

The Prince's Trust response to Low Pay Commission 2015 Report

About the Prince's Trust

The Prince's Trust is the UK's leading youth charity which helps disadvantaged young people to get their lives on track. It supports 13 to 30 year-olds who are unemployed and those struggling at school and at risk of exclusion. Many of the young people helped by The Trust are in or leaving care, facing issues such as homelessness or mental health problems, or they have been in trouble with the law.



The Trust's programmes give vulnerable young people the practical and financial support needed to stabilise their lives, helping develop self-esteem and skills for work. Three in four young people supported by The Prince's Trust move into work, education or training.

The Prince of Wales's charity has helped 750,000 young people since 1976 and supports over 100 more each day.

The Prince's Trust Research

We have based our response to this consultation on two main sources of information.

The Prince's Trust annual *Feedback from the Frontline* survey gathers the views of the young people we work, our staff and volunteers, and employers. We take their views on a range of issues, from the challenges facing young people to opinions on government policy. This consultation response uses information from both our 2014 and 2013 survey. The numbers of respondents are below:

2014: 1441 young people; 414 Prince's Trust staff, volunteers and Delivery Partners.

2013: 491 young people; 761 Prince's Trust staff, volunteers and Delivery Partners; 33 employers.

Our recent *Skills Crunch* survey assessed the current business landscape across the UK, examining growth prospects and how workforces are equipped to meet demands.

The research represents all major UK sectors and samples businesses with 500+ employees. Interviews were conducted with 616 senior directors in businesses across the whole of the UK. Sector specific breakdowns are available for the following sectors: construction, retail, manufacturing and logistics, science, technology and engineering and healthcare and social care. The survey was conducted by Loudhouse, an independent research agency.

For further information

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A desire to work

At The Prince's Trust, we know that young people want to work. Any notion that young people tend to be lazy or unmotivated, we find to be false. When asked what makes it difficult for them to get a job, only a small percentage of young people identify with the statements "I don't want to work" or "none of the jobs available interest me" (see fig 1).

On the contrary, we know that young people who have been long-term unemployed are applying for a large number of jobs (see fig 2).

FIG 1

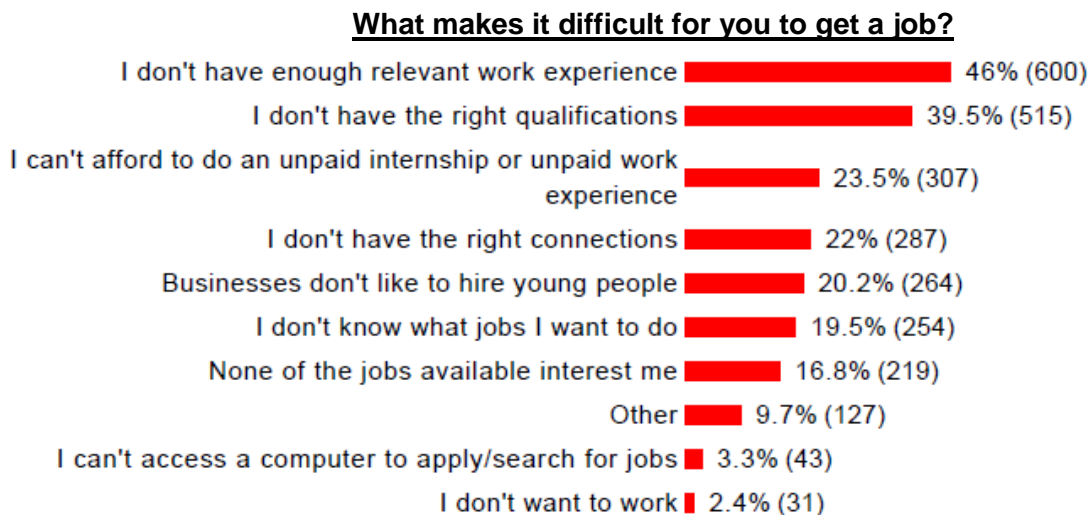
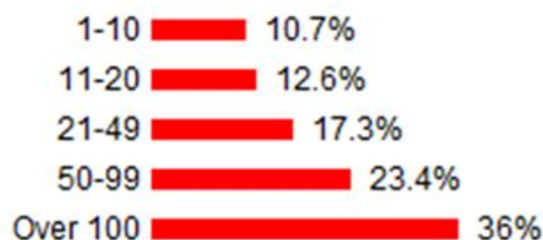


FIG 2

How many jobs did you apply for when unemployed?
(age 18+; unemployed for 6 months +)



Important to note is that an overwhelming majority of young people (71.6%) would much rather take a job, even if it didn't fit with their long-term ambitions, rather than remain on benefits (see fig 3).

FIG 3

I would take any job, even if it didn't fit with my long-term ambitions, rather than claim benefits	Nett
Strongly Agree	35.2%
Agree	36.4%
Neither Agree nor Disagree	13.6%
Disagree	9.1%
Strongly Disagree	2.3%
Don't know	3.4%

Youth unemployment: a structural problem

The Prince's Trust does not claim to be an academic expert on labour market economics. However, it is clear that over the last decade, youth unemployment has been both a cyclical and a structural problem. As the recent cyclical problem begins to subside, it is important to examine the structural problem. The Commission will undoubtedly examine whether the costs of taking on a young person are part of the structural problem.

Our view is that although the costs of taking on an employee are not insignificant, an increase in the minimum wage is unlikely to be a deal breaker for many employers when deciding whether or not to take on a young person. We find that a perceived lack of skills is more likely to deter a business from employing a young person than slight additional costs. We say 'perceived' because, in our experience, employers who take a chance on a young person often have these perceptions overturned.

The Prince's Trust works in partnership with many of the UK's largest employers through our Get into programme. This involves young people undertaking sector-specific training and work experience with The Prince's Trust and an employer for 2-6 weeks. The employer will typically go on to employ 50 per cent of the young people who participate in the programme. These employers often tell us that this form of recruitment allows them to unearth talent which they would have otherwise overlooked through a traditional recruitment process (see fig 4).

FIG 4

"I believe we may have found some real superstars for our business who, on paper, we may have otherwise overlooked."

"The people that we have recruited are some of the best colleagues we have taken on, they are dedicated, keen, and resourceful and you can see how much it means to them. We have identified some excellent talent that we may not otherwise have found."

"It allows young people [...] to demonstrate in a less pressured, supportive and developmental environment the skills that they can bring to the work place that otherwise may be stifled through traditional recruitment methods that young people may find hard to access or to perform well in."

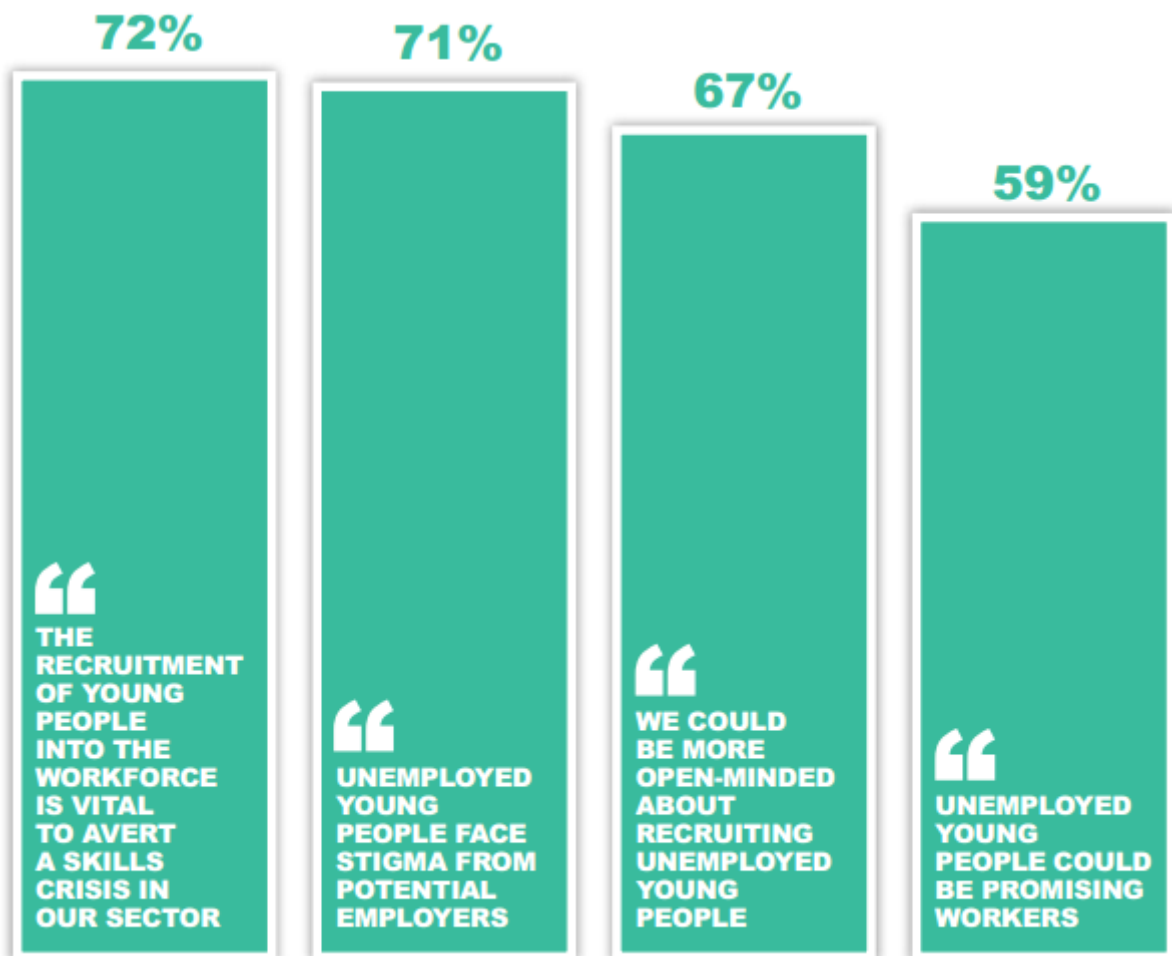
"Less able young people have an opportunity to demonstrate commitment, determination, honesty and integrity that may not be identified through application forms and short interviews. In doing so the employer has a reciprocal opportunity to appoint hard working and deserving young people who just need a helping hand."

"It enables us to reach out and tap into a workforce which we may have excluded before - or that may not have been successful through our "normal" recruitment channels!"

We also find that demographics are going to force employers to look to build a younger workforce to avert a skills crisis. Our recent 'skills crunch' report found that almost three-quarters of employers believe that skills shortages will lead to a significant skills crisis across the UK in the next three years (73 per cent), which would hit the economy and impact on the UK's ability to compete.

Consequently, almost three quarters of employers believe that the recruitment of young people into the workforce is now vital to avert a skills crisis in their sector, and although they admit that young people do face stigma from potential employers, it is now time to become more open-minded about recruiting young people (see fig 5).

FIG 5



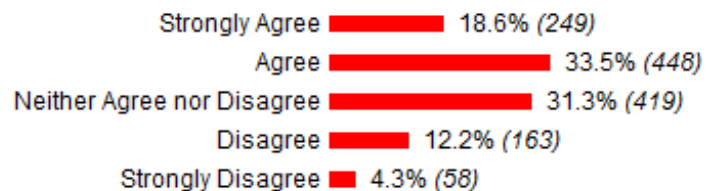
The cost of opportunity

However, one area which does appear to be a problem for young people is the cost of opportunity. The statement “I can’t afford to do unpaid work experience or an unpaid internship” was the third most important reason why our young people believe they are finding it difficult to get a job (see fig 1).

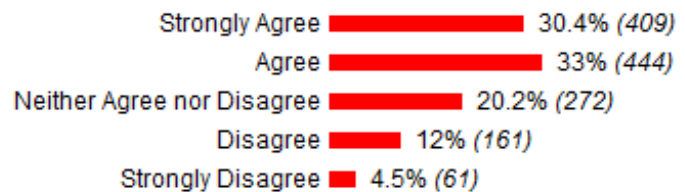
Further evidence of the cost of opportunity is below: many of our young people say they would struggle to afford to stay in college and that they couldn’t afford to do work experience without getting paid or receiving benefits (see fig 6).

FIG 6

I would struggle to afford to stay in college



I couldn't afford to do work experience without getting paid or receiving benefits



For financially disadvantaged young people to be able to get a foot on the first rung of the employment ladder, it is imperative that the opportunities to upskill are available to them. All too often, this is not the case.

This complaint could be applied to apprenticeships. A question for the Commission should be whether the current apprenticeship hourly wage of £2.68 is enough for a disadvantaged young person to be able to live on whilst undertaking the training. In many cases, we would say it is not.

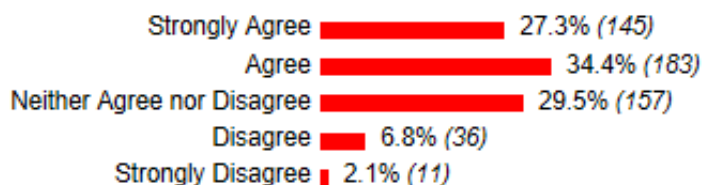
As politicians look to increase the number of young people taking up apprenticeships whilst making them accessible to all of those young people who do not go to university, it will be important to make them affordable – especially bearing in mind potential travel costs.

Part-time employment and zero hours contracts

We also find that young people are anxious about the prospect of a zero hour's contracts. Although part-time zero hours contracts can offer flexibility for some employees, the disadvantaged young people we surveyed are likely to see such an arrangement as a cause for concern. They are therefore reluctant to take up such a job (see fig 7).

FIG 7

Not knowing how many hours I would get to work each week would make me anxious



I would be happy to take a job not knowing the amount of hours I would be asked to work each week



Not having the ability to see one's life under one's control and to effectively shape its future course can of course be incredibly de-motivating and potentially lead young people on a downward spiral. The Commission could look at the use of zero hours contracts to examine whether or not they are enabling a significant low wage problem to develop, whilst not breaching any National Minimum Wage legislation.

In summary

We believe the Commission should bear in mind the following points when making its recommendations:

- The vast majority of unemployed young people want to work. For many of these young people, it is still an enormous challenge to find a job, even as the labour market picks up.
- An increase in the minimum wage is unlikely to be a deal breaker for employers when deciding whether or not to employ a young person. A perceived lack of skills and experience is a much larger challenge and it is this misperception that organisations like The Prince's Trust are working to address.
- Due to changing demographics and an impending skills crunch, employers are increasingly looking to take on and develop young talent.
- However, in order for these opportunities to be open to all young people, attention needs to be paid to the low wages or lack of wages that exist for entry level routes, especially apprenticeships.
- Zero hours contracts are a concern to many young people but more research needs to be done in this area.