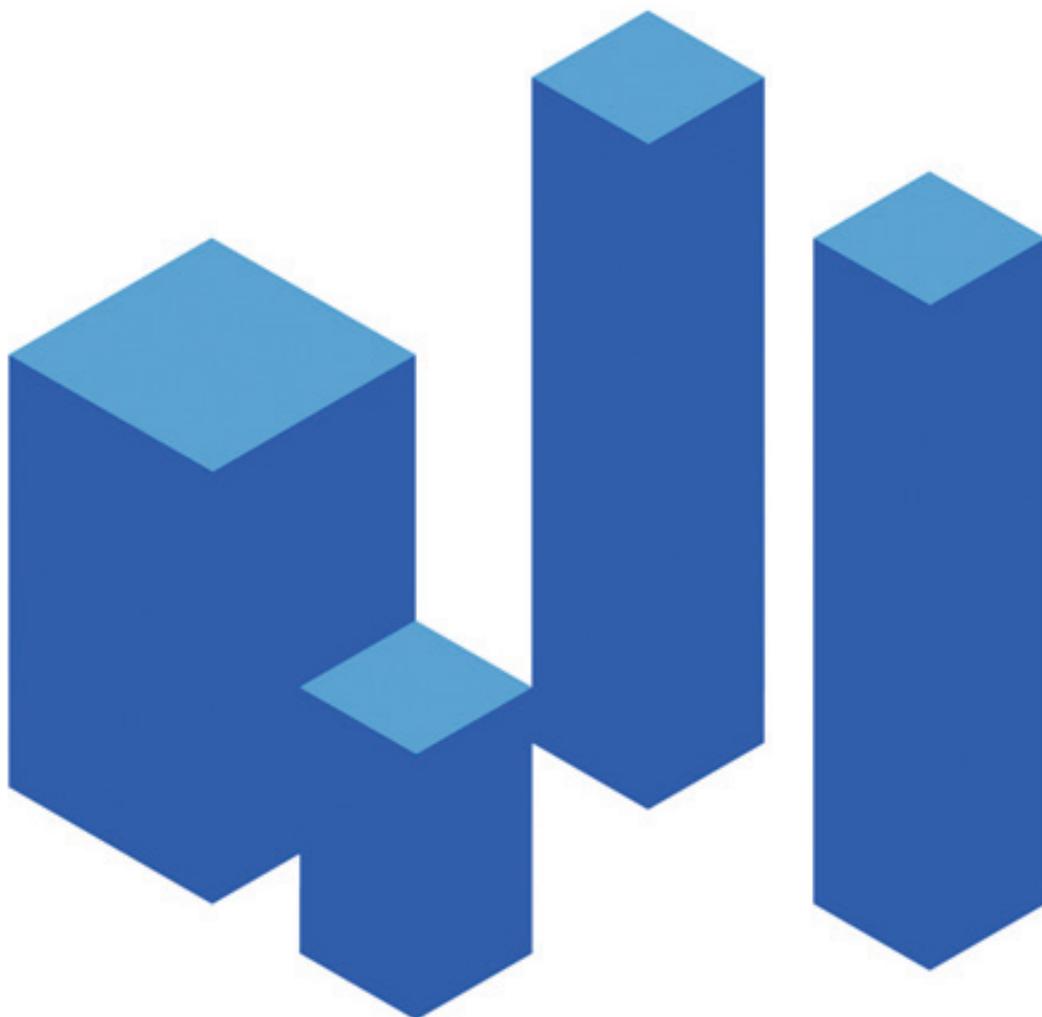


June 2012

## **Short-term crisis - long-term problem?**

### Addressing the youth employment challenge

Neil Lee, Paul Sissons, Brhmie Balaram, Katy Jones,  
and Nye Cominetti



## Acknowledgements

We would like to thank our research sponsors - Barclays, the Learning and Skills Improvement Service, the Private Equity Foundation, and Trust for London. We would like to acknowledge the help of the following organisations in setting-up interviews with young people - Ingeus, Tomorrow's People, Streets of Growth, and the Osmani Trust. Thanks are also due to all the young people who participated in the interviews. At The Work Foundation, Annie Peate, Jenny Gulliford and Tom Phillips provided valuable support at different stages in the research; Ian Brinkley, Andrew Sissons and Rosemary Thomas all provided useful comments on earlier drafts.

The Work Foundation aims to be the leading independent, international authority on work and its future, influencing policy and practice for the benefit of society through rigorous research programmes targeting organisations, cities, regions and economies in the UK and beyond. Organisations from across all industry sectors can sign up as partners to gain access and active involvement in research, thinking and practice. For further details, please visit [www.theworkfoundation.com](http://www.theworkfoundation.com).

## Executive summary

**There are more than one million young people unemployed in the UK, representing a serious economic and social challenge.** Unemployment while young can lead to long-term reductions in wages, increased chances of subsequent periods of unemployment, and poorer health outcomes. High levels of youth unemployment also have wider social and economic costs. The cost of youth unemployment over the next decade has been estimated at £28 billion.<sup>1</sup>

Yet, while we should be concerned about all those who are unemployed while young, many of these young people are only unemployed for a relatively short period. **The most difficult challenge for policy is addressing the problem of long-term youth unemployment – the 264,000 young people in this country who have been out of work for 12 months or longer.** The longer a young person is removed from employment, education, or training, the worse the long-term consequences for the individual and the economy.

**Government, business and the third sector needs to urgently consider this core group of long-term youth unemployed.** This report – the first research report published as part of The Work Foundation’s Missing Million programme – focuses on the characteristics of this group and how policy can best be targeted at them. We do so through three research phases: an analysis of the characteristics of the long-term youth unemployed, a set of interviews with long-term unemployed young people to identify their problems, opinions and ideas to improve services, and a phase of policy mapping where we establish which interventions work best.

**Young people who are long-term unemployed are more likely to be men, and are more likely to be poorly qualified.** The rate of long-term youth unemployment has been rising for some time – but was exacerbated by the recession.

**A significant proportion of the unemployed are not claiming benefit.** Around a third of young people who are unemployed are not claiming unemployment benefit– this makes it harder for the government to reach them and help them into work.<sup>2</sup> It makes the role of the third sector vital in integrating these young people into the labour market.

**Young people find it increasingly difficult to get an initial foothold in the labour market.** Our interviews suggested the initial transition after leaving education or training was very difficult. Problems included a lack of qualifications and/ or suitable skills. And, in the face of a double dip recession, there were often too few job opportunities for young people, particularly in deprived local economies.

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1 ACEVO (2012) ‘Youth unemployment: the crisis we cannot afford’, London: ACEVO.

2 Figure excludes full-time students.

**Many young people were caught in a Catch 22 situation:** they had no work experience, but needed this experience to demonstrate to employers they had the skills required for the world of work.

**In contrast to media portrayals of young people, we found little evidence to suggest that young people have unrealistic expectations of the labour market.** The young people we interviewed generally had job goals that were grounded in the type of vacancies most likely to be available locally.

**Young people who are long-term unemployed are diverse in their distance from, and orientation to, the labour market.** Some were committed jobseekers fully engaged in searching for work and desperate for an opportunity; others were more casual in their job search and exercised greater selectivity about what to apply for; a third group could be categorised as being harder to help, and often had multiple barriers to work.

**While the introduction of the Youth Contract is a positive step, government policy for long-term youth unemployment remains inadequate to the scale of the challenge.** The Government needs to do more, and policy should focus on six key areas

1. Improving national coordination – we recommend establishing a new Youth Employment Unit to work across government departments. We also recommend that youth employment becomes a specified ministerial responsibility, that a national minister has this added to their portfolio with responsibility for co-ordinating policy between government departments, business and other stakeholders to facilitate long-term improvements in the transition from education to work for young people
2. Better local coordination – local services for young people are too often fragmented. More needs to be done locally to link these services. Key stakeholders in local areas need to work in partnership with each other, and with employers, to develop youth employment strategies to maximise opportunities for the long-term unemployed
3. Guaranteeing part-time jobs – the wage subsidy of the Youth Contract is to be welcomed, but it can be improved on – a part-time job guarantee for all long-term unemployed jobseekers has a number of clear advantages, in particular around having time to spend on jobsearch and the support to do this

4. Bring more young people into the employment support system – given the significant proportion of the young unemployed who are not claiming benefit more needs to be done to bring these young people into the system. The voluntary sector has an important role here and effective provision must be financially supported and ramped up
5. Addressing transport barriers – for some young jobseekers the cost of transport is a major barrier to work. Greater leverage should be used in contract and subsidy negotiations with transport providers to ensure this barrier is removed
6. Focusing on growth – the long-term solution is through greater employment growth which will enable the long-term unemployed to capitalise on the employability benefits of short-term schemes.

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# 1 Introduction

The UK faces a crisis of youth unemployment. Over a million young people are unemployed – 19.8 per cent of economically active 18-24 year olds and 37.6 per cent of economically active 16-17 year olds.<sup>3</sup>

Unemployment while young is a difficult experience. Yet many of these young people are only unemployed for a short-period. Three quarters are unemployed for fewer than 12 months at a time, most for far less. These young people should be a concern for policymakers, but they are not the group for whom the crisis is most acute: government efforts should be focused on the 264,000 young people who have been out of work for 12 months or more.

Troublingly, the number of people in this group has been rising steadily. In 2001, fewer than 75,000 young people were long-term unemployed. By 2008 when the recession started, just over 100,000 were. At the start of 2012 there were over 250,000 long-term unemployed young people. In the space of a decade the number of long-term unemployed young people had quadrupled.

It is this group for whom the consequences of youth unemployment are most acute. Youth unemployment has scarring effects on the wages, employment and health of those who undergo it. The longer people are out of work while young, the more severe the effects can be. This makes addressing the problems of this group an important challenge for policymakers.

Policy in this area should have goals both in the short-term and the long-term. The short-term goal should be to integrate those out of work into the labour market, education or meaningful training. Action is needed now to address the immediate situation for those out of work for 12 months or more.

The long-term goal must be to reduce and keep down the numbers of long-term youth unemployed. Absolute numbers of long-term youth unemployment have been rising for over a decade. Action is needed to ensure that young people are given the skills, opportunities and information they need to enter the labour market – particularly for those from disadvantaged backgrounds.

This report considers the challenge of long-term youth unemployment and the actions which can be taken by policy, business and the third sector to address it. It is based on three research phases:

- **Analysis of secondary data.** We have analysed the Labour Force Survey to assess the characteristics of this core group.

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<sup>3</sup> Source: Labour Force Survey, Jan-Mar 2012, seasonally adjusted.

- **Interviews with the long-term unemployed.** We conducted interviews with 28 long-term unemployed young people in Glasgow, Ashington and East London.
- **Policy mapping.** We have considered how policy may need to change to reduce the number of young people becoming long-term unemployed, and to help integrate those who are out of work into employment.

#### The Missing Million Programme

The Missing Million is a two-year, solutions-focused project with the aim of increasing the employment prospects of young people in the UK. It is sponsored by the Learning and Skills Improvement Service, Barclays, Trust for London and the Private Equity Foundation.

The project will answer two key questions:

What measures can be taken now to address the problem of youth unemployment?

How can the UK move to a longer-term model with lower levels of youth unemployment?

In the first year we will produce a set of reports that will consider the growing structural unemployment problem, the employer's role, international lessons and solutions at a local level. We will also host a major conference, The Youth Unemployment Summit, to find solutions to these important issues.

The remainder of the report is structured as follows:

- **Section two** – presents data on the context of long-term youth unemployment, why it might have been rising and what the consequences might be.
- **Section three** – considers the characteristics of the long-term unemployed, using secondary data analysis.
- **Section four** – presents the results of interviews with 28 young people who are long-term unemployed.
- **Section five** – reviews current policy and policy needs for the long-term unemployed.
- **Section six** – provides our recommendations for a six-point plan to bring down long-term youth unemployment.

## 2 Youth unemployment: Causes and Consequences

This section forms the contextual backdrop for the rest of the report. It provides some detail on the scale and nature of youth unemployment in the UK and outlines why youth unemployment is a serious concern.

### 2.1 Youth unemployment in the UK

The UK entered recession in mid-2008 and the rise in youth unemployment was immediate. In early 2008, the youth unemployment rate was 14 per cent (which unless otherwise stated will here refer to people aged 16-24). This number rose sharply through 2008 and reached 18 per cent in the first quarter of 2009 – the second quarter of technical recession. After 2009 the UK economy wavered between periods of growth and contraction – it was essentially flat – but re-entered technical recession at the end of 2011. Youth unemployment rose more or less consistently between 2008 and 2012. It reached a peak of 22 per cent in the last quarter of 2011, amounting to 1.04 million young people out of work. Figure 1 shows the gradual rise in both the 16-17 and 18-24 age groups since 2004 and then the much faster rise since 2008.

### Box 1: Measuring youth unemployment

It is worth making two points about the statistics used to measure youth unemployment.

First, of the more than 1 million unemployed young people a substantial number are in full-time education (314,000).<sup>4</sup> They are classed as unemployed because according to the international guidelines used for recording labour market data, anyone who has looked for work in the past four weeks and is available to start work within the next two weeks is classed as economically active. This group is then broken down into the employed and unemployed. Removing those in full-time education leaves 707,000 unemployed young people. Those 314,000 young people in full-time education are seeking work (usually part time), and their inability to find it is not insignificant, but they are in a very different situation to the young unemployed who are not in full-time education. They are however an important part of the labour supply and potentially in competition for jobs with those unemployed but outside full-time education.

The unemployment rate is a measure of those who are out of work, but have looked for work in the past month and are able to start in the next two weeks - as a proportion of the economically active.

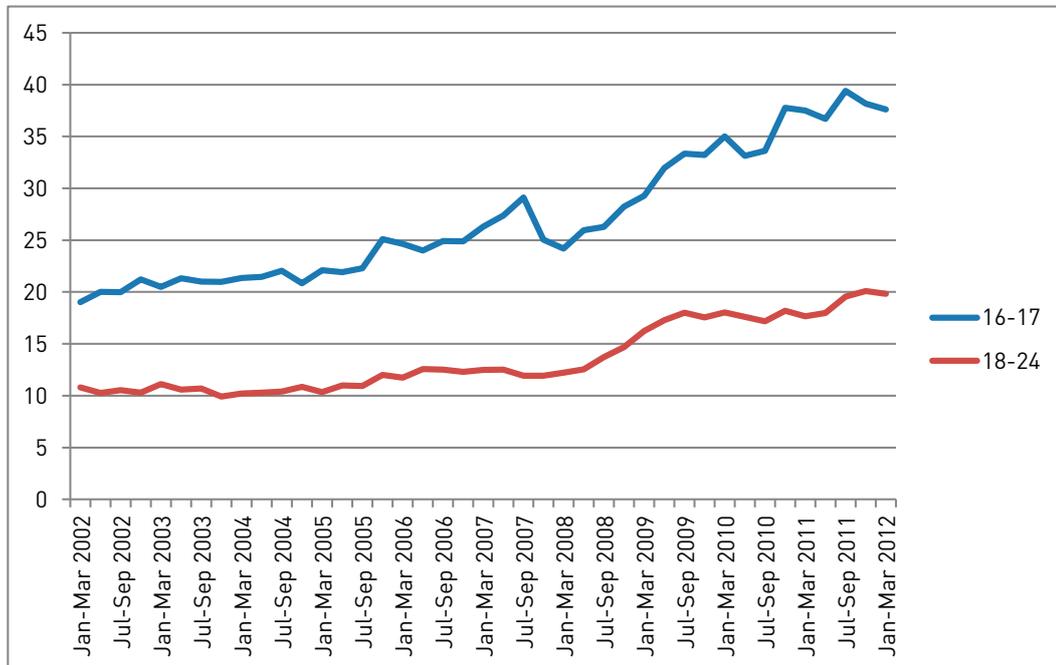
Second, a different statistic often used to capture the problems of the youth labour market is the number of young people not in education, employment or training (NEET). There is some overlap between this concept and youth unemployment, but they measure different things<sup>5</sup>.

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4 Source: Labour Force Survey, Jan-Mar 2012, seasonally adjusted.

5 For a detailed explanation see Sissons, P. and Jones, K. (2012) 'Lost in Transition? The changing labour market and young people not in employment, education or training', London: The Work Foundation.

**Figure 1: UK youth unemployment rates since 2002 (%)**

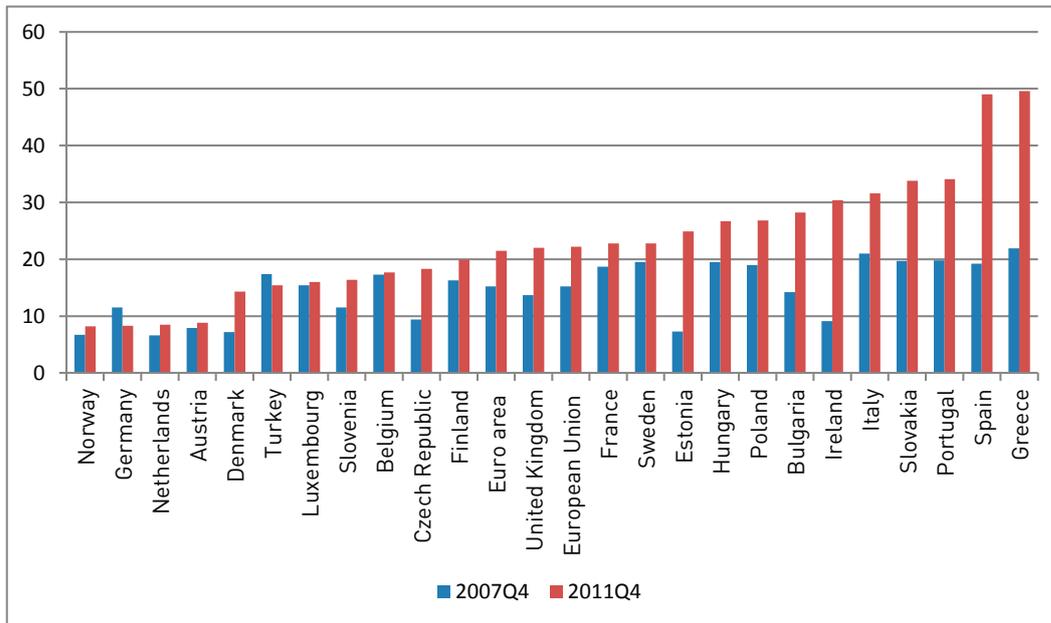


Source: Labour Force Survey

The rises in youth unemployment seen in the UK are not inevitable, but nor are they the most severe when compared to other countries. There are large disparities in youth unemployment between European countries. Youth unemployment in Britain falls in the middle of the European spectrum, as set out in Figure 2. Youth unemployment is particularly high in Greece and Spain (where the rates approach a staggering 50 per cent), and comparatively low in Norway, Germany, the Netherlands and Austria (where fewer than 10 per cent of economically active young people are unemployed).<sup>6</sup> In Germany and Turkey youth unemployment has actually decreased slightly since the 2008 recession.

<sup>6</sup> Eurostat (February 2012) 'Unemployment Statistics', Brussels: European Commission.

**Figure 2: Youth unemployment (ages 15-24) rate pre- and post-recession in Europe**



Note: Countries are shown in ascending order of the youth unemployment rate in 2011 Q4. Figures are seasonally adjusted. Source: Eurostat.

There are however marked disparities in youth unemployment across the UK - the prospects for young people vary considerably in different parts of the country. The areas whose economies were already struggling before 2008 have been hardest hit since. Additionally, many local economies have been further weakened by public sector jobs losses resulting from public spending cuts.

The Labour Force Survey data for different age groups at a local level is subject to significant sampling error. The best alternative is the claimant count. It is based on administrative data so is highly accurate; however, it only counts those young people who are unemployed and claiming benefit. In Blaenau Gwent, in Wales, some 18.6 per cent of all 18-24 year olds are claiming unemployment benefits.<sup>7</sup> This is the highest proportion in England and Wales. By contrast, areas such as Oxford and Cambridge have claimant proportions among this age group of below 2 per cent.<sup>8</sup> The average for England and Wales is around 7 per cent.

<sup>7</sup> Source: Nomis. Claimant count is for April 2012, not seasonally adjusted. Population data is also from nomis, and is the mid year estimate for 2010, the latest available.

<sup>8</sup> Ibid.

### Box 2: The Youth Contract

This is a £1 billion Government programme designed to help young people enter employment. It is a three year programme which aims to provide nearly half-a-million new opportunities for 18-24 year olds, including apprenticeships and work experience placements. The Youth Contract will also see increased support available through the Work Programme, Jobcentre Plus and sector-based work academies, alongside incentives for employers to recruit young people. The individual measures are:

- 160,000 wage incentives worth up to £2,275 for each 18-24 year old an employer recruits
- 250,000 work experience placements.
- 20,000 additional incentive payments to encourage employers to take on young (16-24 year old) apprentices
- £126 million set aside to specifically help 55,000 16-17 year old 'NEETs' into education, apprenticeships, or jobs with training
- Extra support from Jobcentre Plus in the form of weekly, rather than fortnightly, signing-on meetings, more time to talk to an adviser, and a National Careers Service interview

## 2.2 Reasons for the rise

A rise in youth unemployment during a recession is to be expected. Youth unemployment is typically higher than adult unemployment regardless of economic conditions as young people face higher rates of labour market turnover, and spend time moving between jobs before settling on a stable career path. In a recession this gap is amplified because a) young people are more likely to lose their jobs, and b) new (young) entrants to the labour market face tougher competition for jobs.

For those in work, the 'burden of adjustment' that takes place during a recession falls disproportionately on groups who, like young people, work for lower wages.<sup>9</sup> Employers are reluctant to lose older, more experienced and higher paid workers who have firm-specific knowledge and experience, and moreover who are more expensive to make redundant. Young entrants into the labour market are less likely to find work

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<sup>9</sup> Goujard, Petrongolo, Van Reenan (2011) 'The Labour Market for Young People', in Gregg, Wadsworth (eds) 'The Labour Market in Winter: The state of working Britain', Oxford: Oxford University Press.

in a recession (compared to older jobseekers) because they are on average less experienced, have lower skills, and face competition from other workers who in more benign economic conditions would be competing for higher level jobs.

In fact the rise in youth unemployment during the current recession has been typical of previous recessions in the UK. There is no evidence to suggest they have fared particularly badly this time round, especially when compared to the experience of young people in the early 80s recession.<sup>10</sup>

The recession caused youth unemployment to reach crisis levels. But it was a problem before the recession: the number of young people out of work started increasing substantially from 2004, a period when the economy was growing.

This structural problem has proved difficult to explain, but answers must be found if the problem is not to persist once the country returns to growth. The literature to date has explored a range of possible contributors to the pre-2008 rise. Some of these can be dismissed, or likely have only minor impacts. These include:

- **Immigration.** The rise in youth unemployment since 2004 does coincide with a rise in immigration levels (a result of 8 new countries joining the EU), but little evidence has been found to suggest causality. It would seem that there may be a relationship in London but not in the rest of the country.<sup>11</sup>
- **Minimum Wage.** The national minimum wage was introduced in 1999 and at the time critics expected it would depress low level employment. But again no evidence exists linking the minimum wage with youth unemployment.<sup>12</sup>
- **Inter-generational unemployment.** Some young people grow up in households where neither parent works, and it has been argued that this reduces their drive to work, and potentially their employability. However, only 0.8 per cent of UK households are home to two generations where neither is in work.<sup>13</sup> That said, the residents in these very few households are likely to have been unemployed for a long time.<sup>14</sup>

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10 Ibid.

11 Goujard, Petrongolo, Van Reenan (2011) 'The Labour Market for Young People', in Gregg, Wadsworth (eds) 'The Labour Market in Winter: The state of working Britain', Oxford: Oxford University Press..

12 Ibid.

13 ACEVO (2012) 'Youth unemployment: the crisis we cannot afford', London: ACEVO.

14 Ibid.

These factors may have had some small impact on the structural (pre-recession) youth unemployment problem, but other explanations are needed. Previous studies of youth unemployment have highlighted:

- **A changing focus of back-to-work support** in the unemployment benefits system. In the early 2000s the focus of employment services was young people, but this focus was redirected in the middle of the decade towards single parents and those on incapacity benefits. This may have had a detrimental effect on the ability of young people to move off benefits and into work.<sup>15</sup> However, this effect is limited to those young people claiming benefits, and the gap between the claimant count and the official rate of unemployment shows that many young people do not claim.
- **A difficult transition from education to work.** Young people who do not go down an academic route can face a messy, and at times difficult, transition into employment.<sup>16</sup> It has been argued that overall school standard rises might be disguising a neglect of poorer performing students who are unlikely to meet the 5 GCSE A\*-C headline indicator.<sup>17</sup> Furthermore, there is an increasing emphasis from employers on young people having the right soft skills to access work. For those with poor skill levels (both soft and hard) an increasingly competitive labour market is likely to have placed some young people in a position of increasing disadvantage.<sup>18</sup>
- **'Credentialism'.** Past governments have tried hard to increase the participation rates of young people in non-compulsory education, but this has had a detrimental impact on those young people who choose to look for work instead. Employers observing the trend towards greater participation can assume that young people aged 16 or 17 who opt to seek work at an earlier age are low-achievers, have less developed soft skills, or have less application and perseverance than their peers.<sup>19</sup> A similar effect exists at the higher education level, where an increase in students going to university has increased the employment penalty for those not going to university.

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15 Goujard, Petrongolo, Van Reenan (2011) 'The Labour Market for Young People', in Gregg, Wadsworth (eds) 'The Labour Market in Winter: The state of working Britain', Oxford: Oxford University Press.

16 Sissons, P. and Jones, K. (2012) 'Lost in Transition? The changing labour market and young people not in employment, education or training', London: The Work Foundation.

17 Petrongolo and Van Reenan (2011), 'Youth Unemployment', Centrepiece, Summer 2011.

18 Bivand, P. (2012) 'Generation lost: Youth unemployment and the youth labour market', London: TUC Touchstone

19 Wolf A. (2011) 'Review of Vocational Education – The Wolf Report', London: TSO.

There are many other factors that help explain why some young people are at a disadvantage in the labour market. For example, many young people have difficulty accessing the employment services they need, particularly in areas where the service offering is patchy. Some are denied the support they need because they do not meet the entry criteria set by local employment agencies or local jobs and enterprise training schemes.<sup>20</sup> Many young people have circumstantial barriers to work, some because they are carers for an older relative, and others because they have themselves recently left care and are no longer owed a duty of care by the local authority.

### 2.3 The consequences of youth unemployment

Youth unemployment has serious implications, first and foremost because of the severe impact on the young people involved. The 'scarring' effect that periods out of the labour market have on a young person has long been noted, with those affected by the early 1980s recession often described as a 'lost generation'.<sup>21</sup>

- **Increased likelihood of unemployment at a later age.** The main 'scarring' effects of periods of joblessness are an increased likelihood of unemployment at a later age, and a lower earnings potential. Research carried out by the University of Bristol for the ACEVO Commission on youth unemployment found that individuals unemployed at a young age will spend on average an additional two months per year (8.41 weeks for men, 10.70 weeks for women) out of work between the ages of 26 to 29 than they would have had their work history been more robust.<sup>22</sup>
- **Lower earnings potential.** Evidence suggests that young people suffer a 'wage penalty' (the difference between the actual wage earned and that earned by comparable people who have not experienced unemployment) on their return to work.<sup>23</sup> Gregg and Tominey have calculated the wage penalty to be as much as 13-21 per cent by age 42, but noted that this penalty could be minimised to 9-11 per cent if repeat spells of unemployment were avoided.<sup>24</sup>

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20 Pemberton (2008) 'Tackling the NEET generation and the ability of policy to generate a NEET solution—evidence from the UK' in *Environment and Planning C: Government and Policy*, 26(1): 243-259.

21 Bell, D. and Blanchflower, D. (2010) 'Youth Unemployment: Déjà Vu?', Bonn: Institute for the Study of Labour.

22 ACEVO (2012) 'Youth unemployment: the crisis we cannot afford', London: ACEVO.

23 Arumlampalam, W. (2001) 'Is unemployment really scarring? Effects of unemployment experiences on wages', *The Economic Journal*, 111: F585-F606.

24 Gregg, P. and Tominey, E. (2005) 'The Wage Scar from Youth Unemployment', *Labour Economics*, 12(4):487-509.

- **Health.** The mental and physical health of young people can be adversely affected. They can suffer psychological scarring from their experiences of worklessness. Unemployment increases the probability of illness, mental stress, helplessness, and depletion of self-esteem, which can all lead to depression.<sup>25</sup> Young people not in employment, education or training (NEET) are in fact three times more likely to succumb to depression.<sup>26</sup> According to a UK YouGov survey carried out by the Prince's Trust, a quarter of young NEETs revealed that their unemployment was the source of arguments with family, and also played a part in driving them to drugs or alcohol.<sup>27</sup> The host of issues arising from the problem of youth unemployment are in turn a burden on the National Health Service, straining resources and imposing high costs.<sup>28</sup>

These impacts on individual young people are reason enough to take youth unemployment seriously. But there are also wider societal and economic costs.

The economic costs consist of state spending on welfare to support those out of work, and lost productivity and output, both now and in the future. The weekly cost of young people claiming Jobseeker's Allowance is £22 million, and a conservative estimate pegs the cost of lost productivity each week to be at least £26 million, although the upper bound estimate is as much as £133 million.<sup>29</sup> The revenue lost from taxes is predicted to top £600 million by the end of 2012, resting on the assumption that young unemployed people earn less in work than their average currently employed peers, or might be subsidised by working tax credits at extra cost to the exchequer.<sup>30</sup> Furthermore, given that youth unemployment damages prospects and has scarring effects, the cost to the public purse will be compounded each year in terms of future benefit payments and lost output, estimated by the ACEVO Commission to be a cost of £2.9 billion per annum.<sup>31</sup> Looking a decade ahead, the total cost of youth unemployment may be as much as £28 billion over ten years.<sup>32</sup>

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25 The Prince's Trust (2010) 'YouGov Youth Index', London: The Prince's Trust.

26 Audit Commission (2010) 'Against the odds: Re-engaging young people in education, employment or training', London: Audit Commission.

27 The Prince's Trust (2010) 'YouGov Youth Index', London: The Prince's Trust.

28 Audit Commission (2010) 'Against the odds: Re-engaging young people in education, employment or training', London: Audit Commission.

29 The Prince's Trust (2010). 'The Cost of Exclusion: Counting the cost of youth disadvantage in the UK', London: The Prince's Trust.

30 Ibid.

31 Ibid.

32 Ibid.

There are many social costs of youth unemployment. Perhaps the most significant (and easiest to capture statistically) is related to crime. Youth unemployment amplifies the risk of problematic behaviour and delinquency, and is associated with increases in burglaries, thefts and drug offences.<sup>33</sup> The costs to the criminal justice system of such offences in 2009 were in excess of £1.2 billion, or roughly £23 million per week, based on the average amounts associated with each crime committed and imprisonment.<sup>34</sup> These costs are also persistent: 75 per cent of these youth re-offend within two years. Once disengaged, their social and political involvement is significantly diminished and a number of issues arise from their exclusion, many of which relate back to health problems.

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33 Bell, D. and Blanchflower, D. (2010) 'Youth Unemployment: Déjà Vu?', Bonn: Institute for the Study of Labour; ACEVO (2012) 'Youth unemployment: the crisis we cannot afford', London: ACEVO.

34 The Prince's Trust (2010). 'The Cost of Exclusion: Counting the cost of youth disadvantage in the UK', London: The Prince's Trust.

## 3 The long-term unemployed

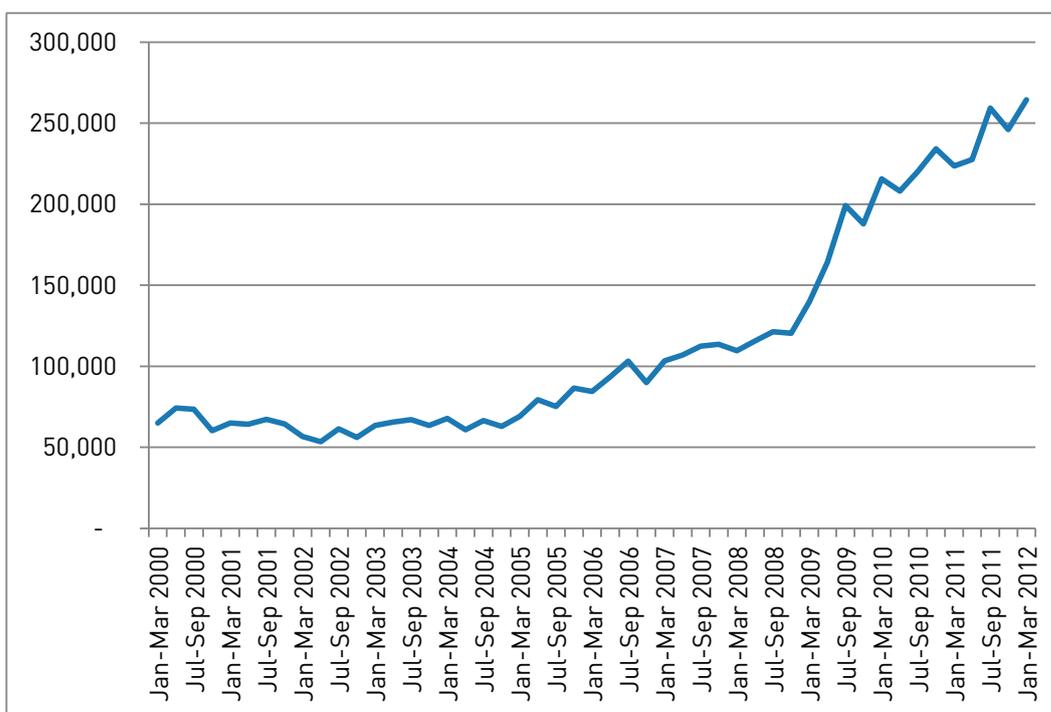
This section considers the scale of long-term youth unemployment and the characteristics of the young people who are out of work. It considers how the numbers of long-term unemployed young people have increased, the qualifications of this group and the type of work they are looking for.

### 3.1 Increasing numbers of young people are long-term unemployed

Long-term youth unemployment is a major problem. As a difficult economic climate persists young people are increasingly facing longer spells out of the labour market. Whilst we would expect both long-term and total youth unemployment to reduce once the economy returns to growth and the supply of jobs is increased, many of those entering the labour market over the past few years and until recovery begins face heightened challenges. There is a danger that even those who in ordinary circumstances would be expected to make successful transitions into employment will become distanced from the labour market. Moreover, there is a danger that cyclical unemployment becomes a structural problem.

The rise in the number of 16-24 year olds unemployed for 12 months or more predates the recent economic downturn. Between 2005 and 2007 long-term youth unemployment rose from 59,000 to around 114,000 (Figure 3). However, the recession has exacerbated the problem – since the 2008 recession hit, long-term youth unemployment has more than doubled, rising to 264,000. Indeed, the rate of long-term youth unemployment has risen faster than overall youth unemployment during the recession.

**Figure 3: Number of 16-24 year olds unemployed for 12 months or more**



Source: Labour Force Survey, ONS (includes full-time students)

### 3.2 What are the characteristics of the long-term unemployed?

From Table 1 we can see that the largest proportions of the young unemployed fall within the age range of 19-23. The lower proportion aged 16-18 largely reflects the efforts of policymakers and education providers over the past few decades to keep young people in some form of education after the current compulsory age of 16. Young people may also increasingly be choosing to stay in education when faced with a “hostile labour market”.<sup>35</sup> As we would expect, the age structure of the long-term young unemployed is weighted slightly more heavily to the older age range. Indeed, we would not expect any 16 year olds and very few 17 year olds to have been unemployed for 12 months or more, simply because they have not been out of school long enough.

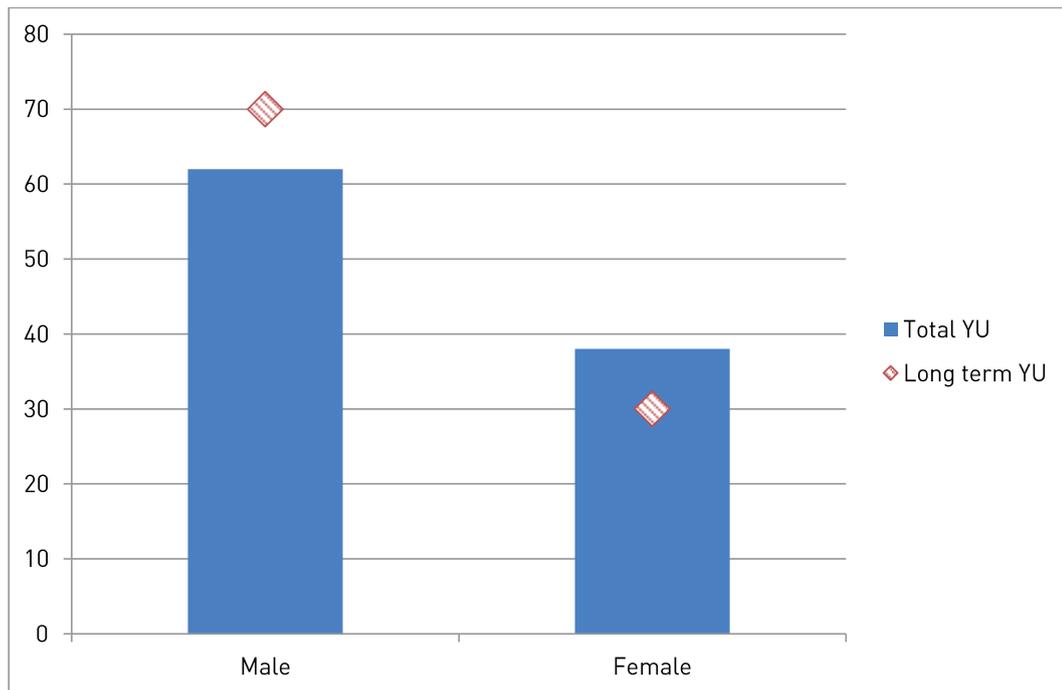
35 Petrongolo, B., Van Reenan, J. and Vaitilingham, R. (2010) ‘Jobs and Youth Unemployment’, in Centre for Economic Performance (ed) ‘Election Analysis’, London: LSE.

**Table 1: Youth unemployment by age group, %, excluding full-time students**

Age	Total YU	Long-term YU
16	3	1
17	6	5
18	11	8
19	14	14
20	15	18
21	14	17
22	14	12
23	13	15
24	10	10

Source: Labour Force Survey, average of four quarters, 2011

**Figure 4: Youth Unemployment by gender, excluding full-time students, %**



Source: Labour Force Survey, average of four quarters, 2011

Young men are considerably more likely to be unemployed than young women (Figure 4); and this trend is even more pronounced for the long-term unemployed – 62 per cent of the total young unemployed cohort is male, and this proportion rises to 70 per cent of the long-term young unemployed.

Changes in the labour market have meant that qualifications are now an even more important determinant of employment experiences for young people. Graduates continue to earn a significant wage premium from their qualifications. For those with few or no qualifications the labour market is more difficult to navigate. Those with no qualifications are less likely to be in work, and when they are in work they are less likely to experience progression.

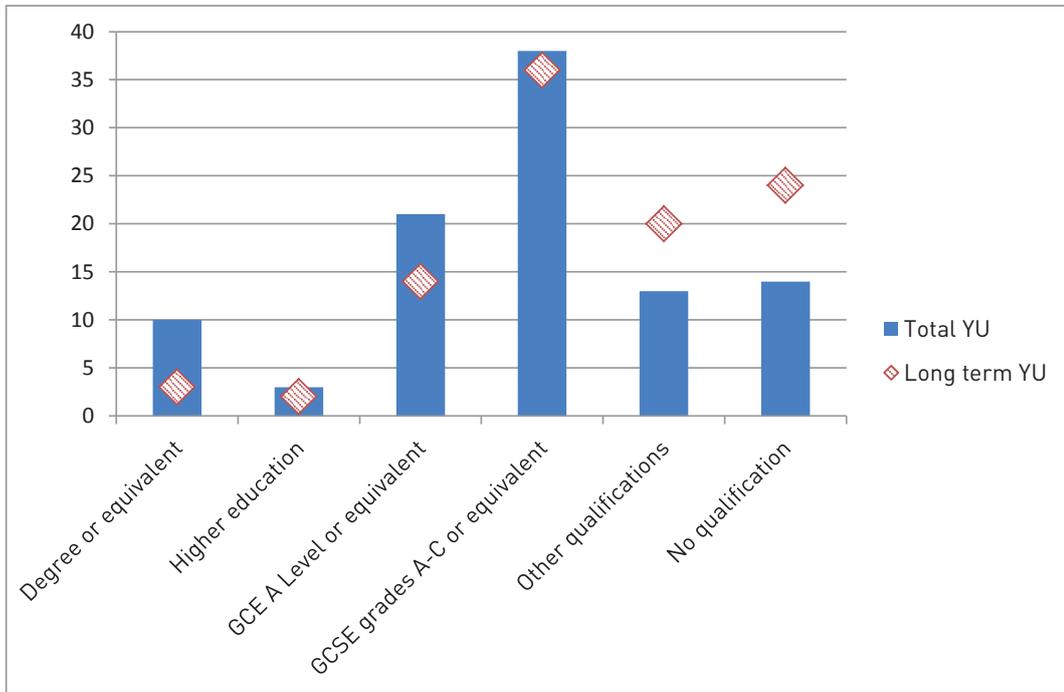
However, qualifications are no guarantee of employment; most of the youth unemployment cohort are qualified to at least GCSE level; 10 per cent possess a degree or equivalent, 21 per cent have achieved A-Levels or equivalent as a highest qualification and 38 per cent have GCSEs grades A-C or equivalent (see Figure 5).<sup>36</sup>

Nevertheless, the importance of qualifications is demonstrated when we contrast the qualification levels of the total youth unemployment cohort with those of the longer-term unemployed. Whilst a similar proportion of the long-term young unemployed have GCSEs or equivalent compared to the wider youth unemployment cohort, they are much more likely to have no qualifications at all, and are significantly less likely to have a degree or A-Levels.

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<sup>36</sup> These figures include those with vocational qualifications which are assessed as being the equivalent to the academic level. As the Wolf Report (2011) recently highlighted however, this is not always a good proxy for labour market value.

**Figure 5: Youth unemployment by highest qualification level, excluding full time students, %**



Source: Labour Force Survey, average of four quarters, 2011

There is a large discrepancy in the numbers counted as long-term unemployed between the ILO count of unemployment and the numbers claiming unemployment benefit (the claimant count). The most recent Labour Force Survey estimates show there were some 232,000 18-24 year olds who were long-term unemployed; while the claimant count registers just 55,200 long-term unemployed 18-24s.<sup>37</sup> For those under 18, very few are entitled to benefit. This figure may be influenced by both young people deciding not to claim at all (or not being eligible), or taking a while to claim for benefit after they start looking for work. If we look at the figure for total unemployment (excluding full-time students), we still see that almost a third of young people looking for work are not claiming unemployment benefit.<sup>38</sup>

<sup>37</sup> Labour Force Survey figures for Jan-March 2012; Claimant Count for March 2012. Both figures are seasonally adjusted.

<sup>38</sup> Taking the whole 16-24 group and excluding full-time students there are 707,000 ILO unemployed (Labour Force Survey Jan-Mar 2012) but only 480,300 claimant unemployed (March 2011). These figures are seasonally adjusted with the exception of the 16 and 17 year old components of the claimant count which are not available seasonally adjusted; these account for only around 1% of total claimant count cases.

This statistic is important because a claim for benefit means access to additional support from public (and private) employment services. A claim to Jobseeker's Allowance (JSA) and subsequent referral to a Work Programme provider is also part of the eligibility criteria for the Youth Contract. The fact that such a significant proportion of young unemployed people are outside of the system is a cause for concern.

### **3.3 What type of work are the long-term unemployed looking for?**

An increasing availability of part-time and temporary work is advantageous for some, especially for those young people who are simultaneously in education or training. However, many young people in work express a desire for more hours and would thus be considered "under-employed".<sup>39</sup> When compared internationally, the UK has the second highest rate of under-employment at an intermediate level in the OECD (exceeded only by Spain in a spread of 30 countries).<sup>40</sup>

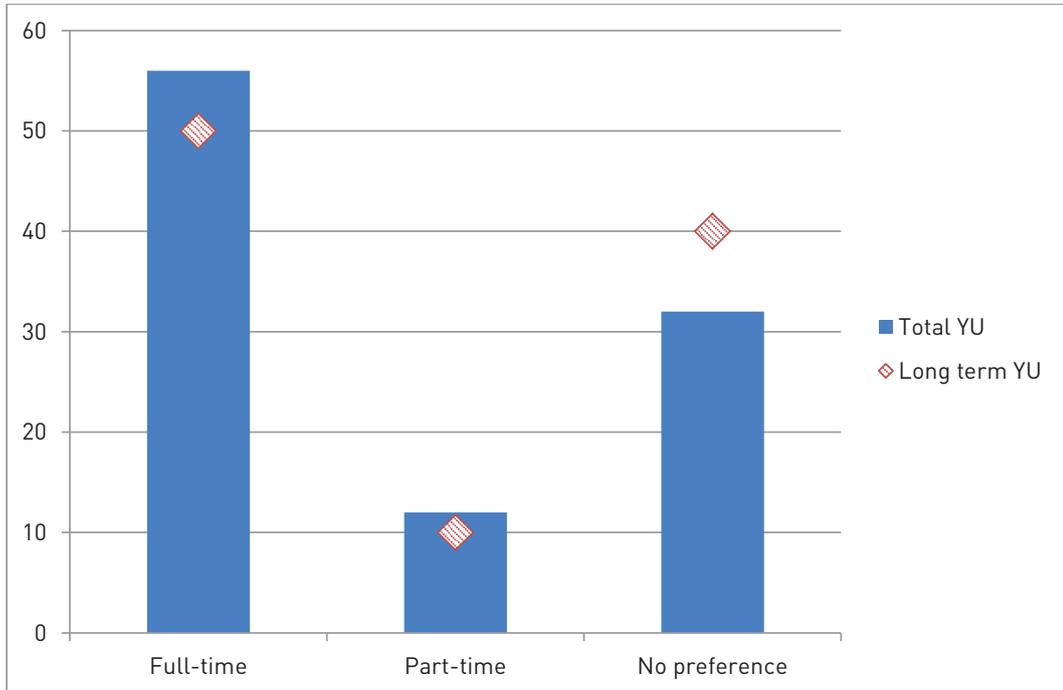
Figure 6 below shows that a preference for full-time work is replicated amongst the young unemployed population. This is the case for both long-term unemployed young people and the overall youth unemployment cohort. Of the total youth unemployment cohort, 56 per cent would prefer to work full-time, 12 per cent express a preference for part-time working, and 32 per cent are indifferent. Similar proportions of long-term unemployed young people express preferences for part or full-time working, with a slightly higher proportion (8 percentage points higher) expressing no preference. For 40 per cent of this group either working arrangement would suffice.

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39 UKCES (2011) 'Youth Inquiry: Employer's perspective on tackling youth unemployment', London UKCES

40 Ibid.

**Figure 6: Preferences of the young unemployed for full-time or part-time working, %, excluding full time students**



Source: Labour Force Survey

As routine mass production has become less important and manufacturing has declined, service industries have become an increasingly important source of employment for young people. Sales and customer service occupations employ more than 1 in every 5 young people who are in work. Large numbers also work in elementary occupations as well as a significant number employed in caring, leisure and other service occupations.<sup>41</sup>

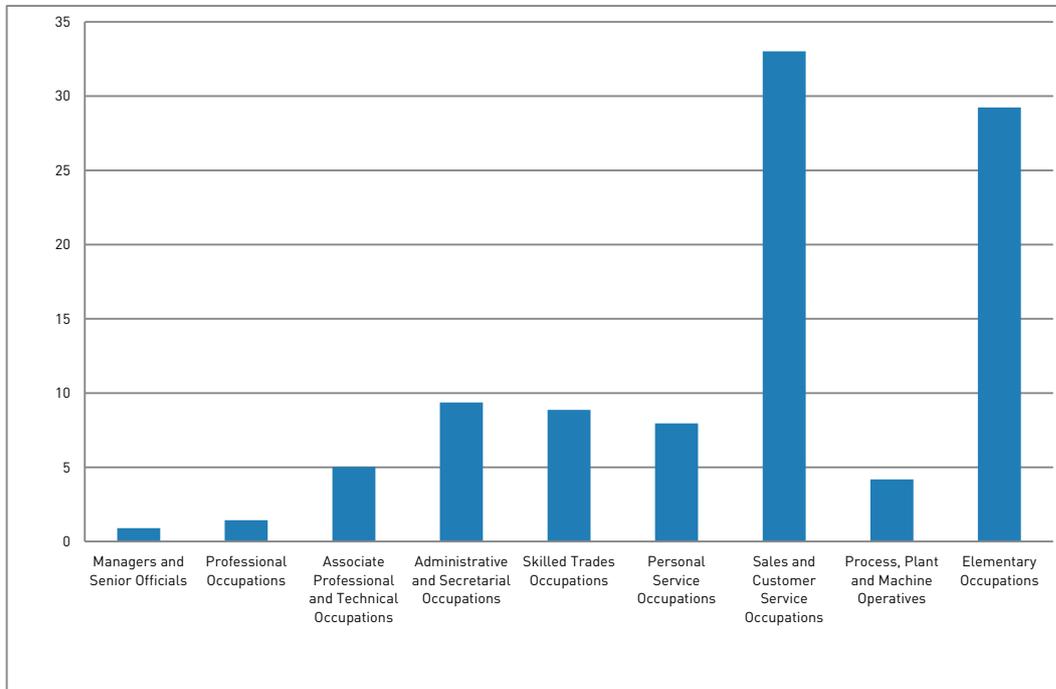
The type of occupations sought by 18-24 job seekers largely fall in line with these trends.<sup>42</sup> Figure 7 shows that the largest proportion of 18-24 year old job seekers (33 per cent) are looking for jobs in the sales and customer service sector, followed by elementary occupations (29 per cent). Those seeking elementary occupations, which are classed as the lowest skilled jobs in the economy, tend to apply for positions in goods storage and personal services.<sup>43</sup>

<sup>41</sup> Sissons, P. and Jones, K. (2012) 'Lost in Transition? The changing labour market and young people not in employment, education or training', London: The Work Foundation.

<sup>42</sup> Data are for claimants of Jobseeker's Allowance only.

<sup>43</sup> ONS (2012) 'Characteristics of young unemployed people', Newport: Office for National Statistics.

**Figure 7: Type of job sought by 18-24 year old jobseekers, %**



Source: Claimant Count data from ONS

This section has presented data on the durations young people spend unemployed, key demographic factors, education and qualification levels, and future work preferences. We have also presented data about the occupations sought by young jobseekers. We find that:

- Long-term youth unemployment has been rising both before and as a result of the recession
- Young men are more likely to be unemployed than young women. This is even more the case amongst the long-term young unemployed.
- The long-term unemployed are significantly more likely to have low or no qualifications.
- A large proportion of both short and long-term young unemployed people express a preference for full-time working.
- Most unemployed young people seek jobs in sales and customer service and elementary occupations.

## 4 Experiences of unemployment and looking for work

To better understand the processes by which young people become long-term unemployed, as well as to explore the barriers to work they face and their support needs, we conducted a series of interviews with long-term unemployed young people in different parts of the country. This section outlines the results.

### 4.1 Overview

We interviewed twenty-eight 16-24 year olds who were long-term unemployed in three different areas. The areas were:

- **London** - a major global city with a strong record of employment generation
- **Glasgow** - a major city which is still struggling with the longer-term consequences of deindustrialisation
- **Ashington** - a small former industrial town which is peripheral to major employment centres

The participants were accessed by working with local intermediary employment support organisations. They were provided with a £10 shopping voucher as an incentive to participate.

To examine the issues around long-term youth unemployment, interview discussion guides were structured around the following themes:

- Previous experiences of education, employment and the transition between these
- Experience of training, skills interventions and back-to-work schemes
- Experience of careers advice and Information, Advice and Guidance (IAG)
- Employment aspirations and goals
- Perceptions of barriers to work
- Perceived support needs to access employment

In this chapter we summarise the findings from these interviews around the central themes of young peoples' transitions from education into the world of work and their employment experiences; the employment aspirations and barriers to work faced by young people; and the consequences of youth unemployment. Finally we set out a broad typology of the long-term youth unemployed drawing on the interview findings. The typology identifies three 'types' of youth unemployment, those who are highly committed jobseekers but who are held back by a number of barriers to work including poor

qualifications and lack of experience; more casual jobseekers who are often living with parents and not claiming benefits who exercise more selectivity over the work they look for, and are looking less intensively; and, the hard to help, a group of young people with multiple barriers to work arising primarily from economic disadvantage.

## 4.2 Transitions from education into work

A central concern around rising youth unemployment is the extent to which young people are able to make a swift and effective transition from the education and training system/s and into sustainable employment<sup>44</sup>. There were very few examples among our interviewees who had made any real transition into the labour market. In a couple of cases interviewees had been 'mostly' employed but in a series of relatively short-term positions. In the majority of cases the young people had either never worked or had only worked for a brief period.

Experiences of the education sector, in particular of school, can significantly impact on young peoples' ability to make the transition into work. A number of young people had pronounced difficulty during their time at school. Several had been expelled from mainstream schools while others had suffered with problems such as bullying. For most of these individuals, the disruptions to their schooling meant they had left without GCSE/Scottish Standard Grades passes.

Many of the other young people who were interviewed left school with comparatively low qualifications, with either no GCSE/Scottish Standard Grades passes or a small number. However, a number of the young people interviewed did have strong GCSEs/Scottish Standard grades but had foundered after school. In many cases young people in this higher attainment group continued to college but almost exclusively into vocational courses rather than taking (academic) A-Levels. Some other interviewees with few school qualifications had also entered college after finishing school, again largely in vocational courses (mostly at NVQ Level 2 or 3) but had been unable to use these qualifications to successfully access employment.

There were also examples of interviews who had started but not finished college courses – for the most part this happened where the young person had drifted into a course they had no real attachment to in terms of subject area or longer-term career goals.

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44 There is evidence that during the past decade more young people have found it increasingly difficult to get their first job after leaving education. See Sissons and Jones (2012) 'Lost in Transition? The changing labour market and young people not in employment, education or training', London: The Work Foundation.

The interviewees highlighted the difficulty which young people face getting a foothold in the labour market not just when leaving school at 16 but also after having gone on to get additional qualifications. For many of the young people the period since leaving education (school or college) had proved difficult, and many had spent a period of time without any meaningful support to try and make the transition into work. Of course, many of these young people have spent their entire job-seeking period in either a recession or a painful slow recovery which makes looking for work even more difficult; but it was clear that many would have nonetheless benefited from greater support at an earlier stage to help smooth the transition into work, which over time becomes increasingly difficult to make. It is this issue to which we now turn.

### **4.3 Experience of employment support and careers advice**

As has been described many of the young people interviewed had to some degree drifted after leaving education. We now present the findings of their experiences around two types of interventions that should have supported them onto a more purposeful path – careers advice, and skills and employment programmes.

#### **Careers advice**

Almost universally young people identified receiving a lack of career guidance either at school or since (for example through Connexions). In some respects there is an inevitability to this, given that the young people that we interviewed were out of work they would be unlikely to have viewed the advice as being completely satisfactory, but some specific areas were identified where the advice and guidance young people received was clearly insufficient or ineffective. In particular, young people identified that the nature of advice was very focused on the next immediate step and much less on developing a career plan. So a widely cited experience was that simply enrolling in college was a satisfactory outcome. There are two pronounced failings with such an approach. First, a number of the young people we spoke with had drifted into a college course rather than having a clear plan for what they wanted to do. In particular it was apparent that young people knew little about the labour market value of the qualifications that they had taken, nor thought about the match between them and the local labour market. This is where good quality IAG can support decision-making. Secondly, some young people subsequently dropped-out as they were not fully committed to the course they had started.

## Skills and employment programmes

Young people had diverging views about the quality and usefulness of any employment programmes and skills interventions they had received during the time they had been unemployed. On the whole, young people who were claiming Jobseeker's Allowance (JSA) tended to be fairly critical of the support they received from Jobcentre Plus. Given that the intensity of support provided increases the longer a young person is unemployed, this might be expected. The Jobcentre only has responsibility in most cases for the first nine months, during which there is less support, before young people move to a different provider for more intensive support.

All the young people we interviewed were currently working with employment support providers to help them find employment. The type of provider they were working with included third sector organisations (who they were working with on a voluntary basis) and Work Programme providers. Generally speaking the young people felt they had made progress since working with the employment support provider, although the intensity of support varied quite significantly. Young people felt they had benefited from three areas of help – advocacy and support, accessing resources, and addressing immediate barriers to work.

For some just receiving support and encouragement from the provider was a positive step, particularly as conversations with providers could both shape ideas about work and provide practical steps to reach their goals. The availability of resources to support job searching, in particular access to the internet on a drop-in basis was an important benefit for some. Finally, some of the young people had received support around more immediate barriers to work, for example help with their CV or support with how to effectively job search.

One important area where many young people felt they had not received the support they needed was around access to opportunities like work experience, and in some cases training. There was a sense amongst some that the support they were receiving was helpful and would boost their chances of finding a job, but failed to address some of their core issues around lack of experience.

### 4.4 Barriers to work

In this section we describe the barriers to work which long-term unemployed young people face. Many of the young people interviewed had more than one barrier to work and in certain cases had a package of (overlapping) barriers to work which were the result of chaotic lives and economic disadvantage. In some cases young people had

immediate barriers to be addressed before moving into employment could be a realistic goal – these included housing problems, for example some lacked a consistent address. A number of the central barriers to work faced by young people are now detailed.

## **Work experience**

Many of the young people interviewed had no experience of paid work. Those who did have some work experience had often been employed short-term and few had what would be considered a consistent work history since leaving education.

Those young people with no, or with very limited, experience of work, felt that this was often their central barrier to employment. It was widely reported that the majority of jobs stipulated that experience was required and many of the young people interviewed found this the most frustrating aspect of job searching. The following quotes typify the experiences and attitudes of the young people we spoke to towards this:

*How can you get experience if they won't give you a chance?*

*Experience is one of the main factors... [but] how can I get experience if no-one is willing to let you work?*

Many of the young people that were interviewed felt that if they could get some form of work experience placement or work trial that would help them to access employment. They viewed this as being potentially beneficial for two reasons. First, it would be additional experience to put on their CV; secondly, they viewed it as a possible opportunity to 'prove' themselves to an employer and show what they could do which they thought could result in a job offer. The main concern raised by a number was that a placement would not be in a sector that they were looking for work in, with several having previous (negative) experiences of being placed for experience in organisations which they felt provided little boost to their employment prospects.

## **Qualifications**

As described previously some of the young people we interviewed had relatively low or no qualifications from school. In some cases young people viewed this as a barrier, although many others did not perceive it to present a problem. In many cases this was because they felt that the jobs they were applying for were not those that required many formal qualifications. While many did not consider it to be an issue, in a difficult labour market where vacancies are vastly oversubscribed, qualifications can be a straightforward way for employers to filter applications.

## **Demand for labour**

Some young people attributed their difficulties in finding employment either primarily or partially to the weak labour market and the lack of opportunities locally. This perception of a lack of opportunities was particularly pronounced in the two former industrial areas we visited (Glasgow and Ashington). Some of the young people also noted that when work was available it could often be very temporary in nature (down to a day or two), and for those claiming benefits this was felt to create too many difficulties to make it worthwhile. Some of the young people interviewed also felt that there was additional competition for the jobs which are available as a result of immigration.

## **Other barriers to work**

A number of other barriers to work were described by interviewees, although they tended to be either mentioned by only a small number of interviews or were considered to be barriers which were secondary to the core issues around work experience, qualifications to access work, and the number of jobs available locally. These barriers were:

- Transport links and cost – in particular in Ashington where most of the job opportunities were in and around Newcastle which is a lengthy and expensive bus journey (or journeys) away
- Having a criminal record – affected a minority of young people but for them can be a significant barrier to work
- Postcode discrimination – was mentioned by one young person in relating to the part of London they were living in
- Communication skills – could be weak among some of the young people who were interviewed
- Job search and motivation – for a number of young people the intensity of their job search made it more likely that durations out of work would increase.

## **4.5 Employment aspirations**

The young people were asked to discuss the type of jobs they were looking for now, as well as where they saw themselves being in five years time, to get a sense of how they viewed the labour market.

## **Type of work looking for now**

For the most part the young people interviewed had pretty realistic and sensible expectations about the types of sectors they were looking for work in. For example many were looking for work in retail and/or customer services, whilst others were looking for care work. Often the sectors which young people were looking for were informed by the types of opportunities which they had seen were available in the greatest number locally. Many young people were quite flexible about the type of work they were looking for, identifying a number of broad sectors that they were applying to. However others had much more tightly defined views about the type of work they wanted. In some cases there were also clearly gendered perceptions about the type of work which was appropriate, with men more likely to prioritise occupations generally considered to be 'masculine' such as the trades.

In the longer-term most young people simply wanted to be in stable employment, although some talked in terms of progression, for example to management or team leader roles. Others did not know or have expectations of what they would be doing in five years time. This is something that is perfectly understandable given their situation, however some might have benefitted from having longer-term goals mapped out to provide them with greater structure and impetus around their current job search.

## **Searching for work**

There were very different experiences reported by young people in terms of both the breadth and the intensity of their job searching activities. Some young people were filling out numerous applications every week, and applying for everything even remotely relevant. They were spending many hours each day on job search and applications and were looking widely in terms of both sectors and geography to get their foot (back) on the ladder. Others were being more selective and applying for relatively few jobs (something which was more likely for those who were not claiming benefits). Often young people were receiving help with their job search from a provider.

While there were many young people making lots of applications relatively few reported using other approaches such as speculative letters.

## **4.6 Consequences of youth unemployment**

There were a number of readily observable impacts which long-term unemployment had had on the young people that were interviewed. In particular there were two areas where unemployment had a particularly negative effect:

- Young peoples' confidence – some of the young people were losing confidence as a result of a lengthy and fruitless job search. Ultimately this is self-defeating and providers have an important role in trying to address this. Few of the young people had experienced many interventions other than those around job search and it appeared that other interventions, such as short training courses or work experience placements, might have helped young people to both develop additional employability skills but also to provide concrete markers of progress or improvement towards employment. The following quote highlights the draining effect which long periods of job searching can have:

*'I've applied so many places and all they say is no and that's it...when you apply for hundreds of jobs and you get no interview it's just demoralising'*

- Feelings towards others and community cohesion – there were a number of examples where young people were quite vocal, and at times quite vicious, about the impact which migrant workers had had on their employment prospects. In particular they highlighted concerns about migrant groups undercutting wages and working for below the minimum wage.

*'People coming from abroad and working for very little money'*

While the evidence suggests that immigration is not a significant explanation of rising youth unemployment, that perception is clearly not shared by some young people. The strength of feeling expressed by some young people suggests this is not a matter to be taken lightly and is one that might have negative implications for community cohesion.

#### 4.7 A typology of interviewees

While the young people interviewed had a diverse range of experiences, their positions in terms of orientation to, and distance from the labour market, tended to coalesce around three positions. We therefore present a typology of three groups of young people who we interviewed.

- **Committed jobseekers** – This group could be best characterised as often having some barriers to work but being very committed to looking for work, and desperately wanting to have an opportunity to get a foothold in the labour market. This group were also often looking for work fairly long distances away from where they were living, were applying for large numbers of jobs each week, and were somewhat flexible about sectors. Many of the young

people in this group felt all they needed was a chance to prove themselves in the workplace and, having got an initial foot on the ladder, would be fine. The following quotes surmise the type of things this group were saying:

*'I love working, I love being busy...If someone could just give me the chance'*

*'I was told no by a lot of employers, so I started thinking 'why wasn't I good enough?' 'why wasn't I given a job'? but then you realise that you're going to be told no by a lot of people and you just gotta keep going'.*

- **Casual jobseekers** – This group are typified by often having some barriers to work but also exercising a large degree of selectivity over the type of work which they would apply for. Some in the group were also drifting without any real direction in their job search. Often this group were living at home, were not claiming benefits, and were under no immediate pressure or had no strong impetus to find work. They were often applying for jobs relatively infrequently. One member of this segment summed up their position succinctly:

*'I'm not at the age where I'm desperate for a job as I've still got mum and dad there'*

- **The hard to help** – In some cases this group have immediate issues to resolve, for example with housing or debt, before work is a realistic goal. In other cases they had combinations of barriers which made finding work challenging. Often young people in this group were keen to work but had few concrete ideas in mind of what they might do. They were also in some cases quite fatalistic about their prospects. Young people in this group will often require intensive help and support around a number of issues to access the labour market.

## 5 Policies for tackling long-term youth unemployment

In this section we draw together the evidence for the support needs of the long-term youth unemployed and examine the policy responses that might be adopted.

### 5.1 Addressing barriers to work

The long-term unemployed often face a number of pronounced barriers to finding work. For a start, the period they have spent out of work can itself create problems because of issues with confidence as well as negative signalling to employers. The more time a person spends away from the workforce, the more reluctant employers become to hire that person. The rationale behind their decision posits that skills can deteriorate once a person is out of work for a prolonged period.<sup>45</sup> Employers may also assume negative attitudes towards people with a significant gap in their résumé, often believing them to be less productive than other applicants.<sup>46</sup>

*While it is not possible to undo individuals' time spent unemployed, the barrier can be alleviated through intensive work with employers to open up vacancies for the long-term unemployed. This can be done by either changing the incentives for employers to recruit (as with the wage subsidy); by providing any training and upskilling the unemployed need to contribute effectively to the business; or it can be about emphasising some the benefits which might accrue to employers in terms of employee motivation and commitment.*

There is an extensive body of literature which demonstrates the central importance of qualifications on labour market outcomes. Young people with an education level below tertiary are more likely to be passed over by employers in favour of their more highly educated peers.<sup>47</sup> Our research with young people also found relatively low levels of qualifications, though in many cases the young people themselves did not feel this was a major barrier to them finding work. In the longer-term the raising of the participation age should help support better qualification outcomes – but in the short-term this remains a problem.

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45 International Labour Organisation (May 2012) 'Global Employment Trends for Youth 2012', Geneva: ILO.

46 Ibid.

47 International Labour Organisation (May 2012) 'Global Employment Trends for Youth 2012', Geneva: ILO.

*There is a widely acknowledged tension within the employment and skills systems between the requirements of job search and availability for work (for those on Jobseeker's Allowance) and addressing issues around qualifications and retraining. For some young people upgrading qualifications is likely to yield better longer-term labour market outcomes, though there are clearly financial implications to this.*

*It is important that skills and qualifications needs are addressed. For some young people this might be achieved by going into work but then continuing to develop their skills through lifelong learning. Evidence suggests that qualifications achieved through lifelong learning yield a wage return, and support for the long-term unemployed should address the issues of longer-term labour market outcomes.<sup>48</sup>*

In addition to qualifications, other skill sets are important in accessing work. In particular these include soft skills and employability skills. These are often the skills which employers highlight as a major weakness.<sup>49</sup> For example, the long-term unemployed may have difficulty demonstrating qualities such as self-discipline; an aptitude for communication or expression; and highly desirable teamwork skills. These skills are increasingly important in light of service sector growth.<sup>50</sup> Young people without well developed 'soft skills' and holding poor grades at a GCSE level are particularly vulnerable to moving between low skilled jobs and unemployment.<sup>51</sup> A number of organisations have suggested interventions to improve employability and soft skills to support both short-term and long-term reductions in long-term youth unemployment.<sup>52</sup>

*Employment support providers have a major role to play in helping young people who have become long-term unemployed to develop the soft skills, and confidence to use these, in order to access employment. These soft skills have been widely cited by a number of organisations as being central to accessing employment opportunities and intensive support should be provided to develop these.*

48 See Dorsett, R. Lui, S. and Weale, M (2010) 'Economic Benefits of Lifelong Learning', London: Centre for Learning and Life Chances in Knowledge Economies and Societies.

49 CBI (2011) 'Action for Jobs: How to get the UK working', London: CBI.

50 ACEVO (2012) 'Youth unemployment: the crisis we cannot afford', London: ACEVO.

51 Cundy, J. and Patwari, R. (2011), 'Levelling the playing field: Achieving social mobility for disadvantaged young people', London: Barnardo's.

52 For example CBI (2011) 'Action for Jobs: How to get the UK working', London: CBI. Also, Bivand et al (2011) 'Youth unemployment: A million reasons to act, London: CESI.

Young people can also face a number of circumstantial barriers to accessing the labour market. Obstacles to employment are more difficult to overcome when young people cannot count on a stable family environment and positive parental support. There are some patterns of intergenerational worklessness and community deprivation in areas where there are high concentrations of youth joblessness.<sup>53</sup> Other issues which can affect a minority of young people include having a criminal record, and issues around stable housing.<sup>54</sup>

*Among the hardest to help, youth unemployment is not just a labour market issue, there can often be wider housing, health and criminal justice issues. This requires effective linking of services and multi-agency support.*

Geography can also play a part in the decisions young people make. The areas in which young people live can be damaging to their prospects of finding a job, especially if they are residing in neighbourhoods with many other workless people.<sup>55</sup> The consequences of this pertain to the lack of information about jobs as a result of social networks.<sup>56</sup>

While the long-term unemployed face a number of supply-side issues, particularly around human capital, there are also demand-side issues which need to be addressed. The most obvious and damaging being the current lack of economic growth. There is a well-established relationship between economic growth and employment growth and at present the lack of job opportunities is an enormous challenge for long-term unemployed people looking for work. There are also clearly very varied local circumstances around demand for labour (in good times and bad) and more diffuse employment growth, which increases the number of jobs in less economically buoyant parts of the country (for example many former industrial areas) is also needed. This however is a major long-term challenge that is unlikely to be addressed quickly.

*To solve the long-term youth unemployment problem economic and employment growth is a core need. Government policy must focus on growth in the labour market.*

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53 Cundy, J. and Patwari, R. (2011), 'Levelling the playing field: Achieving social mobility for disadvantaged young people', London: Barnardo's

54 Ibid.

55 Social Exclusion Unit (2004) Jobs and Enterprise in Deprived Areas, London: ODPM.

56 Green, A.E. and White, R.J. (2007) 'Attachment to place: Social networks, mobility and prospects of young people', York: Joseph Rowntree Foundation.

In addition to supply and demand factors there are a range of institutional factors that affect long-term youth unemployment. Of particular relevance are the cost, availability and frequency of transport from home to employment centres, and differences in the quality of the support offer for young people locally.

*Transport barriers can be a real impediment to young people finding work. Policy needs to reflect this. The recent ACEVO report highlighted the large profits of the 'big five' bus companies and the need to establish a new national deal which lowered the cost of transport for young people looking for work, in work, or in learning.*

*IAG for young people can be a powerful tool to support them into the labour market. Recent changes to careers advice and guidance have however left the IAG system in a state of confusion.*

## 5.2 Coordinating support for young people

Making the transition from school to work is difficult for many young people, but particularly so for those most likely to experience long-term unemployment. Yet no agency is responsible for young people over this period. While there is often support available, it is too frequently poorly coordinated and ill-signposted for users. The failure of co-ordination happens at both national and local levels.

At the national level, no agency tracks and has responsibility for young people as they leave the remit of the Department for Education (DfE) and enter work, further or higher education (where the responsible ministry is often the Department for Business Innovation and Skills [BIS]) or unemployment and inactivity (the remit of the Department for Work and Pensions [DWP]). This means policy is not sufficiently joined up nationally, and there is no minister with a remit for youth employment.

Achieving coordinated policy can be difficult. Departments are often unwilling to give up responsibility, and there are concerns that putting in place new structures will risk destabilising those parts of the current system that work well. Yet a few models of successful coordinating initiatives exist. One is the Cities Policy Unit (CPU) in the Cabinet Office. The CPU is charged with negotiating city deals between cities and Whitehall. To do so, it has to strike deals between a number of government departments, a process which often requires that they give up powers. It is led by a Minister for Cities, an established politician who already holds the remit for decentralization and has added cities to its brief. So far, the Unit has been successful in negotiating city deals with a number of cities.

A second model is Scotland's Minister for Youth Employment. The Youth Unemployment minister reports to both the First Minister (the equivalent of the Prime Minister), and those for Education and Lifelong learning and Finance, Employment and Sustainable growth. The strength of this model is clear – a dedicated, accountable figure responsible for youth unemployment levels, and a role which sits between the relevant departments. The risk is that a minister with no clear powers is ignored, leaving the position seen as irrelevant and less likely to achieve coordination across government.

The second set of coordination failures happen at the local level. Often there are multiple agencies responsible for training and employment provision at a local level. In Shoreditch alone, the Private Equity Foundation estimate there are around 70 different agencies engaging with NEETS. A diversity of agencies offering services to young people may be a good thing. Yet a fragmented set of agencies can be problematic, particularly for those without the information and capabilities to reach the services they need. And fragmented services often reflect the whims of funding, rather than the needs of the local area. This leads to concerns that while there are a wide range of services on offer at a local level, funding streams are poorly coordinated.

It is therefore essential that local services are better coordinated to allow the long-term unemployed to access the support they need. Practical improvements need to be made with regards to data and information sharing.<sup>57</sup> There is also a need to improve the linking of services and ability to provide 'holistic support' for those with significant barriers to work who may require multi-agency support.<sup>58</sup>

### 5.3 Opening up pathways into employment

There is relatively widespread agreement that increasing the availability of apprenticeships must be an important part of the answer to addressing youth unemployment.<sup>59</sup> As part of the Youth Contract incentives have become available to support an additional 20,000 apprenticeships.

Apprenticeships can offer young people clearly mapped out routes into the workplace and the chance to train and work at the same time. However, it is not just increasing the numbers which matters. There is a general concern about the value of apprenticeships

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57 Learning and Skills Improvement Service (2010) Understanding NEETs – lessons for policy and practice. Policy and Research Seminar - <http://www.lsis.org.uk/Services/Policy/Policy-Seminars/Documents/Understanding%20NEETs%20research%20seminar%20final%20report.pdf>

58 Ibid

59 ACEVO (2012) 'Youth unemployment: the crisis we cannot afford', London: ACEVO; Bivand (2012) 'Generation lost: Youth unemployment and the youth labour market', London: TUC Touchstone.

in some sectors and the quality of outcomes which they offer.<sup>60</sup> Addressing these quality issues is important if apprenticeships are to be part of the solution to reducing long-term unemployment. It is also likely that for many of the long-term unemployed an intermediate intervention is required before an apprenticeship is a suitable (or likely) outcome. This requires additional capacity to offer pre-apprenticeships to the long-term unemployed to provide them with the base skills needed to access and succeed in a full apprenticeship. Building this pre-apprenticeship to apprenticeship pipeline offers the best chance for the long-term unemployed to enter jobs from which they can build careers and upskill.

#### 5.4 Wage subsidies and guaranteed jobs

One way to get more of the long-term unemployed working (and gaining experience) is to boost the number of jobs which are available to them, or to tip the balance in their favour in competition in the labour market. Beyond policies to facilitate national growth more targeted measures can be pursued. There are presently a number of schemes and proposed schemes which aim to provide additional employment opportunities for young people:

- **The Youth Contract Wage Subsidy.** The approach taken by the government with the Youth Contract has been to roll-out wage subsidies for young people. There are 160,000 wage subsidies budgeted which will provide up to £2,275 per person over six months to employers recruiting young people who are working with a Work Programme provider. There have been a number of criticisms of the approach adopted. These include critiques of the efficacy of wage subsidies more broadly, which can often incur high deadweight costs. One important criticism of the subsidies specific to the Youth Contract has been that subsidies are being spread across three years when they might be more heavily front-loaded.<sup>61</sup>
- **First Step.** The recent ACEVO report on youth unemployment suggests a different approach which provides a guaranteed part-time 'First Step' for long-term unemployed young people. This would be a guaranteed part-time job for six months that would be combined with intensive support from providers to find unsupported employment. For those reaching the end of the six months without having work they suggest an intermediate labour market scheme of work plus intensive support.

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60 Wright and Sissons (2012) 'The Skills Dilemma: Skills Under-Utilisation and Low-Wage Work', London: The Work Foundation.

61 ACEVO (2012) 'Youth unemployment: the crisis we cannot afford', London: ACEVO.

- **Real jobs guarantee.** The Labour Party has suggested a further iteration of a wage subsidy approach. Their 'real jobs guarantee' suggests providing six months work for those aged 18-24 and unemployed for a year. The proposed subsidy amounts to £4,000 with firms agreeing to provide training and development to enable the young person to find work with an alternative employer at the end of the scheme.
- **The Future Jobs Fund.** Another suggestion has been to reinstate the Future Jobs Fund (FJF).<sup>62</sup> The FJF was a programme to create temporary but 'real' jobs to help unemployed young people in a difficult labour market. It provided a subsidy (up to £6,500) for jobs that were full-time (at least 25 hours a week), additional, and which provided a benefit to the community. An independent evaluation of the policy suggested it had a number of benefits for individuals, it benefited the hard-to-help and it had strong job sustainment. Supporters of the programme reject criticisms that it was not cost effective, and argue that the model offered young people 'quality experience of a real job'.<sup>63</sup>

The various employment subsidy schemes that have been suggested and pursued demonstrate an acknowledgement of the youth unemployment problem and the need to develop workable solutions. In this respect the Wage Subsidy as part of the Youth Contract is a welcome development. On balance, however, the ACEVO recommendations represent a better package, as part-time work has the key advantage of allowing time for job search for an unsubsidised job and other support; the subsidy is less than that associated with a full-time job; and young people are more likely to want to progress into an unsubsidised full-time job than remain in a subsidised part-time one.

More generally, while wage subsidy programmes are welcome and will begin to address the growing problem of youth unemployment, in isolation they are not sufficient to produce large-scale reductions. There are two important reasons for this:

- None of the suggested policies address the needs of those who are unemployed but not claiming benefits. To tackle long-term youth unemployment we therefore need to think more broadly about how we support this group.

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62 Bivand (2012) 'Generation lost: Youth unemployment and the youth labour market', London: TUC Touchstone.

63 Ibid.

- In the absence of significant growth in the labour market the benefits of such policies is likely to be muted. A number of commentators argue that to really bring the figures down would require a much more significant demand side boost. Without more demand there is little chance of bringing down the numbers quickly.

## 6 Conclusions and policy recommendations

In this section we draw together the evidence which we have presented on the important issue of growing long-term youth unemployment in the UK. We then provide a six-point plan which we believe Government needs to adopt if we are to meaningfully address this problem in the short and long-term.

### 6.1 The long-term youth unemployment problem

Youth unemployment is too high. More than one million young people are looking for work and the number has grown in good times and bad. However, there is a particular policy challenge around long-term youth unemployment – those who have been out of work for more than a year. There are now more than a quarter of a million long-term unemployed young people. The concern is that many of these young people will suffer the legacy of this time spent out of work extending far into their lives.

We found many young people struggling to get an initial foothold in the labour market. The barriers to work preventing this including lack of experience, poor qualifications and having few suitable local opportunities. This leaves many young people in a Catch-22 situation – they have no work experience but cannot access employment to gain this experience.

Many of the young people we interviewed were trying very hard to find employment, they had realistic job goals, but were still struggling. Critically a significant proportion of the unemployed are also not claiming benefits and may therefore be outside of any support system to help find work.

It is imperative that we tackle the problem of long-term youth unemployment. Recent Government policies, in particular the Youth Contract, are a step in the right direction but are insufficient to address the scale of the problem. We now present what we believe are the six key measures that Government must take to bring the numbers down.

### 6.2 What Government needs to do now – a six-point plan to tackle long-term youth unemployment

We now provide details of what the policy response should look like to the growing long-term youth unemployment problem. These are measures that seek to address both the short-term problem of high long-term unemployment, and the longer-term needs to move to lower levels of long-term youth unemployment.

**1) Improved national coordination** – better coordination of services is crucial to addressing long-term youth unemployment. It is now clear that youth unemployment should be placed at the heart of government. We recommend this happens through two measures:

- **A Youth Employment Unit.** We argue that a cross-departmental unit is needed to monitor and coordinate policy for youth unemployment. This unit would work across the core Central Government Departments concerned with youth unemployment – the Department for Education, Department for Work and Pensions, Department for Business Innovation and Skills, and the Department for Communities and Local Government. Building on the model of the Cities Policy Unit, it should be based in the Cabinet Office – this is where the recent youth unemployment initiative, the Youth Contract, originated. The unit should have two aims – in the short-term it should aim to develop policy focused on ensuring the long-term unemployed are integrated rapidly into work, education or meaningful training. In the longer-term it needs to focus more broadly on smoothing transitions into work among those at greatest risk of unemployment. Part of the remit of the Unit would be to work closely with employers to open-up more opportunities for the long-term unemployed, for example by working with companies HR departments to look at recruitment policies and adoption of apprenticeship programmes. At a local level, the body will need to engage with all relevant third sector bodies and representatives of local government.
- **Responsibility for youth employment at a ministerial level.** We recommend that youth employment becomes a specified ministerial responsibility. Successful cross-departmental ministers need to have real powers and be an established, respected politician. One of the national ministers needs to have responsibility for long-term youth transitions added to their portfolio. The Minister needs to work across departments on the issue of transitions from education to work, ensuring policy is joined up and that pathways into work are coordinated and clear. The Minister also needs to engage strongly with representatives of major employers in the UK, education institutions and the third sector to help facilitate long-term improvements in the transition from education to work for young people.

**2) Better local coordination** – The remit for youth unemployment needs to be extended beyond Whitehall. Local service providers, educators and employers have a critical role to play in bringing down youth unemployment.

- **Mapping provision.** There is significant complexity (and often some duplication) of services for young people locally. Local areas with high rates of youth unemployment need to ensure that local employment and skills services are adequately mapped and understood, and ensure that these are effectively linked. Local authorities are best placed to perform a strategic coordination role of service provision. This strategic coordination may also be supplemented locally through work (for example with the third sector) to provide mentoring or ‘supercoach’ services to support young people to access the relevant support. More generally, within the provision landscape it is important that the right services are available (and provided consistently) to support young people making the first, and hardest, step into work.
- **A local employment strategy.** Local areas with high rates of youth unemployment should draft a locally specific youth employment strategy, and work intensively with employers and providers to maximise opportunities for the long-term unemployed (to participate in education and skills provision, apprenticeships, work experience, subsidised and unsubsidised employment). The body with the responsibility for drafting this strategy may vary locally, for example it could be led by the locally authority or the Local Enterprise Partnership (LEP), however the strategy would need the input of all key local stakeholders including local authorities, Work Programme providers, Jobcentre Plus, schools, education and skills providers, and representatives from the private sector and the Third Sector. The lead organisation for the strategy could also act as a link to Central Government through the Youth Employment Unit which we propose.

**3) Guarantee part-time jobs** – The Government’s response to youth unemployment through the Youth Contract is a welcome recognition of the scale of the problem. The provision of wage subsidies to the longer-term unemployed will be of direct benefit to those unable to find work. However, the model which has been adopted can be improved. We recommend the Government instead provides a part-time jobs guarantee as advocated by ACEVO. This offers the benefits of wider coverage as well the time and support to find unsupported employment.

**4) Bring more young people into the system** – Given almost a third of young people who are unemployed are not claiming unemployment benefit, large-scale reductions are unlikely to be made solely by public and private employment agencies. The role of the voluntary sector is crucial here, and it should be acknowledged. In areas with high rates of youth unemployment strong performing local organisations must be identified and supported financially to work intensively, and to ramp up the scale of their provision

for the long-term unemployed. There is also a case for incentivising more young people to engage with education and employment service providers to bring them into contact with a system which supports them to find work. One suggestion has been for the establishment of a Youth Credit, a regular payment conditional on participation in education or job-seeking.<sup>64</sup>

**5) Tackle transport barriers** – The high costs of transport leave some young people trapped looking for work in high unemployment/low vacancy areas. For some young people this is the single biggest barrier to work. Given the large costs of long-term youth unemployment, providing travel subsidies or concessions to long-term jobseekers and those beginning work is a cost effective step that addresses an important barrier to work. Greater leverage should be asserted on transport companies in contract and subsidy negotiations to secure a better deal for the long-term unemployed which removes this barrier to finding work.

**6) Focus on growth** – Subsidised jobs can play an important role for young people in gaining work experience and skills. Ultimately however the long-term solution is boosting aggregate demand and growth in the labour market. Government policy must prioritise economic and employment growth to allow the long-term unemployed to capitalise on the employability benefits of short-term programmes. We have highlighted previously some of the steps that we feel need to be taken - these include – increased investment in infrastructure, provision of finance to firms with high growth potential, unleashing the power of places through additional powers and financing instruments, and supporting innovative networks and the digital economy.<sup>65</sup> It is only through a comprehensive plan for growth that we will really begin to bring down the numbers.

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64 See Bivand (2012) 'Generation lost: Youth unemployment and the youth labour market', London: TUC Touchstone.

65 Brinkley, I. Levy, C., Sissons, A. Wright, J., and Lloyd, M (2011) 'Autumn Statement 2011: A submission from The Work Foundation', London: The Work Foundation.

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