**APPG for Youth Employment Inquiry:**

Making Youth Employment Policy Work

**To:** All-Party Parliamentary Group for Youth Employment

**By:** The Intergenerational Foundation

**Date:** 5 November 2020

The Intergenerational Foundation ([www.if.org.uk](http://www.if.org.uk)) is an independent think tank researching fairness between generations. IF believes policy should be fair to all – the old, the young and those to come.

**Executive Summary**

* While the share of young people classified as NEET fell in the years preceding the COVID-19 pandemic, youth employment was already disproportionately affected by job insecurity. This helps explain why young people have been particularly impacted by COVID-19’s economic consequences.
* Younger people were already lagging behind older generations in terms of living standards and savings, and so are least able to cope with the reductions in income entailed by both unemployment and government job schemes.
* While the quantity of young people in employment certainly matters, the quality of jobs should not be overlooked, and a key issue is addressing work that may be low-skilled, insecure, and offer limited prospects for long-term development or earnings growth.
* Similarly, a high quantity of apprenticeships does not in itself solve this problem. If there are shortcomings in the quality of such programmes, then there is a risk that apprentices suffer from inadequate living standards and limited training opportunities. Addressing the limitations of the apprenticeship levy would be one useful step here.

**Introduction**

As IF is the UK’s leading think tank which exists to promote the rights of younger and future generations, we think that reducing intergenerational inequalities should be one of the main aims of the UK’s post-COVID recovery.

This is particularly important because there is now clear evidence which suggests that this crisis has affected different generations in the UK in distinct ways: whereas older people have been far more vulnerable to becoming seriously ill from, and dying with, COVID-19, younger adults have so far borne the brunt of the economic hardship which the crisis has caused. The distinct ways in which the COVID-19 crisis has affected different age groups means that government support measures which are intended to help the UK recover from the crisis will need to be targeted at different groups in a nuanced way in order to have their desired effect. An effective youth employment policy is crucial to address the stark intergenerational divide in the economic consequences of COVID-19.

In the remainder of our response we firstly note the widespread evidence that young adults have been disproportionately affected by the economic impacts of COVID-19, shedding light on the insecurity of many young people’s jobs before the pandemic hit. Secondly, we recognise that this means both that young people have disproportionately benefited from government support for affected jobs, and that they are disproportionately vulnerable to the withdrawal of such support, especially as they are the age group least able to cope with income reductions. Finally, we note that skills training and apprenticeships must be central to guiding longer-term employment policy, and that improving both the quality and the quantity of such opportunities for young people is crucial if we are to prevent those most affected by the economic fallout of COVID-19 from slipping through the net.

**1. Youth Employment Before and After COVID-19**

In line with the UK’s broader reduction in unemployment between 2012 and 2019, the share of young people classified as Not in Education, Employment or Training (NEET) has consistently fallen in recent years. At the start of this year the percentage of 16 to 24 year olds who were NEET was 11.0 percent, a level that has remained broadly constant since the start of 2017 and significantly lower than the peak of 16.9 percent in July to September 2011.[[1]](#footnote-1)

However, in 2018 IF questioned the optimism with which continued falls in the number of young adults classified as NEET should be met, suggesting that such figures might mask a situation in which many “employed” young adults were stuck in low-skilled, low-paid and/or insecure jobs.[[2]](#footnote-2) In 2019 the House of Lords Select Committee on Intergenerational Fairness and Provisionexpressed similar reservations in its report, *Tackling intergenerational unfairness*, finding that “Insecure employment is concentrated in the younger part of the age spectrum”.[[3]](#footnote-3)

This wariness has unfortunately been validated by the intergenerational divide in the economic consequences of COVID-19: the disproportionate effect of the pandemic on young people’s work has been in part due to the quality of youth employment, particularly the relative prevalence of work insecurities such as zero-hours or temporary contracts among young adults. The combination of these characteristics of youth employment with the fact that young adults disproportionately work in industries whose activity has been curtailed by social distancing restrictions, such as retail, hospitality and tourism, explains the detrimental impact of COVID-19 on youth employment. For example, between March and September 2020 there was a 125 percent increase in the number of people aged 18-24 claiming unemployment related benefits (from 294,400 to 529,400).[[4]](#footnote-4)

**2. Government Response and its Limitations**

Given that young people have been especially affected by the economic consequences of COVID-19, they are also the demographic most likely to have been furloughed since the Job Retention Scheme (JRS) was announced in March. By the end of July 2020, 47 percent of eligible 16-24 year-olds had been furloughed under the JRS.[[5]](#footnote-5) Consequently, as government support for jobs withdraws, it will be young people who are most vulnerable to unemployment.

While the shift from the original JRS to the Job Support Scheme has been postponed following the new national restrictions in place from 5 November, from what we did already know of the scheme it seems likely that when the 80 percent furlough is withdrawn in the future, the existing vulnerability of young people will be exacerbated. As IF reported in September, the new scheme was to provide support only for those in “viable jobs” and who are working at least a third of their normal hours, prerequisites that young adults may find particularly difficult to meet.[[6]](#footnote-6) If this principle is maintained following the relaxation of national restrictions, it may well be that young people suffer the largest increases in unemployment given that they disproportionately work in potentially “unviable” sectors such as hospitality.

Even for those young people who continue to benefit from government support, it is important to note that these schemes necessarily entail a reduction in income. Under the original furlough scheme – now extended with the imposition of greater national restrictions – this has been a drop of 20 percent. Under the previous three tier approach, this reduction was to rise to 33 percent under the Job Support Scheme (for Tier Three businesses forced to close) and 27 percent under the Part-time Job Support Scheme (for businesses more broadly affected by restrictions where employees are still able to work some hours).

These falls in the incomes of young people should be seen in a context in which young adults were already lagging behind older generations in terms of living standards and were the group least able to cope with income reductions. IF published research last year in collaboration with Yorkshire Building Society on the relative decline of young adults’ living standards. Comparing household expenditure of different age groups, we found that almost two-thirds of all the money which is spent by households in which the Household Reference Person is under 35 goes on “essential” goods and services such as housing, transport, clothing and food; this figure is higher than for any other age group and has increased by nearly 10 percent since the early 2000s. By contrast, the average proportion of spending on essentials has fallen for households in which the Household Reference Person is over 65.[[7]](#footnote-7) This point is closely linked to the intergenerational “savings divide”: in 2018 it was reported that over half of young British adults aged 22 to 29 had no savings.[[8]](#footnote-8) Young people are therefore not only more likely to either lose their jobs, or keep their jobs but with reduced earnings; they are also least able to draw on savings to deal with this impact. Assessing the government’s response to the COVID-19 jobs crisis, then, requires an awareness not only that it is young people who have been most likely to be put on government job schemes, but that they are also most affected by the decline in income that that entails.

The government has made a start at recognising the scale of the challenge of youth employment prospects. The £2 billion “Kickstart Scheme” announced in July is targeted at people aged between 16 and 24 who are at risk of long-term unemployment and is a central element of the government’s *Plan for Jobs* published in July. It is right that the government has acknowledged that young people, in both the short and long term, face the greatest employment challenges at present. However, whether Kickstart will lead to full-time employment for the young adults it is intended to benefit remains unclear. The closest equivalent to Kickstart’s predecessor – the Brown government’s “Future Jobs Fund” – successfully created over 100,000 job placements for 16-24 year-olds, but often failed to convert placements into full-time roles. DWP figures from 2011 reported that one month after participation in a Future Jobs Fund placement ended, 50.4 percent of participants were claiming working age benefits (compared to 2.6 percent as the scheme began).[[9]](#footnote-9) Given the record of the Future Jobs Fund, any optimism placed in the Kickstart Scheme for addressing the long-term youth unemployment challenge requires a degree of caution.

The scale of the challenge faced by young people is further shown by the labour market conditions that they will face in the short- and medium-term. Those beginning the search for long-term work will face ever stiffer competition, including from more experienced, older workers. This will be due to both rising unemployment and a reduction in the number of vacancies. While showing signs of recovery between July and September, vacancies remain well below pre-coronavirus levels. For example, the number of vacancies was 40.5 percent lower in September compared to the same time last year.[[10]](#footnote-10) In these conditions many young people face the prospect of entering into long-term unemployment, and with it the consequences of economic ‘scarring’ that results from extended periods of time out of work, especially for young people at the start of their working lives. It is crucial that action is taken to guard against large numbers of young people failing to find work in the near future, and suffering for the rest of their lives as a result.

**3. Improving the Quality *and* Quantity of Long-Term Skills Training and Apprenticeships**

The intergenerational divide in the economic consequences of COVID-19 demonstrates that the *quantity* of youth employment is only part of the picture: the *quality* of jobs matters too, and to date the focus on keeping young people in work – while certainly important – risks failing to address the issue that such work may be low-skilled, insecure, and offer limited prospects for long-term development or earnings growth.

If the youth employment crisis is to be solved, then providing young people with long-term job prospects, and not just temporary support for ultimately unsustainable existing work or short-term placements with no resulting full-time position, will be crucial. The challenge is how to provide young people with adequate skills training as a necessary condition for such jobs. Solving this challenge should be seen in the longer-term context of the UK’s skills shortage: young people were already not being equipped with the skills they needed to compete in the UK labour market, with the British education system failing to prepare younger generations for jobs with security and development opportunities.[[11]](#footnote-11)

As part of the government’s *Plan for Jobs*, £1.6 billion of funding for boosting worksearch, skills and apprenticeships was announced.[[12]](#footnote-12) Apprenticeships do provide one potentially key means of providing young people with adequate training and opportunities. However, the solution is not as simple as providing young people with training and apprenticeships, even if such measures would ameliorate NEET figures. The number of young people in training is far from unimportant, with the *Plan for Jobs* stressing its provision for tripling the number of traineeships and sector-based work academy placements, but it does not tell the whole story. In the case of apprenticeships, ensuring that no young person is left behind, requires an awareness that an apprenticeship itself provides no guarantee of short- or long-term improvements in young adults’ quality of life or living standards. The current minimum wage for young people undertaking apprenticeships is too low for them to enjoy a decent standard of living. Even with the 6.4 percent increase introduced in April of this year, apprentices either aged under 19, or aged 19 or over and in their first year, are entitled to only £4.15 per hour, equivalent to £8632 a year for a 40-hour working week. According to the National Union of Students (NUS), these already low wages earned by apprentices are further eroded by travel, rent, and food expenditures.[[13]](#footnote-13) While it is important that employers are not disincentivised from taking on apprentices, there are certainly reasons to consider raising the NMW apprenticeship rate. If not, there is a danger that young apprentices will be left behind despite superficially contributing to an improvement in NEET figures.

There are also limitations to the quality of training provided by apprenticeships. While employers and training providers are required to provide apprentices with off-the-job training for 20 percent of the time they work, it is unclear whether businesses are able to provide this training. According to NUS research, 20 percent of apprentices said they received neither on-the-job nor off-the-job training, if with the important caveat that the NUS report pre-dates the introduction of the 20 percent requirement in May 2017.[[14]](#footnote-14) If the government’s boost to apprenticeship funding is to help deal with the youth employment crisis in the long term, then it must guarantee that young apprentices receive high-quality training.

The effectiveness of apprenticeships is further limited by the apprenticeship levy. The government introduced the levy in 2017 to support apprenticeship funding though the contributions of large employers. Among the potential drawbacks expressed at the time was that the levy would drive the expansion of apprenticeships at the expense of quality.[[15]](#footnote-15) More troublingly, it seems that the levy’s complexity and inflexibility led to a reduction in the number of apprenticeships too, with 125,000 fewer apprenticeship starts in England in its first year.[[16]](#footnote-16) From the outset, businesses expressed concerns over the complex requirements and administrative burden of the levy, and given the importance at present of a collaborative approach between government and businesses in expanding apprenticeships, the government needs to acknowledge the existence of these tensions. Implementing greater flexibility in the time employers have to spend their funds before expiration would be one welcome step, as well as removing or lowering the employer contribution requirements over the coming months.

If you would like to learn more about the work of the Intergenerational Foundation please contact:

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