufficiently on employer recognition of existing initiatives and whether it was necessary to create a whole new offer and branding. Awareness is lower among private sector employers and smaller employers in particular.

Many employers, particularly larger employers, failed to see the merit in a 'pledge' style campaign such as 'Backing Young Britain' as it had no particular impact on them. The result was that they were reluctant to sign up or did so without necessarily changing their behaviour

In terms of the initiatives, there are far more individuals taking part in the FJF than the other elements of the Young Person's Guarantee but by contrast employer awareness is still only around 15 per cent overall. However, reflecting the fact that FJF was aimed at public sector employers, over 35 per cent of employers in the health and social work and public administration and defence sectors were aware. Employers who used the FJF gave it an average score of 7 out of 10, in total just 8 per cent were dissatisfied (scored between 1 and 4).

When asked about recruitment subsidies and financial support, the Inquiry found evidence of ambivalence and significant risks of deadweight¹ amongst large employers. At the same time we found evidence of strong need but paradoxically low awareness amongst small employers.

Employers were in broad agreement that the pre-employment training programmes, 'Routes into Work', improved the calibre of candidates, their preparedness for interview and their expectations of a job. Some very large national employers noted that the training wasn't delivered consistently nationally. This reflects a tension in policy of this kind in that forcing consistency reduces the responsiveness of providers across the country to tailor support to local needs.

There is broad consensus that Apprenticeships are good for the individual, the employer and the state. Our Inquiry found only positive things to say. Programmes that either broker or

¹ Deadweight occurs when public funding pays for something that would have occurred anyway in the absence of public funding

financially support internships or work experience placements again enjoy broad support. But this was another area where there was confusion as there were numerous programmes including the Graduate Talent Pool, Higher Education funding Council for England (HEFCE) funded internships, DWP's Work Experience Programme as well as several schemes in Scotland, Wales and other locally or regionally funded schemes.

The Inquiry makes a broad range of recommendations that demonstrate the collective responsibility of government and employers in tackling youth unemployment. There is scope for government support to be more simplified, targeted and 'visible' and to continue providing support for Apprenticeships, work experience and internships. But supply side measures are only part of the solution to youth unemployment. Success is contingent upon employers raising their demand for skills and opening up opportunities for young people. When we asked employers what it would take for them increase the number of young people they took on, the main response was an improvement in the general economic climate. But clearly government can only provide the framework for growth; the true engines are UK businesses.

The recommendations from our Inquiry are as follows:

Increase work and training opportunities for young people

Employers have a responsibility to open up work and training opportunities for young people. The overwhelming majority of employers agree that they have a duty to develop the skills of young employees and they can do so as part of an overall effort to increase skills as a driver for business growth. Employers, with strong sector leadership, should consider collectively what it would take for them to be at their most productive and the part that training plays in this. They may consider that tools such as minimum professional standards, levies, procurement, human capital reporting and occupational licensing have a role to play.

New funds are now in place to incentivise such behaviours and stimulate growth and innovation. If employers adopt these approaches significant benefits could accrue. One outcome would be the creation of clear work-based training pathways and progression opportunities. This should open more doors, improve job quality and encourage young people to take a work-based route to qualification.

Continue support for internships and work experience programmes

Both employers and young people agree that lack of work experience is a problem for young people trying to enter the labour market. Government and employers have a role to play here. Recent announcements from DWP of an expanded work experience programme for young unemployed people are welcome and government should look to do all it can within the spending envelope to support internships and work experience programmes especially those with smaller employers. However, for this to be successful, an increase in the number of employers offering work experience and internships for both graduates and non-graduates is needed.

The buying power of public sector procurement has proven to be useful in leveraging employment and training opportunities for young people. Although public spending is set to decrease it is vital that the opportunities to increase youth employment, whether through Apprenticeships, internships or work placements, are promoted as a central part of public procurement policy.

Improve awareness of government support, especially in the private sector

A concerted effort is needed to raise awareness of the support available amongst private sector employers. National campaigns are relatively ineffective in changing employer behaviour; more sector and industry-specific promotion is likely to work better. As public sector budgets will be stretched government can exploit technology and capitalise on existing links with businesses, well known brands and offers and other forms of communication to get its message across.

Reduce complexity, simplify the offer and continue joint working across departments/governments

The Department for Business, Innovation and Skills and DWP, and the devolved governments and DWP, can continue the work they began through the Young Person's Guarantee to spell out a simple and concise offer of support to employers based around Apprenticeships, internships/work experience and job-ready candidates. Importantly this offer should be maintained for a significant period of time to ensure the message filters through to all employers. In this way the high awareness enjoyed by Apprenticeships could be achieved for the broader offer.

Adopt a 'no wrong door' approach

Employers approach a range of organisations for information about employment and skills including: Jobcentre Plus, colleges, universities, local authorities, Sector Skills Councils (SSCs) as well as other businesses or supply chain organisations. Government can do more to create a 'no wrong door' approach for employers seeking support with training and recruitment, especially through use of websites and helplines. The soon to be revised Business Link website (and its equivalents in Scotland and Wales) could be a home for this. This combined with a simplified and consistent offer should help get the messages through.

Make the system work for smaller employers

Improving awareness of support among small and medium-sized enterprises (SMEs) is vital, particularly as they are currently generating 40 per cent of all vacancies. We found that SMEs regard recruiting young people, particularly inexperienced young people, as high risk. Government can do more to reduce both the risk itself and the perception of risk. The development of the 'Small Business Recruitment Service' through Jobcentre Plus is welcome. The next step is for government to establish whether employers are sufficiently aware of it, it is adequately resourced and if it is effective in achieving its aims. Government might also re-consider the case for judicious use of financial support for small credit constrained businesses to take on young people.

All initiatives should be targeted

Support targeted at specific identified needs and/or types of business or industry will maximise effectiveness and minimise deadweight², Blanket campaigns and initiatives

² Deadweight' occurs when public funding pays for something that would have occurred anyway in the absence of public subsidy

inevitably over-simplify and fail to engage with the diversity of need and desire for support found across UK businesses. Examples of targeted support include the HEFCE internships and Sector Routeways/Routes into Work.

Expand the quality and quantity of Apprenticeships

The results of our Inquiry support government's commitment to increase both the quantity and quality of apprenticeship places. There is no simple route to boosting their numbers but our findings suggest that there may be some quick wins through capitalising on 'latent demand' amongst SMEs. Longer term there is further scope amongst larger businesses and non-traditional sectors. It is also worth exploring the potential for asking employers to 'over-train', and to use progression onto Apprenticeships as a measure of success for schools. We further suggest that there should be a much greater focus on level 3 Apprenticeships, improved industry specific information for employers and reduced bureaucracy.

Employability skills are a priority, especially for the low-skilled and the long-term unemployed

Although it is not the general perception, our extensive research shows that the vast majority of employers who actually recruit young people straight from education into their first job are satisfied or very satisfied with their work readiness. But for some, especially those who recruit young people who are long-term unemployed or low-skilled, employability skills, (or the lack of them), are an issue. There is scope for improvement before young people leave learning, for example in the way that teachers and lecturers are supported and trained and the way that institutions are incentivised to deliver employability skills in context. There should also be more, and better coordinated, engagement between learning providers and employers.

Expand on successful pre-employment training

There is scope to improve the numbers taking part in pre-employment training through existing routes and through expansion into different sectors. Government plans announced in the skills strategy for England for 'Service Academies' to expand and build on the work of Sector Routeways/Routes into Work into further sectors are welcome and timely. In addition plans for an expanded scheme to replace Skill Build in Wales and for further plans to expand Training for Work and Get Ready for Work in Scotland are welcome. However, better information is needed about the levels of usage and the true impact on job outcomes. Where appropriate, pre-employment training programmes should be recognised on the appropriate national qualifications and credit framework so that the programmes offer real progression for young people.

The benefits system must be responsive to changes in the labour market

Part of the changing nature of work for young people is the increase in 'small hours contracts'. These can work well for those who need flexible work to support learning but it can be risky for young people to leave the certainty of benefits for work that may be temporary and have unpredictable earnings. DWP's proposals for 'Universal Credit' are to be welcomed if they make working smaller hours contracts more viable for young people. But it will be important to monitor this policy to ensure there are no perverse effects, such as keeping young people in low skill, low pay jobs with no incentive for progression.

Introduction

Youth unemployment is a very serious social and economic problem. Significant periods of unemployment in the early years of a person's working life can have serious consequences for their future job prospects and indeed health and life satisfaction³. For the young a spell in unemployment does not end with that spell, it raises the probability of being unemployed in later years and carries a wage penalty⁴. In light of the fact that this generation of young people is going to have a longer working life than any before it these 'scarring effects' may be greatly exacerbated. Moreover, the UK economy will be feeling the effects in terms of lost productivity, lower earnings and greater unemployment for many years to come. In economic terms the direct cost of youth unemployment is substantial. The Prince's Trust estimates that it costs £4.7 billion a year after taking into account loss of productivity and cost of benefits⁵.

Youth unemployment was rising even before the recession began and it has become a top priority for the coalition government. In a recent letter to all cabinet ministers the Prime Minister David Cameron wrote about the importance of "*tackling the blight of youth unemployment*"⁶.

The UK Commission's Youth Inquiry originated from Commissioners' concern about rising youth unemployment and a desire from our joint sponsor, the Department for Work and Pensions (DWP) to assess how government initiatives introduced to alleviate the situation were working for employers. The Inquiry sought to answer three questions:

- Who and where are the young unemployed?
- What are employers' experiences with government support to recruit young people?
- What works from the employer perspective in recruiting young people?

A number of organisations have also identified youth unemployment as a top priority so there has been a plethora of research and recommendations published. Most are focussed on the young person's perspective but there are a few organisations providing the employer's perspective. For example, the CBI, the British Chamber of Commerce and the Employment and Recruitment Confederation discuss the need for employability skills to be addressed in schools and colleges and for work experience to be improved and woven into the education system more strongly. There have also been a number of recommendations made around the topic of Apprenticeships and vocational education. In 2009 the European Commission called for an increase in apprenticeship training as a policy action to combat youth unemployment and both the CBI and the Audit Commission advocate the promotion of Apprenticeships.

The Inquiry used a variety of methods in the course of its investigation. The UK Commission carries out some of the largest surveys of employers in the UK; these give us a wealth of information about employers' views on recruiting young people. In addition we have spoken with a wide range of employers from small, medium-sized and micro businesses to large national employers through an array of channels including our Commissioners, SSCs, HEFCE and Jobcentre Plus. We also spoke to a wide range of government officials in each nation. While gathering evidence for the Youth Inquiry we have provided advice to the Secretary of State for Skills on Apprenticeships, and to the Work and Pensions Select Committee Inquiry into the Future Jobs Fund.

³ Bell and Blanchflower (2009) Youth Unemployment: Déjà Vu?

⁴ ibid

⁵ The Prince's Trust (2007) The cost of social exclusion

⁶ Cameron (2010) <http://www.number10.gov.uk/news/latest-news/2010/08/pm-and-dpm-open-letter-to-cabinet-54208>

Methodology

This study involved a range of methods combining both quantitative and qualitative evidence as follows:

- The UK Commission produced an evidence base that provides the quantitative evidence behind the Youth Inquiry. This evidence base is referred to throughout this document.
- Every two years the UK Commission carries out one of the largest surveys of employers in the country. The National Employer Skills Survey for England surveys around 80,000 employers across England and provides in-depth analysis of recruitment of young people along with detailed analysis of training patterns and skills gaps. The survey establishes which employers recruit young people (directly from school, college or university), how well prepared for work employers found their young recruits, reasons why, if recruits are not well prepared, and recruitment practices during the recession. Evidence for Scotland has been gathered by the Scottish Employer Skills Survey which is managed by Scottish Government.
- The Employer Perspectives Survey is also carried out by the UK Commission and it is a UK wide survey of 13,500 employers. This asks questions around awareness, take up and satisfaction with initiatives aimed at employers including those specific to young people.
- A series of interviews with employers took place over the summer of 2010. These employers include Commissioner organisations, employers we surveyed and employers we made contact with through regional Employer Coalitions. We also interviewed representatives from the SSCs. A number of findings and good practice case studies have emerged from this research which we have woven into the report.
- A small informal survey of employers was carried out (85 responses) asking them about the recruitment of young people to their organisation, their knowledge and use of government initiatives and what action might encourage them to recruit more young people in the future. The results of this survey gave us some indicative findings which helped shape our questions for further qualitative research.
- The UK Commission has done some research with Jobcentre Plus via their Employer Engagement Division. Senior Account Managers interviewed organisations they were working with about the recruitment of young people in their organisation on behalf of the UK Commission. The companies are based across Great Britain and are representative of many sectors, for example retail, healthcare, public services, security, recruitment agencies, hospitality and transport and logistics.
- Comprehensive analysis of the Labour Force Survey was undertaken to establish who and where the young unemployed are. This analysis looked at a range of characteristics such as ethnicity, geography and qualification level. In addition we looked at the characteristics of those young people in work and a variety of factors such as wage growth, training, occupation and industrial sector.
- Discussions with a range of stakeholders across GB government and agencies and devolved governments and agencies.

Who and where are the young employed?

Youth unemployment is a significant economic and social problem. It is not only a cause of personal distress and anxiety for unemployed individuals but it also has wider impacts on the economy through lost output and wider society through higher crime and poorer health⁷. In addition unemployment also has 'scarring' effects, whereby lower earnings, poorer health and other effects are still felt many years after the spell of unemployment occurred. These scarring effects are particularly apparent for young people⁸.

Youth unemployment has been on the rise since before the recession started. It started to rise around 2005, plateaued over 2006 and 2007 and then started to rise more dramatically in 2008 when the recession began⁹. This suggests it is partly a structural problem and not solely caused by the recession.

There are numerous reasons why young people entering the labour market, especially for the first time, do not do as well as adults in terms of labour market outcomes. Young people tend to have less experience and therefore less understanding of business than older workers, which is important for employers. Young people also lack the experience, skills and contacts associated with job search itself and are more than twice as likely to be employed on temporary contracts¹⁰. Most have less financial support and fewer assets to help through a period of job search and a large proportion of young people tend to be employed in pro-cyclical industries such as retail and hospitality. In addition our analysis shows that the jobs market itself may be changing in ways that disadvantage young people.

Rising youth unemployment as a result of the recession is found consistently across OECD countries and it is clear that young people have been hit particularly hard¹¹. However, the exact scale of the problem, particularly in relation to previous recessions, is subject to some debate. According to the internationally accepted definition of unemployment¹² there are 974,000 unemployed young people between the ages of 16 and 24 in the UK: this comprises 214,000 16 to 17 year olds and 760,000 18 to 24 year olds. However, amongst this 974,000 figure 285,000 (29 per cent) are actually in full-time education¹³. This is particularly the case for the 16 and 17 year olds, where just under three quarters of those counted as unemployed are actually in full-time education.

The current evidence does not allow a further delineation of this group of unemployed full-time learners to establish the nature of their circumstances. For example, while some may be in search of a few hours of part-time work for extra cash, others may be wholly dependent on work to sustain their studies, or indeed may only be participating in full-time education because they cannot find work elsewhere. For this reason these learners cannot be completely excluded from any discussion of youth unemployment, although they may require a different policy response to those who are out of work and not in learning.

The composition of the unemployed is significantly different to that found in previous recessions because participation in education has increased so significantly. Shortly after the previous recession in the March to May quarter of 1992 just 9 per cent of the then 860,000 unemployed 16 to 24 year olds were in full-time education. By comparison with this

⁷ Bell and Blanchflower (2009) Youth Unemployment: Déjà Vu?

⁸ *ibid*

⁹ UK Commission (2011) The Youth Inquiry Evidence Base page 4

¹⁰ UK Commission (2011) The Youth Inquiry Evidence Base page 27

¹¹ **Bell and Blanchflower (2009) Youth Unemployment: Déjà Vu?**

¹² ONS (2011) How exactly is unemployment measured -According to the ILO definition of unemployment, unemployed people are without a job, want a job, have actively sought work in the last 4 weeks and are available to start work in the next 2 weeks. Alternatively, they are out of work, have found a job and are waiting to start it in the next 2 weeks

¹³ ONS (2011) Labour Market Statistics First Release March 2011

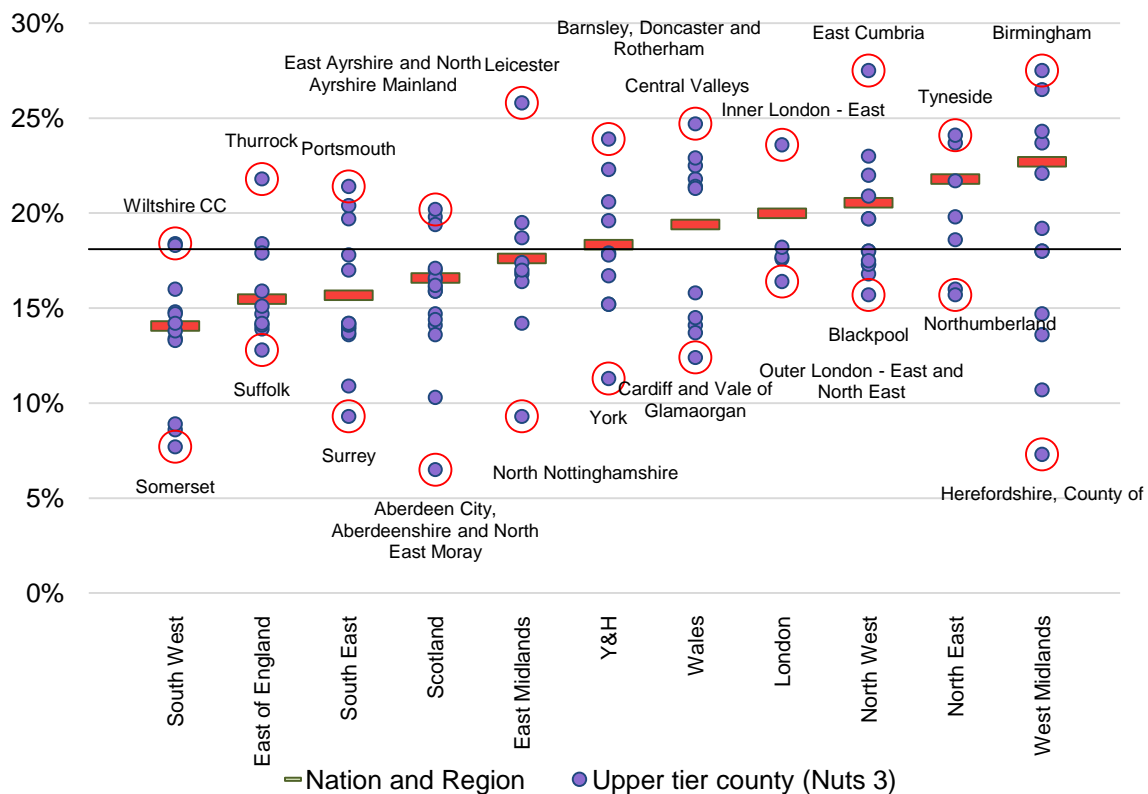
recession the proportion has tripled. This effect is particularly evident for 16 to 17 year olds where in 1992 30 per cent of the unemployed were in full-time education, but the most recent figures show a proportion of 73 per cent. Participation in full-time education for 16-17 year olds has risen significantly over the last 20 years from around two thirds of all 16 and 17 year olds in 1992 to just under 85 per cent now¹⁴.

Participation in education partly explains the difference between those counted as unemployed and the number of Jobseekers Allowance (JSA) claimants. There are just over 411,000 18 to 24 year olds claiming JSA. Eligibility for 16 and 17 year olds is heavily restricted so there are fewer than 5,000 claimants aged under 18.

The long-term trend of increasing participation in education also has the effect of 'skewing' upwards the unemployment rates by lowering the economically active population, which is the denominator in the unemployment rate equation. The overall unemployment rates are 37.7 per cent for 16-17 year olds and 18.3 per cent for 18 to 24 year olds. However, if we calculate unemployment against the total youth populations we get far lower figures of 13 per cent and 14.2 per cent respectively for 18 to 24 year olds and 16-17 year olds¹⁵.

Regardless of the debate as to who should or should not be counted as unemployed there is near unanimous agreement that youth unemployment remains a serious problem that must be dealt with. Current trends suggest that the numbers of both unemployed and JSA claimants appear to have peaked over the summer of 2010 and while there has been some decline since then, despite the end of the recession the numbers appear to be plateauing.

Figure 1 - Youth unemployment rates (16 to 24) by sub-region (Nuts 3/upper tier county) - Jul 08/Jun 09



Source: Annual Population Survey via NOMIS

¹⁴ Labour Force Survey (2011) The Virtual Bookshelf

¹⁵ ONS (2011) Labour Market Statistics First Release March 2011

Significant variations in youth unemployment can be observed across regions and local areas. At a regional level the extent of youth unemployment varies from 12.9 per cent in the South West to 21.1 per cent in London¹⁶. Figure 1 illustrates the variation across local areas. The gap between low unemployment and high unemployment is even more pronounced at a local level. For example, Birmingham and East Cumbria have rates approaching 30 per cent whereas Hereford and Aberdeen have rates well below 10 per cent. Furthermore areas that are quite close to one another geographically can have significantly different unemployment rates. For example Birmingham has a high rate of youth unemployment whereas neighbouring Worcestershire has a low rate.

Beyond the regional and local perspectives the chance of becoming unemployed varies according to a variety of different individual characteristics such as qualification levels and ethnicity. Unemployment rates amongst different ethnic groups vary significantly. For example the unemployment rate for Black/Black British young people is 35 per cent, which is more than twice the figure of 16 per cent for white young unemployed people. A large part of this variation can be explained by the fact that Black/Black British and Asian/Asian British young people are far more likely to participate in full-time education than white young people. This has the effect of 'skewing' the rates upward by lowering the economically active population, which is the denominator in the unemployment rate calculation¹⁷.

Over half of these groups, 54 per cent of Asian/Asian British and 57 per cent of Black/Black British young people, are in full-time education compared to 37 per cent for white young people. This partly explains the difference between the groups although a gap remains¹⁸. There is a question however as to why these high participation levels do not seem to translate into better labour market outcomes further down the line. While the gap in employment outcomes between various ethnic groups and the population as a whole has declined significantly over the last 15 to 20 years the gap remains¹⁹. This is despite the fact that higher participation levels have existed for 15 years or so.

Compared to the employed cohort, unemployed 16 to 24 year olds tend to have lower levels of qualifications and the risk of unemployment increases the lower qualified someone is²⁰. This does not mean that those with intermediate and higher level skills have not been affected. Approximately 28 per cent of young unemployed people are qualified to level 3 or 4 and a further 25 per cent have a level 2, so over half of all young people who are unemployed have a level 2 qualification or above. This picture varies slightly when we look at Scotland and Wales. In Scotland a greater proportion (59 per cent) of the young unemployed are qualified to level 2 or above, while the figure in Wales (49 per cent) is slightly lower²¹. However, these qualification differences are not unique to young people and differences by skill level are also found for adults.

At the beginning of this chapter we noted that the rise in youth unemployment, particularly for 18 to 24s, began around 2005. Many explanations have been cited including migration, minimum wages, wage demands, demographics and slowing economic growth. However, each of these factors have been shown to have a very small or zero effect on youth unemployment²². The Inquiry's evidence shows however that since 2005 the gap between those with no qualifications or qualifications below level 2 and those qualified to level 2 and

¹⁶ UK Commission (2011) The Youth Inquiry Evidence Base page 24

¹⁷ For a full explanation of this phenomenon see the UK Commission (2011) The Youth Inquiry Evidence Base pages 19-22

¹⁸ *ibid*

¹⁹ Equality and Human Rights Commission - The equality impacts of the current recession (Research Report 47)

²⁰ UK Commission (2011) The Youth Inquiry Evidence Base page 14

²¹ UK Commission (2011) The Youth Inquiry Evidence Base page 15

²² "The Labour Market for Young People" – Goujard et al in "The Labour Market in Winter" (2011) Blanchflower and Bell - Youth Unemployment: Déjà Vu - Jan 2010)

above has widened²³. So while the recession has hit all levels of qualification the long-term trend is for the lowest skilled to be hit the hardest.

Looking at young people in work there are certain sectors that are particularly important as they provide the majority of jobs for young people. As we have noted retail and hospitality are key sectors for recruiting young people, but the public sector has also been a major recruiter and vacancies had, until recently, held up well there. While vacancies in retail and hospitality as well as other sectors have stopped falling, a return to growth has not yet appeared and vacancy numbers are still way below pre-recession levels. In addition graduates rely heavily on the public sector for work and the likelihood of significant falls in public sector vacancies may present problems should the private sector fail to grow sufficiently to compensate.

The changing nature of work for young people

Making the transition into work is only part of the story for young people. It is clear that the nature of work itself is changing and that some of these changes particularly impact on young people. The evidence presented here suggests that the as yet unexplained rise in youth unemployment since 2005 may at least be partly explained by reduced opportunities and the changing nature of the labour market. However, some of the trends discussed below are far longer term than this while others seem to have started because of the recession but are yet to decline.

In 1976 over three quarters of 18 year olds were in work, by 2009 this had fallen to 40 per cent. While this trend partly reflects the ‘pull’ of further and higher education, it also reflects the ‘push’ effect of the lack of jobs for young people²⁴. UK Commission evidence shows that just under a quarter of employers recruit young people directly from education, this falls to just six per cent taking on school leavers.

Employer practice with regard to qualifications may explain this apparent reduction in opportunities. The Wolf review cites the practice of “credentialism” in youth labour markets. This is where employers use certain qualifications, degrees in particular, as a filter when selecting potential candidates even when the job does not require this level of qualification. These practices may explain the fact that the proportion of degree-qualified 24 to 29 year olds in the UK who are working in jobs that do not require this qualification level is 26 per cent (24 for males and 28 for females) compared to an OECD average of 23 per cent (23 for males, 22 for females)²⁵.

This also occurs at intermediate skill levels but the extent is far lower (12 per cent), as people in this situation have generally had longer to find suitable work. However, the impact on males and females is the reverse of that found for graduates, and males suffer much more (15 per cent for males, 7 per cent for females). Furthermore, despite lower mismatch than at the graduate level, when we look internationally the UK has the second highest rate of under-employment at intermediate level in the OECD²⁶. Of 30 countries only Spain has a higher level. These figures present a picture of ‘mismatch’ in the youth labour market whereby large proportions of young people risk being under-employed in terms of their skills while at the same time non-graduates are significantly disadvantaged.

Another cause of the apparent reduction in employment opportunities could be an unexpected side effect of very high levels of participation in full-time education. It seems that

²³ UK Commission (2011) The Youth Inquiry Evidence Base page 9

²⁴ Review of Vocational Education – The Wolf Report (March 2011)

²⁵ OECD – Education at a glance 2010 – chart 3.5

²⁶ UK Commission (2011) The Youth Inquiry The Youth Inquiry Evidence Base pages 29&30

employers regard young people who are looking for work when they could be in education, particularly 16-17 year olds, as being lower ability. The presumption seems to be that all higher ability young people try to stay on in education as long as possible²⁷.

Once in work, young people face declining job quality through reduced training, declining relative earnings and reduced opportunities to progress. Research by Goos and Manning shows that the employment structure of 16 European countries, including the UK, has been polarising in recent years with the employment shares of managers, professionals and low-paid personal services workers increasing at the expense of the employment shares of mid-level manufacturing and routine office workers²⁸. Research by Blanchflower and Bell notes that this change in the occupational structure hits young people in particular: *“Most young people enter the labour market in low-paying occupation/industry combinations, in which there has been a modest growth in employment. They may aspire to enhance their earnings by moving into better paying jobs. However, the route from lower-quality to better-quality jobs is becoming more difficult in the sense that employment is falling among those jobs paying around the median wage²⁹.”*

The numbers receiving training while in work has reduced steadily over the last decade or so. Once more it is young people who are suffering the most. Throughout the last decade or so training of all staff has reduced, but training of the 16 to 19 year cohort has reduced the most. In 1998 25.5 per cent of the 16 to 19 cohort received training³⁰. This had reduced to 21.3 per cent by 2009. It is a similar pattern for the 20 to 24 year old cohort.

In addition to declining training rates relative earnings are also declining. Earnings (median hourly gross earnings) have been increasing steadily for all age groups over the last decade or so, but the gap between younger and older workers is widening. Earnings for 30 to 39 year olds have increased by 53 per cent since 1998 while for 18 to 21 year olds they have increased by 45 per cent³¹.

A more recent trend, particularly in light of the recent recession, is the rise in temporary and part-time work and the consequent desire for more hours amongst some employed young people. After a recession employers tend to be less willing to take on full-time and permanent staff. If they are hiring they prefer the safer options of part-time and temporary staff. This is certainly the case for young people, as 16-17 year olds are three times more likely to be employed part-time or temporarily. The availability of part-time and temporary work is positive for young people, especially those who wish to combine work with learning, and much of the rise in this kind of work has been driven by the increase in students. However, it is clear that many young people who are in work actually want to work more hours and are therefore ‘under-employed’ in terms of the hours they wish to work.

The flexible nature of the UK labour market has been one of the reasons for its better than expected performance through the recession. Employers have been able to reduce their wage costs through adjusting hours, pay and staff numbers as opposed to just reducing staff levels. However, one consequence of this flexibility is that there are now 2.8 million people of working age who are under-employed in that they want to work more hours than they do currently³². This represents 10 per cent of the employed population; younger workers are far more likely to be under-employed in this way, particularly men. For 18 to 24 year olds in

²⁷ Review of Vocational Education (2011) – The Wolf Report

²⁸ Goos, Manning and Solomans (2010) Explaining Job Polarization in Europe: The Roles of Technology, Globalization and Institutions

²⁹ Bell and Blanchflower (2009) Youth Unemployment: Déjà Vu

³⁰ Source: DfE- Education and Training Statistics for the United Kingdom (2009)

³¹ Source: Annual Survey of Hours and Earnings, ONS

³² UK Commission (2011) The Youth Inquiry Evidence Base page 28

work 17.6 per cent are under-employed and for 16-17 year olds the proportions climb to 22.4 per cent overall and 28.6 per cent for males³³.

It seems that although labour market flexibility has benefits in terms of reducing the impact on employment in a downturn, it also presents risks. Not only are young workers more likely to be under-employed themselves but employers have the flexibility to raise output significantly by increasing hours worked of existing staff rather than increasing staff numbers, heightening the risk of a so-called 'jobless recovery'.

This chapter has set out the scale of the problem of youth unemployment and the diversity of the young people affected in terms of their skill levels, their ethnicity and where they live. What is clear from this analysis is that policy solutions must be differentiated enough to respond to this diversity of need. We have also highlighted the significant changes to the labour market that are affecting young people. This shows that a purely supply side approach to tackling youth unemployment will be ineffective and that there is scope for employers to change how they recruit and develop their young staff.

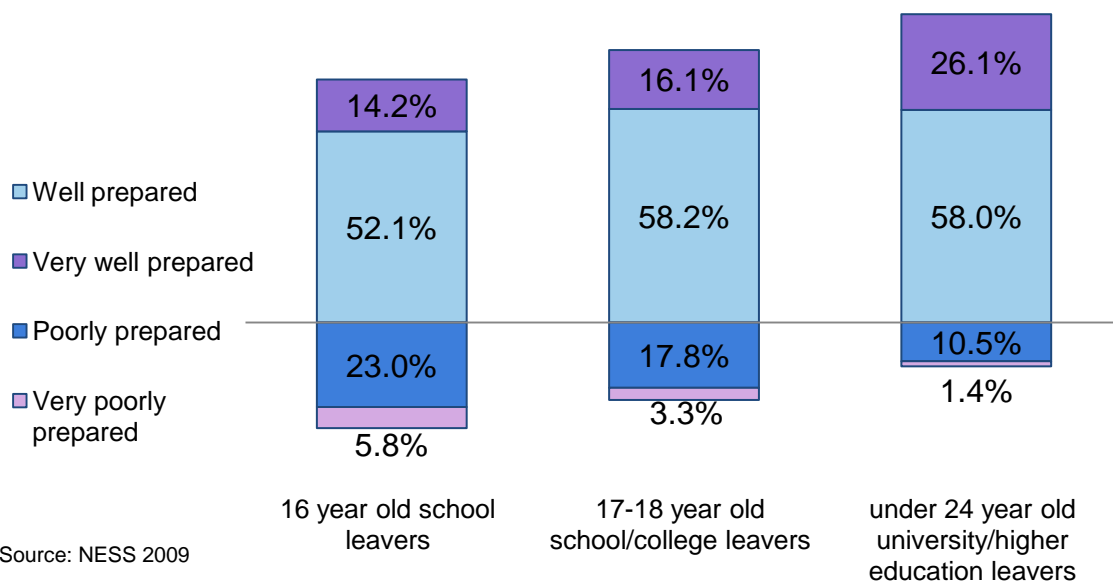
³³ UK Commission (2011) The Youth Inquiry Evidence Base pages 28

What are employers' experiences of recruiting young people?

The employability skills of young people or lack thereof, is a consistent theme throughout the literature and popular discourse on youth unemployment³⁴. The UK Commission has extensive evidence on employers' views of the preparedness of work of young people. Our findings challenge the conventional wisdom.

The National Employer Skills Survey in England (NESS) and the Scottish Employer Skills Survey provide evidence as to extent of recruitment of young people straight from education³⁵. Overall just under a quarter of employers in England have recruited a young person aged under 24 direct from school, college or university. Breaking this down further: 9.6 per cent have taken on graduates; 10.4 per cent have taken on college leavers and 5.5 per cent have taken on school leavers. In Scotland the findings are similar but the questions cover a longer time period. Our analysis focuses on these employers, the ones who have direct knowledge of young people in the workplace and can therefore assess their preparedness for work.

Figure 2 - Proportion of employers who recruit young people and their views on how well prepared they are



The NESS finds that employers in England who actually recruit young people generally find them either well or very well prepared for work, with preparedness improving with time spent in education. Two-thirds of employers (66 per cent) who had recruited a young person who had completed only compulsory education found them to be well or very well prepared for work. This is also the case for almost three-quarters (74 per cent) of employers who had recruited 17 or 18 year old school or college leavers and 85 per cent of employers who had

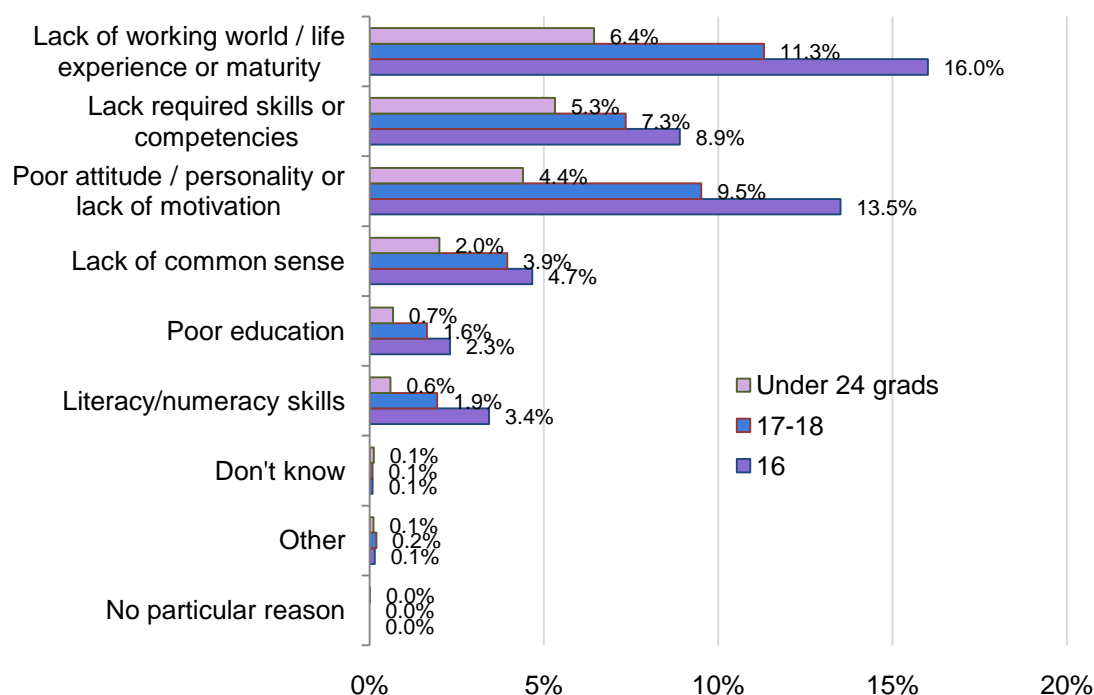
³⁴ There are numerous definitions of employability skills but the most common attributes are: self-management, problem solving, working/communicating in a team, understanding the business environment, use of numbers, use of language, use of IT and a positive approach to work.

³⁵ NESS is an employer survey that asks a representative sample of English employers about recruitment issues and problems, the skills that are lacking in their current workforce, and their approach to providing training. In addition, a variety of other topics were covered during some years. The survey was undertaken in 2003, 2004, 2005, 2007 and 2009. More information can be found at <https://ness.ukces.org.uk>

recruited HE leavers into their first job. The Scottish Employer Skills Survey finds similar results³⁶.

However, a small but significant minority find young recruits to be poorly prepared. Just over a quarter of those employers who take on school leavers, a fifth of those who take on college leavers and a tenth of those who take on graduates find them to be poorly or very poorly prepared. The NESS asks employers how their young recruits are poorly prepared for work; again the findings do not match the popular perception.

Figure 3 - Proportion of all employers recruiting young people by reason for low levels of preparedness



Source: NESS 2009

Figure 3 shows the proportion of employers who recruit young people who find them poorly prepared for a variety of reasons. The conventional wisdom that poor education or lack of literacy and numeracy skills is a major problem is not backed up by the evidence. Just 3.4 per cent of employers who recruit 16 year old school leavers find them poorly prepared for work because of deficiencies in literacy or numeracy. These percentages fall even further for college leavers and university leavers. Another common criticism is that poor education is a cause: again only 2.3 per cent of employers recruiting 16 year old school leavers cited this reason.

By contrast employers most often cite lack of experience, both in terms of experience of work and general life experience, as the reason for poor preparedness. This issue is particularly the case for school leavers where 16 per cent of employers who recruit school leavers cite this issue, compared to 11.3 per cent for college leavers and 6.4 per cent for graduates. For 16 year old school leavers and college leavers motivation and attitude are also cited by similar proportions to those citing lack of experience. Importantly there is agreement between employers and unemployed young people on the importance of experience. Recent research found that lack of experience was the factor most commonly

³⁶ Futureskills Scotland undertakes a large-scale survey of Scottish employers every other year. The 2010 survey covered 6,001 employers and results are representative for Scotland as a whole. The survey covers business challenges, recruitment, skill shortages, skill gaps and training activity. More information can be found at www.scotland.gov.uk

cited (68 per cent) by young unemployed people when asked what was preventing them getting work³⁷.

A key strength of our analysis is the focus on employers who recruit young people and therefore have direct insight into their preparedness for work. However, as we have noted, only a minority of employers (22 per cent) actually recruit young people straight from education. This is largely explained by the fact that not all employers are engaged in recruitment activity anyway. Our UK wide Employer Perspective Survey showed that just under half (44 per cent) of all employers had had a vacancy in the 12 months before the survey in the summer of 2010.

However, it may also be because employers find potential young recruits do not reach the required standard in their recruitment process and so do not take them on. We investigated this by undertaking some small scale qualitative research with 85 employers. Those who had not recruited a young person in the last year overwhelmingly cited the reason as being that they did not have any vacancies at all.

Our research suggests that employability is a particular issue for those employers who recruit via Jobcentre Plus and are therefore more likely to be taking on those with low levels of skills and experience. Some of the employers we spoke to who had taken on young people via Jobcentre Plus cited the strong variation in calibre of candidates: from excellent candidates to those with numeracy or literacy issues. This is consistent with our analysis in the first chapter, which illustrated the diversity of characteristics and circumstances found amongst the young unemployed. For some employers the sheer volume and calibre of candidates available allowed them to raise their recruitment standards. This has the effect of further disadvantaging low skill candidates and bars candidates who would have been acceptable in the past. Elsewhere some employers cited the lack of understanding of competence-based recruitment methods among young applicants, which reflects a lack of experience and/or good advice as opposed to a deficiency in employability skills.

Our evidence suggests, therefore, that although employability skills are an issue for some employers, it is not the main reason for them not recruiting young people. While tackling employability issues is important, there is a risk that employability skills become over-stated as an issue in tackling youth unemployment. Our approach to tackling employability skills is set out in the final chapter of this report but clearly the issue of experience of the workplace is central to tackling employability skills.

³⁷ REED in Partnership (2010) – Learning from experience? Young people and unemployment

What are employers' experiences with government support to recruit young people?

The offer of support to employers has evolved in recent years. Fears over the recession, and its impact on young people in particular, led the previous government to significantly increase the capacity of the support for young people. This involved providing greater resources to existing initiatives, like Apprenticeships, as well as setting up new ones, such as the Future Jobs Fund, all under the banner of the "Young Person's Guarantee". Under the Young Person's Guarantee all 18 to 24 year olds reaching six months of unemployment were guaranteed an offer of a job, training or work experience. The Young Person's Guarantee was announced in the 2009 budget and formally introduced in January 2010, although some elements began before this. At the same time the 'Backing Young Britain' campaign was launched to encourage employers to recruit young people and promote the offers of support available to them. It is this support, and employers' reactions to it, that our Inquiry has focussed on.

Initially the 'Backing Young Britain' campaign asked employers to undertake one or more of seven different activities. They were also invited to sign up to the Backing Young Britain website indicating their support for the campaign and participation in one or more of the activities. These were:

- Provide work experience opportunities
- Offer internships to graduates, 18 year olds and non-graduates
- Offer volunteering places or become a volunteer mentor for school or university leavers
- Consider a young person for a job through a work trial
- Provide Apprenticeships for 16 to 24 year olds
- Bid for one of the jobs available through the future jobs fund
- Engage in a Local Employment Partnership³⁸

However, this package was later simplified to the more clear-cut 'ask' of employers to offer work experience (including internships), an apprenticeship place or a job. This was a welcome change, although within this simplified offer there remained a variety of sub-elements. Some of these elements are still in place while others have ended, will end soon or have been changed. The 'offer' is described below.

Offering work experience/internships:

- **Graduate Talent Pool** – An online clearing house that matches internship vacancies with appropriate graduates. This offer is UK wide and still available.
- **Graduate Internships** – In England HEFCE targeted specific sectors and smaller employers and provided partial funding for 8 to 12 week placements. Other similar initiatives are available in Scotland and Wales as are other more locally driven initiatives. Funding for the England scheme is due to end in March 2011 but schemes in the devolved nations may continue.
- **Backing Young Britain/the Work Experience Programme** – this programme brokers non-graduate work experience placements. It is due to end on the 30th June 2011 or sooner if all placements are filled although government have announced plans for further work experience programmes³⁹.

³⁸ Jobcentre Plus form a partnership with local employers offering a steady stream of job ready candidates

³⁹ DWP – 'Get Britain Working' <http://www.dwp.gov.uk/policy/welfare-reform/get-britain-working/>

Offering Apprenticeships:

- **Standard support for Apprenticeships and Modern Apprenticeships** – This includes coverage of full training costs for 16 to 18 year olds and 50 per cent for those older. Apprenticeship funding organisations in each of the nations can also help with recruitment and placement.
- **‘Golden Hello’ type activity** – For a short period between January and March 2010 employers were offered extra funding of £2,500 for taking on an apprentice

Giving a young person a job:

- **Recruitment Subsidy** – Employers were offered £1,000 for taking on certain benefit recipients. This offer ended in July 2010, a decision taken as part of the May 2010 emergency budget.
- **Future Jobs Fund** – Certain employers, particularly in the public sector were provided with funding to ‘create’ jobs for 6 months. This programme will end in March 2011
- **Work Trials** – Employers can take on a benefit recipient risk-free for a short period, in most cases a few weeks
- General offer from Jobcentre Plus – this includes job brokerage, vacancy matching and access to pre-trained candidates.
- **‘Routes into Work’** - These are short (2 to 8 week) sector focussed pre-employment training programmes’ that began in November 2009.

Complexity of the Offer

It is fitting that the government offer of support is varied and comprehensive enough to meet a range of different employers’ needs, whether it be financial support to recruit, help with finding interns as a first step to recruit, or simply providing pre-trained job ready candidates. However, employers complained about the confusing raft of initiatives all launched at around the same time and the fact that some elements were changed, withdrawn or re-branded shortly after being launched. Our conversations and research with employers show that simplicity is the key to employer buy-in.

The changes to initiatives are shown in figure 4 below. Because of the many different offers on the table, some containing several elements, and the fact that some offers were withdrawn or changed without much notice, it is very hard for employers to keep track of the initiatives available. The withdrawal of the Recruitment Subsidy over the summer of 2010 with little or no communication is a case in point. The branding and re-branding of ‘Backing Young Britain’ into the ‘Work Experience Programme’ is another. As we have noted ‘Backing Young Britain’ referred to an overall publicity campaign and ‘pledge’ style activity where employers would sign up to offer jobs, work experience or apprenticeship places. However, ‘Backing Young Britain’ also referred to a specific work experience programme run by Reed in Partnership – this programme has since been rebranded as the ‘Work Experience Programme’. In the early stages of the Recruitment Subsidy some employers were of the view that any placement that happened through a Local Employment Partnership (LEP) would result in the subsidy, but this wasn’t the case.

The ‘Backing Young Britain’ website contained a simple summary of the three offers available: Apprenticeships, work experience/interns and job-ready candidates (once the original seven had been reduced to three). The various sub-elements were still available beneath these three headings so this was an exercise in ‘hiding the wiring’, necessary to get employer buy-in. However, the Backing Young Britain website has now been taken down

Figure 4 - Timeline of Government support for Youth Unemployment

2009

2010

2011

Apprenticeships – A priority for the last Government and continues to be a priority for this Government. The offer of support includes coverage of full training costs for 16 to 18 year olds, 50 per cent coverage for those older and vacancy filling support

Apprenticeships Grant for Employers - £2,500 per apprentice

Now ended, this was a short term project that took place between Jan and Mar 2010

Routes into Work – sector specific pre-employment training. Began in November 2009 and will be built on by forthcoming 'Service Academies'

Graduate Talent Pool – a UK wide online clearing house that matches internship vacancies with appropriate graduates.

Backing Young Britain – Non-graduate internships delivered by Reed in Partnership. Has been rebranded as.....

.....the 'Work Experience Programme'. Contracts are due to end July 2011 but a new offer has recently been announced

Graduate internships – Supported by HEFCE in England and other funding bodies in the devolved nations and local areas. HEFCE funding is due to end in March 2011 whereas schemes in Scotland and other areas will continue.

Future Jobs Fund – An intermediate Labour Market Programme

Due to End in March

Recruitment Subsidies – Once part of the six month offer

Cancelled in July 2010

Flexible New Deal and New Deal for Young People – Active labour market programmes offering training, advice and support. Will be replaced by the.....

Work Programme roll out summer 2011

Local Employment Partnerships - Jobcentre Plus form a partnership with local employers offering a steady stream of job ready candidates

....have been 'mainstreamed' into standard JC+ practice

and so there is now no one single place where employers can find the total support available to them when recruiting, whether it be for Apprenticeships, work experience or full-time jobs.

So, the initial offer was complex with multiple strands and these changed throughout the (relatively short) lifetime of the offer. As we shall see, employers who are aware of the support available generally feel that it is comprehensive but that there are too many different elements and organisations involved. They are also put off by bureaucracy, whether perceived or real, around many initiatives.

Awareness of the offer

Regardless of how well designed it is, if employers are not aware of the package of government support on offer it will not be successful. When we investigated awareness of initiatives under the Young Person's Guarantee and campaigns such as Backing Young Britain, we found that awareness among employers is very low, and use lower still.

Our conversations with employers suggest that they become aware of these types of initiatives through a wide range of routes. When we ask employers who they go to for information about employment and skills their 'natural inclinations' are varied – they may think of Jobcentre Plus, local colleges, universities, local authorities, SSCs as well as supplier or membership networks. Very few cite national campaigns as their source. This variety in sourcing information makes achieving consistency in awareness of the offer challenging.

Information channels tend to differ across different types of employer. For example, larger employers tend to access networks such as the Association of Graduate Recruiters and are more likely to have well resourced HR functions. Furthermore very large employers can set up a relationship with the Jobcentre Plus's Employer Engagement Division where there is a single account manager for all their recruitment needs. By contrast smaller employers do not have access to as many networks, or at least don't make as much use of them. Also they don't have the resources, in terms of HR departments for example, that larger employers have. As a result employer confidence in knowing where to go to find information and help for recruitment is marked by the size of the employer⁴⁰. Just 42 per cent of employers with 2-4 employees are very confident in knowing where to go for services or information in relation to recruitment while 70 per cent of employers with 250+ employees are very confident⁴¹.

The UK Commission's recent Employer Perspectives Survey (EPS) took place over the summer of 2010 and provides some quantitative data on awareness amongst employers of the various initiatives that were available as part of the Young Person's Guarantee along with other more established programmes such as Apprenticeships and the New Deal programme. Awareness of the more recent initiatives, such as the Future Jobs Fund, is far lower than the more established programmes, such as Apprenticeships and the New Deal. According to figures from the EPS 'Backing Young Britain'⁴² was known to around 1 in 5 employers and for the Future Jobs Fund, Young Person's Guarantee and Graduate Talent Pool awareness fell to around 15 per cent⁴³. The young person's initiative that enjoys the most awareness among employers is Apprenticeships, where over 53 per cent of employers

⁴⁰ UK Commission for Employment and Skills (2010) - Employer Perspectives Survey

⁴¹ Ibid

⁴² As noted earlier the confusion surrounding the term 'Backing Young Britain' means that we cannot be sure whether employers are referring to Backing Young Britain the campaign or Backing Young Britain the Work Experience Programme in their responses to the Employer Perspective Survey.

⁴³ UK Commission (2011) The Youth Inquiry Evidence Base pages 46 & 47

are aware⁴⁴. However, awareness of higher and advanced Apprenticeships is far lower with less than half of all employers and a quarter of smaller employers aware⁴⁵.

It is to be expected that the more established initiatives such as Apprenticeships and New Deal are better known by employers. But we can question whether this awareness was capitalised upon sufficiently or indeed if it was necessary create a whole new 'offer' when there are known and understood brands available.

Larger businesses tend to be best informed about initiatives for young people. For example Graduate Talent Pool has the lowest awareness overall (14 per cent) but over 40 per cent of larger (250+ employees) employers are aware. By contrast the smaller the employer the less likely they are to be aware of support available. With Future Jobs Fund just 13 per cent of employers with two to four employees were aware compared to 32 per cent of employers with 250 employees or more. A similar pattern followed for all initiatives⁴⁶.

Public sector employers tend to be more aware. This is perhaps because the public sector finds it easier to communicate offers of support to other parts of the public sector. There was also a high-level push from government to increase recruitment of young people within the public sector. This higher awareness is especially the case for the Future Jobs Fund where 37 per cent of employers in public administration and defence and 36 per cent of employers in health and social work were aware compared to 15 per cent overall. Awareness levels were 10 per cent and 11 per cent respectively in retail and construction⁴⁷.

Smaller employers on the other hand don't have access to these routes, or at least don't make as much use of them. The development of the new offer for small businesses via Jobcentre Plus, the "Small Business Recruitment Service" is welcome. Through this service, each district has an Account Manager who is devoted solely to helping SMEs' recruitment processes, but it seems awareness is still low. This highlights the importance of pro-active providers. Our case study of Pyronix (one of our Commissioner's companies and a manufacturing SME based in Yorkshire) shows how Sheffield Hallam University's pro-active approach resulted in the successful recruitment of a young graduate for an internship. This went so well that Pyronix decided to make her permanent.

Employer use and satisfaction with services

The proportion of employers who actually make use of support is significantly lower than the proportion who are aware, although this varies from initiative to initiative. Of the initiatives aimed at young people the Future Jobs Fund seems to have been used the most, although this amounts to use by 1 per cent of all employers. The other initiatives asked about in the Employer Perspectives Survey (EPS) included the Graduate Talent Pool, the Young Person's Guarantee and Backing Young Britain - less than one per cent of employers claimed to have used these. By contrast around 3 per cent of employers had used the New Deal and 8 and 11 percent had used Apprenticeships and Train to Gain respectively⁴⁸.

In line with the findings on awareness, use of different services seems to vary by different types of employer. Larger employers are far more likely to have used the initiatives as are public sector organisations. In particular the Future Jobs Fund was used far more by public sector organisations, although this reflects the fact that it was aimed at public employers,

⁴⁴ UK Commission (2010) Employer Perspectives Survey

⁴⁵ Ibid

⁴⁶ UK Commission (2011) The Youth Inquiry Evidence Base page 47

⁴⁷ UK Commission (2011) The Youth Inquiry Evidence Base pages 48

⁴⁸ UK Commission (2011) The Youth Inquiry Evidence Base page 46

particularly local authorities. Of employers in the health and public admin sectors 6 per cent and 7 per cent had used the Future Jobs Fund respectively, while use for all employers was 1 per cent.

Each employer in the EPS was asked to score any government initiative they had used out of 10. Most initiatives performed well on this basis with scores of between 6 and 8 for all of them. Those aimed at young people fared well, with the Young Person's Guarantee, Future Jobs Fund, Graduate Talent Pool and Backing Young Britain scoring 6.9, 7, 7.1 and 7.5 respectively. These high levels of satisfaction suggest that the initiatives worked well for those that used them. However, there is a sample bias implicit in this analysis. Those employers who find the initiatives to be too complex, too bureaucratic or just not appropriate will not have used them and therefore will not have been asked for a satisfaction rating.

Employers who scored their experience between 1 and 4 out of 10 were classed as 'dissatisfied'. Of the initiatives aimed at youth, Backing Young Britain has the highest proportion of dissatisfied employers at 16 per cent while at the same time having the highest score out of 10⁴⁹. This suggests a polarized experience for employers or indeed may reflect the confusion surrounding the term 'Backing Young Britain' which referred to both a pledge and a non-graduate work experience programme.

Findings on Specific Initiatives

a) National Campaigns and 'Pledge' style activity

Many employers, particularly larger employers, failed to see the merit in campaigns such as 'Backing Young Britain'. The principle of celebrating success and good practice by employers is a good one and many employers signed up because they were already committed to recruiting young people and saw this is an opportunity to promote what they were doing and perhaps influence others to act. However, the evidence suggests that the campaign had little impact in terms of encouraging employers to change their behaviour.

b) Financial Incentives/Job Subsidies

There is contrasting evidence on financial incentives and employers' satisfaction with them. The large employers we spoke to stated that they were unlikely to be swayed by the offer of financial incentives. They believed that they were already committed to employing young people and recruited as many as they needed. By contrast we spoke to many smaller employers who were of the view that financial incentives could help make the difference for them but, paradoxically, these firms did not seem to be aware of the financial support on offer. This is confirmed by research by the Federation of Small Businesses (FSB) that shows that a huge proportion of SMEs are unaware of the financial support associated with Apprenticeships⁵⁰.

There was mixed evidence from employers who had actually used the job subsidy available as part of the Young Person's Guarantee. Some employers found the process difficult to manage as they did not have the procedures in place to receive a subsidy whereas others found it straightforward. In some cases costly internal changes were needed or legal teams had to be consulted which added to costs and created time delays. Neither did employers have the time to establish the eligibility of all potential recruits.

⁴⁹ UK Commission (2011) – The Youth Inquiry Evidence Base page 49

⁵⁰ FSB (2010) http://www.fsb.org.uk/policy/images/apprenticeships_per_cent20one_per_cent20page_per_cent20briefing.pdf

Large organisations tended to be of the view that while any contribution was welcome the subsidy did not encourage the creation of new jobs. Indeed some employers felt that they should not have claimed the subsidy, even though they met the eligibility requirements, as they would have undertaken the recruitment anyway. This suggests a risk of deadweight in the programme. Large employers overwhelmingly were of the view that the main thing that guided their recruitment was the level of demand for their products or services and thus the route to encouraging them to recruit more was an upturn in the economy. This contrasts with the finding that some small employers said that financial help would be greatly appreciated, especially those who are credit constrained.

Zest Training Ltd – Micro-Business that increased its workforce through use of a publicly supported internship programme

Background of Organisation

Zest is a Cornwall based business providing training and business development consultancy services to clients in the UK and Europe. Zest is a micro business with two employees, a Business Development Manager and a Principal Consultant. Recently Zest recruited two graduate interns with plans to permanently appoint at least one of them.

The Initiative – Unlocking Cornish Potential

Through Business Link, Zest was referred to a website called ‘Unlocking Cornish Potential’ which is a local project from the South West funded from a variety of sources but mainly from the European Social Fund. It was through this website that they recruited two graduates to a three month internship. These are paid internships with contributions from both the employer and the graduates’ university.

How the initiative is benefiting the organisation.

Recruiting the young graduates changed the dynamics of the whole organisation. Not only has the organisation increased its existing workforce, it is benefiting from the new ideas and enthusiasm that the young graduates are bringing to their role. Importantly, the business was able to take people on in a way which reduced risk considerably.

c) Apprenticeships and Modern Apprenticeships

Awareness and use of Apprenticeships and Modern Apprenticeships is high in comparison to other initiatives aimed at young people and both the coalition government and devolved governments have announced their intention to increase funding for Apprenticeships and to increase their number. Employer satisfaction with Apprenticeships is well documented. Around 80 per cent of employers offering Apprenticeships report that they provide higher overall productivity, and lead to a more motivated and satisfied workforce⁵¹. The same proportion also report that training apprentices is more cost effective than hiring skilled staff, leading to lower overall training and recruitment costs⁵². Two thirds say that their Apprenticeship programme makes them more competitive in their industry than they would be without it⁵³. Furthermore over half of companies offering Apprenticeships say that a high proportion of their apprentices go on to management positions within the company⁵⁴. Not only do businesses accrue all the benefits described above, but importantly their investment is normally fully recouped in monetary terms within two to three years – even in high cost sectors like Construction and Engineering⁵⁵.

⁵¹ Populous Research for LSC Apprenticeship week 2009

⁵² *ibid*

⁵³ *ibid*

⁵⁴ *ibid*

⁵⁵ ‘The Net Benefit to Employer Investment in Apprenticeship Training’ – University of Warwick IER, November 2009

The employers that we spoke to who had used Apprenticeships were all positive in their views. One of our Commissioner organisations takes on hundreds of apprentices each year and reports very high success rates: since 2002 around a third of their apprentices have been promoted. Elsewhere other large recruiters who traditionally have a large graduate intake are looking to Apprenticeships for the first time: our case study of IBM illustrates this. Furthermore another of our Commissioners is looking to create an intermediate recruitment route which will effectively act like an Apprenticeship: our case study of KPMG provides more detail. We also spoke to small companies one of whom was a recruitment company with less than 50 employees. This company is of the view that Apprenticeships save it money directly through lower staff costs and also that apprentices are more loyal than staff who come via other routes.

While the evidence on Apprenticeships is broadly and consistently positive, the 2007 National Employer Skills Survey (NESS) provides lots of detail on why employers choose not to offer Apprenticeships in England⁵⁶. There are a wide variety of reasons. The major ones are that employers believe their staff are already skilled enough (17 per cent of employers), they do not see Apprenticeships as relevant (15 per cent) or that they don't know why not (13 per cent). Employers who cite the lack of relevant qualification frameworks for Apprenticeships make up a small proportion of all employers overall (3.9 per cent). However, they do represent a group of employers who must have considered taking on apprentices in some detail to investigate the available frameworks, therefore they are perhaps closer to taking an apprentice on.

Often cited reasons for not taking on apprentices, such as bureaucracy (0.3 per cent) and lack of government funding (1.4 per cent), come much further down the list. This suggests that there are problems to be solved other than funding, the number of frameworks and bureaucracy, important though these things are.

Furthermore, as with the other initiatives reasons vary by size and sector. While our overall findings suggest that Apprenticeships are a well known brand it is clear that the brand does not resonate with every employer. Financial Services employers find that lack of relevancy is the main issue (34 per cent) compared to 15 per cent for all employers. Of the key employment sectors for young people, retail employers are more likely not to require staff to be trained at that level (16 per cent) and to be held back by the fact that they are not taking on any new staff (10 per cent). Employers in the Hotels and Restaurants sector are more likely to note that apprentices are not needed or relevant to their business (19 per cent) and are the most likely to claim that there are no relevant frameworks in their sector (7 per cent).

⁵⁶ UK Commission (2011) The Youth Inquiry Evidence Base page 53

IBM – Recruiting Apprenticeships for the first time

Background of Organisation

IBM is the world's largest IT and consulting services company. IBM UK has around 20,000 employees and employs hundreds of young people every year. IBM primarily recruits graduates and although recruitment reduced during the recession, recruitment in 2010 increased again back up to pre-recession levels.

The initiative - Apprenticeships

2010 was the first year that IBM recruited apprentices. The company made a strategic decision to look for staff with a technical specialism. They have started their recruitment process and by the end of 2010 had recruited 20 apprentices. The apprentices specialise in different roles including: IT specialists, consultancy and project support.

How the initiative will benefit the Organisation

IBM identified a number of benefits recruiting apprentices will bring to the organisation. Firstly, not having recruited apprentices before gives the organisation the opportunity to recruit a diverse group of young people who may not have had the opportunity to work for IBM in the past. Secondly, the nature of the apprenticeship programme allows the apprentices to become technical specialists in their area. It creates a talent pipeline for specialist staff within the organisation.

d) Pre-Employment Training

Employers are in broad agreement that the pre-employment training programmes provided through the 'Routes into Work' programme and associated 'Sector Routeways' improve the calibre of candidates, their preparedness for interview and their expectations of the job. SSCs work with employers shows that employers want pre-employment provision which is specific to their industry and delivered by providers with industry knowledge: this is what the Routes into Work programme aims to provide.

The Routes into Work programme uses SSC-developed pre-employment training programmes of between 2 and 8 weeks called Sector Routeways to get people into work. The aim of this programme is to provide a ready supply of pre-trained candidates to employers. Initial evidence from the SSCs suggests that these are successful in achieving job outcomes and there are examples of high profile employers using them to fill significant numbers of jobs. For example John Lewis used the retail Sector Routeway in its store in Leicester and had a very high staff retention rate. Employers who had used the Care Sector Routeway noted that attrition rates during the first few weeks of work were much lower as recruits were better prepared and that the programme had been successful in attracting candidates who would not normally have considered a career in care.

However, there was some evidence that the Routeways were delivered inconsistently across the country, which is an issue for those large national employers who wanted to use the scheme nationally. However, it is difficult to square this with the need for local flexibility. Providers in many cases alter the training programme to suit the employers in their areas.

Evidence from SSCs suggests that only a small proportion of providers contracted to deliver Routes into Work under the Young Person's Guarantee actually use the SSC -developed Routeway. This leads not only to the issue of inconsistency, but also makes it difficult for SSCs to promote the programme to employers as they are not entirely sure what is being delivered. Furthermore, the Sector Routeways in some cases have not yet been included in the Qualifications and Credit Framework (QCF) in England and so it is not known to what

extent these routeways have been used. More importantly, this means that the training does not count as credit towards a larger qualification.

e) Internship Programmes

Internship programmes are well received by employers as they reduce the risk that employers associate with taking young people on and can help them access a different kind of candidate. However this is another area where there is confusion amongst employers. There is a UK wide graduate scheme called Graduate Talent Pool, but there are also graduate internships funded by HEFCE in England. HEFCE allocated over £13m in 2009/10 for 8,500 internships and was supported by the Federation of Small Businesses. In Scotland Jobcentre Plus, Scottish Enterprise and the Association of Graduate Careers Advisory Services have recently launched an internship programme and 750 additional graduate placements are being created over the next 3 years. There are other locally driven initiatives such as 'Unlocking Cornish Potential' in the South West which aims to link graduates with businesses for internships and jobs in Cornwall. This receives the majority of its funding from the European Social Fund. In addition, the DWP contracted with Reed in Partnership to deliver non-graduate work experience placements. This initiative was initially called 'Backing Young Britain' but was later been re-branded as the 'Work Experience Programme'. The DWP has since announced a new work experience programme that will be run by Jobcentre Plus

These programmes differed in their approach. For example the Graduate Talent Pool is a simple, but useful, online clearing house that matches internship vacancies with appropriate graduates. By contrast HEFCE targeted specific sectors and smaller employers and the scheme was implemented by university careers services who pro-actively contacted businesses in their areas to place graduates and offer financial support. The Reed in Partnership programme was also pro-active but solely based on telephone contact with employers and potential interns.

From an employer perspective it is difficult to tell one internship programme from another; the employers' concern is that they receive a good service. This means that it is difficult to assess which programmes work best for them. However, our findings suggest that graduate internship schemes are popular and useful for employers and can lead to full-time jobs for individuals. Those employers who had used Graduate Talent Pool gave it an average score of 7.1 out of 10 in the EPS with just 9 per cent giving it a score of 4 or below.

Our case study on Pyronix Limited shows how a well run internship programme can result in a job. It demonstrates the importance of a pro-active approach to SMEs, the local university prompted the internship in the first place. Another example comes from a micro business that was assisted by the Unlocking Cornish Potential initiative and received financial support to take on two graduates for 12 weeks. The business in question is also planning to take on one of its interns full-time. These examples suggest that internships can be extremely useful for SMEs and can increase employment, but awareness of them is low and their success is dependent on pro-active providers.

Pyronix- A pro-active approach to promoting the recruitment of young interns

Background of Organisation

Pyronix is a small but global business based in the north of England that provides security products to homes and businesses. The company exports to many countries around the world including China and Germany. It employs 120 staff members.

The Initiative – HEFCE Funded Graduate Internship

The HR manager in Pyronix was approached by Sheffield Hallam University careers department about recruiting a graduate to a three month internship. The scheme was aimed at SMEs in certain sectors including advanced manufacturing. At that time Pyronix did not have a vacancy but decided to create one on the basis that the risks were minimal and benefits potentially high. The intern was paid £300 per week with a third of this paid by Pyronix and the remainder by the University.

How the initiative benefited the organisation?

Pyronix had a really positive experience with their intern. She worked in their marketing department and became a valued member of staff. As the intern was German speaking and the organisation was looking to expand their business in Germany, the intern did some excellent work marketing the organisation there. Pyronix recognised the good work being done and also recognised the business opportunity that this young intern offered. Once the young person completed her internship she was offered a full-time position in the organisation and she is still working in the marketing department.

f) Future Jobs Fund

As has been noted, FJF is aimed primarily at public sector employers and has been successful in achieving a high level of awareness amongst them. The FJF is essentially an 'Intermediate Labour Market Programme' (ILM) where organisations, largely local authorities in this case, are paid to 'create' jobs for a 6 month period. The funding was mainly to set up the jobs themselves, cover wages over the life of the job and provide support in moving into sustainable work. The EPS asked employers who had used the FJF to score their experience out of 10, with 10 signalling high levels of satisfaction. The average score across all employers who had used the FJF was 7 out of 10. In total just 8 per cent were dissatisfied (scored between 1 and 4).

The main reason given for dissatisfaction with the FJF was communication problems with Jobcentre Plus. This was cited by 37 per cent of those employers who had used the initiative and were dissatisfied. Other major reasons were to do with the candidates themselves: 36 per cent stated that the quality of applicants was not high enough, 29 per cent found applicants were not interested in the position and 19 per cent stated that applicants did not turn up. Other reasons cited by dissatisfied employers included complaints about the length of the process (19 per cent), too much bureaucracy (10 per cent) and lack of a response to an advert.

Although the FJF was aimed primarily at public sector employers, private sector employers were eligible to bid for jobs. However, some large employers did not understand this and assumed they were ineligible.

KPMG – The New School Leavers Programme

Background of Organisation

KPMG is a global network of firms with over 140,000 staff members worldwide. In the UK KPMG has 22 offices and employs about 11,000 people. KPMG is a provider of professional services, which include audit, tax and advice. KPMG recruits hundreds of young people every year - mainly university graduates.

The initiative – School Leavers Programme

In 2010 KPMG launched a new programme called the School Leavers Programme. The initiative is fully funded by KPMG as a way of broadening their recruitment pool and creating new pathways to attract young talent to work in the organisation. The programme provides school leavers who have recently completed their A-levels with the chance to gain a degree and a professional qualification while working in the company. A-level trainees start a long-term study programme that ends with achieving a recognised professional qualification and a degree at the end of a five year period.

How the initiative benefits the organisation

With the prospect of student debt rising KPMG recognise that there is a large number of individuals who will consider starting a career straight after A-levels rather than going to university. Like a an Apprenticeship programme KPMG believe that they can not only maintain the calibre of candidates they take on but may also gain additional benefits such as attracting more loyal staff.

Conclusions and recommendations

This section sets out the Inquiry's recommendations in light of the evidence and analysis presented so far. These demonstrate the collective responsibility of government and employers in tackling youth unemployment. In particular there is scope for government support to become more simplified, targeted and 'visible' and to continue supporting Apprenticeships, work experience and internships. But supply side measures are only part of the solution to youth unemployment. Success is contingent upon employers raising their demand for skills and opening up opportunities for young people.

An improvement in the general economic climate is also vital to improving labour market prospects for young people. When we asked employers what it would take for them to increase the number of young people they took on, the main response was an improvement in the general economic climate. The government's commitment to 'relentlessly focus on growth' by creating the right conditions for businesses is key in this respect.

The vital role of employers

It is employers, by recognising the business case for investing in workplace skills, who will create opportunities for young people to move into jobs and progress in work. Over nine out of ten employers agree that they have a duty to develop the skills of young employees⁵⁷. Sector leaders can capitalise on this by agreeing with employers what it would take for their sector to be at its most productive and the part that training plays in this. The skills strategy for England "Skills for Sustainable Growth" sets out the ambition of using skills as a driver of economic growth. It highlights the UK Commission's 'Best Market Frameworks' model of driving up ambition and demand for skills in industry sectors. The model offers a range of potential tools that employers might deploy to this end, including minimum professional standards, voluntary levies, procurement, human capital reporting and occupational licensing. This will be the focus of our work over the next three years: helping employers, sector by sector, and in partnership with trade unions and others, to raise their ambitions and increase their demand for skills

Earlier, we noted the changing nature of work and, on some measures, the deteriorating quality of work for young people. The Inquiry found evidence of reduced training, declining relative earnings and a fall in progression opportunities for young people. Should employers adopt the 'Best Market Framework' approach significant benefits could accrue. One outcome would be the creation of more entry level jobs through the articulation of clear work-based training pathways and progression opportunities. This should open more doors and encourage young people to take a work-based route to qualification.

New funds are now in place to incentivise such behaviours and to stimulate growth and innovation. In March 2011, the government launched the Growth and Innovation Fund for England. It will co-invest in innovative employer-led skills solutions with the potential to make a significant impact on the big skills challenges facing employers. One strand of the Fund is for '**Best Market Solutions**'. This strand will give urgent priority to those looking to boost business performance and enhance skills through the introduction of new professional standards (including occupational licensing) and training levies. It will prioritise action that stimulates employer commitment and investment in Apprenticeships, which may include the establishment of Group Training Associations and Apprenticeship Training Agencies. Employer-backed proposals for other new skills solutions that address major barriers to creating jobs and driving growth will also be welcomed.

⁵⁷ Chartered Management Institute (2011) – "Tomorrow's leaders"

The UK Commission recently launched the Employer Investment Fund. This UK fund will allow Sector Skills Councils to run and pilot small scale innovative solutions to raise skill levels and business performance within their sector.

Recommendation 1 - Employers can drive up demand for and investment in skills through industry-led solutions that will contribute to sector growth, more entry level jobs and work-based training pathways for young people.

The recruitment practices of employers also affect young people's recruitment chances. The Wolf review notes the impact of 'credentialism' whereby employers use certain qualifications, degrees in particular, as a filter when selecting potential candidates even when the job does not require this level of skill. This leads to significant proportions of graduates in jobs that do not require degrees and disadvantages young non-graduates. However, the Inquiry uncovered some examples of innovative employer practice with regard to recruiting non-graduates. The case study of KPMG illustrates a way of recruiting school and college leavers into high skill jobs that maintains the calibre of staff but also ensures more opportunities for non-graduates.

Recommendation 2 - Employers can explore new ways of recruiting that maintain the quality of new recruits, potentially reduce under-employment and open a door to non-graduate school or college leavers

More work experience and internship opportunities

The Inquiry's extensive analysis of the employer's perspective on their young recruits finds that lack of work experience is holding young people back. Young unemployed people themselves concur with this assessment⁵⁸. This results in the 'Catch 22' situation where lack of experience prevents access to work, which in turn reduces opportunities to gain experience.

Internships and work experience programmes for graduates and non-graduates alike represent a low-risk way for employers to take young people on. Work experience placements provide reliable information for prospective employers on key attributes which are rarely accounted for within formal qualifications⁵⁹. They give the employer a chance to recruit someone with relatively little risk for a sufficient period to thoroughly assess them; in some cases this can result in a full-time job. The estimated average cost of filling a vacancy is over £6,000, so the benefit of a more reliable recruitment process is also of economic interest to employers⁶⁰. However, young unemployed people note the difficulty in finding places⁶¹.

Recommendation 3 - Employers can make a concerted effort to offer more work experience placements and internships (preferably paid) for both graduates and non-graduates.

Government also has a role here. The employers we spoke to agreed that government-supported or funded internship programmes (including non-graduate internships and Jobcentre Plus work trials) work well. The recent announcement by DWP of an expanded

⁵⁸ Reed in Partnership (2010) – *“Learning from Experience? Young people and unemployment”*

⁵⁹ The Education and Employers Taskforce (2010) What is to be gained through partnership? Exploring the value of education-employer relationships.

⁶⁰ Chartered Institute of Personnel Development (CIPD) (2008) Annual Survey Report 2008 Recruitment, retention and turnover.

⁶¹ Reed in Partnership (2010) – *“Learning from Experience? Young people and unemployment”*

work experience programme for young people is welcome in this regard. Any financial support provided is perhaps most valuable to SMEs who do not have the resources or infrastructure to run their own internship programmes and who also feel the risks of recruiting young people more keenly. Anecdotal evidence from Future Jobs Fund suggests that initial doubts amongst employers taking young people on are often overcome and replaced with extremely positive views within 5 to 6 weeks. This shows how policy interventions can shift attitudes to risk. However, awareness and use of public financial support and brokerage services for internships is low among employers, especially among small employers.

Recommendation 4 - Government should look to do all it can within the spending envelope to support internships and work experience programmes for unemployed young people especially for SME employers.

Recommendation 5 - The buying power of public sector procurement has proven to be useful in leveraging employment and training opportunities for young people. Although public spending is set to decrease it is vital that the opportunities to increase youth employment, whether through Apprenticeships, internships or work placements, are promoted as a central part of public procurement policy.

Raise employer awareness

The discussion of work experience above raised the issue of employer awareness. There is extensive government support for employers to do many of the things that would improve the labour market situation of young people. Support for work experience is a good example; the financial support and guidance associated with Apprenticeships is another. And yet the evidence gathered as part of our Inquiry suggests that awareness of the support available is in general far too low. Only established schemes such as Apprenticeships enjoy broad awareness, but there is still significant scope for improvement here too.

In particular there needs to be much better awareness of the employer offer among private sector employers. Given what we know about forthcoming cuts in public sector expenditure and likely associated reductions in jobs and vacancies, it is vital that efforts are made to make the private sector more aware of the support available. Current initiatives, particularly the Future Jobs Fund, have been too reliant on public sector employer awareness and hiring; this is not an option for the future where public sector employment is likely to fall back significantly.

The evidence suggests that national campaigns to raise awareness and 'pledge' type activity where employers make a public commitment to take action are not effective. Instead efforts to inform need to be much more specific and targeted on industries and types of business. Blanket campaigns inevitably over-simplify and fail to engage with the diversity of need and desire for support found across UK businesses.

Recommendation 6 - There needs to be a concerted effort to raise awareness of support amongst private sector employers. Far more sector and industry specific promotion is needed. As public sector budgets will be stretched government can exploit technology and capitalise on existing links with businesses, well known brands and offers and other forms of communication to get its message across.

Simplification and joint working

For those employers that do make use of government support the clear message is that simplicity is the key to buy-in. Complete clarity of the offer to employers and joined up working between BIS and DWP and the devolved governments and DWP is essential. There is a tension between simplicity and sufficient variety to meet a range of needs, however, progress can still be made in 'hiding the wiring' and maintaining a consistent offer without frequent changes or re-branding.

The Young Person's Guarantee was a welcome attempt by BIS, the devolved administrations (DAs) and DWP to collectively spell out an offer of support to businesses in recruiting. Initially this resulted in a complex offer of seven separate strands but this was later simplified to three offers of Apprenticeships, work experience/internships and job ready candidates. These three strands are simple enough to market widely and broad enough to encompass a whole series of 'sub-offers' beneath. However, the Young Person's Guarantee has ended, its website has been taken down and it is unclear to employers what the current 'offer' is.

Recommendation 7 - BIS and DWP, and the DAs and DWP, can continue the work they began through the Young Person's Guarantee to spell out a simple and concise offer of support to employers based around Apprenticeships, internships/work experience and job ready candidates.

The role of the 'broker' in communicating and tailoring the message is very important; this cannot be narrowed down to a single organisation. When we ask employers who they go to for information about employment and skills their 'natural inclinations' are varied. They may think of Jobcentre Plus, local colleges, universities, local authorities, SSCs as well as other business or supply chain organisations. This makes it very difficult to get consistency. However, if the offer is simple and consistent over time (i.e. Apprenticeships, internships, job-ready people) the message and understanding of the offer will eventually filter through. In addition government can do more to create a 'no wrong door' approach.

Recommendation 8 - Government can do more to create a 'no wrong door' approach for employers seeking support with training and recruitment, especially through the use of websites and help-lines. The soon to be revised Business Link site (and its equivalents in Scotland and Wales) could be a home for this. This combined with a simplified and consistent offer should help get the messages through.

Make the system work for SMEs

Low levels of awareness of support are particularly the case for SMEs who face a fragmented offer. Not only are they less likely to be aware but they have lower access to support in terms of account management from initiatives like Jobcentre Plus's Employer Engagement Division. The role of SMEs is vital. ONS figures on vacancies show that around two in five of all current vacancies are in organisations with fewer than 250 employees⁶². The ONS figures also show that vacancy numbers amongst SMEs are recovering much faster than for larger employers. This could reflect the fact that smaller businesses may have had less scope to 'hoard' labour during the recession.

A specific process for reaching SMEs may be needed. The recently developed 'Small Business Recruitment Service' through Jobcentre Plus is welcome in this regard but it needs

⁶² UK Commission (2011) The Youth Inquiry The Youth Inquiry Evidence Base page 33

to be sufficiently resourced and known to prospective employers. As noted earlier, for SMEs the broker role is vital. The Inquiry found examples of where pro-active providers of services can make a significant impact with SMEs as the case studies on Pyronix and Zest testify.

Recommendation 9 - The development of the “Small Business Recruitment Service” is welcome but government needs to establish whether employers are sufficiently aware of it, it is sufficiently resourced and if it is effective in achieving its aims.

For many SMEs, recruiting young people, particularly inexperienced young people, is regarded as a high risk. Small employers cited the amount of time and effort needed in bringing in the right people and getting them up to speed in the job role. This investment in time and effort is balanced against the risk of someone leaving soon after being recruited. There is more that government support can do to minimise both the risks themselves and the perception of risks.

The small businesses that we spoke to suggested that financial support could be key for them in minimising the risk of taking on young people especially while they were credit constrained. While the overall recruitment subsidy has ended there is an argument for financial support for SMEs, especially while small businesses are credit constrained. The Recruitment and Employment Confederation suggest that government could stimulate employment with a two year National Insurance holiday for each additional young person employed in the private sector⁶³.

Recommendation 10 - The system must be made to work better for SMEs, particularly in reducing the risk and perception of risk that is associated with recruiting a young person. Government should re-consider the case for judicious use of financial support for small credit constrained businesses to take on young people.

All support to be targeted

We have encountered a variety of needs and issues that depend on business size and sector; this is especially the case for Apprenticeships. As we have noted, the issue of deadweight in financial support seems to be much more relevant for large employers than for smaller employers. The success of the sector-focussed training programmes and HEFCE funded internships is partly down to the fact that they were specifically targeted and therefore designed around certain industries or businesses. National campaigns are not successful partly because they cannot segment their messages for a diverse audience; blanket non-targeted initiatives are less likely to be successful for the same reason.

This suggests that interventions which are targeted at specific identified needs and/or types of business or industry will maximise effectiveness and minimise deadweight. Although this might seem at odds with the aim of a simplified offer, our view is that this is a ‘hiding the wiring’ issue.

Recommendation 11 - All support must be more targeted at specific identified needs and/or types of business or industry in order to maximise effectiveness and minimise deadweight – this is especially the case for financial support.

⁶³ The Recruitment and Employment Confederation (2010) The Youth Employment Taskforce

Apprenticeships and Modern Apprenticeships

The Apprenticeship programme is one that works for individuals, employers and the state. Awareness of Apprenticeships and Modern Apprenticeships is high across UK businesses and our research shows that there is latent demand amongst SMEs. The coalition government has set out its aim of achieving far greater numbers of apprentices and has ensured that they will receive greater funding despite a falling skills budget overall. Devolved governments have also made commitments around Apprenticeships. However, funding alone is not sufficient to raise both quantity and quality of apprentices.

Recommendation 12 - There should be a much greater focus on higher level Apprenticeships so that the balance shifts to one third at level 2 and two thirds at level 3, which reverses the current split.

Recommendation 13 - More sector specific information is needed for employers with greater use of SSCs, providers, employer representative bodies and awarding bodies to promote Apprenticeships.

Recommendation 14 - There is scope for simplifying contracting, funding and auditing requirements, including simpler options for payments by results, and replacing all paper-based procedures and records with a single IT-based system.

Recommendation 15 - Employers with well-developed Apprenticeship and Modern Apprenticeship programmes could be asked to 'over-train'; this may need to be combined with financial incentives.

Recommendation 16 - Progression onto Apprenticeships and Modern Apprenticeships should be a measure of success for schools.

Employability skills

The employability of young people is a frequent theme when looking at youth unemployment. The UK Commission has published two major reports on the subject⁶⁴. The Inquiry finds that while employability skills are an issue there is a risk that they can be overstated as a problem. Nevertheless, in improving employability there is no single action that will lead to overall improvements but it is important to put the background structure in place.

Recommendation 17 - The incentives for learning institutions need to be right to build employability skills in to qualifications. This means that at least part of a learning institution's measure of success should be based on learners entering work.

Recommendation 18 - Equally important is the way that employability skills are taught. Practitioners need to be trained effectively and supported on an ongoing basis, including training in the range of assessment methods to appropriately assess personal employability skills. It is important that these changes take place in an environment of effective employer engagement.

Recommendation 19 - There needs to be engagement at different levels between education and industry. Teachers, lecturers and trainers need an awareness of up to

⁶⁴ UKCES – “The Employability Challenge” (2009), UKCES (2010) - Employability: Incentivising Improvement

date industry practice; learners need to have a real appreciation of the world of work and provision must reflect the skills that employers need.

The employers we spoke to were in agreement that the pre-employment training provided through the 'Routes into Work' programme improved the calibre of candidates, their preparedness for interview and their expectations of the job. Employers want training which is specific to their industry and delivered by providers with industry knowledge and this is what the 'Routes into Work' programme aims to provide. However, the numbers of starts on Routes into Work are modest.

Recommendation 20 - There is scope to improve the numbers taking part in sector-focussed pre-employment training through existing routes and through expansion into different sectors. Plans announced for 'Service Academies' to expand and build on the work of Sector Routeways/Routes into Work into further sectors are welcome and timely and the plans to expand places in the Get Ready for Work programme in Scotland are also welcome⁶⁵. Where appropriate, pre-employment training programmes should be recognised on each nation's qualifications and credit framework so that the programmes offer real progression for young people.

The benefits system

In our conversations with employers we also came across the issue of small hours contracts. Many employers noted that these are often filled by young people and can work well for those who need flexible work to support learning. However, for those on benefits these contracts represent a risk. Individuals face the choice of leaving the certainty of benefits for work that may be temporary in nature and have unpredictable earnings due to changes in hours. The alternative is to stay on benefits but face the high earnings disregard, whereby everything they earn over £5 a week is subtracted from their benefit.

Recommendation 21 - The benefits system must be responsive to changes in the labour market. The proposals outlined in the recent DWP white paper "Universal Credit" are to be welcomed especially if they can make working smaller hours contracts more viable for young people. However, it will be important to monitor this policy to ensure that it does not produce perverse effects, such as keeping young people in low skill, low pay jobs with no incentive to progress.

⁶⁵ Skills for Scotland (2010) Accelerating the Recovery and Increasing Sustainable Economic Growth

The UK Commission for Employment and Skills is a social partnership, led by Commissioners from large and small employers, trade unions and the voluntary sector. Our mission is to raise skill levels to help drive enterprise, create more and better jobs and economic growth.

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