ETHNICITY, POVERTY AND YOUTH EMPLOYMENT
IMPROVING OUTCOMES FOR YOUNG PEOPLE

What’s the issue?

There is no national strategy addressing the clear disparities in labour market outcomes that young people from ethnic minorities experience. Yet these experiences shape working lives and should not be ignored.

This paper focuses on a selection of mainstream initiatives that have played an important role in supporting young people’s transitions into work (Sissons and Jones, 2012; Crowley et al., 2013). It sets out a series of recommendations for improving support, offering a more effective route out of poverty and preventing later labour market disadvantage.

Local authorities, schools, private and third sector providers, employers and various government departments are all involved in supporting young people as they enter work. This paper makes the case for strategies tailored to local priorities and needs, backed up by clearer accountability, further resources, and monitoring at national level.

Ways forward

• Services that support young people as they move into the labour market need to be co-ordinated at a local level. Youth Transition Partnerships should be established, bringing together key local actors, with a remit to tackle ethnic and socio-economic disparities.

• There is limited evidence on the effectiveness of targeted employment initiatives for ethnic minority groups. The government should commit to funding robust evaluations of such initiatives over the longer term.

• Careers education and advice services should both support and challenge young people as they make career choices, aiming to expose them to a range of employers.

• There should be an independent review of careers guidance policy accompanied by a commitment from government to provide dedicated funding so that schools can deliver quality careers services.

• The National Apprenticeship Service should continue to take the lead in raising awareness of apprenticeships, with initiatives targeting ethnic minority young people and their parents.

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BACKGROUND

Tackling the labour market disadvantage experienced by different ethnic groups in the UK has proved challenging. In part this is because the extent, nature and causes of these differing outcomes vary widely both within and between different ethnic groups. These challenges are compounded by a lack of evidence on what works in increasing employment rates among ethnic minority groups, and a lack of continuity in funding and resources for this agenda (NAO, 2008).

Nonetheless, intervening as young people move into the labour market, a key transition point, can mitigate this disadvantage. In part, as the Joseph Rowntree Foundation’s research programme on poverty and ethnicity has made clear, this is because the occupational distribution of ethnic minority workers accounts for much of their over-representation in low pay (Brynin and Longhi, 2015; Longhi, Nicoletti and Platt, 2012). It therefore follows that interventions to support young people as they choose a career path or seek to enter work can play an important role in addressing the labour market disadvantage experienced by people from ethnic minorities in the longer term.

Why focus on youth labour market transitions?

People’s early experiences in the labour market can shape their working lives. Young people who experience unemployment, for example, face higher risks of unemployment and lower wages over the long term (Bell and Blanchflower, 2011). Meanwhile those who begin their careers in low-skilled, low-paid work can struggle to progress (Scherer, 2004). This means that the consistent disparities in labour market outcomes that appear across ethnic groups have long-term implications.

Figure 1: Youth unemployment rate (16–24-year-olds) by ethnicity

In 2013 the youth unemployment rates for young people from Black and Pakistani and Bangladeshi backgrounds were more than twice that for White young people, at 45 and 47 per cent respectively compared with 18 per cent (DWP, 2014a).
We can also look beyond the unemployment rate at apprenticeship participation: apprenticeships offer a route into skilled work for many young people yet there was a gap of 10 percentage points between the success rate for Black apprentices aged under 19 and the average in 2012/13 (see Table 1).

Table 1: Apprenticeship ‘success rates’ for young apprentices in England 2012/13

<table>
<thead>
<tr>
<th>Ethnic group</th>
<th>Success rate</th>
<th>Percentage point difference in success rates (Reference: overall rate for age group)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Under 19</td>
<td>19-24</td>
</tr>
<tr>
<td>Overall</td>
<td>72%</td>
<td>73%</td>
</tr>
<tr>
<td>White</td>
<td>72%</td>
<td>73%</td>
</tr>
<tr>
<td>Asian</td>
<td>71%</td>
<td>69%</td>
</tr>
<tr>
<td>Black</td>
<td>61%</td>
<td>66%</td>
</tr>
<tr>
<td>Mixed</td>
<td>65%</td>
<td>65%</td>
</tr>
</tbody>
</table>

Source: SFA/DBIS FE data library; success rates are ‘based on the individual aims that were expected to end in the academic year’; cells have been rounded to nearest % – percentage point difference calculations may not sum to overall rate.

These outcomes call for a better understanding of the ways that young people in particular can be supported to move into sustainable, well-paid work regardless of their background and circumstances.

What causes the ethnic disparities in labour market outcomes?

Poverty rates are higher across ethnic minority households compared with White British households in the UK. This section briefly reviews some of the mechanisms through which the relationship between poverty and ethnicity might lead to labour market disadvantage for young people. It considers the evidence that social background continues to play a role in shaping the labour market opportunities for young people and further considers whether this may be compounded by elements of discrimination and racism.

There are a number of possible explanations for the relationship that exists between ethnicity and labour market disadvantage for young people, including differences in social background, differences in social networks and how they are used, geographical location and discrimination (Feng et al., 2015; Mason, 2003; Salway, 2008). However, teasing out the relative importance of these explanations, and the mechanisms through which disadvantage occurs, has proved challenging. This is partly because there are only a few longitudinal studies that track post-16 outcomes in the labour market by key characteristics such as socio-economic class and ethnicity. In addition, there is considerable heterogeneity in the labour market experiences of people both within and between different ethnic minority groups (Platt, 2007; Heath and McMahon, 1999).

Studies have shown that an individual’s social background has a significant impact on outcomes, both in terms of early labour market trajectories (Dorsett and Lucchino, 2013; Anyadike-Danes and McVicar, 2010) and later occupation and earnings (Marcenaro-Gutierrez et al., 2014). Though education can reduce differences in employment outcomes, often playing a more significant role than social background in facilitating labour market success (Heath and McMahon, 1999), achieving higher qualifications does not guarantee success. Ethnic minority graduates, for example, are more likely to be overqualified than white graduates (Brynin and Longhi, 2015) and across England and Wales, ethnic minority groups are systematically under-represented in intermediate occupations (Catney and Sabater, 2015).
Social connections and networks can play an important role in supporting labour market participation, but as they are often stratified along class lines this can work against people from poorer backgrounds (McCabe et al., 2013; Cheung, 2014). Success in the labour market can be facilitated by parents, friends and family, whether through the provision of advice on study and career options and ways to negotiate the skills and education system, or by passing on information about job vacancies and the application process. Studies have found that, controlling for other factors, having friends who are in employment tends to reduce the risk of being poor (Finney et al., 2015) and social integration is associated with improved employment opportunities for immigrant and ethnic minority groups (Kahenec and Mendola, 2007).

Furthermore, many employers make use of informal recruitment channels, with implications for young people’s job prospects. According to one survey, around 30 per cent of recruiting employers used word of mouth recruitment in 2014 and 23 per cent of employers who had recruited a young person in the previous 12 months had used word of mouth or personal recommendations (UKCES, 2014). The use of these informal channels is likely to disadvantage young people in general – since they are less likely to have contacts in employment – and young people from poor backgrounds in particular, whose parents may not be able to facilitate entry to well-paid work.

Discrimination and racism can operate to reinforce this disadvantage, whether by shaping the expectations of teachers and advisors or by reducing the employment opportunities open to young people from certain ethnic groups. Tackey et al., (2011) review some of the evidence on discrimination in the education system. One study highlights the potential for teachers’ judgements of black Caribbean students’ academic potential to be distorted by perceptions of their behaviour as ‘problematic’ (Strand, 2012).

Turning to the labour market, studies have found clear evidence of discrimination when it comes to access to employment (Pager and Shepherd, 2008). One field experiment, which used matched job applications from young white and ethnic minority applicants, found that people with names associated with an ethnic minority background would have to make 16 applications before they got a positive response, compared with 9 applications for ‘white-sounding’ applicants (Wood et al., 2009). Young people from ethnic minorities are likely to be caught up to a greater extent in the intergenerational transmission of poor labour market outcomes and poverty because of such discrimination.

There are a number of interventions which could break the negative link between poverty, ethnicity and labour market outcomes for young people. The following section reviews key measures supporting youth labour market transitions and considers whether they take adequate account of this disadvantage.

**Review of key policy options**

Over the last year, the government has made some expensive policy commitments in the area of youth employment, proposing to remove employers’ National Insurance contributions for most people under 21 at an estimated annual cost to the exchequer of £495 million this year (2015/16) and £600 million the year after, when employer contributions for 21 to 24-year-old apprentices will also come to an end (HM Government, 2013; 2014). Careers guidance for young people has also received much attention, though fewer resources.

A review of these key policy initiatives is needed to determine how they might support better outcomes for young people from ethnic minorities in the labour market. Tackling the ethnic employment gap used to be a specific target for the Department for Work and Pensions. However, progress toward this goal was slow and the targeted initiatives that were introduced were not pursued over the long term (NAO, 2008). Now, instead of pursuing equality and diversity goals through targeted employment and skills initiatives, the government argues that the personalised support offered by Jobcentre Plus and other providers should address disadvantage on an individual basis (DCLG, 2012; Work and Pensions Select Committee, 2012).

However, there is a distinct lack of evidence on this. Recent studies suggest that ethnic minority groups do not experience routine discrimination in terms of the services that they receive and the
opportunities that they are offered through programmes such as the Work Programme (DWP, 2014b). But it equally does not appear to be the case that these employment programmes, however flexible, can address the mechanisms which lead to wider labour market inequalities.

In light of this, this section considers a selection of interventions which have been identified as playing an important role in supporting young people’s transition into work and improving employment outcomes. Specifically, the focus is on careers advice and guidance and apprenticeships.

Careers advice and guidance
Providing universal high quality careers advice and guidance to young people is important. Variation in knowledge about the education system and labour market, which is related to class and ethnic background, can impact on employment outcomes for young people (Lalani et al., 2014). Careers advice and guidance services therefore represent an important means of supporting diversity and equality in the labour market, helping to ensure that young people’s early labour market choices are not dependent on the jobs done by their friends and family.

However, many young people lack access to good advice and guidance. It has been several years since the government transferred the responsibility for providing careers advice and guidance for young people to schools and colleges. Since then numerous reports and enquiries have raised concerns about the quality and quantity of advice on offer to young people (Ofsted, 2013; National Careers Council, 2014). In the past year, new statutory guidance has been issued to schools (DfE, 2014a), but there is still no dedicated funding to turn the vision for careers advice and guidance into a reality.

Independent careers advisers, as well as employers, have an important role to play in challenging occupational stereotypes and in encouraging young people to consider a wider range of careers options (Hutchinson et al., 2011; Beck, Fuller and Unwin, 2006). While there is an increasing emphasis on employer involvement in careers advice and guidance, with a new careers and enterprise company for schools being set up to broker relationships between employers and education and training providers, few measures are in place to ensure that young people from poorer backgrounds receive independent practical advice and information about the consequences of pursuing particular occupational pathways. There is some ambiguity around the relative importance of professional careers advisers within the current support offer (DfE, 2014b). In addition, while the education inspectorate Ofsted (Office for Standards in Education, Children’s Services and Skills) will take careers provision into account when they inspect schools, holding schools to account on careers advice and guidance is not a central part of their brief.

The lack of dedicated funding, patchy provision and limited external oversight mean that the quality of careers advice is far from guaranteed for all young people.

Apprenticeships
Young people from ethnic minorities are under-represented in apprenticeships. In 2011 young people from ethnic minorities made up around 19 per cent of the youth population in England, but only 8 per cent of the apprenticeships started by people aged under 25 in 2011/12 were taken up by people from a Black or minority ethnic group. Furthermore, people from ethnic minorities make up a larger proportion of applicants than the participation data suggests (Newton and Williams, 2013). In 2011/12 around 24 per cent of applications made through the apprenticeships website were from minority ethnic candidates. Further investigation is needed to determine why different groups of applicants are less likely to be successful at this stage.

It is not just the participation data that raises concerns. Young people from ethnic minorities are also under-represented in some high-quality apprenticeship frameworks, with just 3.2 per cent of learners on engineering apprenticeships from minority ethnic groups (Newton and Williams, 2013). Finally, success rates for apprenticeships diverge significantly across ethnic groups (Gambin and Hogarth, 2015). For example, if we focus on 19 to 24-year-old apprentices, young Chinese apprentices had the highest success rate in 2012/13 at 80 per cent compared with a 73 per cent success rates for White, 66 per cent for Bangladeshi and 64 per cent for Black African apprentices. These rates suggest that some young people are finding that apprenticeships do not live up to their expectations (Winterbotham et al., 2000) or that they are not offered the support they need to complete them.
Why does this matter? While we might not expect apprenticeships to solve the equality and diversity issues evident in the wider labour market, the under-representation of ethnic minority young people in some key apprenticeship sectors is a missed opportunity as the government ploughs considerable resource into growing the number of apprenticeships, providing incentives and tax breaks for employers. Evaluations of recent targeted initiatives, including the Diversity in Apprenticeships Pilots, identify some good practice in this area, including establishing close links between employers and schools, and offering mentoring opportunities and taster days (Newton and Williams, 2013). But these commitments need to be backed up with support targeted at young people, enabling them both to consider whether an apprenticeship is right for them, and supporting them once they begin an apprenticeship.

**Recommendations**

For young people from ethnic minorities, there is no national strategy that seeks to address the clear disparities that exist in terms of labour market outcomes. Part of the rationale behind this is that the extent, nature and causes of labour market disadvantage vary widely both within and between different ethnic groups. Another reason is that there is an overlap between the challenges facing young people from ethnic minorities and those affecting disadvantaged young people. Analysing outcomes by ethnicity, therefore, can help to underscore that there is a problem, but formulating policy initiatives that focus on ethnicity alone may not bring us nearer to a solution.

Yet the patterns of disadvantage that exist for young people from ethnic minorities need to be acknowledged and addressed. Action is needed to ensure that interventions address the specific needs of local communities. **The first step should be to ensure that policies to support youth labour market transitions are based on a clear understanding of the challenges** that young people face. This should be achieved at a local level through a collaborative review of the data on educational and labour market outcomes for different groups of young people. Local authorities should lead on setting up new youth transition partnerships to co-ordinate these reviews and develop a strategy to support successful youth transitions, while facilitating better partnership working. These partnerships should be flexible but aim to include government, business and third sector organisations (Crowley and Cominetti, 2014), and establish links with local enterprise partnerships. These youth transition partnerships should have a remit to identify and reduce socio-economic and ethnic inequalities evident in youth transitions and labour market outcomes.

Ethnic disparities in the labour market differ across local areas (Lalani et al., 2014). It may be possible to get funding for projects to address identified disparities through the Flexible Support Fund (accessible through Jobcentre Plus) or the Equality and Diversity Good Practice Fund (available to Skills Funding Agency providers), though these are highly targeted, discretionary funds. If initiatives targeting specific ethnic groups are required, care should be taken to adapt any participation targets to the local population, and ensure that support reaches the most disadvantaged. However, there is limited evidence on the effectiveness of targeted employment initiatives for ethnic minority groups. The government should commit to funding robust evaluations of such initiatives over the longer term.

Second, employers have an important role to play in **supporting non-traditional candidates and young workers**. While the evidence on mentoring initiatives and their employment impacts is weak (McCabe et al., 2013), employers can provide mentoring to help workers negotiate the workplace, as well as identifying any barriers that need to be addressed. Employers should also review their selection and recruitment practices to ensure that they reflect best practice and are ‘blind’ to personal characteristics that are not essential to the job. Employer representatives and sector bodies, particularly in the private sector, should take the lead in this area, encouraging and supporting employers to offer mentoring, raising awareness of good practice in equality monitoring, and disseminating the guidance produced by The Equality and Human Rights Commission.

Third, **monitoring should also take place at a more strategic level**. A cross-departmental government working group should be set up to review the level of resource that is being put into tackling ethnic disparities in labour market outcomes, to share best practice and identify priorities. The government should also introduce greater transparency around the way that discretionary funding pots, such as the Flexible Support Fund (FSF), are spent. In line with recent recommendations made by
the Work and Pensions Select Committee (2014), data on projects that have received funding from the FSF should be published on a regular basis, with periodic reviews by an independent assessor.

Fourth, all young people need to be provided with information to support and, where necessary, challenge their career choices. This should include both vocational and academic learning and training opportunities, as well as up-to-date information on the earnings and progression prospects associated with different careers. Advisers should support young people from ethnic minorities who express concerns about discrimination and occupational segregation to consider how these challenges might be addressed. The new Careers and Enterprise Company has been set up to broker relationships between schools and employers and raise the standard of careers advice and education. Services such as this should aim to expose young people to a wide range of employers, including those operating in (relatively) well-paid sectors that tend to have fewer ethnic minority candidates. A national network of apprentices should also be established, offering young people the opportunity to hear about the different employment options open to them.

Fifth, the government has set out a vision for good careers advice in schools, but the means of achieving this vision are far from clear. To address this gap between vision and reality there needs to be an independent review of careers guidance policy alongside a commitment from government to provide dedicated funding so that schools can deliver quality careers services for young people. On one estimate it would cost £207 million in the first year to raise the standard of careers advice and education in England, with a programme offering access to trained advisers and which embeds equality and diversity considerations (Gatsby Charitable Foundation, 2014). There need to be clearer lines of accountability for achieving a good standard of careers advice. Local partnerships, such as youth transition partnerships, can help to hold local authorities and schools to account for the standard of provision locally, but ultimately there needs to be clearer ministerial accountability for delivering good careers advice and education.

Finally, with regard to apprenticeships, there should be a continued emphasis on increasing the number of good quality apprenticeships. The National Apprenticeship Service should continue to take the lead in raising awareness of the benefits of apprenticeships, with targeted activities aiming to reach ethnic minority young people and their parents. Furthermore, since the availability and cost of transport can represent a significant barrier to work for some young people, local economic partnerships should seek to target concessionary fares on young apprentices and young workers who have recently entered employment.

With people from ethnic minorities over-represented in the applicant data, the new traineeships scheme has the potential to support more young people to overcome initial barriers to getting an apprenticeship as well as other forms of employment. Steps should be taken to ensure that young people from ethnic minorities are able to take advantage of this scheme, particularly in areas with large disparities in employment outcomes across ethnic groups.

Conclusion

The routes that young people take in the labour market are strongly influenced by factors such as their social background and ethnicity. There is a need to address the patterns of disadvantage that exist for young people from ethnic minorities, particularly where they intersect with social background to limit employment opportunities.

The current employment and skills support offer does not appear to fully address the needs of ethnic minority young people or, in more general terms, do enough to disrupt the mechanisms which transmit labour market disadvantage from one generation to another. Yet there is scope to act. The first step should be to ensure that policies to support youth labour market transitions are based on a clear understanding of the patterns of disadvantage that shape the challenges and opportunities that young people face.
About this paper

With a focus on youth labour market transitions, this Solutions paper takes forward key findings and policy ideas set out in the Joseph Rowntree Foundation’s poverty and ethnicity research programme. It also draws on the Work Foundation’s research into youth employment, and the practical experience of practitioners involved in tackling the issues highlighted.
Notes

1 The ethnic employment gap tends to be defined as the difference between the overall employment rate, or that of the white majority group, and the rates for particular ethnic minority groups.

2 Based on Skills Funding Agency estimates of the number of learners that participated at any point in the year (2011/12) in England. These are expressed as a percentage of apprentices aged under 25 whose ethnic category was known. Source: SFA/DBIS. Figures on the ethnic composition of the population are taken from the Census (2011).

3 Data is for applicants of all ages, i.e. not limited to young people. Calculated as a proportion of all candidates whose ethnic category was known in 2011/12. Source: SFA Apprenticeship Vacancy Report https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeship-vacancies

4 Success rates reported for specific minority groups change significantly year on year.
References


DfE (2014b) Written evidence submitted by the Department for Education to the Careers Guidance follow-up inquiry, Education Select Committee.


FOR FURTHER INFORMATION

This summary is part of JRF’s research and development programme. The views are those of the authors and not necessarily those of the JRF.

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