

Young, vulnerable, and increasing – why we need to start worrying more about youth unemployment

April 2020



Young, vulnerable, and increasing – why we need to start worrying more about youth unemployment

The Youth Futures Foundation and Impetus have worked in partnership on a new analysis of the population of young people who are neither earning nor learning - looking at both the current drivers of, and future trends associated with, being in this group. It lays out why we urgently need to improve our offer to those young people who are at most risk of being, or have already been, locked out of education, employment and training. This need has become even more urgent given the Covid-19 pandemic and its expected impact on young people and the wider economy.

The Youth Futures Foundation

The Youth Futures Foundation is a new 'empowerment foundation' committed to closing the employment gap between young people who face disadvantage and their peers. We aim to identify practical, cost effective ways to move young people into education, training and employment that can be rolled out across multiple locations, to reach as many young people as possible.

We recognise that whilst developing and supporting young people will go some way towards tackling youth unemployment and underemployment, these are systemic issues. They involve individuals whose skills, beliefs and attitudes may contribute to their situation but - crucially - their problems are also a result of policy decisions, institutional behaviour, economic markets, public attitudes and cultural norms.

We are therefore seeking to bring about a significant change in national behaviour that dramatically improves the number of young people accessing - and progressing in - work. The Foundation will apply rigorous evaluation methods to determine what works, then channel resources and funding into sharing learnings and working in partnership to grow good practice. The Youth Futures Foundation believes improving employment prospects for all young people is a crucial factor in achieving national productivity gains and enhancing health and wellbeing.

Impetus

Impetus transforms the lives of young people from disadvantaged backgrounds by ensuring they get the right support to succeed in school, in work and in life. In partnership with other funders we help our charities to develop effective support and



then sustainably and consistently deliver that to more young people, and we work to influence policy and decision makers so that young people get the support they need. Impetus' input to this work draws on data from its sector-leading research series, the *Youth Jobs Gap*, and a decade of experience in finding, funding and building the best programmes and charities delivering effective support to the young people who need it.

Both The Youth Futures Foundation and Impetus recognise that strong coordination and partnership working across government, funders, delivery organisations and employers is required to drive the structural and systems change needed to make real change for young people. This paper is part of our joint commitment to collaborative working practices that bring about change for young people. By working in partnership, Impetus and The Youth Futures Foundation are combining their efforts to deliver lasting impact for disadvantaged young people, the youth employment sector and the labour market.

We would like to thank Dr Paul Morland for his pro bono support for the analysis of population trends.

April 2020



Summary

- Too many young people are prevented from finding sustainable work by a lack of access to appropriate information, advice and connections, inadequate support to overcome multiple layers of disadvantage, or as a result of discrimination.
- Young people's economic inclusion requires immediate attention. Despite overall reductions in unemployment in recent years, the number of young people over 16 who are out of work and not in education has remained stubbornly above 750,000 annually in the UK. Improvements in the under 18 age group have been helped by changes to the school leaving age, but 13% of 18-24 year olds in the UK are neither earning nor learning.
- In addition, many of those who are in employment are increasingly working fewer hours than they would like to, in jobs that are insecure, with little chance of progression. Youth underemployment (the proportion of people who would like to work more hours than they currently do) has not yet returned to pre economic crisis levels. As a result of these combined factors, many report struggling to cover their living costs.
- Young people from disadvantaged backgrounds and particular ethnic minorities are disproportionately likely to be NEET or underemployed than their peers. This "employment gap" has a negative effect on individual life chances that endures, imposing a high cost on them, society and our economy.
- Even before the Covid-19 pandemic, forecasts suggested the numbers of young people outside of education, training and employment were likely to grow due to overall population rises in this age group and the increasing prevalence of some of these risk factors in the school-leaving population – such as the number of young people with experience of care, or special educational needs and disabilities. We now face the combination of a growth in young people falling out of the labour market and a likely recession as a result of the Covid-19 pandemic, though we cannot know what shape the downturn will take.

Closing the employment gap will require significant work. On the supply side, employment services for young people are highly fragmented, with multiple entry points via formal education, youth services, employability providers and public sector provision – all offering a broad range of interventions that can be hard to uncover, understand and access and with little clarity about their effectiveness for different groups of young people. On the demand side, many employers are committed to doing more, but unsure how best to attract and retain staff from diverse backgrounds.

A collaborative approach across the public, private and voluntary sectors is urgently needed to ensure that young people who are facing the most disadvantage are not overlooked but instead get effective, evidence-based support into meaningful employment.

The labour market for young people is changing

The economic backdrop to youth unemployment is highly uncertain. The impact of Covid-19, intergenerational inequality, technology, globalisation, climate change, Brexit and the redrawing of national borders are changing the goal posts for young people. Many observers predict unprecedented levels of change for young people and their work futures in the next decade. The evidence shows that in uncertain economies, employers take fewer risks on young people with less experience than their older peers.

Youth employment trends over the past 20 years suggest the category of 'NEET' – 'not in education, employment or training' – which has historically driven much of the policy discussion and charitably-funded activity for youth employment – may now be inadequate to capture many young people's labour market experiences. We must turn our attention to the more complex challenge of ensuring young people from all backgrounds can access not just any job, but high-quality, secure work that enables them to progress and contribute positively to society.

Nearly 10 years ago youth unemployment was a hot topic. The recession following the credit crunch led to a high of 19.4% of 16-24 year olds being out of education and work¹. Funders and the government were desperately coming up with ideas to reduce the unemployment figures and huge initiatives were launched. This included the Government-backed Future Jobs Fund (2009) which paid third sector employers to take on unemployed young people, the £1 billion pound Youth Contract to tackle youth unemployment through employer wage subsidies, apprenticeships and training, the European launch of the Youth Employment Initiative (2012), and the start of planning for the Lottery's £108m Talent Match programme (consultation started in 2012).

Over the subsequent decade the UK experienced two major trends that impacted youth employment: the falling unemployment rate nationally, and the change to the participation age in education.

The fall in unemployment was driven by a number of factors. Primarily, it was a reflection of economic growth and the broader economic cycle, but it was also influenced by government policies intended to reduce unemployment, such as reforms to the welfare system.

Alongside this, young people are now required to stay in some form of education or training until the age of 18, rather than 16 as previously. This has reduced the proportion of the 16 to 18 age group who are not in education, training or work. Both of these have led to increases in youth participation at a headline level.

1. Department for Education (2019) NEET statistics annual brief: 2018 Available at: <https://www.gov.uk/government/statistics/neet-statistics-annual-brief-2018>



However, the headline numbers overlook some intractable problems that did not go away during the economic cycle of the past decade.

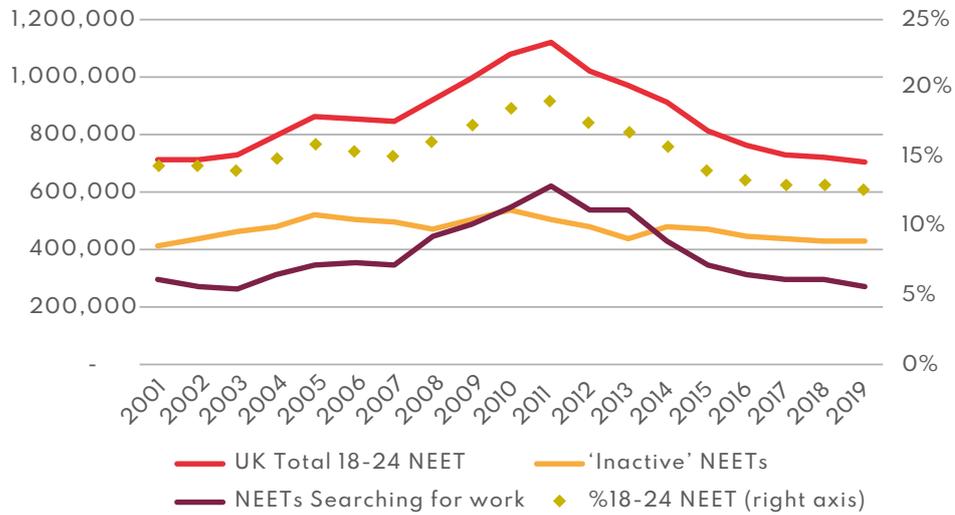
Firstly, unemployment is still a problem that disproportionately affects young people. While the headline unemployment rate for the UK is 3.8%, the equivalent unemployment rate for the 18-24 age group is 10%, more than 2.5 times as large.² This figure is in fact higher than the overall unemployment rate was at the height of the recession.³ Given what is known about the long-term scarring effects of youth unemployment, this is a current problem with implications that could reverberate across decades.⁴

Secondly, the headline unemployment figures do not include, and therefore overlook, a stubbornly high number of young people who are “economically inactive” and not seeking work. It is important to emphasise that this number does not refer to young people who are studying at university, doing apprenticeships, or otherwise engaged in productive education, training or employment. The wider figures of young people “not in education, employment and training” show that nearly 430,000 18-24 year olds in the UK are ‘economically inactive’. A significant proportion of this group are among some of the most disadvantaged young people in the overarching ‘NEET’ cohort.⁵ The most common reasons given for not being able to look for work are caring responsibilities or health problems.

-
2. Office for National Statistics (2020) A01: Summary of labour market statistics. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/summaryoflabourmarketstatistics> NB Unemployment percentages are counted out of those who are actively seeking work, excluding those who are inactive.
 3. Office for National Statistics (2018) The 2008 recession 10 years on. Available at: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/articles/the2008recession10yearson/2018-04-30>
 4. Bell D and Blanchflower D (2009), Youth Unemployment: Déjà Vu? IZA Discussion Paper No. 4705. Available at: <http://ftp.iza.org/dp4705.pdf>
 5. Department for Education (2019) NEET statistics annual brief: 2018 Available at: <https://www.gov.uk/government/statistics/neet-statistics-annual-brief-2018>



Chart 1: Numbers and percentages of UK 18-24 year olds Not in Education, Employment⁶



In total around 13% of young people aged 18-24 are not participating in work or learning. This equates to around 700,000 NEET young people who are past the age of compulsory learning.⁷

6. Young people not in education, employment or training (NEET), UK: February 2020 <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/bulletins/youngpeoplenotineducationemploymentortrainingneet/february2020>

7. Ibid

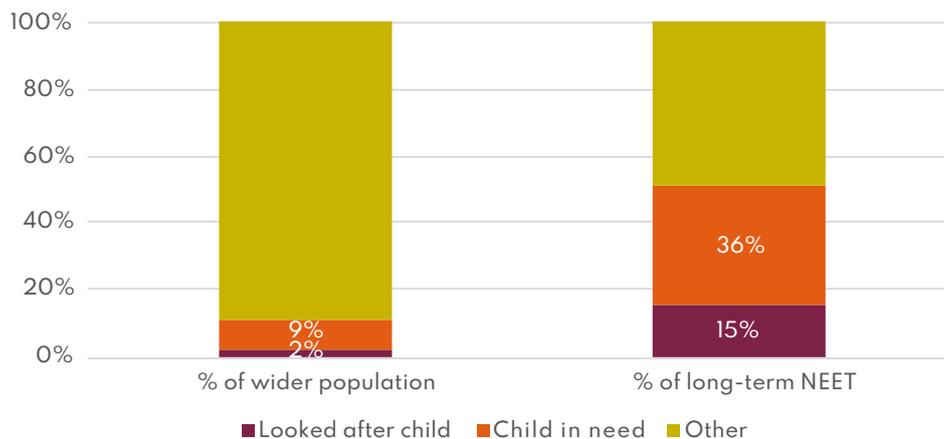
Not all young people are equal

It is a symptom of deep social injustice that young people from disadvantaged backgrounds and particular ethnic minorities are disproportionately likely to be outside of education, training and employment or underemployed, and their outcomes vary significantly more by region than those of their peers.⁸ This has a negative effect on individual life chances that endures, imposing a high cost on society and our economy.

In order to improve wellbeing, inclusive growth and productivity levels to equip the country for the future, we need to harness the diversity and skills of all young people.

Certain groups of young people are far more likely to be unemployed than others. While only 1 in 10 of the youth population have either been identified as “in need” by social services or had direct experience of the care system, around 50% of the long-term NEET population has.⁹

Chart 2: Characteristics of wider youth cohort compared with those NEET for the year



Economic disadvantage is also strongly associated with being out of the labour market. Analysis by Impetus and CVER/NIESR suggests that even controlling for qualifications, having been eligible for Free School Meals in Year 11 increases a young person’s chances of being NEET later on by 50%.¹⁰

8. Boshoff, J, Moore, J, Speckesser, S (2019) Inequality in education and labour market participation of young people across English localities: An exploration based on Longitudinal Education Outcomes (LEO) data Centre for Vocational Educational Research: [Working Paper](http://cver.lse.ac.uk/textonly/cver/pubs/cverbrf010.pdf). Available at: <http://cver.lse.ac.uk/textonly/cver/pubs/cverbrf010.pdf>
9. Department for Education (2018) Characteristics of young people who are long-term NEET. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/679535/Characteristics_of_young_people_who_are_long_term_NEET.pdf
10. Impetus (2019) Establishing the Employment Gap. Available at: <https://impetus.org.uk/assets/publications/Report/Youth-Jobs-Gap-Establishing-the-Employment-Gap-report.pdf>





Different ethnic groups also experience different outcomes in the labour market, but the direction of these differences are not all in the same direction. For example, analysis of British young people by the Race Disparity Audit suggests that young people from Pakistani and Bangladeshi backgrounds have higher rates of being out of learning and work than White or Indian young people.¹¹ British Chinese young people are over half less likely to be out of work and education than British young people of Black, Bangladeshi, White, and Mixed backgrounds, respectively.¹² These disparities are also likely to vary considerably by geography, with all the social, infrastructural and local labour market differences this can bring.

Young people also face additional challenges when they are in the labour market. Recent research suggests that they are more likely to experience precarious forms of employment, such as non-permanent work, and underemployment – the proportion wanting to work more hours than they currently do – is high.¹³

Young people are engaged in work that is distinctly different to other age groups. They are spending more time in education but ‘downgrading’ in the labour market to work in elementary professions. They are less likely to be self-employed and more likely to be employees, typically working in service industry roles where work is mainly routine and manual. They are less likely to work in stable roles than those aged over 25. More than 20 per cent of young people are in temporary employment because they cannot find permanent work.¹⁴ As a result, many experience greater instability, fewer employment benefits and poorer conditions at work than previous generations – with inevitable consequences for their long term prospects.¹⁵

As we adopt new technology, the mix of jobs available is set to change and the ability of employees at all levels to think creatively, problem solve and adapt will be crucial. These are skills business leaders consistently report are lacking among young people, and whilst training and development budget is often made available for senior staff, investment into entry level staff is rare, leaving them stranded at the bottom of the pyramid.¹⁶

-
11. Ethnicity Facts and Figures website. Available at <https://www.ethnicity-facts-figures.service.gov.uk/work-pay-and-benefits/unemployment-and-economic-inactivity/young-people-not-in-employment-education-or-training-neet/latest>
 12. Ibid
 13. Institute for Employment Studies (2019) Young People’s Future Health Inquiry: The quality of work on offer to young people and how it supports the building blocks for a healthy life. Available at: https://www.employment-studies.co.uk/system/files/resources/files/532_2.pdf
 14. Ibid
 15. Ibid
 16. Ibid



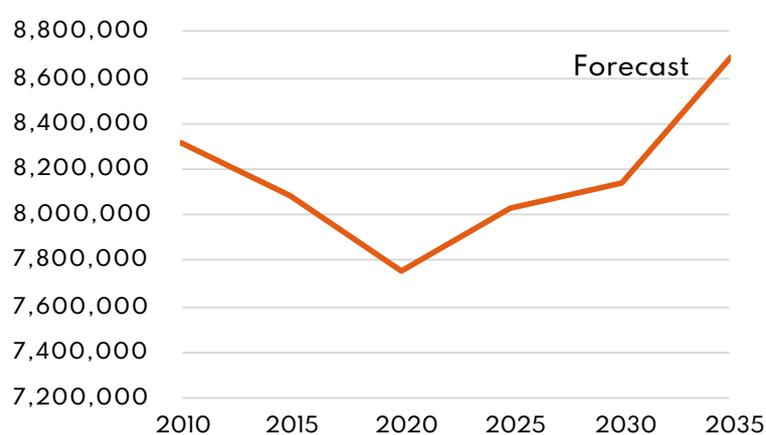
What next for young people?

Even before the Covid-19 pandemic struck, forecasts suggested that the numbers of young people outside of education, training and employment were likely to grow due to overall population rises in this age group and the increasing prevalence of some of these risk factors in the school-leaving population – such as the number of young people with experience of care, or special educational needs and disabilities.

There are several drivers behind this. To understand them, a reminder that the NEET population is best understood as two groups; ‘unemployed’ and ‘economically inactive’.

Firstly, and most simply, the number of young people of labour market age is set to rise.¹⁷ Assuming all other factors remain constant, this will increase the number of both unemployed and inactive young people.

Chart 3 – Trends and forecasts in UK 16-24 year old population



The rate of *unemployment* – the proportion of those actively seeking work who are out of a job – is higher for young people than older adults. However, the percentage of the whole 16-24 year old cohort who are unemployed is very closely correlated to the national unemployment rate. As a result, if national unemployment rises we are likely to see a corresponding rise in youth unemployment.

Headline unemployment has been very low recently, but there is a reasonable chance of a rise in the short to medium term. The Treasury was already forecasting an increase up to 4.1% in 2020 from 3.9% in 2019.¹⁸ The current pandemic clearly affects these forecasts substantially.

Vulnerable groups are likely to be a larger part of the cohort in the future. The numbers of young people with special educational needs and disabilities, those with experience of the care system, and who have been excluded from school have all been rising in recent years.

17. UN Population Division 2019 Revisions. Available at: <https://population.un.org/wpp/Download/Standard/Population/>

18. HM Treasury (2019) *Forecasts for the UK economy: a comparison of independent forecasts* Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/853025/Forecomp_December_2019.pdf

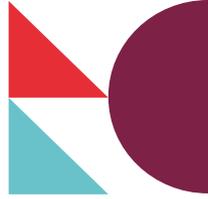
Some ethnic minorities are disproportionately in these groups. Black Caribbean, Pakistani and Mixed pupils are over-represented in some diagnoses of Special Educational Needs and Disabilities;¹⁹ non-White young children make up a disproportionate share of looked after children compared to the wider population of under 18 year olds;^{20,21} and Gypsy/Roma/Traveller, Black and Mixed ethnicity pupils are most likely to be permanently excluded.²²

Table 1: Trends in characteristics associated with being NEET later in life

Characteristic	Trend	Source
Special Educational Needs and Disabilities	<i>"The number of pupils with special educational needs (SEN) has increased for a third consecutive year to 1,318,300 in January 2019, representing 14.9% of the total pupil population"</i>	Special educational needs in England: January 2019
Children looked after by local authorities	<i>"At 31 March 2019, the number of children looked after (CLA) by local authorities in England increased by 4% since 2018 to 78,150 - continuing increases seen in recent years. This is equivalent to a rate of 65 children per 10,000 - up from 64 per 10,000 in 2018 and 60 per 10,000 in 2015."</i>	Children looked after in England (including adoption), year ending 31 March 2019
Permanent exclusions	There were 7,900 permanent exclusions in state-funded schools in 2017/18, up from 5,800 in 2014/15.	Permanent and fixed period exclusions in England: 2017 to 2018 and Permanent and Fixed Period Exclusions in England: 2014 to 2015

-
19. Strand, S. and Lindorff, A. (2018) Ethnic disproportionality in the identification of Special Educational Needs (SEN) in England: Extent, causes and consequences. Available at: http://www.education-ox.ac.uk/wp-content/uploads/2018/08/Executive-Summary_2018-12-20.pdf
 20. Department for Education (2019) Children Looked After in England (including adoption), year ending 31 March 2019. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/850306/Children_looked_after_in_England_2019_Text.pdf
 21. Ethnicity Facts and Figures – UK population by ethnicity <https://www.ethnicity-facts-figures.service.gov.uk/uk-population-by-ethnicity/demographics/age-groups/latest#age-profile-by-ethnicity>
 22. Ethnicity Facts and Figures – Pupil exclusions <https://www.ethnicity-facts-figures.service.gov.uk/education-skills-and-training/absence-and-exclusions/pupil-exclusions/latest#permanent-exclusions-by-ethnicity>





Time to focus on young people

When overall unemployment numbers start to increase, as is likely to happen following the pandemic, the Government inevitably wants to do what it can to stem the flow and bring unemployment down quickly. This incentivises investment into those closest to the labour market, overlooking the much more complex needs of those disadvantaged groups who require extra support.

This policy approach has a significant long-term impact that can't be undone. The evidence on "scarring" effects shows that young people spending long periods of time unemployed go on to earn less, and are more likely to be unemployed.²³ As well as building up additional costs for the future, this is a drag on the wider economy – young people's subsequent career trajectories will most likely reflect them being less productive than would have been expected without the earlier spell out of the labour market.

We need to ensure that those vulnerable groups already at risk do not fall even further behind. In lots of respects, the way ahead is clear. What is needed is an approach that focuses on those groups at most risk and their most risky transition points. This would include policy development and investment into well evidenced and well delivered interventions in three key areas:

1. **Prevention** so that fewer young people become 'NEET' in the first place
2. **Rapid response** for those young people who do become 'NEET', to intervene before young people get stuck 'NEET'
3. **Sustained support** for those young people with the most complicated barriers to the labour market to ensure they remain in work long term

Drawing from the evidence

The Youth Futures Foundation has commissioned the Institute for Employment Studies to undertake an evidence review to help better inform our work in this area.²⁵ It looks in detail at what we know about "what works" in supporting disadvantaged young people into employment. While the picture is incomplete due to a lack of sufficiently robust evaluations, it nonetheless demonstrates the importance of high quality

23. Bell D and Blanchflower D (2009), Youth Unemployment: Déjà Vu? IZA Discussion Paper No. 4705. Available at: <http://ftp.iza.org/dp4705.pdf>

24. Our review used the Nesta Standards of Evidence framework, and concentrated on those of Level 3 and above: "You can demonstrate causality using a control or comparison group" https://media.nesta.org.uk/documents/standards_of_evidence.pdf

25. Institute for Employment Studies (2020) Supporting disadvantaged young people into meaningful work: An initial evidence review to identify what works and inform good practice among practitioners and employers. <https://youthfuturesfoundation.org/wp-content/uploads/2020/04/v14-IES-evidence-review-FINAL.pdf>



implementation of evidence-based interventions, and points to some previous policies that evaluations suggest have been effective at improving employment outcomes – such as the Future Jobs Fund²⁶ and New Deal for Young People.²⁷

It also draws out some common lessons and good practice from the evidence, such as:

- **Accurate identification:** Trying to identify at risk young people as early as possible, possibly through tracking systems
- **Effective engagement:** Using magnets, including cultural magnets such as music, sports or arts; and financial magnets for example cash vouchers, to ensure that provision looks different to compulsory education and encourages take up
- **Effective assessment and profiling:** Accurately understanding an individual's needs in order to personalise support packages
- **A trusted, consistent advisor:** Young people need to believe support could make a difference to them achieving their personal goals and overcoming their contextual, personal and situational barriers. A consistent advisor can help sustain engagement, develop reflection/ action cycles, and help keep momentum towards the end goal.
- **Delivery of personalised support packages, including options for:**
 - Employability skills, job search skills, work experience
 - Capabilities – agency, self-efficacy, a goal and resilience to achieve it
 - Vocational and basic skills
 - Addressing barriers including health and wellbeing, independent living, housing and developing life skills

Building the evidence base

Our ability to draw definitive consultations from the evidence review undertaken by IES has been limited by the lack of robust evaluations, both in the UK and abroad, that attempt to estimate (through the use of a counterfactual data set or comparison group) what would have happened without the intervention.

The Youth Futures Foundation is committed to addressing this issue by helping to increase the availability of useful evidence for the sector so that funding can be directed to the effective implementation of practices most able to transform the lives of young people facing disadvantage. We recognise we have an important duty to

26. Department for Work and Pensions (2012) *Impacts and Costs and Benefits of the Future Jobs Fund* Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/223120/impacts_costs_benefits_fjf.pdf

27. Department for Work and Pensions (2008) *The longer-term impact of the New Deal for Young People*. Available at: <https://dera.ioe.ac.uk/7485/1/WP23.pdf>

develop the evidence base by ensuring;

1. There is a clear logic model underpinning the interventions we fund
2. We have advance agreement about how their impact will be assessed
3. The counterfactual data set or comparison group to be used has been determined in advance
4. The delivery methodology is held constant throughout the evaluation period
5. We publish our findings about both the interventions and the specific components that work – and those that don't – publicly to ensure everyone can learn from them

We are looking for solutions that are found to work and can be delivered well in a complex messy world and are simple and cost effective enough to roll out across multiple locations, to reach as many young people in our target group as possible and support them into meaningful work. Our aim is to find projects that work not just in the short term but deliver lasting benefits for diverse young people and society.

When evidence is collated, considered and applied in a pragmatic way - taking into consideration the complex realities of day to day life – it can be an incredibly powerful tool to bring about positive change.

We are committed to sharing what we learn through this approach to help government, employers, delivery organisations, communities and young people themselves make informed decisions about moving into appropriate, sustainable employment.

youth
futures
FOUNDATION

Tintagel House
92 Albert Embankment
London SE1 7TY

 YF_Foundation

 info@youthfuturesfoundation.org



Impetus

Floor 4 Evergreen House North
160 Grafton Place
London NW1 2DX

 ImpetusPEF

 policy@impetus.org.uk