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## **London: A Tale of Two Cities**

Addressing the youth employment challenge

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## Executive summary

**Despite a return to economic growth in the UK, almost one million young people are still unemployed.** Levels of youth unemployment vary significantly across the UK. Our forthcoming report – The Geography of Youth Unemployment – highlights the link between high levels of youth unemployment and cities with weak economies. But there are also a large number of young people that are out of work in London.

**The youth unemployment rate in London stands at 25 per cent, significantly higher than the national average.** Furthermore, the overall youth unemployment rate masks sharp disparities across the city region. Whilst the inner East of the city still fares poorly, outer London boroughs are now registering some of the highest rates of youth unemployment in London. This mirrors wider changes in the distribution of unemployment, and of poverty and deprivation more generally.

**Regardless of the level of qualification held, young people in London were more likely to be unemployed than young people in the rest of England in 2011.** But whilst the prospects of young graduates have been affected by the recession, it is young school leavers who are most likely to struggle to compete against other highly mobile and skilled jobseekers. This suggests that there are particular factors that make it difficult for young people to gain a foothold in the London labour market.

**This policy paper considers what is causing London's high youth unemployment rate.** In part, it is related to the characteristics of young people living in London, with high levels of poverty and deprivation in the city, particularly amongst some ethnic groups. We consider differences in labour market outcomes for young people from different ethnic backgrounds. In addition, the paper considers how the wider dynamics of the labour market and the level of competition for jobs affect young people's employment prospects.

**There is a stark gap in employment rates between young people from ethnic minorities and White British young people.** Policies and interventions to tackle youth unemployment do not tend to target young people from particular ethnic backgrounds, but young people from Pakistani, Bangladeshi, Black and mixed ethnic groups have much lower employment rates than other young people in London. These employment gaps are one of the factors behind the higher rates of youth unemployment in London and so it is important to ensure that measures to tackle youth unemployment are working effectively for young people from ethnic minority backgrounds.

**High competition for jobs makes it harder for young people to find work.** The number of jobs has not kept pace with the resident working-age population, though there has been strong employment growth in London in recent years. At a national level, there is evidence that higher skilled workers have 'bumped down' in the labour market, taking up lower skilled jobs. Given the high skill profile of workers in the city and the large number of people that travel to London in search of work, this is likely to have influenced the number of

opportunities available to young people seeking to enter the labour market in London, particularly those with low skills. But this is compounded by other problems.

**In particular, young people in London lack a strong vocational route into employment.**

Though the mayoral strategy for tackling youth unemployment has focussed on growing the number of apprenticeships, there are still a lower proportion of 16-17 year olds in apprenticeships in London than in England as a whole.

**London lacks a strategic vision for tackling youth unemployment**, so initiatives are not always well-targeted. Yet there is scope to act to tackle youth unemployment in London. Whilst the main components of the government's strategy to tackle youth unemployment are largely controlled by central government departments, local policymakers play an important role in a number of policy areas that shape the employment prospects of young Londoners, including transport fares and apprenticeships.

**There is a need to establish stronger links between the education system and the labour market.** Young people need to be offered opportunities to try out different work environments and often lack information about what opportunities are available to them. Schools sometimes struggle to offer adequate careers advice and work experience. Clearer guidelines should be established to set minimum standards for this provision. Details of the careers provision that is being offered by schools, including the time and money spent on such services, should be collated by local partnerships to enable comparison and determine appropriate funding levels.

**Action must also be taken to increase the employment rate of young people from ethnic minorities.** Our general recommendations on strengthening the links between the education system and the labour market should improve the employment prospects of young people from ethnic minorities. But there is also a role for outreach work to increase ethnic, socioeconomic and gender diversity amongst young people entering apprenticeships and other routes into skilled work.

**Finally, there is a need to support in-work progression to open up entry-level positions and support young people to enter sustainable employment.** Local government should work to develop post-employment support, which might include access to in-work advice, job-matching services and discretionary funds to help people to cover additional, unbudgeted costs. The provision should be developed in consultation with the DWP, building on learning from recent in-work support trials.

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# 1 The London advantage?

Young people starting out in the labour market in London might be expected to be in a favourable position. London has a diverse labour market that affords many opportunities – with large numbers of jobs being created and opportunities for specialised employment enabling entry and progression in work. People in London were more likely to see increases in their earnings compared to the rest of the UK in the 2000s,<sup>1</sup> perhaps linked to the growth of jobs in industries that are more likely to offer wage progression, and the fact that many people move to London when they are young and so are likely to be at the beginning of their career.<sup>2</sup>

Furthermore, the education system produces good outcomes for young people. The average GCSE attainment of young Londoners is higher than the average for England overall,<sup>3</sup> and this advantage holds for young people from disadvantaged backgrounds, who often do better in the London education system than elsewhere. Nearly half of those young people who were eligible for Free School Meals achieved five or more A\*-C grades (including English and Maths) in 2011/12, compared to 36 per cent of students in England.

Young people in London also tend to stay in education for longer, and higher level qualifications are associated with better labour market outcomes. The rate of participation in Higher Education has increased significantly since the mid-2000s.<sup>4</sup> In the late 1990s some parts of London had some of the lowest higher education participation rates in the UK, but young people from these areas in London are now more likely to go on to Higher Education than similar young people in the UK overall.<sup>5</sup>

Finally, evidence also suggests that even young people with no or low qualifications should benefit from living in more successful urban labour markets. They are less likely to be unemployed – in 2011 17 per cent of young people with lower level qualifications (NVQ level

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<sup>1</sup> Savage, L. (2011) Snakes & Ladders: who climbs the rungs of the earnings ladder?, Resolution Foundation

<sup>2</sup> See ONS internal migration statistics. The internal migration estimates record residential moves between different local authorities in the UK. The data is mainly sourced from information on NHS GP registrations. The ONS adjusts these estimates using data from the Higher Education Statistics Authority because young adults are less likely to need GP services and so are more likely to take longer to re-register with a GP after moving.

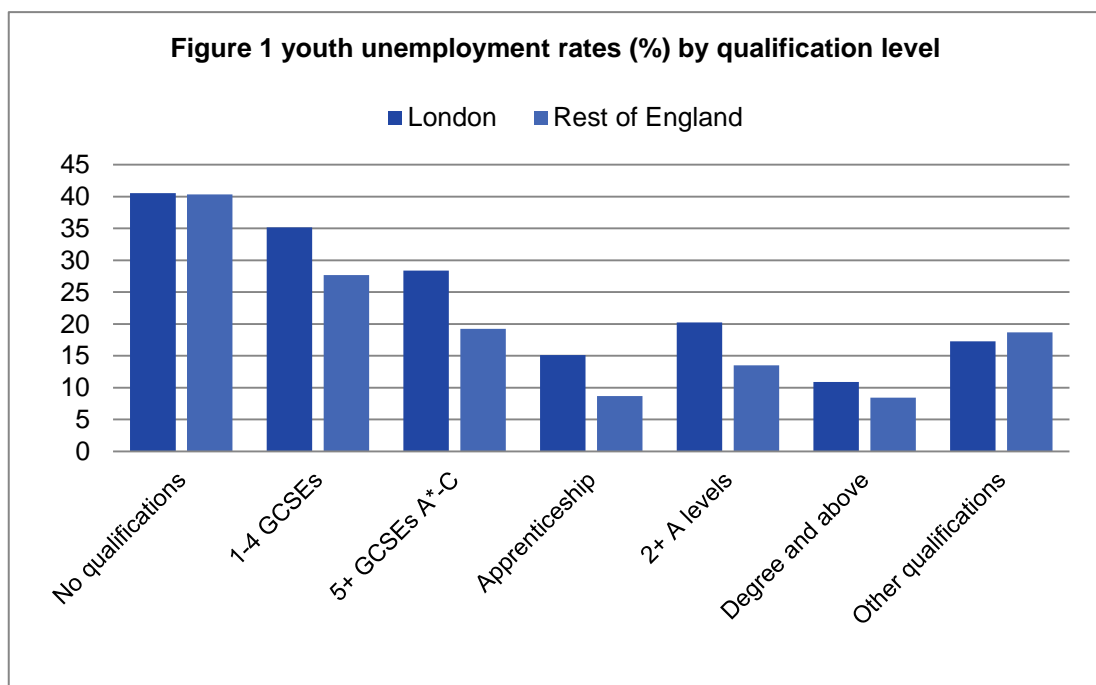
<sup>3</sup> 62 per cent of GCSE students achieved five or more A\*-C grades (inc. English and Maths) compared to 58 per cent across England in 2010/2011. Though revised data for the academic year 2011/12 show that the gap has reduced slightly. Data on GCSE attainment in 'GCSE and equivalent attainment by pupil characteristics in England: 2011 to 2012', <https://www.gov.uk/government/publications/gcse-and-equivalent-attainment-by-pupil-characteristics-in-england>

<sup>4</sup> HEFCE (2013) Trends in young participation in higher education, Issues paper, Higher Education Funding Council for England

<sup>5</sup> The 'young participation rate' in London for this group rose to 23 per cent in the academic year 2011/2012, compared to 12 per cent in 1998/1999. The rate refers to the proportion of a particular cohort of young people who enter higher education in a given year. The population estimate is based on the area that young people were living in as they completed secondary education. See HEFCE (2013) Trends in young participation in higher education, Issues paper, Higher Education Funding Council for England

2 and below) in Oxford were unemployed compared to 35 per cent in Middlesbrough and Stockton.<sup>6</sup> They also tend to earn more. Cities with strong economies tend to register higher wages for workers at the lower end of the earnings distribution.<sup>7</sup>

But in the context of London these potential advantages do not appear to have translated into better labour market outcomes for young people. In the first instance, London has consistently registered higher than average rates of youth unemployment compared to the UK as a whole,<sup>8</sup> increasing from 19 per cent in 2008 to 25 per cent in 2012.<sup>9</sup> Meanwhile, the employment chances of people with low-skills in Inner London have been shown to be lower than those for similar people living elsewhere in the UK,<sup>10</sup> and the wage premium associated with working in London is lower for lower-paid workers and is likely to be offset by the higher costs associated with living in London.<sup>11</sup>



Source: Census 2011, young people aged 16-24 including full-time students; qualifications listed are examples and equivalent qualifications are also included in each band; data on the level of apprenticeship is not available; other qualifications include some vocational qualifications and foreign qualifications.

<sup>6</sup> Cominetti, N. & Crowley, L. (2014) *The Geography of Youth Unemployment*, The Work Foundation  
<sup>7</sup> Sissons, P., Lee, N. & Hughes, C. (2014) *Cities, growth and poverty: data analysis*, Evidence Paper 2, The Work Foundation; and Lee, N., Sissons, P. & Jones, K. (2013) *Wage inequality and employment polarisation in British cities*, The Work Foundation

<sup>8</sup> In 2012, overall unemployment in London was just below the average for other English cities, see Aldridge, H., Bushe, S., Kenway, P. & MacInnes, T. (2013) *London's Poverty Profile 2013*, New Policy Institute

<sup>9</sup> Annual average, source: ONS Regional labour market statistics

<sup>10</sup> HM Treasury (2007) *Employment opportunity for all: tackling worklessness in London*, HMSO

<sup>11</sup> See Lupton, R., Vizard, P., Fitzgerald, A., Fenton, A., Gambaro, L. & Cunliffe, J. (2013) *Prosperity, Poverty and Inequality in London 2000/01-2010/11*, Social Policy in a Cold Climate, Research Report 3, CASE, LSE; and Tunstall, R., Bevan, M., Bradshaw, J., Croucher, K., Duffy, S., Hunter, C., Jones, A., Rugg, J., Wallace, A. and Wilcox, S. (2013) *The links between housing and poverty: An evidence review*, York: Joseph Rowntree Foundation.



Young people with lower level skills have poorer employment prospects. This applies across the UK, but the distinctive characteristics of the London workforce – the ready supply of a large number of young highly skilled people – is likely to put young people with low skills in London at a particular disadvantage. One reason for this is that people moving to London may be willing to accept lower wage jobs in the short-term as they establish themselves or develop other skills, reducing the number of “entry-level” jobs available to young people.

In 2011, the employment prospects of young people with no qualifications were equally poor in London and the rest of England, with an unemployment rate of around 40 per cent for this group. But unemployment rates for young people with qualifications at level 1, 2 and 3 were much higher than the rates for young people with similar qualifications in the rest of England (see Figure 1).<sup>12</sup>

So what is behind these poor employment prospects for young people in London? In part, they reflect wider challenges that apply across the UK. Local concentrations of unemployment may be linked to factors such as varying access to information on opportunities,<sup>13</sup> and transport<sup>14</sup> as well as the quality and availability of local support services. Critical assessments of the standard of careers advice in schools suggest that many young people are not being given the chance to consider a range of career options and gain meaningful work experience whilst at school.

But there are some distinctive factors that may explain the high levels of youth unemployment in London.<sup>15</sup> Spatial concentrations of unemployment are related to the residential distribution of people with characteristics that are likely to influence their employment prospects, as well as varying demand for labour.<sup>16</sup> So, in part, the high rates of youth unemployment are related to the composition of the youth labour market in London.

There are high levels of poverty and deprivation in London, with the risk of poverty particularly high amongst Bangladeshi, Pakistani and Black ethnic groups.<sup>17</sup> As discussed in the next chapter, young people from ethnic minorities make up a large proportion of the youth population in London and some ethnic minority groups experience much higher rates

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<sup>12</sup> People with level 1 qualifications include those with between 1 and 4 GCSE, whilst those with level 2 qualifications might have 5 or more GCSEs at Grades A\*-C and those with qualifications at level 3 might have 2 or more A levels.

<sup>13</sup> Balaram, B. & Crowley, L. (2012) Raising aspirations and smoothing transitions: the role of careers education and Careers Guidance in tackling youth unemployment, The Work Foundation

<sup>14</sup> Jones, K. (2012) Missing Million Policy Paper 2: Transport Barriers to Youth Employment, The Work Foundation

<sup>15</sup> HM Treasury (2007) Employment opportunity for all: tackling worklessness in London; London Skills & Employment Board (2008) London's Future: The Skills and Employment Strategy for London 2008-2013, Mayor of London; Krasnowski, K. & Vaid, L. (2012) Right Skills, Right Job, CESI

<sup>16</sup> Gordon, I. (2008) The contribution of local action and/or local economic development to reducing worklessness, LSE for NCRA Panel

<sup>17</sup> DWP (2013) Households Below Average Income An analysis of the income distribution 1994/95 – 2011/12 June 2013 (United Kingdom),

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/206778/full\\_hbai13.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206778/full_hbai13.pdf) (accessed 31/03/14)

of youth unemployment. However, a number of other commentators<sup>18</sup> have pointed to another factor that is likely to contribute to worse employment outcomes – the intense competition for jobs in London.

This paper presents new analysis of census data to set out how youth unemployment rates vary across the city and between different groups of young people. The following chapters assess the contribution that two key factors make to the relatively poor position of young people in the London labour market:

- **The distinct composition of London’s youth labour market** with high levels of inequality in labour market outcomes for some groups of young people. Whilst there are a range of characteristics that are associated with labour market disadvantage, this section focusses on young school-leavers, who are often poorly placed to compete for jobs, and young people from ethnic minorities;
- **The wider dynamics of the labour market and the level of competition for jobs.** There are many jobs in London, but where the overall supply of workers exceeds demand then lower skilled, less experienced workers are likely to suffer.

The paper concludes with a series of policy recommendations to tackle youth unemployment in London.

The remainder of this paper is structured as follows:

- Chapter 2**      **Considers which groups of young people struggle to get into work in London**, setting out how outcomes vary for school-leavers and young people from ethnic minorities, and highlighting the areas that register the highest rates of youth unemployment in London;
- Chapter 3**      **Assesses the level of competition for jobs in London** and how wider labour market dynamics may impact on young people;
- Chapter 4**      **Draws conclusions and offers recommendations** on how to improve outcomes for young people in London.

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<sup>18</sup> London Skills & Employment Board (2007) Globalisation, Skills and Employment: The London Story, GLA Economics.

## 2 Who struggles to enter work in London?

Each year, ambitious young people move to London to study or begin their careers. They join a large, young and relatively highly skilled resident population. There are certainly advantages to working in London, particularly for young, mobile and highly ambitious people for whom the city can serve as an 'escalator' enabling them to progress further and faster than their peers elsewhere.<sup>19</sup>

But not everyone benefits from living in London. Some graduates will struggle to find work, perhaps choosing to take-up lower-skilled work instead. Recent analysis suggests that young people in London were more than twice as likely to be stuck in low-pay as other low paid Londoners, at least in the short-term.<sup>20</sup> This contrasts with the situation of young people in the UK more generally, where the proportion of young people stuck in low pay was the same as that for the low-paid group overall, at 33 per cent.

However, as the previous chapter highlighted, it is the lower skilled that particularly struggle to find work in London. This chapter describes those young people who do not enjoy a share of the 'London advantage', focussing on young school-leavers, and young people from ethnic minorities. It also charts the spatial distribution of the highest rates of youth unemployment in London.

### 2.1 Young school-leavers & those seeking to combine education & work

As a region, London has one of the highest rates of youth unemployment in the UK. But indicative figures for more tightly defined age cohorts show that a much higher proportion of young people seeking to enter the labour market from secondary school are unemployed (see Figure 2) than young people entering the labour market at a later stage.<sup>21</sup> Between 2012 and 2013 44 percent of the economically active population of 16 to 19 year olds in London, or around 40,000 young people, were unemployed. This contrasts with an unemployment rate of 28 per cent for this age group in the rest of the UK.<sup>22</sup>

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<sup>19</sup> Gordon, I. (2013) Ambition, Human Capital Acquisition and the Metropolitan Escalator, *Regional Studies*, online pp. 1-14.

<sup>20</sup> Considering movements from low to higher paid work, based on analysis of the five-quarter longitudinal LFS between April 2012 and March 2013. See Wilson, T., Gardiner, L. & Krasnowski, K. (2013) Work in progress: low pay and progression in London and the UK, Centre for Economic & Social Inclusion

<sup>21</sup> Source: Annual Population Survey, via NOMIS, annual average, Oct 2012-Sep 2013. The confidence intervals for this level of analysis – 16-19 year olds in London – are in the region of between 4 and 5 per cent so these figures should only be taken as indicative

<sup>22</sup> These unemployment rates include full-time students who are looking for work



Source: APS via NOMIS, annual average

Whether they are seeking a part-time job whilst in full-time education, or looking to find a job after leaving school, there are a number of reasons why young people may particularly struggle to negotiate the transition between education and work.

Given that rates of participation in non-compulsory education are higher in London than in the UK overall, young people who leave compulsory education to seek work may be at a particular disadvantage, whether because they are the least able and are facing particular barriers to participation, or because employers assume that they are less able and prefer to employ people with higher qualifications. However, there is also some evidence that young people may be 'sheltering' from poor employment prospects by staying on in education: young people in London became less likely to remain in work, less likely to move from unemployment to employment and more likely to become inactive in the years following the recession.<sup>23</sup>

**Unemployment rates vary significantly by qualification level.**<sup>24</sup> In London unemployment rates ranged from 17 per cent for working-age people with no qualifications to 5 per cent of people qualified to level 4 and above in 2011.<sup>25</sup> Meanwhile, 41 per cent of young people with no qualifications were unemployed. Across all qualification levels unemployment rates were generally higher in London than in the rest of England (see Figure 1).

<sup>23</sup> Lanning, T. (2011) From Learning to Earning: Understanding the school-to-work transition in London, IPPR

<sup>24</sup> Sissons, P. (2011) The Hourglass and the Escalator: Labour market change and mobility, The Work Foundation; ONS (2013) Graduates in the UK Labour Market 2013

<sup>25</sup> Source: Census 2011, including full-time students; young people are defined as those aged 16-24 years.

The qualification profile of young people in London is very different from that of the rest of the UK. In 2011 23 per cent of young people in London held qualifications at level 4 or above, compared to 12 per cent in the rest of England.<sup>26</sup> This is partly a function of the number of universities that are in London. In addition improvements in educational outcomes at secondary level for young people in London<sup>27</sup> mean that an increasing number of young people are likely to be *able* to progress to higher education. But young people may also be responding to the fact that there are a wide range of higher-level jobs in London, which offer young people greater incentives to continue in education.<sup>28</sup>

**In addition, links between the education system and the labour market remain weak.**

Gaining work experience has a positive impact on the likelihood of someone moving into employment.<sup>29</sup> But the statutory requirement for schools to provide work-related learning opportunities at Key Stage 4 has been removed, leaving individual schools to determine whether and how to offer it. Fewer people are also combining work with full-time study: there is a long-term trend for lower employment rates for young people in education, declining from around 40 per cent of young people in the late 1990s to under 28 per cent in recent years.<sup>30</sup> This means it is increasingly important to ensure that young people are given an opportunity to learn about different employment opportunities whilst in school.

**The policy implications**

Young people who seek to enter the London labour market from compulsory education face considerable difficulties – with very high rates of unemployment for this younger age group. In a city where employers have access to a large supply of highly-skilled workers, there are indications that employers are less likely to employ young people who have lower qualifications.<sup>31</sup>

The raising of the participation age (RPA) should bring a renewed policy focus on ensuring that young people are engaged in some form of learning until the age of 18, whether full-time

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<sup>26</sup> Census 2011 data, 16-24 year olds

<sup>27</sup> 62 per cent of GCSE students achieved five or more A\*-C grades (inc. English and Maths) compared to 58 per cent across England in 2010/2011. Though revised data for the academic year 2011/12 show that the gap has reduced slightly. Data on GCSE attainment in 'GCSE and equivalent attainment by pupil characteristics in England: 2011 to 2012', <https://www.gov.uk/government/publications/gcse-and-equivalent-attainment-by-pupil-characteristics-in-england>

<sup>28</sup> Keep, E. & James, S. (2012) A Bermuda triangle of policy? 'Bad jobs', skills policy and incentives to learn at the bottom end of the labour market, *Journal of Education*

<sup>29</sup> Ainsworth, P., Hillmore, A., Marlow, S. & Prince, S. (2012) Early impact of work experience, DWP

<sup>30</sup> ONS seasonally adjusted quarterly labour market statistics for the period 1992-2013, most recent data for quarter 3, 2013. The estimated employment rate for 16-17 year olds in education hovered at about 20 per cent for much of 2013, whilst 18-24 year olds in full-time education recorded an employment rate of about 31 per cent. Source: <http://www.ons.gov.uk/ons/datasets-and-tables/data-selector.html?cid=AGNR&cid=AGNS&cid=AGNT&cid=AIWY&cid=AIXA&cid=AIXB&dataset=ims&table-id=14>

<sup>31</sup> UKCES, National Employer Skills Survey 2011 – analysis of employers in the London region

education, a job that combines part-time education or training, or an apprenticeship.<sup>32</sup> But there is a need to assess the quality and availability of pathways into work for young people.

## 2.2 Young people from ethnic minorities

It is well established that people from ethnic minorities tend to face disadvantage in the labour market.<sup>33</sup> For example, there is evidence that Pakistani, Bangladeshi, Black Caribbean and Black African men are more likely to experience unemployment, undertake routine and semi-routine work and have lower hourly earnings than White British people.<sup>34</sup> Employment levels for Black and Black British people in London have tended to be lower than in the rest of the UK. But there is evidence of some convergence in employment rates for this group since the recession.<sup>35</sup>

The labour market disadvantage that young people from ethnic minorities face will vary significantly, shaped by factors such as their socio-economic background, English proficiency, level of education, and gender.<sup>36</sup> In fact some ethnic minority groups have similar or better labour market outcomes – in terms of employment, earnings, and job progression – than people who identify themselves as White British.<sup>37</sup>

But there remain stark gaps between the employment rates of young people from White British and other ethnic backgrounds. In London the employment rate for young White British people was 86 per cent in 2011, whereas Black African and Caribbean young people had an employment rate of 68 per cent, some 18 percentage points lower. As figure 3 shows, the employment rate for young White Irish people and other White groups was actually higher than that for young White British people in London in 2011. Meanwhile young people identifying themselves as Chinese or Indian had employment rates similar to that for White British young people, consistent with wider analyses of the position of ethnic minorities in the labour market.<sup>38</sup>

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<sup>32</sup> For the full definition of 'participation' see DfE (2013) Participation of Young People, Statutory Guidance - Advice. Annex 1 – Defining Participation

<sup>33</sup> Heath, A. & Cheung, S. (2006) Ethnic penalties in the labour market: Employers and discrimination, DWP Research Report No 341

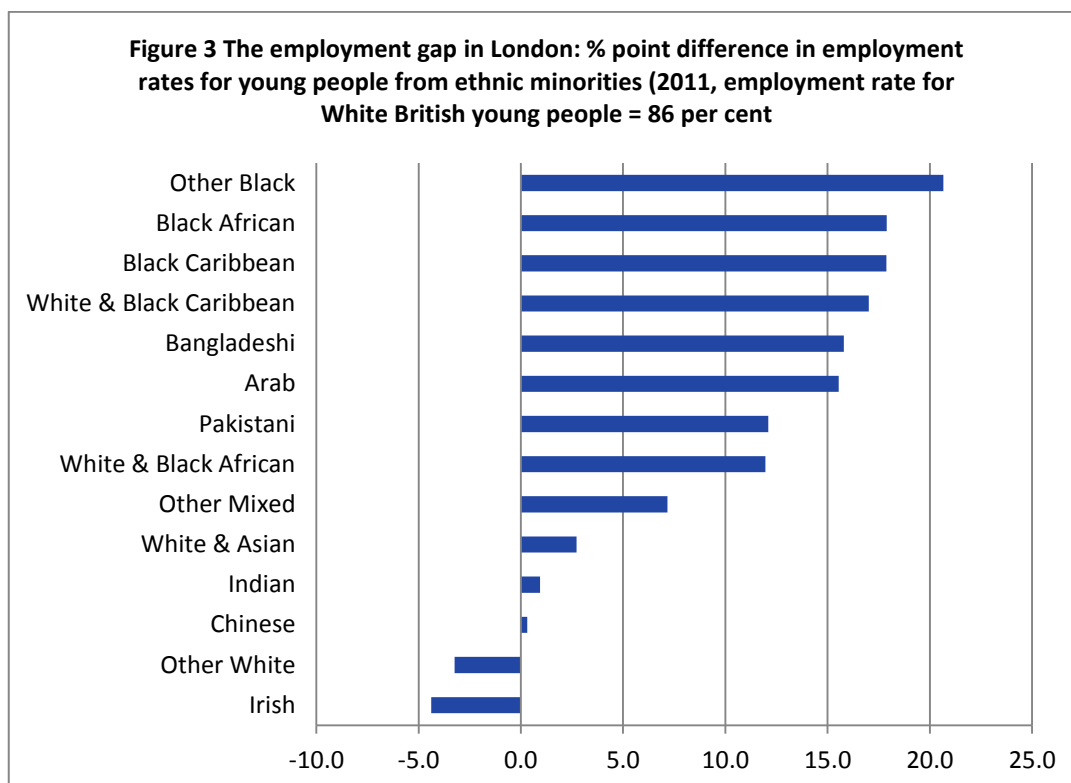
<sup>34</sup> Heath, A. & Cheung, S. (2006) Ethnic penalties in the labour market: Employers and discrimination, DWP Research Report No 341

<sup>35</sup> For a comparison of worklessness rates for black or minority groups in London versus the rest of the UK, see HM Treasury (2007) Employment opportunity for all: tackling worklessness in London. On recent changes (to 2010), see: Lupton, R., Vizard, P., Fitzgerald, A., Fenton, A., Gambaro, L. & Cunliffe, J. (2013) Prosperity, Poverty and Inequality in London 2000/01-2010/11, Social Policy in a Cold Climate, Research Report 3, CASE, LSE

<sup>36</sup> Froy, F. & Pyne, L. (2011) Ensuring Labour Market Success for Ethnic Minority and Immigrant Youth, OECD Local Economic and Employment Development Working Papers, 2011/09, OECD Publishing

<sup>37</sup> See for example Cabinet Office Strategy Unit (2003)

<sup>38</sup> Clark, K. & Drinkwater, S. (2007) Ethnic minorities in the labour market: dynamics and diversity, Bristol: The Policy Press



Source: Census 2011, young people aged 16-24 excluding full-time students; employment gap defined as the difference in percentage points between the employment rates of young people from ethnic minorities and the White British employment rate

Meanwhile young people from Pakistani and Bangladeshi ethnic backgrounds had much lower employment rates, some 12 and 16 percentage points lower than that for White British young people.

This labour market disadvantage may be attributable to a number of factors, including differences in human capital and family formation.<sup>39</sup> In addition, recent arrivals to the UK may also struggle to find employment, particularly if they lack English proficiency and have few contacts to help them establish a foothold in the labour market. Broad disparities between ethnic groups also need to be considered in interaction with other factors such as gender and social class in order to understand differing labour market outcomes for different individuals. Recent analysis has found that young people from non-white ethnic groups are generally more likely to be inactive,<sup>40</sup> perhaps in part reflecting higher participation rates in some forms of education and differing involvement in care-giving.<sup>41</sup>

<sup>39</sup> Berthoud, R. (2000) Ethnic employment penalties in Britain, *Journal of Ethnic and Migration Studies*, 26:3, 389-416; Rafferty, A. (2012) Ethnic penalties in graduate level over-education, unemployment and wages: evidence from Britain, *Work, employment and society*, 26(6): 987-1006.

<sup>40</sup> 2011 census data for England indicates that around one third (34 per cent) of young white people were inactive, whereas over half (53 per cent) of the non-white group were inactive. This holds for young people in London, with inactivity at 37 per cent for young white people and 52 per cent for all other ethnic groups. See also Brinkley, I., Jones, K. & Lee, N. (2013) *The Gender Jobs Split: how*

But even when controlling for differences in human capital and demographic characteristics, disparities remain. There is some evidence that racial discrimination comes into play in the initial stage of the selection process, particularly where the process has not been standardised.<sup>42</sup> Though Wood et al. (2009) found much less evidence of discrimination in the public sector, possibly linked to the widespread use of standardised application forms. There were also indications that racial discrimination was lower for higher level roles. In the context of the London labour market, these findings are particularly worrying because of the structure of the economy, with large numbers of young people in the city seeking work in low-skilled roles.

### **The policy implications**

Young people from ethnic minorities make up a large proportion of the youth population in London, in contrast to the rest of England. Around 53 per cent of the 16-24 year old population in London defined themselves as White British, Irish or Other in the last Census (2011), compared to 86 per cent in the rest of England.

Current initiatives that aim to support young people into work have not significantly improved the position of young people from ethnic minority groups. The persistence of these employment gaps across ethnic groups indicates that more needs to be done.<sup>43</sup> In part, this is about ensuring that current initiatives are working effectively for all groups of young people. But in areas where it has been established that multiple barriers are preventing young people from moving into work, additional targeted support may be needed.

## **2.3 The scale of the challenge varies across London**

Between 2001 and 2011 youth unemployment rates increased across London, but there were also changes in the spatial distribution of the areas with the highest rates of youth unemployment.<sup>44</sup> Youth unemployment rates remained high in the inner east of London but significant increases in the rate of youth unemployment in some outer London boroughs mean that the difference between inner and outer London, particularly in the east of the city, has become less clear cut.

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young men and women experience the labour market, Touchstone Extras pamphlet; Aldridge, H., Bushe, S., Kenway, P., MacInnes, T., & Tinson, A. (2013) London's Poverty Profile 2013, New Policy Institute and Trust for London

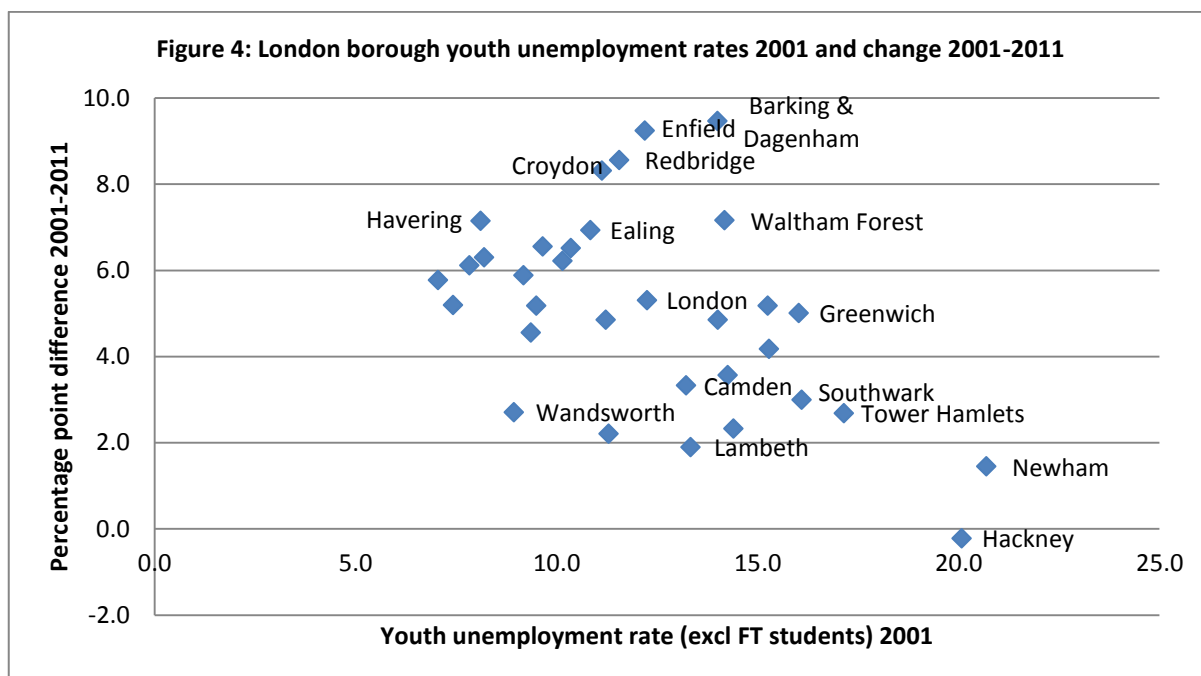
<sup>41</sup> Tackey, N., Barnes, H. & Khambhaita, P. (2011) Poverty, ethnicity and education, Joseph Rowntree Foundation; Bhattacharyya, G., Ison, L. & Blair, M. (2003) Minority Ethnic Attainment and Participation in Education and Training: The Evidence, Department for Education and University of Birmingham, Research Topic Paper RTP01-03; Hirsch, D., Phung, V. & Manful, E. (2011) Poverty, ethnicity and caring, The Joseph Rowntree Foundation

<sup>42</sup> Wood, M., Hales, J., Purdon, S., Sejersen, T. & Hayllar, O. (2009) A test for racial discrimination in recruitment practice in British cities, DWP Research Report No 607

<sup>43</sup> Previous DWP initiatives that aimed to reduce the overall employment gaps for ethnic minorities had a limited impact, see NAO (2008) Department for Work and Pensions: increasing employment rates for ethnic minorities, London: The Stationery Office;

<sup>44</sup> Source: Census 2011, the measures outlined in this section exclude full-time students; the City of London is also excluded from the borough-level analysis because its population size does not permit comparison





Source: Census 2001 and 2011, excluding City of London due to small numbers

As figure 4 illustrates, those boroughs that registered the highest initial rates of youth unemployment – in particular, Newham and Tower Hamlets – saw relatively small increases between 2001 and 2011. Meanwhile, the largest percentage point increases in youth unemployment over the period were in the outer London boroughs of Enfield, Barking & Dagenham, Redbridge and Croydon. Between 2001 and 2011, the youth unemployment rate in Barking & Dagenham increased by almost 10 percentage points to 24 per cent.<sup>45</sup>

A similar picture emerges at a neighbourhood-level for the period 2001-2011. Figures 5 and 6 compare levels of youth unemployment for local areas, containing between 5,000 and 15,000 people, across London. In 2001 the highest rates of youth unemployment are largely confined to the inner east of London. But in 2011, whilst some areas registered lower rates of youth unemployment than that for the wider South East region – denoted by the palest colour in the scale – many areas in outer London had very high rates of youth unemployment, reaching over 38 per cent in some neighbourhoods.<sup>46</sup>

Spatial variations in rates of employment are related to the characteristics of the local population as well as varying access to opportunities and support at a local level. People with low skills are more vulnerable to recessions and weak labour demand. But they are also

<sup>45</sup> The Census is only administered every ten years. As we only consider two data points it is important to note that the changes noted may not reflect a long-term trend.

<sup>46</sup> This micro-level analysis should only be taken as indicative of the changing geography of youth unemployment for the period – the rates are calculated based on the resident population of 16-24 year olds in a given area at the time of the census, excluding full-time students. The census determines economic activity according to whether or not someone (aged 16 or above) was working or looking for work in the week before the census. The concept is compatible with the International Labour Organisation's definition.

more likely to face relatively higher commuting and migration costs which means they will depend to a greater extent on local employment opportunities.<sup>47</sup>

The changing pattern of youth unemployment reflects wider changes in the distribution of unemployment, and of poverty and deprivation more generally.<sup>48</sup> As a poor household, where you live will be dictated to a much greater extent by the availability and cost of housing, though this is mitigated in part by government interventions, including the provision of social housing and subsidies to low-income households in the private rented sector. As the balance has shifted away from the direct provision of housing towards rent subsidies for those on low-income, a large proportion of low-income households have become dependent on the private rental sector, where prices are dictated in large part by location.<sup>49</sup>

The extent to which changes in the geography of unemployment and poverty can be explained by the movement of people – whether from Inner to Outer London, or into London – or by the characteristics and changing circumstances of existing residents is not clear. Changes in youth unemployment in Inner London, or lack thereof, may also be linked to the densification and gentrification of the inner city.<sup>50</sup>

### **The policy implications**

The unequal distribution of youth unemployment across London matters. It means that some areas within the city face much greater challenges in improving outcomes for young residents. Employment opportunities are not distributed evenly across London necessitating a strategic and collaborative approach to tackling youth unemployment. Large numbers of jobs, often requiring higher level qualifications are located in the centre. And whilst low-skilled jobs are spread slightly more evenly across the city<sup>51</sup>, young people may still struggle to access low-skilled work. This is partly because of the level of competition for jobs, discussed in the next chapter, and also because of additional barriers that interact in particular localities, where limited social networks and attachment to particular neighbourhoods may limit young people's aspirations and work-search areas.

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<sup>47</sup> Morrisson, P. (2005) Unemployment and Urban Labour Markets, *Urban Studies*, 42(12): 2261-2288.  
Green, A. (2011) Spatial inequality and skills in a changing economy, Briefing Paper Series, Institute for Employment Studies for UKCES; analysis of 2001 census data indicates contrasting qualification profiles for the populations in the East and West of the city, with residents in the East more likely to have no qualifications - see Ennis, N., Theseira, M. & McMullan, A. (2009) Working Paper 36: Commuting patterns in London by qualification level and employment location, Greater London Authority

<sup>48</sup> Aldridge, H., Bushe, S., Kenway, P. & MacInnes, T. (2013) London's Poverty Profile 2013, NPI

<sup>49</sup> Fenton, A., Lupton, R., Arrundale, R., & Tunstall, R. (2013). Public housing, commodification, and rights to the city: The US and England compared. *Cities*, 35: 373-378. doi: <http://dx.doi.org/10.1016/j.cities.2012.10.004>

<sup>50</sup> Changes in youth unemployment in Inner London, or lack thereof, may also be linked to the densification and gentrification of the inner city. See Lupton, R., Vizard, P., Fitzgerald, A., Fenton, A., Gambaro, L. & Cunliffe, J. (2013) Prosperity, Poverty and Inequality in London 2000/01-2010/11, Social Policy in a Cold Climate, Research Report 3, CASE, LSE

<sup>51</sup> Ennis, N., Theseira, M. & McMullan, A. (2009) Working Paper 36: Commuting patterns in London by qualification level and employment location, Greater London Authority

Policymakers may also need to look at ways to facilitate work search for young people over wider areas. Transport barriers to employment are often associated with rural labour markets. But the cost of transport may act as a barrier to employment for some young people. Furthermore, the radial nature of the public transport infrastructure in London means that people living in peripheral housing estates and even people living in areas adjacent to low-skilled employment opportunities may also struggle to access employment.<sup>52</sup> Young people often have restricted access to private transport, particularly those from low-income households.<sup>53</sup> In addition, many young people seek work in, and are employed in, low-skilled sectors that attract relatively low pay.<sup>54</sup> This limits young people's ability to cover transport costs and restricts their work search area.<sup>55</sup>

## Summary

This chapter has focussed on some groups of young people who do not do well in the London labour market. Some young people are particularly disadvantaged relative to similar young people elsewhere – young school-leavers and those looking to combine education with work, for example, have a very high rate of unemployment in London. But for others – such as young people from ethnic minorities – it is not so much the case that they are disadvantaged by being in London but rather they are generally more likely to be at a disadvantage in the labour market.

The next section moves beyond these individual characteristics to consider how the wider dynamics of the London labour market impact on young people's employment prospects.

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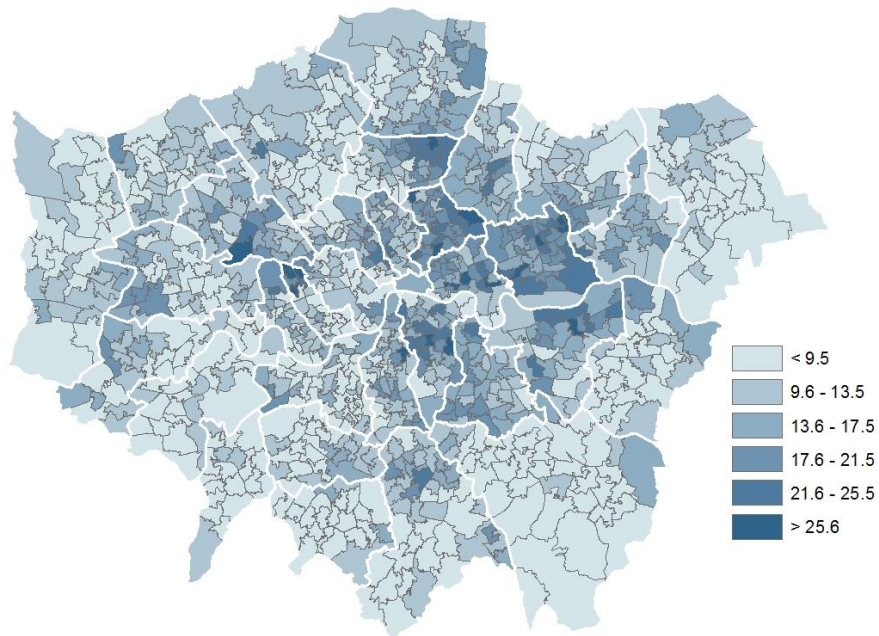
<sup>52</sup> HM Treasury (2007) Employment opportunity for all: tackling worklessness in London

<sup>53</sup> Jones, K. (2012) Missing Million Policy Paper 2: Transport Barriers to Youth Employment, The Work Foundation; Maxted, S. (2001) General barriers to employment and training, TRANTEL Working Paper 4, The Bartlett School of Planning, University College London

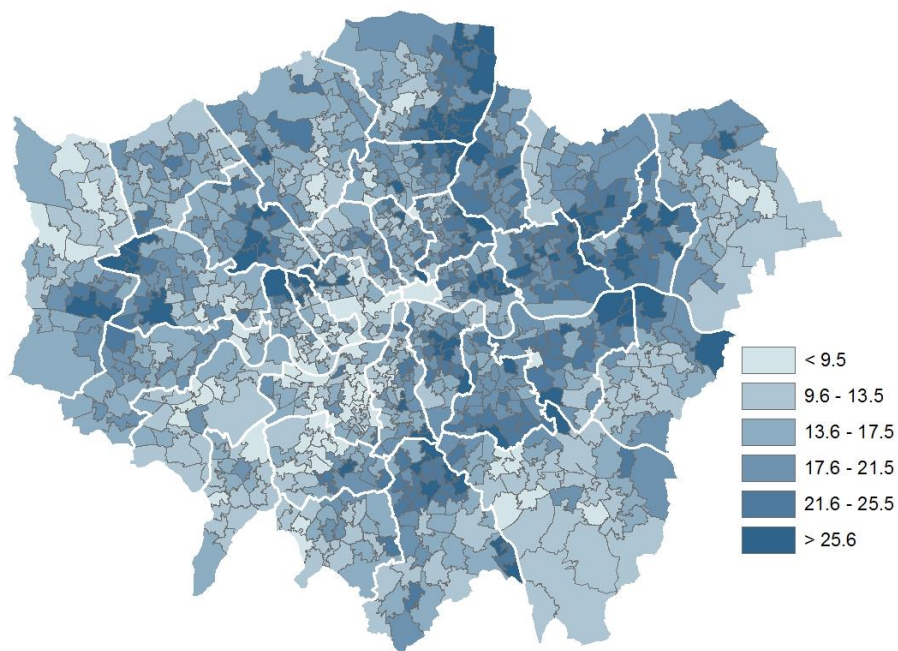
<sup>54</sup> Analysis of young people in employment by occupation and gender set out in Brinkley, I., Jones, K. & Lee, N. (2013) The Gender Jobs Split: how young men and women experience the labour market, Touchstone Extras pamphlet, TUC. Analysis of the types of jobs sought by 16-24 year old JSA claimants set out in Lee, N., Sissons, P., Bharmie, B., Jones, K. & Cominetti, N. (2012) Short-term crisis – long-term problem? Addressing the youth employment challenge, The Work Foundation. For discussion of the concept and determinants of individual employment fields see HM Treasury (2007) Employment opportunity for all: tackling worklessness in London, London: The Stationary Office.

<sup>55</sup> Green, A. & Owen D. (2006) The geography of poor skills and access to work, Joseph Rowntree Foundation

**Figure 5: Youth unemployment in London (%) 2001**



**Figure 6: Youth unemployment in London (%) 2011**



Source: Census 2001 and 2011, measure of youth unemployment excludes full-time students; intervals are defined to highlight those areas falling above and below the average rate of youth unemployment across London in 2011 (at 17.55 per cent)

### 3 Young people and competition for jobs in London

Though there has been strong employment growth in London in recent years, the number of jobs has not kept pace with the resident working-age population, let alone the overall number of people that seek work in London. Between 2001 and 2011, the working-age population increased by more than 950,000 whilst the number of jobs increased by 229,000 (see Table 1). Figures like these give an indication of the relative mismatch between supply and demand and have raised concern about the level of competition for jobs in London.<sup>56</sup>

**Table 1: Shifts in labour supply and demand in London: 2001-2011**

Summary statistics	2001	2011	Change	% change
Working age population <sup>57</sup>	4,686,697	5,644,424	957,727	20
Of which foreign-born	1,518,697	2,475,942	957,245	63
Population aged 16-64	4,832,265	5,644,424	812,159	17
Of which educated to NVQ level 4 and above	1,576,113	2,287,248	711,135	45
Of which educated to NVQ level 3	500,794	650,230	149,436	30
Of which educated to NVQ level 2	863,996	711,075	-152,921	-18
Of which educated to NVQ 1 and below	1,642,169	1,350,438	-291,731	-18
Of which have other qualifications/level not known <sup>58</sup>	249,193	645,433	396,240	159
Workforce jobs <sup>59</sup>	4,664,000	4,893,000	229,000	5

Source: Census 2001 and 2011, ONS workforce estimates

There were two particularly noticeable changes in the characteristics of the population over this time:

<sup>56</sup> Of course, many people of working-age will not be actively seeking work – whether because they are undertaking further study or are caring for family members. But equally, many people who are already employed will still be seeking work, and some people will have second jobs. Aldridge et al. (2013) estimate that some 900,000 people were underemployed in London in 2012 (encompassing the unemployed, those who are in part-time jobs because they could not find a full-time job and people who are economically active but who want to work. See Aldridge, H., Bushe, S., Kenway, P. & MacInnes, T. (2013) London's Poverty Profile 2013, NPI

<sup>57</sup> Data on the number of 16-64 year olds who were foreign born is not available in 2001. For this year and this variable a different definition of the working-age population is used, covering men up to the age of 64 and women up to the age of 59. As a result, the total number of people aged 16-64 in 2001 does not match the total for the working-age population in 2001. People born outside of the UK are defined as 'foreign-born'.

<sup>58</sup> The 'Apprenticeships' category, added in 2011, is included under 'Other' as the level of apprenticeship was not specified

<sup>59</sup> Source: ONS estimates, rounded and average of four quarters

- **The skill profile of the population:** whilst the number of working-age adults educated to degree level and above increased by more than 700,000 in London between 2001 and 2011, the number of working-age adults whose highest qualifications were equivalent to NVQ level 2 declined by almost 300,000 (see Table 1). This pattern may be explained by, among other factors, the tendency for graduates to cluster in London and the South East<sup>60</sup> and improvements in the educational outcomes of young people in London.
- **The number of London residents born abroad increased from 32 per cent to 44 per cent between 2001 and 2011.**<sup>61</sup> Of all the regions, immigrants make up the largest share of the working-age population in London<sup>62</sup>, possibly attracted to the diverse employment opportunities that are available, the international character of the city and established networks that may facilitate re-settlement and job search.<sup>63</sup>

The level of competition for jobs is driven by a number of factors. Firstly, London is a global city which attracts skilled and mobile workers from other parts of the UK and overseas. There is evidence to suggest that new migrants may accept jobs which are below their skill level<sup>64</sup> putting pressure on the lower end of the labour market. Secondly, the overall number of jobs has not kept pace with the working-age population. This means that employers are able to be more selective for some roles.

This puts young people, especially those with limited work experience and lower qualifications, at a disadvantage. This chapter presents some indicators of the level of competition for jobs and considers how the employment prospects of young people may be shaped by the wider dynamics of the labour market.

### 3.1 Labour supply and demand

The change in the number of working-age people in London is linked to changes in the size of different age cohorts within the population, with birth rates differing between

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<sup>60</sup> Though public sector employment shored up demand for highly skilled young people outside of London prior to 2009, enabling some spreading out of graduates across the UK, this may have been undermined by recent public sector cuts. See Wright, J. (2011) Cutting the Apron Strings? The Clustering of Young Graduates and the Role of the Public Sector, The Work Foundation

<sup>61</sup> Census data, see table x

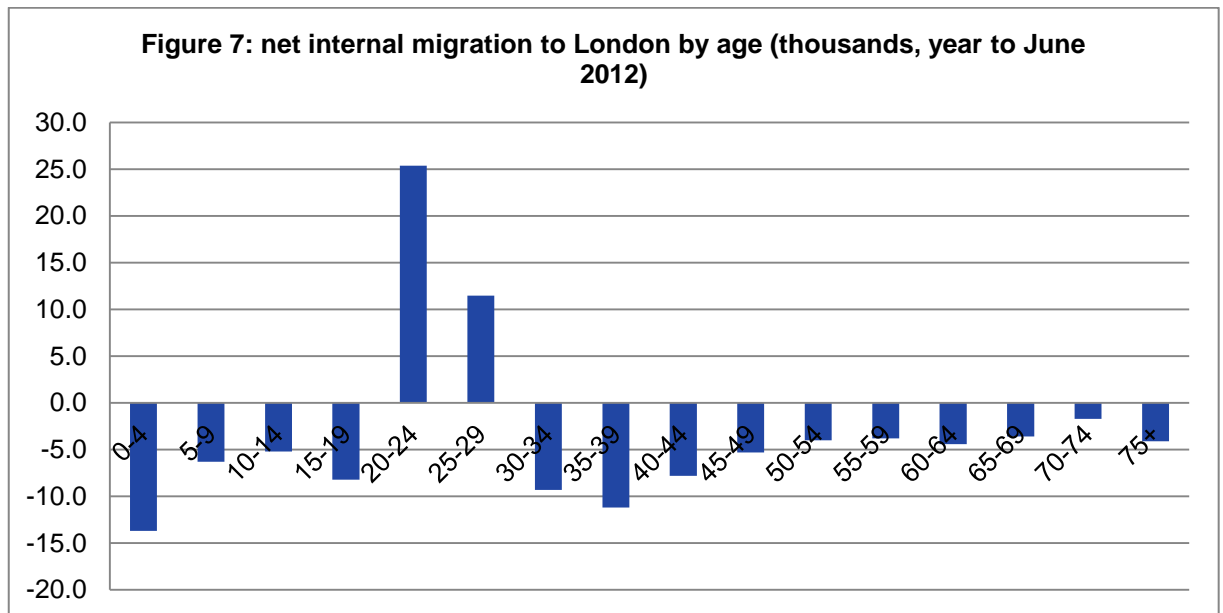
<sup>62</sup> Wadsworth, J. (2012) Immigration and the UK Labour Market: the latest evidence from economic research, CEP

<sup>63</sup> For a discussion of some labour migration channels see McCollum, D., Shubin, S., Apsite, E. & Krisjane, Z. (2013) Rethinking Labour Migration Channels: the Experience of Latvia from EU Accession to Economic Recession, *Population, Space and Place*, 19: 688-702.

<sup>64</sup> For example, there is evidence that graduates are taking up lower-skilled work and that the median wages of EEA immigrants, and recent immigrants in particular, are substantially lower than those for people born in the UK, suggesting that some migrants accept lower-skilled work. migrants have accepted Dustmann, C. & Frattini, T. (2013) The Fiscal Effects of Immigration to the UK, CReAM

generations.<sup>65</sup> But it will also be linked to migration, with people moving to London to seek employment from abroad and elsewhere in the UK.

London attracts large numbers of workers from abroad, and increasing numbers of people are also moving to London from other areas in the UK (more than 200,000 people in 2012.<sup>66</sup> Migrants from elsewhere in the UK are overwhelmingly young (See Figure 7)<sup>67</sup> and many will be graduates seeking work.



Source: ONS internal migration statistics, year to June 2012

It is important to recognise that there are not a finite number of jobs in London. The city benefits from the skilled workers that live in the area, many of whom undertake highly productive work, boosting the economy and increasing the supply of jobs – for instance through increasing demand for other services such as hairdressers, restaurants, retail, child care, and dental care.<sup>68</sup> Yet it may be that the clustering of immigrants and graduates in London has impacted on the employment prospects of young people, and particularly those that have lower skills. With demand for labour in London skewed toward higher skilled

<sup>65</sup> For a comparison of changes in the overall population structure between 2001 and 2011 see ONS Annual Mid-year Population Estimates, 2011 and 2012, [http://www.ons.gov.uk/ons/dcp171778\\_320900.pdf](http://www.ons.gov.uk/ons/dcp171778_320900.pdf)

<sup>66</sup> At the same time, large numbers of people move out of London each year – greater than the number moving in from abroad. For analysis see Aldridge, H., Bushe, S., Kenway, P. & MacInnes, T. (2013) London's Poverty Profile 2013, NPI

<sup>67</sup> ONS internal migration statistics. The internal migration estimates record residential moves between different local authorities in the UK. The data is mainly sourced from information on NHS GP registrations. The ONS adjusts these estimates using data from the Higher Education Statistics Authority because young adults are less likely to need GP services and so are more likely to take longer to re-register with a GP after moving.

<sup>68</sup> Over the longer term, the number of jobs will depend on the supply of labour. See de Koning, J., Layard, R., Nickell, S. & Westergaard-Neilsen, N. (2004) Policies for Full Employment, DWP

positions relative to the rest of the UK,<sup>69</sup> previous analysis has suggested that the low-skilled are at a particular disadvantage in London.<sup>70</sup>

Clearly, not all jobseekers are in competition with each other. The labour market is stratified, most obviously by skill and geography, with many low skilled workers unable to compete for high-paid, higher-skilled jobs. But as the previous chapter highlighted – some groups experience particularly poor labour market outcomes. This is in part due to the composition of the youth labour market – London is home to a high concentration of individuals with characteristics that would place them at a disadvantage in the labour market no matter where they live.<sup>71</sup> Yet there are also indications that the level of competition for jobs is particularly high in London.

### 3.2 The ratio of jobs to people

The number of jobs has not kept pace with the resident working-age population and whilst the actual level of competition for a job will depend on a number of factors, broad analysis of the number of jobs and workers can give an indication.

**There were an estimated five claimants per Jobcentre Plus vacancy in London in late 2012.** This compares to 3 claimants per unfilled vacancy in Great Britain as a whole.<sup>72</sup>

**But many people who are already employed will also be seeking work, raising the overall level of competition for jobs.** Aldridge et al. (2013) estimate that some 900,000 people were underemployed in London in 2012, encompassing the unemployed, those who were in part-time jobs because they could not find a full-time job and people who were economically inactive but who wanted to work.<sup>73</sup>

**Commuters also significantly raise the level of competition for jobs.** Large numbers of people commute into London every day, supplementing the resident population and enabling employers to exercise a high degree of selection for some roles.<sup>74</sup> Estimates for the workday

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<sup>69</sup> London Skills & Employment Board (2007) Globalisation, Skills and Employment: The London Story, GLA Economics.

<sup>70</sup> HM Treasury (2007) Employment opportunity for all: tackling worklessness in London, HMSO

<sup>71</sup> According to the 2010 Indices of Multiple Deprivation the most deprived areas are concentrated to the north and east of the City, from Newham to Islington and from Tower Hamlets north to Enfield and Waltham Forest. The 2010 Indices of Multiple Deprivation show that over 26 per cent of London falls within the most deprived 20 per cent of England. See GLA (2011) English Indices of Deprivation 2010: A London perspective, Intelligence Briefing 2011-06.

<sup>72</sup> Source: NOMIS Jobcentre Plus vacancies, data for November 2012; this data series has been discontinued and data on local vacancies is currently limited

<sup>73</sup> See Aldridge, H., Bushe, S., Kenway, P. & MacInnes, T. (2013) London's Poverty Profile 2013, NPI

<sup>74</sup> Of course, competition for jobs will vary by sector and level. London employers still record skills shortages and hard-to-fill vacancies, see UKCES, National Employer Skills Survey 2011; on commuting patterns in London see Ennis, N., Theseira, M. & McMullan, A. (2009) Working Paper 36: Commuting patterns in London by qualification level and employment location, Greater London Authority. Finally, in addition to commuting the shift in emphasis toward 'activating' welfare claimants, where effective, is likely to have increased the number of people seeking employment in a given labour



population of London suggest that the overall ratio of jobs to (potential) workers was closer to one job for every two people in 2011.<sup>75</sup>

**The ratio of people to jobs varied significantly across London** on this indicator, with many boroughs registering more than 3 people per job. Figure 8 illustrates how the number of people per job varies across broad sub-regions within London, and is particularly high in the outer east and north east region of the city. Many of the highest rates of youth unemployment are also found in the outer East of the city, see Chapter 2.

**In addition, the level of competition for apprenticeship places is also particularly high in London.** In 2012/2013, there were 285,000 online applications for apprenticeships in London, an average of 17 applications per vacancy<sup>76</sup>. This was the highest level of competition for places, followed by the North East and the West Midlands with an average of 13 applications per vacancy.



Source: Census 2011 Workday estimates, and Business Register and Employment Survey employment estimates 2011.

**Finally, competition for higher-skilled jobs actually increased over this period.** The ratio of higher-skilled residents to higher-skilled jobs in London increased between 2006-7

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market. See Ruhs, M & Anderson, B. eds (2010) *Who Needs Migrant Workers? Labour shortages, immigration and public policy*, OUP

<sup>75</sup> This indicator combines data from the ONS and BRES and should only be taken as indicative of the ratio of people to jobs. Source: ONS Census workday population estimates for 2011 and Business Register and Employment Survey employment estimates 2011. Work day population estimates are a count of people who usually work in London and people who are unemployed who reside in London, aged 16-74.

<sup>76</sup> This only captures applications that were submitted online. Within London the ratio of applications to vacancies was particularly high in the outer eastern Local Education Authorities, see: [https://www.google.com/fusiontables/embedviz?q=select+col3+from+1cdYkNrwDxVq-cmv22LO8gqe3zcyQv7u\\_G6rViso&viz=MAP&h=false&lat=53.49844233198538&lng=-4.472151222656294&t=1&z=6&l=col3&y=3&tplt=4&hml=KML](https://www.google.com/fusiontables/embedviz?q=select+col3+from+1cdYkNrwDxVq-cmv22LO8gqe3zcyQv7u_G6rViso&viz=MAP&h=false&lat=53.49844233198538&lng=-4.472151222656294&t=1&z=6&l=col3&y=3&tplt=4&hml=KML)

and 2012-13, from 12 to 14 higher-skilled residents for every 10 higher skilled jobs.<sup>77</sup> This is likely to have an impact on the job prospects of lower-skilled young people, with higher-skilled workers ‘bumping down’ in the labour market and taking up lower-skilled employment.

These indicators suggest that competition for jobs is high, and varies significantly across London. Of course the actual level of competition will depend on the role. But given the large number of potential workers relative to the number of jobs, employers are likely to be able to exercise a greater degree of selection for some roles. Furthermore, higher-skilled people arriving in London may be willing to take-up lower-skilled jobs in the short-term whilst they look for other employment.

### 3.3 Bumping down in the labour market

There is a longer term trend toward graduates being employed in lower skilled occupations<sup>78</sup> as well as a shorter term recessionary effect whereby graduates have taken up lower wage, lower skilled work – the concept of ‘bumping down’. This section reviews the impact that this has had on competition for work in the city and the implications for the employment prospects of lower skilled young people.

The employment prospects of young people in London may be particularly affected by these trends in light of the high skill profile of the working-age population in London as well as the fact that the city attracts many people from elsewhere in the UK as well as abroad (many of whom will be highly educated).

Young graduates saw their employment rates dip during the recession<sup>79</sup>, and so they may have become more amenable to undertaking low-skilled, low-paid work. The graduate substitution effect suggests that where graduates find it difficult to secure employment commensurate with their education they may take up lower-skilled employment. Meanwhile, higher-skilled people arriving in the UK may struggle to find a job that matches their qualifications and instead take up lower-skilled work, a process described as ‘occupational downgrading’.

Data on the labour market experiences of graduates and migrants supports the idea of occupational downgrading for these groups. First, at a national-level an increasing proportion of recent graduates are employed in non-graduate roles and lower-skilled occupations.<sup>80</sup> This links in with findings that there is increasing dispersion in the returns to graduate education in Britain. Green & Zhu (2010), for example, find declining returns for both men

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<sup>77</sup> The definition of a higher-skilled worker and higher-skilled job is the inverse of that used to define low-skilled work and lower-skilled residents – so jobs classified at skill level 3 and 4 under the SOC10 system and workers whose highest qualifications are at least at A-level or equivalent.

<sup>78</sup> ONS (2013) Graduates in the UK labour market 2013

<sup>79</sup> ONS (2011) Graduates and young people in the labour market: London, Briefing Note

<sup>80</sup> ONS (2013, and 2012) Graduates in the labour market; and Lloyd, C. & Payne, J. (2011) Flat whites: who gets progression in the UK café sector? *Industrial Relations Journal*, 43(1): 38–52.

and women at the 10<sup>th</sup> percentile of the (residual) wage distribution between 1995 and 2006, a period of rapid growth in the proportion of graduates in the workforce.<sup>81</sup>

Second, the literature on the employment experiences of migrants suggests a number of motivations that may lead migrants to tolerate undesirable employment conditions or to seek employment in low-wage industries that may not match their qualifications. For example, migrants may view this work as a 'stepping stone' to better work, or value the opportunity to develop other skills.<sup>82</sup> In addition, whilst the median wages of people born in the UK and non-European Economic Area (EEA) immigrants are nearly the same, the median wages of EEA immigrants are substantially lower than those for people born in the UK<sup>83</sup>. The fact that this wage gap is particularly pronounced amongst both recent EEA and non-EEA immigrants relative to older immigrants suggests that some immigrants are forced to take up employment in lower-skilled occupations because they are unable to find employment that more closely matches their qualifications, perhaps due to limited language proficiency or because employers do not recognise their qualifications.

Even where immigrants and graduates are taking up lower-skilled work, the extent to which this might be driving higher levels of unemployment amongst young, lower-skilled workers is not clear<sup>84</sup> and there is little evidence of direct displacement of lower-skilled people by students and migrants. Nonetheless, research suggests that the fact that students and migrant workers are often able to be flexible around working hours, types of job and are able to tolerate job insecurity may have impacted on the opportunities that are available to lower skilled people.<sup>85</sup>

Attempts to discover a direct relationship between higher levels of immigration and youth unemployment risk oversimplifying the issue. Overall there is little evidence that immigration has led to higher levels of youth unemployment. Indeed, between 2004 and 2010 there was no correlation between changes in the youth unemployment rate amongst people born in the UK and changes in the share of immigrants living in a given area.<sup>86</sup>

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<sup>81</sup> The log pay increase is associated with the difference between achieving GCSE grades A-C or equivalent (Level 2) and graduating from tertiary education with at least a college degree or some form of professional qualification (Level 4 or above), see Green, F. & Zhu, Y. (2010) Overqualification, job dissatisfaction, and increasing dispersion in the returns to graduate education, *Oxford Economic Papers*, 62(4): 740-76

<sup>82</sup> Janta, H., Ladkin, A., Brown, L. & Lugosi, P. (2011) Employment experiences of Polish migrant workers in the UK hospitality sector, *Tourism Management*, 32: 1006-1019; and Scott, S. (2013) Migrant-Local Hiring Queues in the UK Food Industry, *Population, Space and Place*, 19: 459-471;

<sup>83</sup> Dustmann, C. & Frattini, T. (2013) The Fiscal Effects of Immigration to the UK, CReAM

<sup>84</sup> One reason for this is because the process of ordering different but competing groups of prospective workers according to their perceived employability is generally hidden. See Atfield, G., Green, A., Purcell, K., Staniewicz, T. & Owen, D. (2011) The impact of student and migrant employment on opportunities for low-skilled people, UKCES

<sup>85</sup> Atfield, G., Green, A., Purcell, K., Staniewicz, T. & Owen, D. (2011) The impact of student and migrant employment on opportunities for low-skilled people, UKCES

<sup>86</sup> Wadsworth, J. (2012) Immigration and the UK Labour Market: the latest evidence from economic research, CEP

### 3.4 Policy implications

The skill profile of the workforce in London is distinctive. The economy benefits from having access to these skilled workers, who may undertake highly productive work, boosting the economy and increasing the supply of jobs. But the level of competition for jobs in London places young people seeking to enter the labour market in a weak position.

There is some evidence that migrants may be bumping down in the labour market<sup>87</sup> and research suggests that students and migrants have different 'frames of reference' when it comes to low-wage work, being better placed to offer the flexibility that some employers need,<sup>88</sup> and thereby placing low skilled workers at a disadvantage.

In order to improve the prospects for young people in London there is a need to:

- **Better integrate the education system with the labour market**, giving young people the chance to think through career options whilst at school and experience different work environments;
- **Facilitate in-work progression** to free up entry-level positions;
- **Grow the number of apprenticeships, traineeships and routes into work for young people**. Young people in London lack a strong vocational route into employment. In 2011, the proportion of 16 and 17 year olds that were engaged in some form of apprenticeship was estimated to be less than half the national rate, at 2 per cent compared to 5 per cent for England as a whole.<sup>89</sup>

The next chapter sets out an assessment of current policy, outlining some current initiatives that aim to support young people into work in London. It also sets out a series of recommendations, based on the analysis set out in the last two sections.

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<sup>87</sup> For a comparison of the median wage of immigrants and those born in the UK see Dustmann, C. & Frattini, T. (2013) The Fiscal Effects of Immigration to the UK, CReAM

<sup>88</sup> Green, A., Atfield, G., Adam, D. & Staniewicz, T. (2013) Determinants of the composition of the workforce in low skilled sectors of the UK economy, Lot 2: Qualitative Research – Final Report, Institute for Employment ResearchA.

<sup>89</sup> This is the proportion of young people in work-based learning (WBL). Since 2010/11, the term 'work-based learning' has been used to capture young people starting apprenticeships and advanced apprenticeships and so the measure can be used as a proxy for the proportion of young people in apprenticeships, source: DfE regional estimates of participation in education and work-based learning of 16 and 17 year olds

## 4 Policies to tackle youth unemployment in London

London is a city of extremes, with high levels of deprivation and stark differences in labour market outcomes between different sub-sections of the population. We have explored two factors which contribute to the poor employment rates for young people in London:

- **Population characteristics:** the youth labour market has a high proportion of young people with characteristics that would disadvantage them in the labour market no matter where they live. We have focused on the substantial employment gaps that exist for young people from some ethnic minorities.
- **Competition for jobs:** London has a strong economy, and a large working-age population, attracting workers from other parts of the UK and abroad. The result is a city which can offer large numbers of employment opportunities but that also has a large supply of potential, often highly-skilled, workers. This is one reason why young people can struggle to enter the labour market.

So how do you improve the employment prospects of disadvantaged young people in London? There are a number of possible policy responses to the labour market challenges that have been outlined in this paper. In broad terms, these range from supply-side measures that aim to enhance the employability of particular groups to attempts to grow the number of opportunities that are available to young people.

The next section provides an assessment of current approaches to tackling youth unemployment in London, before discussing some strategic challenges that need to be addressed. The final section outlines a series of recommendations for smoothing transitions into work for young people in London and considers how to address the substantial employment gaps that exist between ethnic minorities.

### 4.1 Strategic challenges in tackling youth unemployment

There is scope to act to tackle youth unemployment in London. The main components of the government's strategy to tackle youth unemployment are largely controlled by central government departments,<sup>90</sup> with limited devolution of powers to cities. But London has traditionally had the most devolved governance model among the nine English regions, with a mayoral system and an elected assembly which examines the effectiveness of the Mayor's policies. As such local policymakers play an important role in a number of policy areas that shape the employment prospects of young Londoners, such as housing, transport and apprenticeships.

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<sup>90</sup> Krasnowski, K. & Vaid, L. (2012) Right Skills, Right Jobs, CESI

Whilst borough councils have limited resources to draw on to develop employability initiatives and other measures to tackle youth unemployment, some funding is being made available to local authorities and other local partners in London. This includes:

- **The Get Young People Working Scheme**, from the City Bridges Trust, aims to help 1,000 NEET young people into employment or apprenticeships over two years. London boroughs have bid for grants worth up to £100,000, which could be used to contract voluntary sector partners to engage disadvantaged young people and improve their skills, employability and access to jobs.
- **The European Social Fund**, which focussed on preventative work and vulnerable groups of young people in the funding period to 2013, with funding routed through the Greater London Authority.
- **Talent Match**, from The Big Lottery Fund, which is targeting hotspot boroughs, and aims to help young people (18-24 year olds) who have been out of work, education or training for more than 12 months. The programme will support young people to get into training or further education, or become self-employed.

The scale of physical change within the city also presents opportunities. Development and regeneration projects can be used to leverage commitments from contractors to offer entry-level opportunities through Section 106 obligations. In addition, many boroughs operate job brokering services, aiming to support local residents to access jobs. Yet whilst some boroughs can draw down large amounts of money off the back of developments in their area, others struggle to provide support to local residents. Combined with the fact that employment opportunities are not spread evenly across the city, this means that cross-borough working is important.

But, whilst there is scope to act to tackle youth unemployment, London lacks a strategic vision for how this might be achieved, making it difficult to determine whether current initiatives are well-targeted.

### Strategic governance

There are two strategic boards with remits relating to tackling youth unemployment that operate at a city-level. The *Young People's Education and Skills* (YPES) board leads on the 14-19 education and training agenda across London, with members drawn from local councils, national agencies and education and training providers. In addition, the London Enterprise Panel's *Working Group on Skills and Employment* has a remit to propose priorities for skills training in London for those aged 14 and above and make recommendations to the London Enterprise Panel, as well as to government. Efforts have been made to ensure that the activities of the two strategic boards complement each other<sup>91</sup>

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<sup>91</sup> LEP Skills and Employment Working Group Agenda & minutes  
<http://www.london.gov.uk/moderngov/ieListDocuments.aspx?CId=253&MId=4571&Ver=4>

but with the YPES board more strongly focussed on education, and the LEP working group lacking a clear focus on young people, there remains a gap in strategy-making at this level.

Recent wider policy changes in the UK have begun to emphasise the importance of targeting policies at a city-level (City Deals) and across functional economic areas (Local Enterprise Partnerships), meaning that some other cities are starting to have access to tailored powers and responsibilities. City Deals, in particular, have enabled cities to set out a strategy for driving growth across a city region. But many of the City Deals have also outlined plans for tackling youth unemployment and disengagement at a city-level.<sup>92</sup>

There has been no 'City Deal' for London, partly because it already enjoyed a greater degree of autonomy. But this means that it is not always clear how strategies developed at a borough or neighbourhood-level link to a wider vision for the city. In this context, funders may struggle to identify groups and areas that need support. Partnership working at strategic and operational levels has sometimes proved problematic in the context of tackling worklessness.<sup>93</sup> Furthermore, the extent to which these initiatives are being evaluated and best practice shared and built upon is also unclear, though some recent initiatives have begun to develop the evidence base for action to help young people in London.<sup>94</sup> In light of this, the formulation of a strategic Action Plan for tackling youth unemployment in London could be instrumental in facilitating more cross-borough working.

## 4.2 Assessment of key policies in London

Aside from there being a limited number of jobs, training and learning opportunities at any one time, there are a number of barriers to employment that young people may need to negotiate in London.

- Limited networks and attachment to place leading to a lack of awareness of the wider opportunities that are available and how they might be accessed;
- Lack of work experience and lack of understanding of how the labour market functions;
- Ineffective or insufficiently targeted employment programmes and support services.

These are barriers that affect many young people, not just those from ethnic minorities. But some young people from ethnic minorities experience additional barriers to employment.

So what is currently being done to tackle these barriers in London? As jobs and careers evolve careers advice, work experience placements and apprenticeships all play an increasingly important role in supporting access to the labour market. This section considers

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<sup>92</sup> See for example the City Deals for Leeds, and Greater Ipswich

<sup>93</sup> Bellis, A., Sigala, M., & Oakley, J. (2011) Evaluation of the London City Strategy ESOL Pilot: final report, DWP No. 744

<sup>94</sup> Project Oracle, for example, is working to develop a source of independently assessed and evaluated projects

current strategic initiatives that aim to ensure that young people are able to access such opportunities in London.

The most clearly articulated city-level strategic goal relating to tackling youth unemployment is the commitment to grow the number of apprenticeships in London. Apprenticeships are a form of post-16 education involving both on- and off-the-job training in a particular trade or skill. For young people, they can act to smooth the transition from school to work, and boost employment prospects in the longer term.<sup>95</sup>

The mayor has committed to increase the number of apprenticeships in London to 250,000 by the end of the 2016 academic year,<sup>96</sup> with just over 50 per cent of this target reached by late 2013.<sup>97</sup> The commitment to grow the number of apprenticeships is important. But there are a series of challenges that need to be addressed if apprenticeships are to have an impact on the youth labour market in London. First, concerted action is needed to encourage more employers to offer apprenticeships. It is thought that a key challenge in coming years will be to engage more Small and Medium-sized Enterprises in the system.<sup>98</sup> Recent initiatives have sought to achieve this by offering additional funding to small employers. The enhanced Apprenticeship Grant for Employers (AGE),<sup>99</sup> which operated in 2013, offered employers with less than 1000 employees, and who had not previously taken on an apprentice or who hadn't enrolled someone aged 16-24 onto an apprenticeship in the past year, a subsidy of £3,000.<sup>100</sup> Plans to reintroduce this enhanced subsidy are currently being considered.

A second challenge lies in the fact that many of the new apprenticeship opportunities have been taken up by existing employees and people aged over 25. Of some 47,000 apprenticeship starts in London in 2011/12 nearly half were accounted for by people aged over 25.<sup>101</sup> Meanwhile a survey of apprentices in London found that 71 per cent were internal recruits, people who had moved onto an apprenticeship with their existing employer.<sup>102</sup>

The introduction of new pre-apprenticeship training schemes may support more young people to access these opportunities. For example, the traineeships scheme, introduced in

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<sup>95</sup> Jones, K. (2013) The road less travelled? Improving the apprenticeship pathway, The Work Foundation

<sup>96</sup> 2020 Vision: The greatest city on earth (2013) Greater London Authority

<sup>97</sup> As indicated in response to Apprenticeship Target question at Mayor's Question Time, November 2013. [http://questions.london.gov.uk/QuestionSearch/searchclient/questions/question\\_271709](http://questions.london.gov.uk/QuestionSearch/searchclient/questions/question_271709)

<sup>98</sup> Farlie, V. (2013) London Assembly Investigation into Apprenticeships, London Work-based Learning Alliance, Briefing for the GLA Economy Committee

<sup>99</sup> NAS (2013) Apprenticeship Grant for Employers of 16 to 24 year olds, Enhanced London FAQ Sheet – July 2013, <http://www.apprenticeships.org.uk/~media/Documents/AGE16TO24/Enhanced-London-AGE-16to24-FAQ-July-13.ashx>

<sup>100</sup> Consisting of the £1,500 AGE grant and £1,500 match funding from the Growing Places Fund, routed through the LEP. These subsidies have been introduced in other countries, though the level of the subsidy appears to be significantly higher than elsewhere, see BIS (2013) Evaluation of the Apprenticeship Grant for Employers (AGE 16-24) programme, Research Paper number 157

<sup>101</sup> The Data Service, Apprenticeship Programme Starts by Region, Level and Age, October 2013

<sup>102</sup> BIS (2014) Apprenticeship Evaluation: London Learners Report, Research Paper Number 164



2013, offers young people the chance to improve their English and maths, develop employability skills and undertake a work placement. Part of the rationale behind the scheme is that offering young people an opportunity to build a relationship with an employer and demonstrate their capabilities will increase their chances of being selected for an apprenticeship or of gaining employment.

Employers and third sector organisations also have an important role to play in ensuring that young people are able to access these opportunities. For example, the Construction Youth Trust has piloted a pre-apprenticeship programme with the aim of increasing ethnic, socioeconomic and gender diversity in the September intake of apprentices amongst companies in the London Technician Apprenticeship Consortium.<sup>103</sup> The programme provided young people with information on the sector, taster days and work experience.

Finally, good quality, independent careers advice services can challenge young people to consider wider options and provide insight into pay and progression prospects in different occupations.<sup>104</sup> Access to good careers advice is important for young people across the UK but it is particularly important in London given the complexity of the labour market and the level of competition for jobs. Face-to-face guidance is likely to be particularly valuable for young people who are at risk of becoming disengaged from education.<sup>105</sup> Some recent initiatives in London, linked to the Raising of the Participation Age, have sought to provide access to careers advisors for young people identified as at risk of becoming NEET.<sup>106</sup>

Whilst the emphasis on increasing the number of apprenticeships in the city is welcome, it falls far short of constituting a strategy to tackle youth unemployment. In the absence of a frank assessment of the current challenges in terms of supporting young people to move into work, individual funders, public and third sector bodies and engaged employers will struggle to identify where they should target funding and how they can complement activities being undertaken elsewhere. A wider strategy for tackling youth unemployment should be developed and overseen by a strategic body such as the GLA or the LEP<sup>107</sup> with input from

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<sup>103</sup> For details on the Budding Brunels programme:

[http://www.constructionyouth.org.uk/fileadmin/documents/cyt/Programmes/CYT\\_Budding\\_Brunels\\_pre-Apprenticeship\\_report.pdf](http://www.constructionyouth.org.uk/fileadmin/documents/cyt/Programmes/CYT_Budding_Brunels_pre-Apprenticeship_report.pdf)

<sup>104</sup> Newton, B., Miller, L., Oakley, J. & Hicks, B. (2012) Good Practice Evaluation of the Diversity in Apprenticeships Pilots, Institute for Employment Studies.

<sup>105</sup> Balam, B. & Crowley, L. (2012) Raising aspirations and smoothing transitions: the role of careers education and Careers Guidance in tackling youth unemployment, The Work Foundation

<sup>106</sup> Ealing have developed a set of early risk of NEET indicators linked to early intervention work in schools. See also NFER (2012) Preventing young people from becoming NEET: a practical guide for head teachers

<sup>107</sup> The London Enterprise Panel is meant to provide a 'venue for London boroughs to work with business, with Transport for London and the Mayorality to take a strategic view of the regeneration, employment and skills agenda for London', see Greater London Authority (2013) 2020 Vision: The greatest city on earth, Ambitions for London by Boris Johnson

local Youth Transition Partnerships<sup>108</sup>, which would be tasked with identifying key challenges and priorities for smaller areas across London.

In terms of specifically seeking to address the employment gaps between young people from different ethnic backgrounds, there are currently few large scale initiatives that target young people from ethnic minorities. Reducing the employment gap between ethnic minorities was a DWP service target in the early 2000s. Whilst the interventions that were trialed had limited success in terms of reducing the overall gap in employment rates, they did have some positive employment-related outcomes: for example, the evaluation of the DWP specialist adviser pilot suggests that the advisers made progress in terms of engaging with employers and opening up opportunities to ethnic minorities.<sup>109</sup>

Meanwhile, there are a number of small-scale initiatives that seek to offer young people from ethnic minorities support through activities such as mentoring<sup>110</sup> and work experience opportunities.

### 4.3 Key recommendations

This paper has set out a number of challenges that need to be addressed in order to improve the employment prospects of disadvantaged young people. The recommendations that follow focus on ways to improve strategic coordination, and ensure that young people are able to enter sustainable employment.

Reducing the gap in employment rates between young people from different ethnic backgrounds will require input from a range of stakeholders, including employers, teachers, careers advisers, local charities and national and local policymakers. Instead of outlining a set of policies targeting young people from particular ethnic backgrounds, the recommendations outlined here focus on ways to improve mainstream provision so that the likelihood of making a smooth transition into work is not dependent on a person's ethnicity, gender or socioeconomic background.

Before this can be achieved, there needs to be more collaboration, information and opportunity sharing across administrative boundaries and clear direction on which challenges remain to be addressed.

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<sup>108</sup> Recommendations set out by the Social Mobility & Child Poverty Commission (2013) Social mobility: the next steps

<sup>109</sup> National Audit Office (2008) Increasing employment rates for ethnic minorities, report by the comptroller and auditor general

<sup>110</sup> Such as the Mayor's mentoring programme. it can be difficult to determine the impact of mentoring programmes on participants' employment prospects, research on social networks suggests that those that provide a bridge into wider communities may be useful in mitigating disadvantage. See McCabe, A., Gilchrist, A., Harris, K., Afridi, A. & Kyprianou, P. (2013) Making the links: poverty, ethnicity and social networks, JRF

## Improving strategic coordination

**We recommend that Youth Transition Partnerships<sup>111</sup> are introduced to support cross-borough working and coordinate local labour market information**, feeding into the wider strategy to tackle youth unemployment.

There is a clear need for coordinated local action in tackling youth unemployment. Our forthcoming report – *The Geography of Youth Unemployment*<sup>112</sup> – details how Youth Transition Partnerships could enable the development of a strategic approach to tackling youth unemployment. These partnerships would bring together representatives from a range of organisations to discuss local challenges in terms of supporting young people to transition from school to employment and further learning. They would be responsible for monitoring outcomes for young people, assessing the barriers to employment in operation in their local area and facilitating better partnership working between key organisations.

In London, these partnerships could build on the work of strategic bodies such as London Councils, which is already supporting the sharing of data on young people's destinations and the proportion of young people not on sustainable, quality pathways in different London boroughs. In London, we envisage a series of partnerships which would operate across local areas and build on established partnerships, but not be confined to administrative boundaries. The partnerships would provide an overview of local economic circumstances and feed information up to the GLA and the LEP, who would be responsible for overseeing the development of an Action Plan for tackling youth unemployment in London.

**Develop an Action Plan for tackling youth unemployment in London** that encourages partnership working and sets out clear lines of responsibility and accountability. This strategic plan would establish what support is available across London, determine areas for development and provide a space to discuss priorities. Funders could use the city strategy as a means of assessing applications: those seeking funding for projects that aim to reduce youth unemployment should be encouraged to set out how these interact with the strategic plan and, particularly in the case of third and private sector organisations, how they will supplement current support activities.

## Increasing access to quality careers advice

**Make face-to-face careers advice and guidance sessions available to young people in London from the age of 13.**

There is a need to raise the standard of careers advice and guidance and wider careers education to ensure equal access to opportunities, particularly in schools and further

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<sup>111</sup> Also discussed in Social Mobility and Child Poverty Commission (2013) *Social mobility: the next steps*; London; SMCP

<sup>112</sup> Cominetti, N. & Crowley, L. (2014) *The Geography of Youth Unemployment*, The Work Foundation

education settings that draw in students from deprived backgrounds.<sup>113</sup> Young people should be supported to explore a wide range of course and career options and provided with up-to-date information on labour market prospects relating to these choices. This is particularly important given the link between the occupational choices made by parents and the career choices of young people,<sup>114</sup> as well as the evidence that some young people are more dependent on 'official' sources of labour market knowledge.<sup>115</sup>

**Clarify minimum standards for careers provision in schools and require schools to report on current provision.**

Individual schools and colleges are now tasked with securing careers advice and guidance services for students. Recent assessments of standards suggest that many schools are failing to secure adequate provision.<sup>116</sup> This may be attributed to the absence of any dedicated funding for careers guidance activities in schools as well as the 'permissive tone' of the statutory guidance that has been issued to schools,<sup>117</sup> which does little to enforce standards.

The news that the government is currently reviewing the guidelines that it issues to schools around careers advice is welcome.<sup>118</sup> Schools should also publish information on the amount of time and resource spent on careers advice and guidance provision per year. This could then be used, alongside performance and evaluation data on the service offered in individual schools to assess appropriate funding levels for such services.

Careers guidance should also be supplemented with a wider programme of work-related learning, taster days and other activities that may encourage young people to consider a diverse range of work options. There are a number of ways that employer engagement could

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<sup>113</sup> Heath, A. & Cheung, S. (2006) Ethnic penalties in the labour market: Employers and discrimination, Research Report No 341; Hutchinson, J., Rolfe, H., Moore, N., Bysse, S. & Bentley, K. (2011) All things being equal? Equality and diversity in careers education, information, advice and guidance, Equality and Human Rights Commission, Research report 71, University of Derby and National Institute of Economic and Social Research.

<sup>114</sup> Beauregard, T. A. (2007) Family influences on the career life cycle. In M. Ozbilgin & A. Malach-Pines (Eds.), *Career Choice in Management and Entrepreneurship: A Research Companion* (pp. 101-126). Edward Elgar Press

<sup>115</sup> For example research suggests that young people from non-White backgrounds are more dependent on official sources, rather than friends and family, see Beck, V., Fuller, A. & Unwin, L. (2006) Safety in stereotypes? The impact of gender and 'race' on young people's perceptions of their post-compulsory education and labour market opportunities, *British Educational Research Journal*, 32(5): 667-686, DOI: 10.1080/01411920600895718.

<sup>116</sup> OFSTED (2013) Going in the right direction? Careers guidance in schools from September 2012; Langley, E., Hooley, T. & Bertuchi, D. (2014) A career postcode lottery? Local authority provision of youth and career support following the 2011 Education Act, International Centre for Guidance Studies.

<sup>117</sup> Education Select Committee (2013) Careers guidance for young people: the impact of the new duty on schools, Seventh Report, House of Commons

<sup>118</sup> DfE & BIS (2013) Careers Guidance Action Plan: Government response to recommendations from Ofsted's thematic review and National Careers Council's Report

be facilitated, ranging from inviting employer representatives onto school governing bodies and tasking the LEP with publicising opportunities for engagement.<sup>119</sup>

**Expand the remit of strategic bodies with responsibility for overseeing the administration and quality of careers advice to include young people.**

The London Assembly Economy Committee recently considered a proposal to set up a strategic steering group for adult careers advice in London.<sup>120</sup> In taking this forward, the remit for the group should be extended to shaping provision for young people. This would more closely match the remit of the National Careers Service and strengthen this strategic role within the city. The group would review OFSTED assessments of careers advice and be responsible for coordinating local labour market information provided by Youth Transition Partnerships, setting minimum standards and disseminating best practice across schools.

**Supporting young people to access opportunities**

**BIS and DfE to direct more funding towards outreach initiatives and those targeting at risk young people.**

It is important to extend the reach of current initiatives that seek to increase ethnic, socioeconomic and gender diversity amongst young people entering apprenticeships and other routes into skilled work. But funding for outreach work such as this is often limited and some government initiatives have applied generic engagement targets that failed to reflect the local demographic.<sup>121</sup> The Skills Funding Agency should therefore consult with careers service providers and set out how much funding would be required to deliver a greater number of outreach activities.

**Extend the number of traineeships and pre-apprenticeship training opportunities to enable more young people to access apprenticeships.**

The new traineeships scheme offers young people a chance to improve their English and maths, develop employability skills and undertake a work placement whilst remaining eligible for Jobseeker's Allowance. Providing financial support for young people to undertake work experience and to smooth transitions into employment should ensure that young people's participation in the labour market is less dependent on their ability to access resources.

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<sup>119</sup> Further recommendations are set out in Cominetti, N., Sissons, P. & Jones, K. (2013) The employer's role in tackling youth unemployment, The Work Foundation

<sup>120</sup> Economy Committee (2013) Tailor-made: Improving adult careers services in London, London Assembly

<sup>121</sup> Newton, B., Miller, L., Oakley, J. & Hicks, B. (2012) Good practice evaluation of the Diversity in Apprenticeship Pilots, Institute for Employment Studies

However, the scheme will only be a success if employers are engaged and willing to offer young people opportunities to gain work experience.<sup>122</sup> Initial estimates for the number of traineeships that have been offered since August 2013 suggest that there is a long way to go before this scheme functions as a key route into employment and learning for young people in London, with provisional estimates of just 3,200 traineeship starts in England in the first six months of the scheme.<sup>123</sup>

**Provide more support to help small and medium-sized businesses to offer apprenticeships and other opportunities.**

The Assembly is currently considering re-introducing the enhanced Apprenticeship Grant for Employers (AGE)<sup>124</sup> to support more SMEs to offer apprenticeships in London. Whilst this approach appears to have had some impact in terms of encouraging employers to take on apprentices, we are concerned that the enhanced grant does not tackle the wider difficulties that SMEs may face.<sup>125</sup> Resources need to be focused not only on growing the number of apprenticeships but also on ensuring that they provide good quality training<sup>126</sup> with an engaged employer and are accessible to more young people.

The Apprenticeship Training Agencies, which aim to source, arrange and host apprentices for small businesses, may address some of these barriers. Apprenticeships delivered through this model should be independently evaluated over the longer term to understand whether this approach has an impact on, for example, the quality of training offered through the apprenticeship.

**Introduce work experience coordinators to source placements and opportunities for schools, targeting areas with high levels of youth unemployment.**

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<sup>122</sup> There are some similarities between traineeships and the Day One Support for Young People pilot scheme (2012-2013), which targeted 18-24 year olds claiming income-based JSA who had little experience of work. The evaluation, which is due to be published this year, may provide some useful learning as the traineeship scheme moves forward. For details of the former, see Government response to the Work and Pensions Committee report on 'Youth Unemployment and the Youth Contract', <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmworpen/844/84404.htm>

<sup>123</sup> There are indications that these first provisional estimates may be revised upwards over the course of the year, see SFA, Traineeship data, 27/03/2014 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/298351/traineeship-data-note-march14.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/298351/traineeship-data-note-march14.pdf) (accessed 28/03/2014)

<sup>124</sup> Under the enhanced scheme, which was only available in London, the £1,500 Apprenticeship Grant for Employers was increased to £3,000 through match-funding from the Growing Places Fund, routed through the LEP. In 2013 1000 grants were offered under the enhanced scheme. See NAS (2013) Apprenticeship Grant for Employers of 16 to 24 year olds, Enhanced London FAQ Sheet – July 2013, <http://www.apprenticeships.org.uk/~media/Documents/AGE16TO24/Enhanced-London-AGE-16to24-FAQ-July-13.ashx>

<sup>125</sup> Cominetti, N., Sissons, P. & Jones, K. (2013) The employer's role in tackling youth unemployment, The Work Foundation

<sup>126</sup> Jones, K. (2013) The road less travelled? Improving the apprenticeship pathway, The Work Foundation

The work experience pilots trialled by the Department for Education (DfE) have highlighted the important role that work experience coordinators can play in sourcing work experience placements, liaising with employers, matching students to placements and helping students to prepare for their placements.<sup>127</sup> We would support the introduction of work experience coordinators, who might be tasked with working with a number of schools.

Limited travel horizons and career aspirations are often identified as barriers that young people face in finding employment.<sup>128</sup> Coordinators can work with students to encourage them to extend their work search ideas and the area in which they are looking, where appropriate, especially in coordination with targeted travel concessions and employer visits prior to the beginning of the placement.<sup>129</sup> Work experience placements should also be linked to careers advice and guidance sessions, giving young people a chance to follow up on ideas discussed in careers meetings.<sup>130</sup>

**Large organisations in the public and private sector should adopt intelligent procurement practices to increase the number of opportunities for young people.**

Even in deprived outer London boroughs there is scope to use procurement practices to increase the supply of opportunities.<sup>131</sup> Large organisations, whether in the public or private sector, should be working with their suppliers to offer training and additional opportunities to young people across London.<sup>132</sup> Many already are doing this, but these procurement and planning practices need to be implemented sensitively – requiring reluctant employers to offer apprenticeships could lead to poor quality provision and limited, short-term opportunities. Meanwhile, councils can engage with large employers and coordinate brokering services to facilitate the recruitment process.<sup>133</sup>

All employers should also ensure that recruitment practices reflect current best practice. Where possible they should try to provide feedback to young people who have been unsuccessful, limit the use of informal recruitment and ensure qualifications are used to filter applications only when necessary.<sup>134</sup> Evidence on discrimination during the selection

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<sup>127</sup> Sims, D., Southcott, C., Lynch, S. & Wade, P. (2013) Evaluation of the Work Experience Placement Trials: research report, The National Foundation for Educational Research for Department for Education

<sup>128</sup> For a discussion of young people's attachment to place see Green, A. & White, O. (2007) Attachment to place: social networks, mobility and prospects of young people, Joseph Rowntree Foundation

<sup>129</sup> Sims, D., Southcott, C., Lynch, S. & Wade, P. (2013) Evaluation of the Work Experience Placement Trials: research report, The National Foundation for Educational Research for Department for Education

<sup>130</sup> Southwark Council, for example, is exploring opportunities to provide schools with a linked service.

<sup>131</sup> Johal, S. & Williams, K. (2013) The Enfield Experiment, CRESC

<sup>132</sup> BIS (2014) Strengthening UK supply chains: good practice from industry and government

<sup>133</sup> As with the Employment and Skills Brokerage service linked to the Olympics, see SQW (2013) Olympics Jobs Evaluation, GLA

<sup>134</sup> Cominetti, N., Sissons, P. & Jones, K. (2013) The employer's role in tackling youth unemployment, The Work Foundation

process suggests that standardized application forms, where personal data is detached from the application form prior to selection, are preferable.

### Smoothing transitions into work

#### **Extend eligibility for concessionary fares to young people who move into work, covering the first month of employment.**

The availability and cost of transport can represent a significant barrier to work for some young people.<sup>135</sup> Currently young people in London who claim Job Seeker's Allowance (JSA) for between 3 and 9 months can claim concessionary fares, but this support drops off when they move into work.<sup>136</sup> With many young people seeking jobs in sectors that typically attract low pay and where temporary and part-time working is more common,<sup>137</sup> the cost of transport may represent a barrier to sustained employment, particularly in the initial month of employment as young people wait for their first pay packet.<sup>138</sup> Providing young people with access to reduced fares in their initial month of employment would support those young people with limited resources to reach their first pay packet.

#### **The GLA & DWP should work together to develop a wage progression pilot and wider post-employment support initiatives for London.**

There is growing recognition of the need to move beyond a 'work first' approach and support the development of high quality services to support people in low-wage work to progress. But the availability of post-employment support services is limited and, whilst London serves as an 'escalator' city for many people, enabling them to boost their income and career prospects, there are indications that young people in London are more likely to get stuck in low-paid work, at least in the short-term.<sup>139</sup> Furthermore, increasing numbers of people are underemployed in the city – some 188,000 people working part-time wanted full-time work in

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<sup>135</sup> Jones, K. (2012) Missing Million Policy Paper 2: Transport Barriers to Youth Employment, The Work Foundation

<sup>136</sup> Some young people can access support to cover transport costs once they are in work but this is administered on an individual basis through the Flexible Support Fund. Concessionary fares are also offered to young people undertaking an apprenticeship.

<sup>137</sup> In April 2013, the most common occupations sought by 18-24 year olds claiming JSA in London were sales and customer service (46 per cent) and elementary occupations (19 per cent). Claimant Count data accessed via NOMIS.

<sup>138</sup> Whilst monthly pay is less common in low-wage work, it has been estimated that some 51 per cent of those earning under £10,000 receive monthly payments, see Keohane, N. & Shorthouse, R. (2012) Sink or Swim? The impact of the Universal Credit, SMF. In London people leaving JSA in 2011 were more likely to enter part-time work than those elsewhere in the UK, and the mean annual salary of JSA leavers who immediately entered paid work following the end of a claim for JSA was £15,750 in London. See Adams, L., Oldfield, K., Riley, C. & James, A. (2012) Destinations of Jobseeker's Allowance, Income Support and Employment and Support Allowance Leavers 2011, DWP Research Report No 791

<sup>139</sup> Wilson, T., Gardiner, L. & Krasnowski, K. (2013) Work in progress: low pay and progression in London and the UK, Centre for Economic & Social Inclusion



2012<sup>140</sup> and there is also evidence that some high skilled workers have ‘bumped down’ in the labour market as economic circumstances have become more challenging.<sup>141</sup> By facilitating in-work progression it may be possible to free up entry-level opportunities and potentially help more young people to enter work<sup>142</sup>. The GLA should therefore work with the DWP to develop post-employment support services in the city, with some provision directed at supporting young people, similar to the wage progression pilot for young people which has been planned as part of the Plymouth City Deal. This provision should build on any learning from the in-work support trials that were piloted in 2013. ‘Post-employment support’ can include access to in-work advice,<sup>143</sup> job-matching services and discretionary funds to help people to cover additional, unbudgeted costs.<sup>144</sup>

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<sup>140</sup> Aldridge, H., Bushe, S., Kenway, P. & MacInnes, T. (2013) London’s Poverty Profile 2013, New Policy Institute

<sup>141</sup> Green, A., Atfield, G., Adam, D. & Staniewicz, T. (2013) Determinants of the composition of the workforce in low skilled sectors of the UK economy, Lot 2: Qualitative Research – Final Report, Institute for Employment Research.

<sup>142</sup> For example, a recent report highlighted the importance of migrants improving their language skills in order to help them to progress from low-paid, low-skilled jobs. See Greater London Authority (2013) Migrants in low-paid, low-skilled jobs: barriers and solutions to learning English in London. London: Greater London Authority. See also Green, A., Atfield, G., Adam, D. & Staniewicz, T. (2013) Determinants of the composition of the workforce in low skilled sectors of the UK economy, Lot 2: Qualitative Research – Final Report, Institute for Employment Research.

<sup>143</sup> DWP (2013) Extending labour market interventions to in-work claimants: Jobcentre plus-led early trials

<sup>144</sup> A wage progression pilot for young people is being trialled as part of the Plymouth City Deal

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