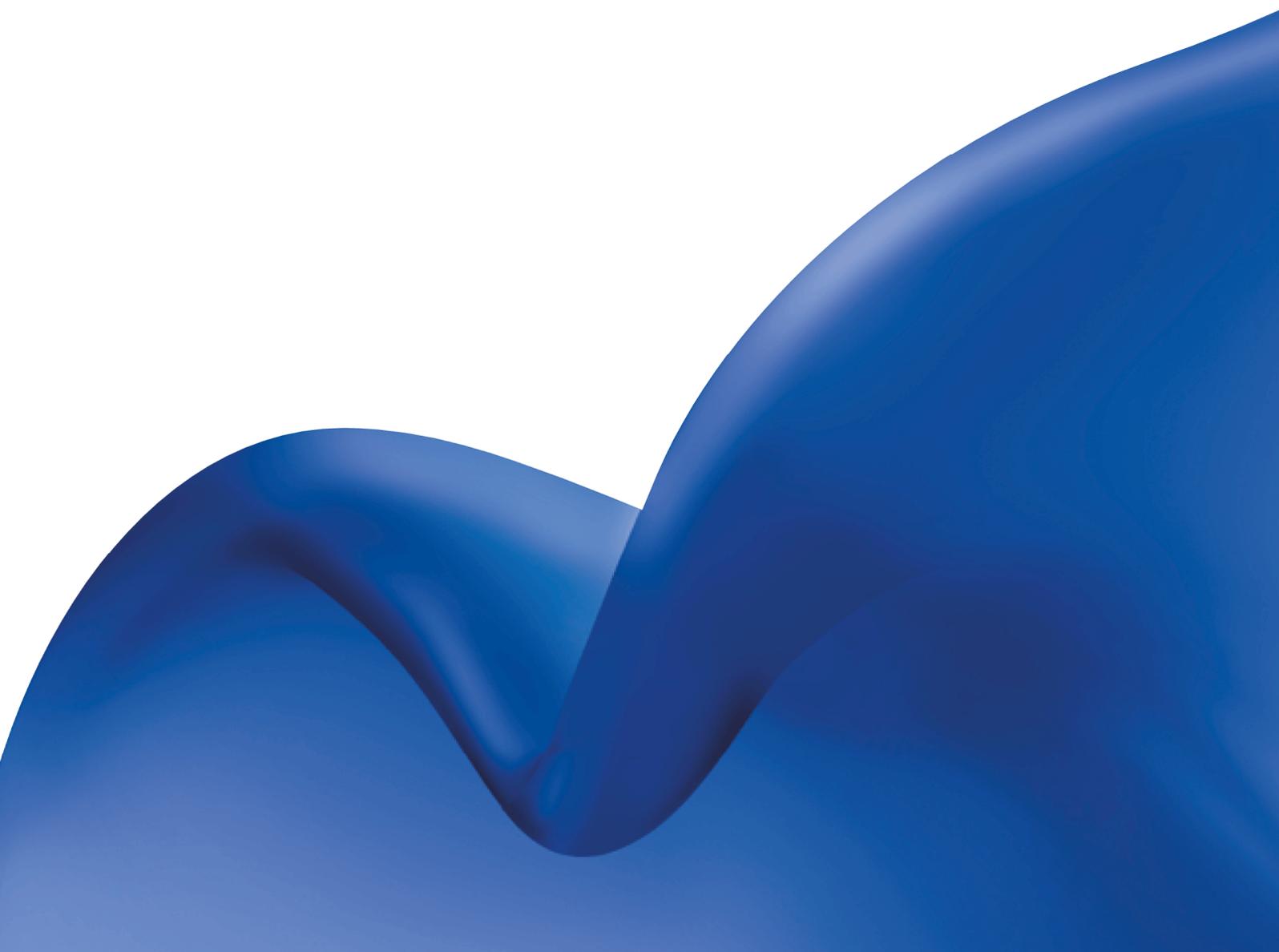


July 2013



Beyond the business case
The employer's role in tackling youth
unemployment

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Executive summary

Employers have a fundamental contribution to make in tackling youth unemployment. They provide the job opportunities which enable young people to enter the labour market, and they can also engage with young people in other ways to help them prepare for work.

It is clear however that the process by which young people move into employment is becoming more difficult. Youth unemployment began to rise in the mid-2000s, before reaching one million after the onset of recession. The fact that young people are finding the transition from education into work more difficult raises important questions about the relationship between employers and young people.

This paper explores the employer's role in addressing youth unemployment by examining the drivers and barriers to the recruitment of young people, as well as how through wider engagement employers can help support young people through the school to work transition.

The business case for employing young people

Much has been made of the 'business case' for hiring young people. The idea is that employers are more likely to employ young people if they feel doing so is in their interest. However, it is likely that the extent to which employers see a business case varies between firms and sectors.

This prompted us to review the business case for employing young people. What are the benefits of employing young people? And what about any drawbacks? To do this we have reviewed the existing evidence on the business case, and also interviewed employers in depth about their recruitment decisions and practices, their perceptions of young people, and any engagement they had had with young people in schools and those making the transition to work.

We found that, overall, the ways employers viewed the business case for employing young people were quite different. Many of our employer interviewees did see benefits to employing young people. In particular, employers liked the fact that young people enable them to mould their workforce to suit their needs, they often liked the positive effect employing young people had on their company profile, appreciated young people's greater digital literacy, and recognised the benefits to their sector and geographical area from giving young people employment. However, other elements of the business case for employing young people resonated less. In particular – employers' thoughts on young people's enthusiasm and attitude were mixed. This was also true of young people's cost, and the likelihood of them becoming long-term employees. Furthermore, these positive and mixed factors are set against one major drawback – that young people have less experience, both

of specific jobs and of work in general.

Overall, therefore, an appeal to the business case for employing young people seems unlikely to be the silver bullet in addressing youth unemployment. There is of course a compelling moral case for employers to do more to address youth unemployment, but that is not the same as a business case.

The task for policy makers

The task for policymakers is three-fold. To challenge some of the misperceptions about young people which some employers hold and which make them less likely to see taking on young people as a good investment. Second, they must find ways for educators and employers to better work together to ensure that young people are able to develop the skills and experience they need to succeed in work. Finally, they also need to do more to convince employers to take a longer-term view of the investment in their workforce.

Employers' recruitment methods can form a barrier to employment for young people

Our research shows that the way employers recruit can hinder young people's employment chances. Recruiting informally, through networks often less accessible to young people, can form a real barrier for young people in finding work. There is clear scope for employers to do more to ensure that their recruitment practices are youth friendly.

Young people need support to compete with older jobseekers. This includes work experience

Action must concentrate on improving young people's relative job prospects. This means focusing on giving young people the experience they need to compete for jobs against older workers. Apprenticeships are part of the solution. They are popular amongst employers that hire apprentices, and allow young people to gain work experience while still learning. For other young people the Government should invest in the new Traineeships programme to ensure young people have the skills they need. They should also guarantee jobs for young people that have been unemployed for 9 months.

Employers can help young people make the transition from education to work

Besides offering employment, there is more that employers can do. Young people are finding the transition from school to work more difficult. Employers can help young people prepare for work. Some evidence suggests that contact with employers while at school – through work experience, career days, mentoring, as well as other activities – improves the job prospects and earning potential of young people once they leave education.

We therefore call on all employers to find time to engage with young people in some way. To offer careers talks at their local school, to offer meaningful work experience to young people, or to engage in other schemes which are available locally. Engagement is sometimes not easy, and our interviews have highlighted some of the barriers that

employers face in trying to engage. These include the time commitment required, a lack of understanding about how to go about engaging with young people, and in some cases a feeling that schools could be uncooperative. Yet large numbers of employers are already doing valuable work with young people, and others should follow suit.

Recommendations

In this report we make a number of recommendations for improving how employers work with and recruit young people. These can be summarised as:

1 All employers should try to engage with young people to help prepare them for work. This can be made easier by:

- Offering employers a range of options to suit their availability
- Bringing back the requirement for work experience in Key Stage 4
- Requiring schools to publish annual careers plans, set how they are engaging with local employers, and potentially bringing a local employer onto their governing boards to help oversee these activities
- Having 'business champions' to promote employer-education engagement

2 Employers should make their recruitment as youth friendly as possible, by

- Limiting the use of informal recruitment
- Evaluating their recruitment processes, and in particular the use of qualifications. Employers should ensure qualifications are used as filters only when necessary, and should seek to use only qualifications which are relevant to the job.

3 Educators and employers need to work together to give young people the experience they need to compete for jobs. This requires:

- Expansion of the apprenticeships programme
- Investment in the new 'Traineeships' programme
- A guaranteed part-time job for long-term unemployed young people who need additional support.

4 Government should reward and publicise employers that are good employers of young people.

- An accreditation scheme or kitemark for employers with 'youth-friendly' recruitment practices would provide an incentive for employers to adopt such practices.

5 Policy makers should work to change employers' sometimes negative perceptions of young people.

- Too often the debate about young people uses terms that are pejorative, and the debate around welfare more generally has too often been demonising. There is a

need for more emphasis in the public discourse about the benefits to employing young people. Business networks should share good practice and positive experiences.

The Missing Million Programme

This is the **third report from The Missing Million Programme**, 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.

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1 Introduction

The youth unemployment problem

There are almost one million unemployed young people in the UK. The number of young people who are out of work rose rapidly during the recession, and has remained stubbornly high in the period since. This is an important economic and social problem.

Unemployment presents a double penalty for young people. They endure the immediate problems associated with unemployment, but time spent unemployed now will affect young people's future too.¹ Youth unemployment also has wider economic and social consequences: a recent report estimated the cost of current youth unemployment to the Government at £28 billion, in the form of higher welfare and other expenditure now, coupled with lower productivity in the long term.²

The recession is largely to blame for the very high levels of youth unemployment. However, rates of youth unemployment have been rising slowly since 2004. The UK also has a structural youth unemployment problem. A return to growth is therefore a necessary but not sufficient remedy to the youth unemployment problem.

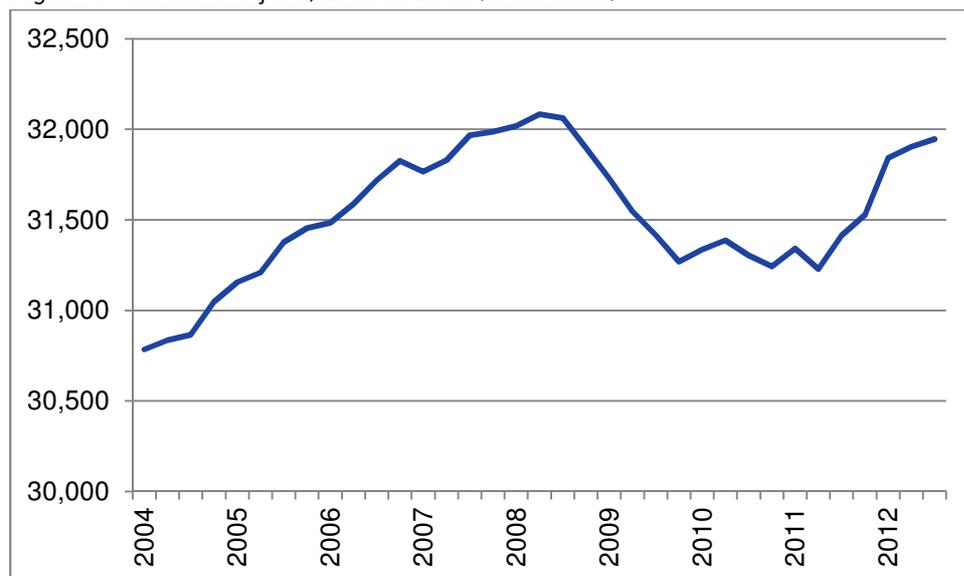
When fewer jobs are available employer recruitment decisions become more important

The number of jobs in the economy shrank rapidly during the recession (see Figure 1) dropping by 814,000 between 2008 and 2011. The labour market has since improved a bit and the number of jobs has begun to increase. Yet young people have not benefited significantly from the upturn in jobs. The overall number of jobs in the economy rose by 1.1% between November 2009 and February 2013. Over the same three year period the number of young people in employment fell by 113,000, a decline of 3.0%.

¹ Gregg, Tominey (2004) *The Wage Scar from Youth Unemployment*. The Centre for Market and Public Organisation 04/097, Bristol.

² ACEVO (2012) *Youth unemployment: The crisis we cannot afford*. ACEVO, London.

Figure 1– Workforce jobs, 2004 to 2012 (thousands)



Source: ONS

Who is responsible for tackling youth unemployment?

The Government has a central responsibility for tackling youth unemployment and it has the powers to do so. Macroeconomic decisions, the design and scale of active labour market programmes, the education system, the adult skills system, and the design of the benefits system all affect the number of young people in or out of work. However, employers also have a particularly important role in addressing youth unemployment. Employers determine who they employ and how they go about recruiting people. Decisions on both these fronts can favour or hinder young people. Employers also have the ability to help young people prepare for work. Young people can benefit from the information and experience that employers can give them.

The structure of this report

This report provides a review of the evidence of the business case for employers when recruiting young people. The project involved two research stages:

Stage one – A literature review to examine the evidence relating to the business case for recruiting young people, the barriers to doing so, and of the benefits of and barriers to employer engagement with young people in education.

Stage two – 20 interviews. 15 with employers and 5 with stakeholders – including business organisations, a trade union, and three charities related to young people and business. These interviews built on the findings from the literature review, and were used to discuss potential policy solutions and to gain insight into the particular issues faced by employers. The employers interviewed were located in different parts of the country, varied in size, and belonged to different sectors, although most were from the private sector.

The report is structured as follows:

- **Section 2** Looks at the business case for employing young people – the factors that inform employers' decisions about recruiting young people
- **Section 3** Outlines the demand-side barriers to young people's employment. That is, problems on the employers' side that undermine young peoples' job prospects.
- **Section 4** Looks at employers' wider role in engaging with young people to help them prepare for work.
- **Sections 5 and 6** Present conclusions and policy recommendations.

2 What is the business case for employing young people?

This section examines the benefits of recruiting young people, as well as potential downsides or barriers to doing so. Based on our own interviews with employers as well as evidence from other studies, we find that:

- Many employers do not see an overall business case for employing young people; they often see both benefits and drawbacks of doing so.
- Employers recognise that young people are a diverse group, though often employers do hold some generalisations about young peoples' benefits and drawbacks – in particular with regard to young people's attitudes.
- The main benefits of recruiting young people that employers reported are the ability to mould a workforce, IT skills, and benefits to a business's profile. Employers had mixed views about young people's attitude, their turnover rates, and their cost. The main drawback highlighted by employers is young people's relative lack of experience.

Is there a business case for employing young people?

It has been argued that there is a business case for employing young people. That, apart from any altruistic motives, businesses should employ young people because it is good for their business to do so.^{3 4} Some three quarters of respondents to CIPD's 2012 survey of employers said that they did see a business case for hiring young people.⁵

Yet that survey response runs counter to what is currently happening in the labour market. Many young people are struggling to find work, and young people's employment levels have continued to fall over the last three years while overall employment has risen.

To develop further insights on employers' attitudes to recruiting young people we conducted in depth interviews with businesses. We found that most of our interviewees do not see an overwhelming business case for recruiting young people. Instead they see both benefits and drawbacks. A typical response from an employer was:

"We just try to find the best person for the job". Large business services company, London.

The rest of this chapter outlines what businesses report about the positive, mixed, and negative aspects of employing young people. These are largely based on our interviews with employers, though we have also incorporated evidence from other sources.

³ CIPD (2012) *The Business Case for Employer Investment in Young People*. CIPD, London. UKCES (2012) *Why businesses should recruit young people*. UKCES, London.

⁴ Hasluck, C. (2012) *Why businesses should recruit young people- Briefing Paper*. UKCES.

⁵ CIPD (2012) *Learning to work: Survey Report*. CIPD, London.

2.1 Building a future workforce

Investing in the recruitment and training of young workers to build a future workforce is often cited as the most powerful reason for recruiting young people. The opportunity to 'mould' a young recruit to suit the employer's organisation was the most common positive aspect cited in our interviews of taking on young people:

"I like starting with a blank canvass". Small manufacturing business, Doncaster.

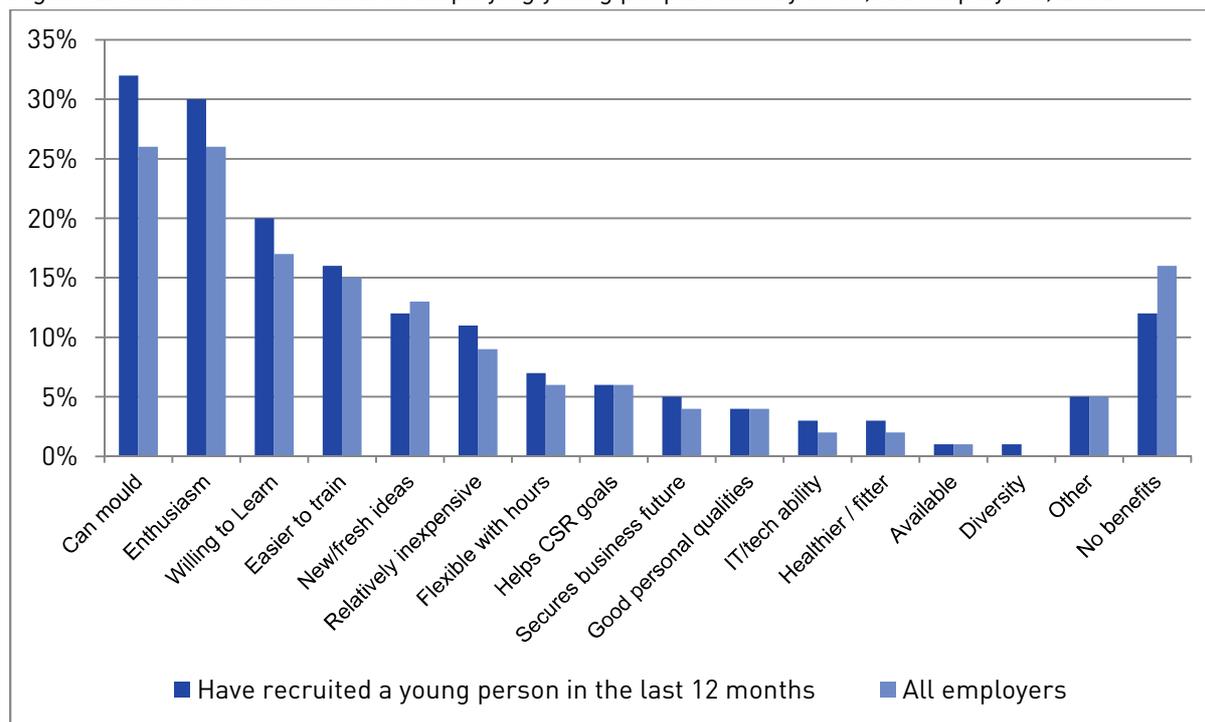
"We train them the way we want them to be – to use our systems and processes... I'd much prefer to see a young person grow into the role than take on someone institutionalised and dulled from somewhere else". Medium sized business services business, Doncaster.

Part of the 'moulding' process is cultural – employers welcome the opportunity to develop young workers attuned to their way of working, and to the culture of the organisation. So, as much as the chance to 'mould' young workers was considered important, just as important for some was the fact that young people haven't been 'moulded' elsewhere.

There is also a more positive, deliberate aspect to the 'moulding' opportunity offered by young workers. That is the opportunity to build a workforce according to the specific needs of the organisation. In the main this involves giving young people organisation-specific skills – for example in using in-house processes or software. To a lesser extent it also involves building a workforce with the right set of general skills. However, this benefit applies more where the skills an employer needs are hard to find in the wider labour market. It is probably best considered part of a 'cost-benefit' – an employer might find it cheaper to recruit a young person and provide them with training in a particular skill than to recruit a worker already possessed of the skill.

The importance employers place on being able to mould their workforce is reaffirmed by responses to the UKCES's survey of employer perceptions in 2012. The most common benefit of employing young people cited was that a young person 'can be moulded into our own way of doing things'. Employer responses to this survey question are set out in Figure 2.

Figure 2: What are the benefits of employing young people? Survey of 15,000 employers, 2012



Source: The UK Commission Employer Perceptions Survey, 2012. UKCES.

Digital literacy

Several employers mentioned that young people tend to have good levels of digital literacy, the ability to effectively use ICT. This was one area where a number of the employers we spoke to felt young people had an advantage, although clearly the extent to which this applies is relatively sector and firm specific.

“We actively want to employ young people because they are digital natives”. Trade organisation, creative industry.

“Young people are more tech savvy. They are faster at getting used to our in-house systems. We need our employees to use multiple different systems at the same time, so the speed new recruits learn the system is important”. Large business services company, London.

Other surveys have also shown that young people’s IT skills are an attribute with which employers are typically satisfied⁶, however IT skills were not given much emphasis in UKCES’s survey of employers (as seen in Figure 2).

2.2 Enthusiasm, flexibility and new insights

Enthusiasm and attitude

When asked what they look for in an employee, many of our interviewees said that attitude was the most important thing. Even those for whom qualifications or experience were relevant or necessary,

⁶ CBI (2012) CBI/Pearson education and skills survey 2012. CBI, London.

attitude was considered vital. Employers' views on young people's attitude are therefore an important part of the wider business case for hiring young people.

Employers we interviewed mentioned the energy, dynamism and positive attitude that some young people offer. One public sector employer said recruiting more young people had 'breathed life' into their organisation, partly by engaging the wider staff in more social activities. Another employer, a small private sector business, was also highly positive about young people's attitude:

"Young people are positive, forward thinking, open minded, and want to learn". Small business, Nottingham.

However, employers differ widely on their views of young people's attitude. A number of our interviewees considered young people's attitude a problem, and a reason not to employ them. There is also wider evidence that some employers perceive young people to have poor attitude; 37% of employers surveyed by the CBI in 2012 said that they were not satisfied with school or college leavers' attitude to work.⁷

Flexibility

Young people can also be more flexible around working arrangements. This refers to the hours they are often able to work (since they are less likely to have constraints associated with child care or other caring responsibilities)⁸. It has also been suggested that young people offer geographic flexibility – that is, they are more willing and able than older workers to move with their job⁹. Young people are less likely to have a mortgage, and less likely to have a dependant family. As such, they may be more willing to move with their work. However, in terms of ability to commute we found in recent research that transport constitutes a barrier for many young people, both in terms of affordability and availability.¹⁰

New insights

Young people can also offer businesses new insights. Evidence refers to the fact that young people have often recently left education and so are likely to be aware of the most recent advances in the relevant field¹¹. They can also be highly adaptable to change. This benefit is less tangible, but often resonates well with some employers. However, neither of these benefits was mentioned by any of the employers we interviewed.

2.3 Cost

Young people are generally less costly to employ than older workers – on average they earn less and they are also entitled to lower minimum wage rates than adults.

The lower minimum wage rates for young people (shown in Figure 3) represent a significant cost

⁷ CBI (2012) *Learning to Grow: what employers need from education and skills*. Education and skills survey 2012.

⁸ Hasluck, C. (2012) *Why businesses should recruit young people- Briefing Paper*. UKCES.

⁹ Hasluck, C. (2012) *Why businesses should recruit young people- Briefing Paper*. UKCES.

¹⁰ Jones, K. (2012) *Transport barriers to employment among young people*. TWF, 2012.

¹¹ Hasluck, C. (2012) *Why businesses should recruit young people- Briefing Paper*. UKCES.

saving to employers – the 16-17 rate is only 59 per cent of the full adult rate and the 18-21 rate is 80 per cent of the adult rate. For employers offering minimum wage jobs, the business case for employing younger people is therefore strong – they can save substantial amounts on their wage bill.

Figure 3 – Minimum Wage levels

Age	Minimum wage (2012-13)
16-17	£3.68
18-21	£4.98
22+	£6.19

Source: Low Pay Commission

Minimum wage levels are not relevant to all employers – only 4.4 per cent of all jobs are paid at the minimum wage¹². However, they have a significant impact in particular low paying industries. The largest number of minimum wage jobs are in hospitality (255,000 jobs), retail (204,000 jobs) and cleaning (155,000 jobs). These industries between them account for over half of all minimum wage jobs and are also sectors which employ large numbers of young people.¹³

There may also be other direct financial benefits to recruiting young people. Close links developed through recruiting young people directly from school or college, for example, might reduce the need to spend on advertising vacancies¹⁴ and might also help employers identify good quality recruits. This would be particularly advantageous for smaller organisations who do not have dedicated Human Resources (HR) departments¹⁵.

2.4 Staff retention

In general younger people spend less time in each job than older people – younger people typically spend some time moving between jobs before settling on a stable career path. Staff retention was mostly referred to in our employer interviews as a negative aspect of hiring young people.

“Lots of our young people leave to return to education”. Large business services business, London.

“Lots of young people who work for us see it as a transitory place, a stop-gap in their career”. Small food production business, Doncaster.

However, it is interesting to note that a number of the employers we interviewed said that the young people they recruited were likely to stay with the firm longer than older recruits. This appeared to be because these employers tended to invest heavily in their young employees – either through

¹² Low Pay Commission (2012) *National Minimum Wage Report 2012*.

¹³ Low Pay Commission (2012) *National Minimum Wage Report 2012*.

¹⁴ CIPD (2012) *Engaging employers in tackling youth unemployment*

¹⁵ Mann, A. and Glover, C. (2011) ‘The point of partnership: the case for employer engagement in education,’ *Strategic HR Review* 10(1): 21-27

apprenticeships or through other forms of training. High staff retention, of course, also leads to lower spending on recruitment. The experiences of these businesses supports other evidence that recruiting young people through an apprenticeship can be good for staff retention. It has been suggested that offering a first job or training can result in enhanced loyalty and lower levels of staff turnover¹⁶. This in turn has productivity benefits and reduces recruitment costs¹⁷. One business we interviewed in particular had enjoyed these benefits:

“It’s a simple calculation. If we employ a young person and pay for their education or training they’re with us for eight years. If we employ a more mature candidate, for example, through a recruitment consultant, they stay on average about three years. The recruitment costs around £6,000. Therefore it’s just much cheaper to take on young people”. Small engineering company, Doncaster.

2.5 Company profile and brand

For some employers taking on young people is viewed as part of their wider Corporate Social Responsibility (CSR) agenda. Providing employment opportunities for young people can raise the profile of a business or brand and allow organisations to increase their levels of community engagement¹⁸.

Three employers in our interviews said that employing young people had a positive impact on their company’s reputation and brand. Two of the businesses that expressed this opinion were restaurants, and said that it was important that the staff reflect the customer base. This, it was thought, had a positive impact on customers’ perception of the company.

2.6 Area and sector benefits

Several of the businesses we interviewed said that recruiting young people was a good thing for their area. Three businesses in Doncaster expressed a concern that many young people leave the area to seek job opportunities elsewhere, and that providing them with job opportunities in Doncaster is important if the area is not to lose population and vibrancy.

On a slightly different note, one London based employer felt he had a ‘duty’ to support his local area and its residents, especially the young people. Providing employment opportunities – especially to disadvantaged young people or those with weak academic records – was this employer’s way of helping young people looking for jobs in the local area.

Investment in the employment and training of young people can also have sector-wide payoffs. It increases the supply of skilled labour in the future, which can make future external recruitment

¹⁶ Hogarth T., Hasluck C. and Daniel W. W. (2005), *Employing Apprentices: The Business Case, Report for the Apprenticeships Task Force*, Institute for Employment Research, University of Warwick, September; CIPD (2011) *The business case for employing young people*

¹⁷ Hasluck, C. (2012) *Why businesses should recruit young people*- Briefing Paper. UKCES.

¹⁸ CIPD (2012) *Engaging employers in tackling youth unemployment*

easier and reduce wage costs¹⁹. A failure on the part of an industry to invest can result in skills shortages and gaps in the future²⁰.

¹⁹ Gambin L., Hasluck C. and Hogarth T. (2010), 'Recouping the costs of apprenticeship training: Employer case study evidence from England', *Empirical Research in Vocational Education and Training*, 2 (2)

²⁰ CIPD (2012) *Engaging employers in tackling youth unemployment*

3 Barriers to recruiting young people

There are several barriers to employment which young people face which are linked to way in which employers recruit and to employers' perceptions of young workers. These barriers are the focus on this section. The main barriers identified are:

- The use of informal recruitment practices, which can involve networks young people do not have access to.
- Demanding that recruits have work experience – which places some young people in a 'catch-22' situation – they don't have the experience to access employment, but cannot access employment to get the experience.
- The (sometimes unnecessary) use of qualification levels in recruitment.
- The existence of negative perceptions of young people among some employers.

3.1 The use of informal recruitment practices

Recruitment methods can be described as either formal or informal. Formal methods include advertising in newspapers or websites and using employment agencies, including JobCentre Plus.²¹ These types of methods tend to open up the possibility for applying for a job to a larger number of people. Informal methods of recruitment mainly refer to recruiting by word of mouth. This opens up the opportunity to apply for a job to a much narrower group of people.²²

The level of informal recruitment varies considerably between employers. It is more common among smaller employers²³; the majority of 'micro businesses' (fewer than 10 employees) surveyed by the British Chambers of Commerce recruited through recommendations and word of mouth²⁴. Informal recruitment practices have also become commonplace more widely in the labour market – 29 per cent of employers recruited that way in 2012.²⁵

Informal recruitment relies on networks. This tends to favour older over younger workers because young people generally have smaller (work) networks having had less chance to develop them²⁶. Access to networks is a particular barrier to young people who have been unemployed for long periods and for those living in workless households²⁷. Many young unemployed people are therefore

²¹ UKCES (2012) *The Youth Employment Challenge*

²² Methods of recruitment are more various than this, of course. In particular, the use of social media, including websites such as LinkedIn, are not obviously formal or informal methods. However, the most important distinction is between methods which rely on networks that young people have less access to, and those that don't.

²³ Bartram, D. Lindley, P. Marshall, L. and Foster, J. (1995) 'The recruitment and selection of young people by small businesses,' *Journal of Occupational and Organizational Psychology*. 68, 339-358

²⁴ BCC (2011) *The Workforce Survey: Small businesses*.

²⁵ UKCES (2013) *Scaling the youth employment challenge*. Evidence from the UKCES Employer Perspectives Survey, 2012.

²⁶ CIPD (2012) *Engaging employers in tackling youth unemployment*

²⁷ UKCES (2011) *Employers and the recruitment of unemployed people an evidence review*

more reliant on more formal job seeking methods, reducing the number of opportunities available to them²⁸.

Unfortunately, recruiting informally can have several advantages for an organisation. Recommendations can reduce recruitment costs and can also result in higher job performance and work discipline – employees recruited informally are often better informed about and prepared for what a job entails and to some extent those who recommend an applicant bear some responsibility for their performance and match with the company²⁹. However, there are also drawbacks to recruiting informally. Use of informal recruitment channels can limit diversity within an organisation as excluding those outside the circle of current employees and their social networks is likely to replicate the existing workforce thus limiting the opportunities for the firm to develop and innovate³⁰.

3.2 Demanding young people have work experience

Employers place a lot of importance on work experience. This can be a barrier to the employment of young people who typically have far less work experience than older people, and who often have no work experience at all. Work experience refers to experience of both specific types of work and of the workplace in general.

Employers who complain about a young person's poor preparedness for work are most likely to cite a lack of work experience as the reason³¹. In a 2012 UKCES survey, of employers who had not employed any young people but to whom young people had applied for work, 29 per cent had not employed any young people due to lack of experience.³² Employers' reasons for not employing young people are set out in Figure 4.

²⁸ Bonoli, G. and Hinrichs, K. (2012) 'Statistical discrimination and employers' recruitment: Practices for low-skilled workers' *European Societies* 14(3) 2012: 338- 361

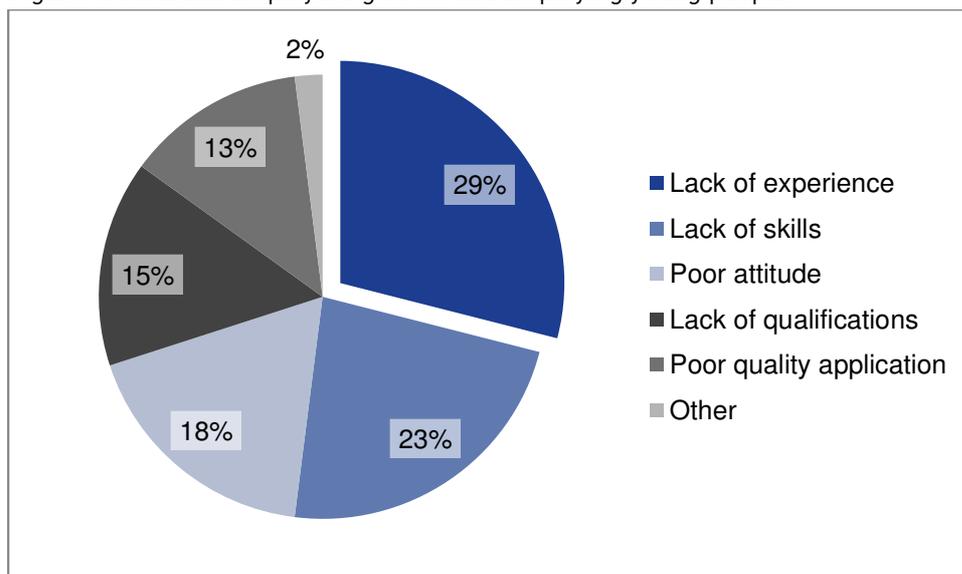
²⁹ Bonoli, G. and Hinrichs, K. (2012) 'Statistical discrimination and employers' recruitment: Practices for low-skilled workers' *European Societies* 14(3) 2012: 338- 361

³⁰ UKCES (2011) *Employers and the recruitment of unemployed people: An evidence review*

³¹ National Employer Skills Survey (NESS) in CIPD (2012) *Engaging employers in tackling youth unemployment*

³² Source: UKCEPS 2012 (UKCES survey of 15,000 employers).

Figure 4: Reasons employers give for not employing young people



Source: UKCES 2012 (UKCES survey of 15,000 employers). Chart only shows employers who a) had not employed any young people in the last 12 months and b) had received applications from young people.

As our previous research has shown, many young jobseekers are left in a 'catch-22' situation – they have no work experience but cannot access employment to gain this experience^{33 34}. A lack of experience also means that young people are disadvantaged if they are required to provide references as part of the recruitment process³⁵.

It is likely that the recession has exacerbated this trend. In times of growth employers may be open to hiring for potential but in an economic downturn they are likely to be more risk averse, seeking to hire people with skills and experience who can be job ready immediately³⁶. In addition, a weak labour market has meant that employers have been able to raise their hiring standards, hiring those with more experience than they would have been able to previously³⁷. As a result young people with no experience must compete with those with more work experience and demonstrable skills even for low skill and entry level positions³⁸.

The majority of our employer interviewees considered work experience an important factor in making recruitment decisions. Some, like the employer below, considered experience important for its own sake – signalling that the candidate would have the abilities necessary for the job.

³³ Sissons, P., Jones, K. (2012) *Lost in Transition? The changing labour market and young people not in employment, education or training*. The Work Foundation, London.

³⁴ Lee, N., Sissons, P., Balaram, B., Jones, K., Cominetti, N. (2012) *Youth Unemployment: Short term crisis- long term problem?* London: The Work Foundation; Bell and Blanchflower (2010) in UKCES (2011) *Employers and the recruitment of unemployed people: an evidence review*

³⁵ Hasluck (1998) *Employers, young people and the unemployed: a review of research*. Institute for Employment Research

³⁶ REC (2010) *Avoiding a lost generation - Preparing young people for work now and in the future: Recommendations of the REC UK Youth Employment Taskforce*

³⁷ Hasluck, C. and Armitage, J. (2011) *Employers and the recruitment of young people (16-18 year olds): an evidence review*. UKCES

³⁸ Hasluck, C. and Armitage, J. (2011) *Employers and the recruitment of young people (16-18 year olds): an evidence review*. UKCES

"It's tricky to employ people without experience while everything's so fragile, in the early stages. Experience is vital. I need to know they can do the job". Small business owner, London. Business established less than a year ago.

Other employers placed importance on experience because they thought it indicated that a candidate was more likely to have certain positive characteristics, such as drive, and a positive attitude.

"Work experience shows commitment; it shows drive". Small manufacturing business owner, Doncaster.

"Experience is only relevant as an indicator of attitude – not for its own sake". Restaurant owner, Doncaster.

One employer suggested that experience was necessary to pass their recruitment process, but did not consider it essential for the job itself.

"The biggest problem people have getting through our recruitment is that it's competency based – they need previous experience to answer the questions well." HR manager, large business, London.

A small minority of employers interviewed said they did not consider work experience necessary – either for its own sake or as an indicator of other attributes.

"Work experience, I'm not too worried about that. I accept that young people won't have had much experience of work. That's not a problem". Small business, Doncaster.

Some employers are aware of barriers their recruitment processes raise but take steps to ameliorate their effects. For example, the above interviewee said that wherever possible if he rejects a young person on grounds of experience he tries to offer them some work experience at his firm. However, it is clear that at a general level the lack of work experience is a factor which works against young people, particularly in a weak labour market.

3.3 Use of qualification levels in recruitment

Young people overall are more highly qualified than ever before – successive governments have sought to increase the participation rates of young people in post-compulsory education. But this has had negative implications for those young people that have chosen to look for work instead of pursuing further education. These young people inevitably have lower level qualifications than their peers who stay longer in education.

Furthermore, some employers assume that young people that have left education are under-achievers or have less application and commitment than their peers.³⁹ Some of our interviewees

³⁹ Wolf A. (2011) *Review of Vocational Education – The Wolf Report*, London: TSO.

suggested that they see qualifications, to an extent, as a proxy for attitude.⁴⁰

Recruitment practices which place too much emphasis on qualifications can form a barrier to employment for young people with lower level (or no) qualifications. However, filtering applicants by qualification level is a relatively common practice among employers, particularly for positions where the volume of applicants or where staff turnover is high.⁴¹ Filtering by qualification is common because doing so speeds up the recruitment process and reduces recruitment costs by limiting the number of candidates given detailed scrutiny.⁴² This process was described by one of our interviewees:

"We never use qualifications as a filter.... Well, yes, we do if we get absolutely loads of applications". Small business, Doncaster.

When asked what they looked for in a young recruit the majority of our employers said attitude was the most important thing, and that they did not take qualifications into account for roles that did not require them. And yet, several of our interviewees (such as the one above) admitted that when faced with a large volume of applicants they were forced to apply some form of filtering process, and often opted to use qualification level. The employers recognised that qualifications are not necessarily good arbiters of a candidate's suitability and that they may suffer themselves by potentially excluding good candidates. However, they considered a potentially lower quality recruitment process a necessary trade-off when dealing with large volumes of applications.

3.4 Negative perceptions of young people among some employers

Employer perceptions of young people can be a barrier to their ability to access employment. Having unduly negative opinions about young people makes employers less likely to hire them. Despite being more highly qualified than ever before, employers frequently complain that young people do not have the right skills for work⁴³ such as good communication and teamwork skills, commercial awareness, project planning and analysis skills⁴⁴. Moreover, it has been found that some employers regard young people as a homogeneous group- and are reluctant to recruit anyone below a certain age⁴⁵.

Employers who take on young people are often more positive than those who do not, and sometimes the experience of employing young people can change employers' negative views into more positive

⁴⁰ There is a large body of literature demonstrating that different qualifications have different labour market values. For example, see Department for Business, Innovation and Skills (2011) Returns to Intermediate and Low Level Qualifications. BIS, London.

⁴¹ Keep, E. and James, S. (2010) *Recruitment and Selection – the Great Neglected Topic* SKOPE Research Paper No. 88

⁴² Bonoli, G. and Hinrichs, K. (2012) 'Statistical discrimination and employers' recruitment: Practices for low-skilled workers' *European Societies* 14(3) 2012: 338- 361

⁴³ Hasluck, C. (1998) *Employers, young people and the unemployed: a review of research*. Institute for Employment Research

⁴⁴ REC (2010) *Avoiding a lost generation - Preparing young people for work now and in the future: Recommendations of the REC UK Youth Employment Taskforce*

⁴⁵ Hasluck, C. and Armitage, J. (2011) *Employers and the recruitment of young people (16-18 year olds): an evidence review*. UKCES; Hasluck, C (2012) *Why businesses should recruit young people- Briefing Paper*.

ones⁴⁶. This suggests that many employers are unduly negative about young people – their perceptions are not matched by the reality of employing young people.

On the whole employers who hire younger workers are satisfied with their skills, experience levels and other qualities. 82 per cent of employers consider graduates well prepared for work, as do 59 per cent of employers employing 16 year old school leavers.⁴⁷ There is some evidence to suggest that the smallest businesses are particularly sceptical about the benefits of employing young people. A survey of 2,255 micro businesses in 2011 by the British Chambers of Commerce found that employers thought young people lacked numerical, literacy and research skills, along with the ability to focus. Almost half (47 per cent) indicated that they would be ‘fairly’ or ‘very nervous’ of recruiting a school leaver⁴⁸.

⁴⁶ Hasluck, C (2012) *Why businesses should recruit young people- Briefing Paper*. UKCES; CIPD (2011) *The business case for employing young people*

⁴⁷ Source: UKCES Employer Skills Survey, 2011. Cited in UKCES (2012) *The Youth Unemployment Challenge*. UKCES, London.

⁴⁸ BCC (2011), *The Workforce Survey: Micro Businesses*, British Chambers of Commerce, London, August in Hasluck, C. and Armitage, J. (2011) *Employers and the recruitment of young people (16-18 year olds): an evidence review*. UKCES

4 A wider role: employers engaging with young people

There is more that employers can do to help tackle youth unemployment besides recruiting young people. Employers also have an earlier role to engage young people and help them to develop the attributes needed to succeed in the labour market. This section details how employer engagement in programmes like mentoring and provision of work experience can help to support young people to make more effective transitions from education into employment. We show that:

- The evidence suggests engagement with employers has a positive impact on young people. In particular they are less likely to become NEET.
- Young people may benefit from engagement with employers because they receive useful information about careers which helps them make better decisions about what to study, and by linking study with future work which can provide additional motivation.
- Some employers benefit from this engagement if they recruit at a future date the young people they engage with. However, for most employers engagement is more an altruistic act.

4.1 Benefits to young people of employer engagement

4.1.1 Young people in full time education

Evidence suggests that engagement with employers while in education can help young people make more effective transitions from education into work.⁴⁹

Data from research by the Employers and Education Taskforce (EET) suggests a positive relationship between the number of employer contacts a person had had at school and the subsequent likelihood of being employed (and earnings levels if employed) at age 19-24. They find that respondents who had had four or more points of contact with employers while at school were estimated to be five times less likely to be NEET (not in employment, education or training) than those who had had no contact.⁵⁰

Why do young people benefit from engagement?

While the evidence suggests that employer engagement has a positive impact on young people, it says less about why it has this positive impact. There have been a number of reasons suggested.

Better work related information which improves decision making

EET suggest that employer engagement makes a difference because it helps young people make better decisions, both in school and afterwards. This is due to the valuable work-related information they receive from employers. Some evidence suggests that uncertainty about career options at age 16

⁴⁹ Employers and Education Taskforce (2012) *It's Who you Know – why employment contacts at school make a difference to the employment prospects of young adults*. EET, London.

⁵⁰ Employers and Education Taskforce (2012) *It's Who you Know – why employment contacts at school make a difference to the employment prospects of young adults*. EET, London.

is strongly correlated with an increased likelihood of becoming NEET. This correlation existed even when parental attitudes to school, and attainment levels, are taken into account.⁵¹

Raising aspirations

It has also been suggested that information from employers may generate better labour market outcomes by establishing for young people a clear connection between school and work, which encourages more commitment to school.⁵² Nancy Hoffman, writing for the OECD, has argued that high rates of college drop-outs in the US exist in part because these students 'can't see a clear, transparent connection between their program of study and tangible opportunities in the [labour] market'.⁵³

Signals to the employer that a young person has a good attitude

Young people might also benefit merely from including employer engagement on their CV. Employers we interviewed said that when recruiting they saw work experience or similar activities as a measure of the enthusiasm and initiative of a young person. This was especially important for those employers regularly recruiting for entry level jobs.

Additional skills?

Young people with extensive employer engagement may also learn additional skills and thus gain an advantage over their peers. This might include both technical skills relevant to particular industries, but also generic employability skills, such as communication and organisation. However, some evidence suggests that employer engagement does not confer either specific technical skills advantages, or generic employability advantages.⁵⁴ This is mainly because employer engagement is typically short in duration.

4.1.2 Young people who are not in education or work

Young people who have left education but who are not in work can also benefit from employer engagement. The Government made employer engagement a key part of its strategy to lower the number of young people that are NEET.⁵⁵

Employers can help young people who are NEET in several ways, offering work experience is an important one. Work experience can help re-engage young people who have become distanced from the labour market. Barnado's, a children's charity that provides services to some NEET young people, suggests that one barrier to work faced by some of this group is a confusion and lack of awareness about work, especially about what jobs are available locally.

⁵¹ Yates, S et al (2010) *Early Occupational Aspirations and Fractured Transitions: A Study of Entry into 'NEET' Status in the UK*. Journal of Social Policy 1-22.

⁵² Nancy Hoffman, Pathways to Prosperity Project (2011) *Pathways to Prosperity: Meeting the challenge of preparing young Americans for the 21st century*. Harvard Graduate School of Education, Boston.

⁵³ Nancy Hoffman, Pathways to Prosperity Project (2011) *Pathways to Prosperity: Meeting the challenge of preparing young Americans for the 21st century*. Harvard Graduate School of Education, Boston.

⁵⁴ Education and Employers Taskforce (2012) *It's Who You Meet*. London: Employers and Educators Taskforce.

⁵⁵ HM Government (2011) *Building Engagement, Building Futures: Our Strategy to Maximise the Participation of 16-24 Year Olds in Education, Training and Work*. HM Government, London.

Work experience and wider engagement with young people while still in education can also play a role in preventing young people from becoming NEET in the first place. Barnado's surveyed some of the young people using their services and found that one of the main reasons they had lost interest in education was because they felt it was not relevant. The young people listed ways that would have helped them do better at school. 'Lessons more relevant to future work' came top, and 'work experience' came third.⁵⁶

4.1.3 Young apprentices

Apprenticeships offer a good route into work for young people, and are an important part of the vocational education system. Apprenticeships offer a combination of work and education; in the UK apprentices do a technical qualification specific to the sector they are working in, as well as more general qualifications in English and Maths. Evidence shows that young people that have completed an apprenticeship are significantly more likely to be employed in the future than comparable young people without an apprenticeship.⁵⁷

Apprenticeships are highly sought after, and are oversubscribed. UKCES have suggested that demand outstrips supply by as many as 15 to 1, and that the highest quality apprenticeships – in some of the top engineering firms, for instance – are more competitive than undergraduate places at Oxford and Cambridge Universities.⁵⁸

Both the Coalition and the previous Government have attempted to expand the supply of apprenticeships. The total number of apprenticeship places has more than doubled in recent years, from 225,000 in 2007/08 to 520,000 in 2011/12. However, as Figure 5 shows, much of the growth has been among adult apprenticeships. The number of people over the age of 25 starting apprenticeships grew by 130,000 between 2009/10 and 2010/11 and by a further 50,000 the following year. The growth in the number of 16-19 year olds starting apprenticeships has been less strong, having increased by 22,000 over the five year period from 2007/08 to 2011/12.⁵⁹

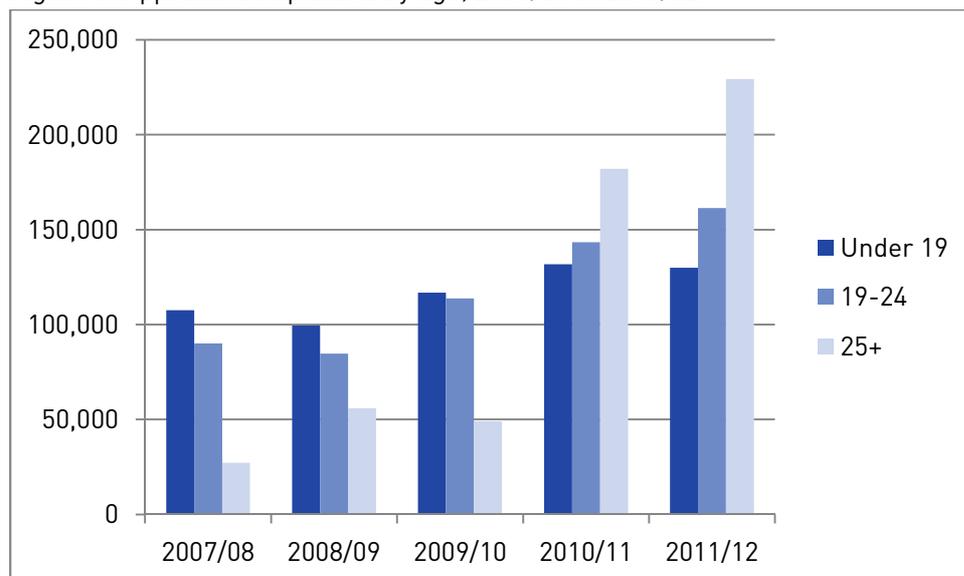
⁵⁶ Barnado's (2009) *Second Chances: Re-engaging young people in education and training*.

⁵⁷ McIntosh S. (2007) *A Cost-Benefit Analysis of Apprenticeships and Other Vocational Qualifications*. RR 834. Sheffield: DES

⁵⁸ Wolf A. (2011) *Review of Vocational Education – The Wolf Report*, London: TSO

⁵⁹ Forthcoming research by The Work Foundation will explore the issue of apprenticeships for young people.

Figure 5: Apprenticeship starts by age, 2007/08 to 2011/12



Source: National Apprenticeship Service

Apprenticeships are, of course, very different forms of employer-young person engagement than those discussed above. As the Richard Review of Apprenticeships sought to stress, apprenticeships should be considered a job just as much as they are a form of education – ‘there must be a job and the job role must be new’⁶⁰. There tends to be a strong business case to apprenticeships – as evidence shows, employers tend to recoup their investment in apprenticeships’ training within a couple of years.⁶¹

However, the fact that relatively few employers take on apprentices (in 2009 – the most recent data available – only 4% of businesses employed apprentices⁶²) suggest that some of the same problems apply to apprenticeships as apply to wider employer engagement.

4.2 Benefits to employers from engaging with young people

Understanding why employers engage with schools is important. Broadly speaking there are two reasons why employers engage with schools: because they expect their business to benefit, or for the benefit of the young people.⁶³ These can be called ‘business reasons’ and ‘altruistic reasons’ for engagement. Both can co-exist but many employers we interviewed emphasized one of these reasons over the other, even if they were motivated by both to some extent. In this section we outline the direct benefits that some businesses receive from engaging with young people, the indirect benefits felt via benefits to the wider sector and economy, as well as the generic benefits businesses accrue from Corporate Social Responsibility (CSR) activities.

⁶⁰ Doug Richard (2012) *The Richard Review of Apprenticeships*.

⁶¹ BIS (2012) *Employer Investment in Apprenticeships and Workplace Learning: The Fifth Net Benefits of Training to Employers Study*

⁶² 2009 National Employer Skills Survey

⁶³ Hillage, Hindley and Pike (1995) *Employers’ Views of education business links*. Institute for Employment Studies, Brighton.

4.2.1 Direct benefits to the business

Organisations working to promote greater employer engagement in schools and with young people more generally are keen to emphasize the business reasons for engagement.⁶⁴ The reasoning is clear: appealing to business reasons is a more reliable method of persuading employers to engage.

Recruitment

The UK Commission for Employment and Skills (UKCES) have argued that there are several benefits to businesses offering work experience placements to those in or those who have recently left education.⁶⁵ Some relate specifically to recruitment:

- **Short-term, flexible resource.** Employers gain a short-term resource when they offer a work experience placement.
- **Source of suitable recruits.** Schools, colleges or universities generally filter young people towards placements they are suited to. This means employers get young people with the right abilities or interests, and potentially reduces future recruitment costs (in the instances where a placement leads to a job).
- **Work placement recruits are of high quality.** There is evidence that work experience recruits are higher quality than other recruits. They perform more effectively and require less training.⁶⁶ This was reflected in our interviews. Several employers reported having had hugely positive experiences of employing a young person initially engaged through a training or work experience programme.

These benefits clearly vary between businesses. Some businesses have entry level jobs appropriate to school leavers and may therefore enjoy the recruitment benefits described above as a result of the engagement with schools.

Staff morale and development, and reputation

There are a number of other ways in which employer engagement with young people might provide business benefits. These include the impact on the businesses' own employees. Engaging in work experience programmes can help improve staff morale and motivation as well as encouraging the development of certain useful skills, such as management, communication and negotiation skills.⁶⁷

There can also be reputational benefits for a business seen to be doing altruistic work which provide a boost to a companies' national or local profile and reputation.

⁶⁴ The United Kingdom Council for Employment and Skills, The Chartered Institute for Personnel and Development, Business in the Community, and the Education and Employers Taskforce have all released reports arguing that employing or engaging with young people is in a business's direct interest.

⁶⁵ Hasluck (2012) *Why Businesses Should Recruit Young People*. UK Commission for Employment and Skills, London.

⁶⁶ Hughes, Bailey, Mechur (2001) *School to Work: Making a difference in education: A research report to America*. Columbia University, New York. Referenced in Hasluck (2012) *Why Businesses Should Recruit Young People*. UK Commission for Employment and Skills, London.

⁶⁷ Corporate Citizenship (2010) *Volunteering – The Business Case*. Referenced in Hasluck (2012) *Why Businesses Should Recruit Young People*. UK Commission for Employment and Skills, London.

4.2.2 Indirect benefits – to the sector or economy

Businesses may also accrue some indirect benefits from engagement with young people. Some businesses we spoke to engaged with schools because they wanted to represent their sector positively to young people, and to persuade young people that they should consider working in the sector. For example, a cleaning business we spoke to described the stigma young people attach to working in the cleaning industry. Consequently the employer felt a duty to change young people's attitude to the sector.

4.3 Barriers to employer engagement

There is currently no national system in place for coordinating employer engagement with young people in mainstream education. Consequently, employer engagement in schools tends to rely on ad hoc relationships formed between schools and employers. This can occur through contacts between individuals (for example, between an employee of a company and a teacher at a school) or through intermediary organisations – there are several charities and other organisations working to facilitate engagement. The ad hoc nature of employer engagement means that activity is patchy and uneven across the country and this means that young people's experience of employer engagement varies widely.

The lack of a national system coordinating employer engagement makes engagement more difficult for employers. The employers we interviewed identified a number of important barriers to engagement, these included:

Time This is the most significant barrier for most employers. Engaging with young people in education can involve different activities but all take up staff time to a varying extent. Activities that involve visiting schools or other events clearly involve substantial time commitments, and running work experience placements can draw significantly on the time of the staff involved in supporting the young person. Some businesses are more able than others to let staff spend time on non-business activities. In particular, our interviews suggested that smaller businesses were especially likely to struggle to find time to spend away from their work.

Lack of awareness The absence of a coordinating structure means an employer interested in working with a school either has to contact an individual school, or find and approach the relevant organisations operating in their local area. Some employers we interviewed simply weren't sure of how to go about engaging with local schools, which meant that engagement would require more time commitments on the part of the employer.

Reliance on individuals Many of the employers interviewed who were engaging with a school relied on a particular staff member to facilitate the engagement. In some cases it was that individual's contacts with a local school that provided the point of connection and the impetus to engage, but even when engagement occurred through an intermediary organisation it was sometimes a single staff member pushing and managing the business's involvement. In these circumstances continued engagement is therefore vulnerable to the efforts of the individual staff member.

4.3.1 Barriers to taking on apprentices

Some employers face barriers to taking on apprentices – only 4 per cent of employers in the UK currently employ apprentices⁶⁸. Only a minority of the employers we interviewed did not employ any apprentices, but their reasons for not doing so echo those found in wider surveys of employers. Furthermore, there have been several recent reviews of the apprenticeships system in the UK which shed light on why so few employers offer apprenticeships. These reasons include:

Lack of knowledge about apprenticeships. A lack of knowledge about apprenticeships causes two similar barriers to hiring apprentices. The first is that a general lack of awareness of apprenticeships will make an employer less likely to consider employing an apprentice. The Holt Review found lack of awareness to be a common problem among small businesses. A second barrier caused by lack of knowledge is confusion about how the system operates, and about how to go about recruiting apprentices. The Holt Review found that for SMEs the apprenticeship programme is ‘misunderstood and inaccessible’. A recent BIS select committee report also found that bureaucracy remains a major barrier for many employers. The report argued that Government announcements about cutting ‘red tape’ had ‘not been matched by action’.⁶⁹

Business constraints for smaller businesses. There are several constraints which smaller business face which can form a barrier to hiring apprentices. First – many may not be able to guarantee enough work over the whole duration of the apprenticeship period. Companies which prefer to employ staff on short-term contracts because of insecurity of work can be reluctant to enter into (relatively) long-term contracts with an apprentice. Second – many small businesses lack a dedicated HR person or department, who would be able to handle the process of recruiting an apprentice. Third – small businesses may not be able to spare the time of staff to support the apprentice’s on-the-job training.

Lack of suitable roles. One of our employers said they were unable to hire apprentices because they had no suitable roles. This is the most common reason given by employers for not hiring young people in general, and appears to be reflected in this particular form of employment.

Careers advice at schools. How schools advise students with regard to apprenticeships is very important – a survey of students in vocational education shows that teachers have a large influence over the educational choices of vocational students in England.⁷⁰

⁶⁸ National Employer Skills Survey, UKCES, 2009.

⁶⁹ BIS select committee (2012)

⁷⁰ Pavlin, Stanley (Eds) (2012) *Experiencing VET in Europe: Insights into the Learning Experiences of 17 and 18 year old VET students in 7 EU Countries*.

5 Conclusions

5.1 Employing young people

This paper has sought to understand how employers think about young people and whether they see a business case for employing them. The businesses we interviewed saw a number of benefits that young people can offer an organisation. However, they also believed there were a number of potential drawbacks.

Positive aspects of employing young people

Employers identified a number of benefits to recruiting young people, these included:

Moulding a workforce. This is the benefit that most resonated with our interviewees. In part this is about building a workforce with the right skills. But 'moulding' is also about an organisation's culture and ways of working. Interviewees preferred starting 'with a blank slate'. National employer surveys have also found workforce 'moulding' to be a key benefit of employing young people.

Company profile. Some employers said employing young people has a positive impact on their company profile or brand. This is most likely to be true for companies that need to sell to or engage with young people. There can also be more local reputation effects – we interviewed an employer whose reputation among local customers and residents has been enhanced because the business provides opportunities for disengaged young people.

Area and sector benefits. There are benefits to a sector or a geographical area if it invests in young people by employing and training them. Doing so helps secure future skills supply and helps encourage young people to stay in the area or sector.

Digital literacy. Several of our interviewees considered young people's digital literacy a key benefit. Clearly this is partly sector and firm specific but this was one area where employers suggested young people had an added value.

Mixed aspects of employing young people

There were a number of areas where employers thought the case for employing young people was less clear-cut, these included:

Enthusiasm. All our interviewees said they valued attitude and enthusiasm very highly – in many cases above skills and qualifications – and young people can bring great enthusiasm and energy to their work. One employer described two recent young hires as 'breathing life' into their organisation. UKCES's national survey similarly finds that employers placed

enthusiasm behind only workforce moulding in their reasons to hire young people.⁷¹ However, a number of our interviewees had also experienced young people with poor attitudes. Some had experienced both good and poor attitudes among young people. Overall, it is difficult to regard attitude as either a positive or negative aspect of the business case.

Cost. 16-17 year olds and 18-21 year olds are entitled to lower minimum wage levels than adults, which is relevant in industries employing lots of people at the minimum wage, such as hospitality, retail and cleaning. In these industries the lower cost provides an incentive to employ young people.

Staff retention. Young people tend to spend less time than older workers in each job and many employers (including some of our interviewees) consider higher turnover rates a reason which discourages them from employing younger people. However, when employers invest in their young recruits by offering substantial training (such as through apprenticeships) they can be highly loyal, and can stay with a firm for long durations.

Negative aspects of the business case for employing young people

Employers also reported a significant factor which goes against young people which is their relative lack of experience.

Lack of experience. Apart from a few employers who questioned young people's attitude, the vast majority of employers considered experience as the main drawback of hiring young people. Experience refers to both general work experience (which helps young people develop generic 'employability' skills such as behaviour in a work environment) and to experience of specific types of job.

Barriers to employing young people

The research has also identified a number of barriers relating to employer behaviour which impact on young people's ability to find work. These are:

Filtering by qualification. Some employers unnecessarily filter job applicants by qualification level. They do so because it speeds up the recruitment process or because they prefer to hire those with the highest possible qualification levels. This places a particular barrier to work on young people with lower level qualifications, in particular those who have left school at the age of 16.

Informal Recruitment. Informal recruitment – recruiting using the networks of employees – is commonplace, and has become more so in the last few years. Employers recruit informally because doing so is cheaper and because it is seen as a less risky. However, the clear downside is that recruiting in this way excludes those without access to such networks.

⁷¹ UK Commission Employer Perceptions Survey, 2012.

Young people are often particularly affected because, with fewer years' work, they have had less time to build up contacts.

Work experience. A lack of experience is the most common reason employers give for not hiring young people. All our interviewees bar one considered experience important, either for its own sake or as a signal of other qualities such as attitude to work. Hiring only people with experience may be a lower risk recruitment strategy, but it also tends to exclude more young people who are potentially valuable applicants.

Employer perceptions. Employers who hire young people have better opinions of them than employers who don't, which suggests that employers form perceptions of young people based on other sources than their own employment experience, and that their opinions can be overly negative.

5.2 Employers engaging with young people

Employers can have an impact on young people by engaging with them to help prepare them for work. Some evidence suggests that young people who have multiple points of contact with employers while at school do better in the labour market.

We must maximise the involvement of those employers that are already engaged, and seek to involve those employers who presently are not. Employers, however, encounter several barriers to engaging with young people in education. The most important barrier is a limit to staff time, but there also exists a lack of awareness about how to engage with young people, and a reliance on ad hoc relationships between individuals in education and their organisation.

Time. The most significant barrier to engagement is that staff time is limited. It is unavoidable that engagement will take employers' time – it is employers' time that is valuable to young people. Time constraints are a particular problem for smaller businesses.

Engagement can be complex, and difficult to arrange. Beyond the time involved in the engagement itself, employers also spend time facilitating the engagement. The complexity and difficulty of engaging exacerbates the problem. We found in our interviews that employers were much more willing to engage if some of the organisational work was done for them – for example by a trade body. However, a secondary problem is the multiplicity of organisations working to facilitate school and employer integration. Co-ordination is difficult because the system is highly fragmented.⁷²

Schools can be resistant to employer engagement. Some of the employers we interviewed described difficulty engaging with local schools.

⁷² The Work Foundation (2012) *Youth unemployment: short-term crisis, long-term problem*. The Work Foundation, London.

Lack of awareness. Despite often multiple services in a local area many employers we spoke to had little awareness of what engagement options were available to them.

Reliance on individuals. The engagement of many of the employers we interviewed relied on ad hoc relationships between individuals in the school and the interviewee's organisation. This makes the engagement vulnerable to personnel change in both the school and the employer's organisation.

Barriers to taking on apprentices

There is a high demand from young people for apprenticeships in the UK, however take up of apprenticeships from employers is low, with only 4 per cent of businesses employing apprentices. Based on our interviews with employers, and recent evidence from reviews of the apprenticeships system, the main barriers employers face to taking on an apprentice are:

- **Lack of knowledge about apprenticeships.** Despite the recent rapid expansion in apprenticeships many businesses know little about apprenticeships or about the processes a business must go through in order to hire one.
- **Specific constraints on smaller businesses.** The Holt Review (2012) looked at the problems small businesses face in hiring apprentices, and found that uncertainty over future work supply, the lack of a dedicated HR team to handle the related administration, and (potentially) an inability to find time for both on- and off-the-job training all make it harder for SMEs to take on apprentices.
- **Bureaucracy.** Bureaucracy was highlighted as problem by both the Holt Review (focusing on the problems facing small businesses) and the recent BIS Select Committee's Review.

6 Recommendations

In light of the finding that the ‘business case’ argument for employing young people does not appear to be a silver bullet in opening-up more opportunities for young people, what should their role be in tackling youth unemployment? We suggest that action should be taken on five fronts.

Firstly, employers should try to engage with young people to help prepare them for work. Even if they are unable to offer young people employment opportunities, young people can still benefit from small amounts of their time. Policy makers need to seek to make this engagement as easy as possible for employers.

Recommendation 1 All employers should try to engage with young people to help prepare them for work. This can be made easier by:

- Offering employers a range of options to suit their availability. Some employers, especially SMEs, may be unable to host young people on work experience placements. However, they may be able to spare enough time to engage in a mentoring programme, or simply to talk to students about their work.
- Reinstate the requirement for work experience in Key Stage 4 (Year 10). This was ended in the 2011 Education Act following the Wolf review, which argued the requirement made it hard for schools to offer more and better work-related learning. The sentiment that work-related learning should be tailored to students and of higher quality is correct, but removing the minimum floor is not the way to achieve it. There is a risk that the requirement will be replaced by nothing, and that some students will not receive any work experience in school.
- We agree with two of the recommendations made by the Education Select Committee in relation to the Government’s decision to transfer responsibility for careers guidance to individual schools⁷³:
 - A requirement for schools to publish an annual careers plan, which draws on the views of students, parents, employers and other learning providers.
 - A requirement for schools to set out their arrangements with local employers and how they intend to enhance them.
- In addition to these, we recommend that secondary schools consider having a local employer on their board of governors. This is already possible – governing boards can include ‘Community Governors’, which can be anyone who lives or works in the local community, as well as anyone interested in improving the school. Schools should consider inviting prominent local employers to fill this role. Employer

⁷³ Education Committee (2012) *Seventh Report: Careers guidance for young people: The impact of the new duty on schools*. House of Commons, London.

governors could support the development of the school's careers plan and its engagement with other employers.

- Local Enterprise Partnerships and local Chambers of Commerce branches should publicise opportunities for engagement to their business networks. The CBI's idea for a 'business champion' from each area to promote employer-education engagement should be taken forward.

Second, employers should ensure their recruitment processes are as youth-friendly as possible. Recruiting informally – through networks often less accessible to young people – is a clear barrier to employment. Young people benefit from more widely publicised, transparent and easy to navigate recruitment processes.

Recommendation 2 Employers should make their recruitment as youth friendly as possible by:

- Limiting their use of informal recruitment methods. Employers should sign up to Nick Clegg's recently launched 'Opening Doors' campaign, which aims to encourage employers to make their jobs as widely accessible as possible.⁷⁴
- Advertising jobs and using the Government's new free jobs website – Universal Jobmatch. Some employers can be put off using these services given the large numbers of applicants they generate (causing employers to spend more money and time on recruitment) and the concern that the service does not deliver candidates of the required calibre.⁷⁵ The Government should address these concerns by ensuring that the service responds to individual employers' needs, and does not recommend unsuitable candidates.
- Evaluating their recruitment processes, and in particular the use of qualifications. Employers should ensure qualifications are used as filters only when necessary, and should seek to use only relevant qualifications.

Third, we must endeavour to shift the business case in young people's favour. An important way to do this is to improve opportunities for work experience.

Recommendation 3 Give young people the experience they need to compete for jobs. Government should:

- Continue to expand the apprenticeships programme, with a focus on young people. Government should use its procurement powers to demand that large Government suppliers offer many apprenticeships.
- Invest in the new 'Traineeships' programme and ensure that work experience involved is of a high quality, linked to job opportunities and provides opportunities for skill acquisition.

⁷⁴ Opening Doors campaign website: <https://engage.cabinetoffice.gov.uk/opening-doors-awards/>

⁷⁵ Joseph Rowntree Foundation (2012) *Disadvantaged young people looking for work: A job in itself?*. Joseph Rowntree Foundation, York.

- Offer all young people (16-24) a guaranteed part-time job if they have been unemployed for 9 months (as ACEVO have recommended⁷⁶). This provides a backstop to those who are struggling most to get a foot on the ladder.

Fourth, employers that do employ many young people, that seek to make their recruitment process accessible to young people, and that engage with young people more broadly, should be recognised for their efforts. This will provide such employers with valuable organisation profile benefits, and would incentivise other employers to match their efforts.

Recommendation 4 Reward and publicise employers that are good employers of young people.

- Government should support a kitemark system for employers good at employing and engaging with young people. This would recognise employers who employ many young people, who have youth-friendly recruitment practices, and who make efforts to engage with young people more broadly.
- This could be achieved by supporting a third sector organisation in delivering a kitemark system. For example, the organisation Youth Employment UK already runs a system awarding employers a 'Youth Friendly Badge' if they can demonstrate a commitment to supporting youth employment.⁷⁷

Fifth, policy makers should work to change employers' perceptions of young people. Employers who do employ young people are more positive about them – which suggests some employers hold negative views about young people but know little about what they can offer.

Recommendation 5 Policy makers should work to change employers' perceptions of young people.

- Politicians and other public commentators should cease talking about a 'lost generation'. Public discourse too often demonises those out of work and those claiming welfare benefits. Instead, politicians should promote the qualities of the UK's young people and cease
- Employers with positive stories of employing young people should share their experiences through business networks.

⁷⁶ ACEVO (2012) *Youth unemployment: The crisis we cannot afford*. ACEVO, London.

⁷⁷ Youth Unemployment UK. Website: <http://www.yeuk.org.uk/>

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