

# Precarious futures?

## Youth employment in an international context



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Attracting new talent and investing in skills for the future is key to the continued success of our business, however the search for talent is one of the biggest challenges Nestlé and businesses face today.

I welcome the findings in this report which demonstrates the requirement for all key groups to truly join forces to tackle youth employment through enabling access to the workplace.

As an international business, we appreciate that the issues we face in this country are mirrored in others. This report provides a helpful means of understanding the challenges and opportunities across Europe when examining youth unemployment in this country.

Indeed, we recognised a long time ago the importance of skills for future growth at a European and UK level and that we needed to face this issue head on.

At Nestlé, through our Youth Employment Initiative and Academy programmes, we have worked hard to remove some of the structural

barriers identified in the report, by offering flexible entry points to attract young people at different life stages. Over the next three years, we are creating 1,900 employment opportunities across our business in the UK & Ireland. This includes a real focus on combining 'earning and learning' through; our graduate programme, meaningful paid work experience placements and internships, a school leaver scheme which combines work and study and an acceleration of our apprenticeships programme.

Bridging the gap between classroom and career is critical to breaking down the barriers young people face and industry needs to forge strong, long-term productive relationships with schools, colleges and universities.

All employers value young people with experience, so we have to provide young people with enough opportunities to gain it. As the report outlines structured work experience schemes and industrial partnerships are absolutely vital to this process and would have a hugely positive impact on youth employment.

Through my Nestlé leadership role and also as a UK Commissioner for Employment and Skills, I am committed to bringing industry to life for teachers and students and helping them understand and assess more clearly the routes into work which are available to them. We currently offer skills training programmes to young people to help prepare them for the world of work. We do this in local communities close to Nestlé sites and plan to reach approximately 2,500 young people before the end of 2014 across 40 schools and colleges.

Collaboration is a word that cannot be overused in relation to this issue. This report makes clear that access to the workplace significantly improves young people's chances in the labour market. Yet this is only possible if business and education work together. The ideas set out in this report offer tangible, straightforward, ladders of opportunity that should ensure collaboration becomes the norm, not the exception.

Inspiring and supporting a new generation of talent is a personal passion for me. I would like to call on industry to make a real commitment to engage with this critical issue – we all need to play our part in creating opportunities for young people.

We owe it to this generation and the next to ensure that no one is left behind.

## **Fiona Kendrick**

**Chairman and CEO, Nestlé UK & Ireland  
and UK Commissioner for Employment and Skills**



# Executive Summary

## Small jobs make a big difference

***After one of the most challenging economic periods for a generation we are now seeing signs of renewed optimism and stronger growth, with the UK forecast to grow faster than any other advanced economy. As overall employment rises and business confidence strengthens across the country, this is the best time to tackle the barriers that prevent young people from getting into work.***

Some of these barriers are structural and deep-rooted in the labour market for young people; indeed, they pre-date the recession. Currently, youth unemployment in the UK is just below the European average and falling, which is to be welcomed – but it is still far higher than would be expected given our relatively low adult unemployment rate.

In our country youth unemployment has been more than three times higher than adult unemployment for over a decade, a ratio higher than in most other European countries. This confirms the existence of structural barriers that are obstructing young people from finding and sustaining jobs, and progressing their careers. It also suggests that these factors, while not unique to the UK, seem to be more acute here than in other countries. Too many of our young people aren't making a successful transition from education into work and as a result, they risk falling in and out of short-term jobs without the opportunity to develop careers. In other words, they risk becoming part of a new 'precarariat'.<sup>1</sup>

More and better access to the workplace is at the heart of tackling youth unemployment. This is vital to develop the rounded set of abilities and experience that employers need, and combining earning and learning is the best way of achieving this. Every country which has more young people earning and learning than the UK, whether through apprenticeships or combining part-time work with education, has lower unemployment rates later on. Small jobs make a big difference.

Apprenticeships are the gold standard of earning and learning, but several countries including the Netherlands and Australia show that part-time working combined with education is also beneficial for young people. They also illustrate that this kind of earning

and learning could be far higher in the UK. Here, around 17 per cent of 15-19 year olds in education also have a part-time job. In Australia it is twice as many, at 37 per cent. Worse, compared to other European countries, the UK is witnessing a seemingly unique decline in earning and learning.

Lack of work readiness and poor skills are often put forward as explanations for youth unemployment, particularly in popular commentary on the subject. This perspective seemed to be confirmed with the publication of two major international assessments of skills last year. Compared to other countries, the skills of young people in the UK were ranked as average at best and poor at worst, showing clear scope to improve vital literacy and numeracy skills, particularly for those at the lower end of the proficiency spectrum. These skills are necessary to improve young people's chances – but they are not sufficient. The importance of giving young people access to the workplace, allowing them to gain the skills and experience that employers need, cannot be understated.

In essence, this report contains one simple message: genuine experience of the workplace is vital for young people. As a result, small jobs make a big difference to young people's chances of securing work, starting careers and progressing within them. Businesses and different kinds of educational institutions all have a role to play, with the role of government being to create the conditions for these collaborations to succeed and become sustainable.

In the conclusions we set out three ideas for improving the UK's approach to young people and youth employment. First, every young person should have a balance of work and education, with a focus on combining part-time work with study for those not on apprenticeships. This may need more jobs of the appropriate hours, or a reconsideration of the balance of contact hours and course length.

Secondly, there needs to be an expectation that significant and meaningful work experience forms an integral part of all study programmes – this includes academic as well as vocational programmes. International case studies show that this is the case in other countries. In the UK there are many fantastic examples of employers working together with schools, colleges and universities to offer work experience and work inspiration, but this kind of collaboration is not yet the norm.

1. The precariat is 'in and out of short-term jobs, without a narrative of occupational development, including millions of frustrated educated youth' Guy Standing, *The Precariat: The New Dangerous Class* (2011).

The third point is that to create stable and meaningful vocational pathways for young people we also need far greater employer ownership and responsibility. The UK Commission for Employment and Skills (UKCES) Employer Ownership Pilots have gone some way to both encourage and enable leadership and collective action by employers via industrial partnerships: voluntary coalitions of leading employers, trade unions and delivery partners. These pilots demonstrate that employers have the ambition and the will to tackle

some of the challenges young people face. We also want to see this kind of leadership and collective action taking place at the local level.

UKCES will return to these ideas and more with the publication of a skills statement in the autumn. This will set out proposals for helping young people to get in and on in the labour market, alongside proposals for how businesses can become more productive and how to develop new work based routes to higher level skills.

## Introduction

***This report puts the UK's youth employment challenge in an international context, draws out what works for other countries and looks at what we can learn from them.***

To do this we use a wide range of evidence, including published data from the Office for National Statistics (ONS), Eurostat and the Organisation for Economic Co-operation and Development (OECD), alongside UK Commission for Employment and Skills (UKCES) employer survey data. We also draw on two major international studies into the skills of both young people and adults, the Programme of International Assessment of Adult Competencies (PIAAC) and the Programme of International Student Assessment (PISA).

'Precarious Futures?' is the fourth report in the UKCES series on the labour market for young people. In the first, 'The Youth Inquiry' (2011), we were asked by the Department for Work and Pensions to establish what employers think of young people and of the support available to help them recruit young people. In the second, 'The youth employment challenge' (2012), we described the changing labour market for young people. The third report, 'Scaling the youth employment challenge' (2013), set out the degree to which employers recruit young people, offer work experience and provide apprenticeships and some of the barriers to providing these opportunities.

**The structure of this report is as follows:**

- **Chapter 1: Young people in the labour market** – The report starts off by looking at the current state of the labour market for young people. This chapter puts various measures of youth unemployment into an international context and shows that it is higher than we would expect in the UK, given our relatively low level of adult unemployment. It also shows that the composition of the occupations available in the labour market is changing, and that these changes may be more pronounced in the UK than in other countries.
- **Chapter 2: The skills of young people** – This chapter combines international evidence on the skills of young people with UKCES evidence from employers on their views of young recruits. It finds that access to and experience of the workplace is crucial for young people.
- **Chapter 3: Work experience and earning and learning** – Given the importance of work experience and the evidence that combining work with study is beneficial for young people, this chapter uses Eurostat and OECD data to show where the UK stands on earning and learning and the impact this has on labour market outcomes for young people. It includes case studies of two countries with high levels of work experience.
- **Conclusions** – The conclusions set out some of the necessary conditions for creating – and sustaining – more and better opportunities to earn and learn for young people. These ideas and recommendations will be explored in greater detail later in the year when UKCES publishes a skills statement.

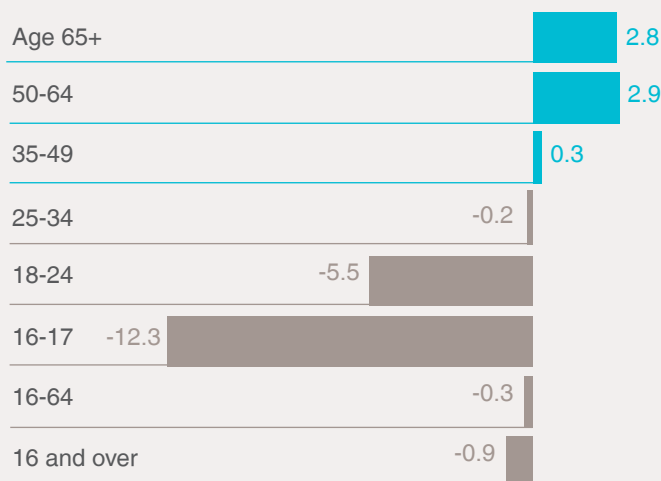
# 1. Young people in the labour market

**Despite welcome improvements to the economy, there is no doubt that youth unemployment in the UK, at 18.5 per cent,<sup>2</sup> is higher than it should be. But where do we stand internationally? In this chapter we place the UK in an international context and find that the causes of our high youth unemployment are structural and relatively unique to us.**

We are seeing welcome beginnings of recovery in the UK labour market. Unemployment is falling and the overall employment rate is increasing. However, there is a risk that young people<sup>3</sup> will take longer to catch up in this recovery.

The employment rate for young people remains below that of the population as a whole. In addition, in the first quarter of 2014 the employment rates for 16-17 year olds and 18-24 year olds remained well below their pre-recession rates (see Figure 1). For the employment rate of young people to return to pre-recession levels, just under half a million 16 to 24 year olds would need to enter work.<sup>4</sup> By contrast, employment rates have recovered for those in their mid-30s to late 40s, and a greater share of those in their 50s and 60s are now in work than before the recession.

Figure 1: Percentage point change in employment rates (2008 Q1 to 2014 Q1)



Source: ONS – Labour Force Survey

## Box 1: Measuring unemployment

People are counted as unemployed if they are not working but are both actively looking and available for work. But the unemployment rate is calculated as the share of the 'active population', which refers to those who are either in work or looking for work. Therefore those who are in education but aren't looking for work or are unavailable to work aren't included. This means that while Spain's youth (15-24) unemployment rate is exceptionally high, at around 50 per cent, this is 50 per cent of just the 'active' population. When we look at unemployment as a share of the total youth population, only around 20 per cent of Spanish young people are actually unemployed. A similar picture occurs for the UK, where the youth unemployment rate is 21 per cent, but as a share of the total youth population it is 12 per cent.

An alternative measure that gives a more realistic indicator of the size of the problem for young people is the share of young people who are 'not in education, employment or training', or the so-called NEET share. The NEET rate and the youth unemployment rate are closely correlated across countries, with higher NEET rates associated with higher youth unemployment. In the UK, the NEET rate (at 14 per cent) is slightly higher than the European average (13 per cent) with higher rates observed in countries such as Spain (19 per cent) and Italy (21 per cent).

**“ The NEET rate and youth unemployment rate are closely correlated across countries ”**

2. ONS Labour Market Statistics, June 2014 (figures for February-April 2014).

3. Throughout this report 'youth' or 'young people' refers to those aged 16-24 unless otherwise specified. In particular, many of the international comparisons use the 15-24 age group.

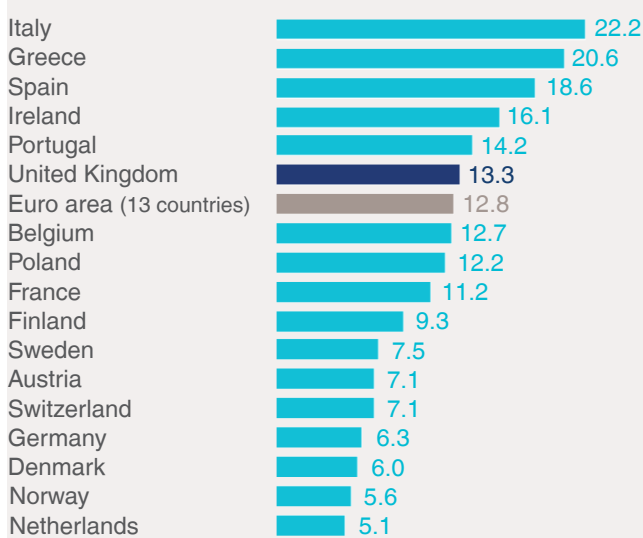
4. The pre-recession peak employment rate for 16-24 year olds was 58.3% (Dec-Feb 2008). Applying this to the current (Jan-Mar 2014) 16-24 population of 7.195m yields a level of 4.191m, which is 438,000 higher than the current employment level of 3.754m (and a rate of 51.6%).

Comparing the UK internationally, our labour market appears to be performing around the average for youth unemployment, as the charts below show. Our youth unemployment rate, which was 21 per cent for 15-24 year olds in 2013,<sup>5</sup> is nowhere near the worrying figures for countries such as Greece and Spain, which exceed 50 per cent – although this is partly down to which measures are used (see box 1). When including all young people who aren't in employment, education or training by using the NEET

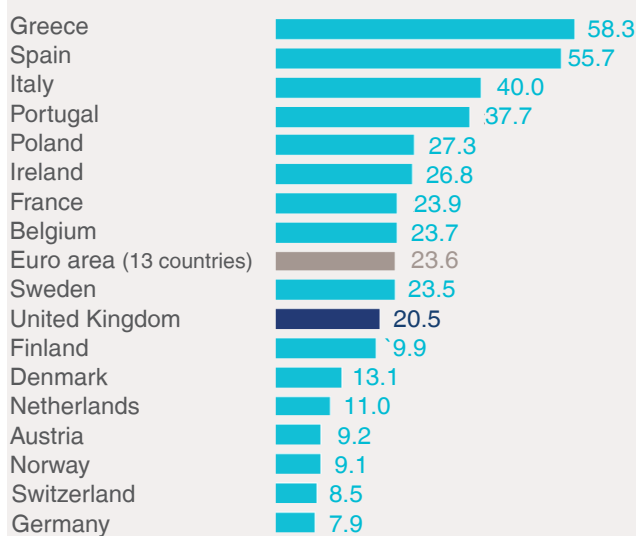
rate, the UK is slightly above average.

Regardless of the measure used, it is clear that the UK's current performance on youth employment is mediocre. We are far outperformed by economies similar to ours, and especially by countries with well-established apprenticeship systems such as Germany, Austria and Switzerland. It is these countries that we should be comparing ourselves to, as opposed to those which have been hit hard by the economic crisis such as Greece and Spain.

Figure 2: Share of 15-24 population who are NEET (2013)



Youth (15-24) unemployment rate (2013)



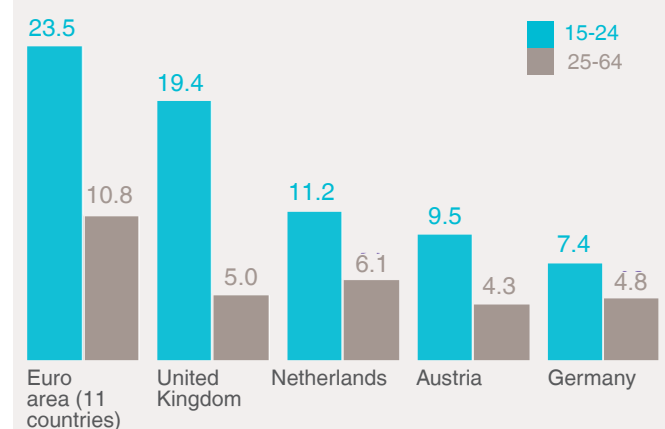
Source: Eurostat

## Comparing youth to adult unemployment

Looking at the situation for young people in isolation from the rest of the economy makes it difficult to tell the extent to which the causes of youth unemployment are structural or cyclical.<sup>6</sup> For example, is high youth unemployment down to problems in the economy, such as a collapse in demand, or specific issues that affect young people in particular?

To answer this, we plot the youth unemployment rates for the UK, the Netherlands, Germany and Austria against adult rates (see Figure 3). Each of these countries has much lower youth unemployment than the UK, but very similar adult unemployment. Given our relatively low adult unemployment, which is less than half the European average, we should expect youth unemployment to be much lower than it is.

Figure 3: Unemployment rates by age (Q4 2013)



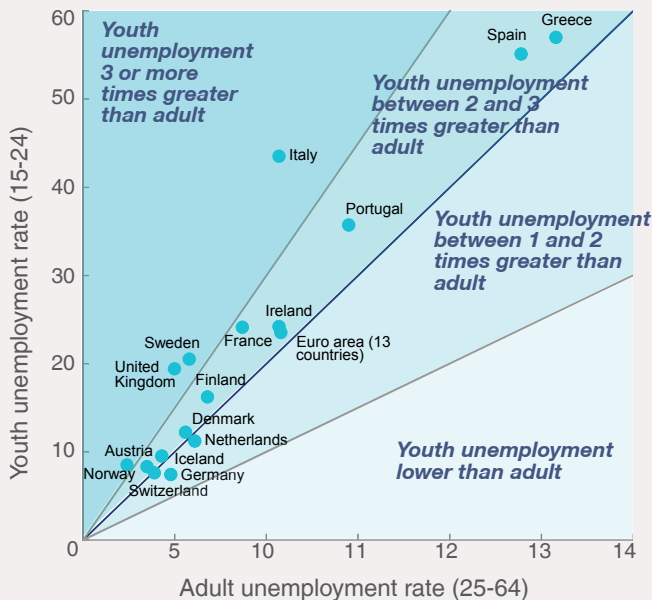
Source: Eurostat

5. To compare youth unemployment and NEET measures internationally the most recent available data for both of these is for the year 2013. This explains the higher figure (21 per cent) for youth unemployment in the UK quoted here than the most recent ONS data, which has the figure at 18.5 per cent. In all cases we have tried to use the most recent available data.

6. Structural refers the shape of the labour market, education systems and other factors. Cyclical refers to the overall level of demand in the economy.

In all European (and indeed OECD) countries the youth unemployment rate is higher than the adult rate, but the relationship varies between countries (see Figure 4). The UK joins a small group of European countries including Italy and Sweden where the youth unemployment rate is more than three times higher than that for adults. Within this group are countries which have very low youth unemployment rates, such as Norway. However, even Greece and Spain, with their exceptionally high youth unemployment rates, have a lower ratio of youth to adult unemployment than the UK.

Figure 4: Youth and adult unemployment rates across selected European countries (Q4 2013)

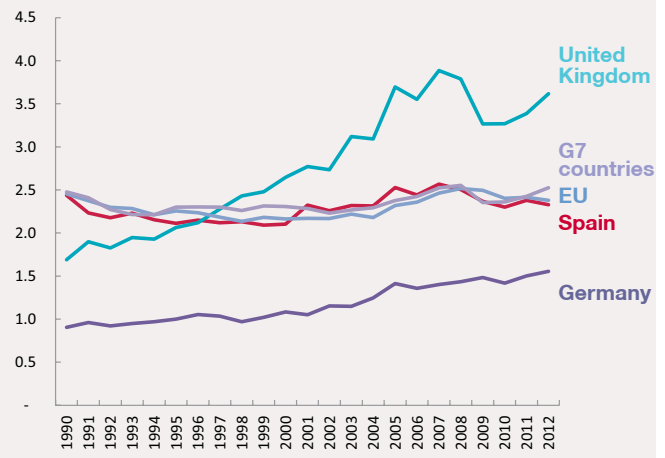


Source: Eurostat

The gap between adult and youth unemployment rates has been growing for some time. In Figure 5 we can see that the ratio of youth to adult unemployment has been climbing in the UK since at least 1990, when it was 1.7 times higher, to the current figure of just under 4 times higher. Over the same period, the ratio across Europe and the Group of seven (G7) nations stayed at around 2 to 2.5. Even Greece and Spain have a similar ratio to the rest of Europe. At the other end of the spectrum, Germany's ratio has been consistently low for the last 25 years or so.

This suggests that there are long-term, deep-rooted barriers in the labour market for young people in addition to current low levels of demand, and that these seem to be more prevalent in the UK.

Figure 5: Ratio of youth (15-24) to adult (25-64) unemployment rates



Source: OECD Stat.Extract

## The changing structure of the labour market

The ongoing structural changes in the UK's labour market begin to explain why young people are missing out on the benefits of the economic recovery. The sorts of jobs that young people, particularly non-graduates, used to go into are declining. Those that are left are increasingly contested by older and more experienced workers.<sup>7</sup>

Figure 6 shows the balance of young people and adults across different occupations in the labour market, what has happened to those occupations over the recovery and what is forecast to happen to them during the next decade. Young people are generally dependent on two types of occupation for employment. These are sales and customer service occupations, such as those found in the retail sector, and elementary occupations, which include a wide range of jobs many of which are in hospitality. Across the UK, these occupations provide just under half of all employment opportunities for young people but just 15 per cent for those aged 25 and over. Over the course of the recovery these jobs have continued to decline. The opportunities that exist are increasingly taken up by older and more experienced workers, themselves displaced by declining 'middle' skill jobs. In recent years, the growth in employment has overwhelmingly been in managerial, professional and technical roles. Looking to the future, this trend is set to continue over the next 10 years or so.<sup>8</sup>

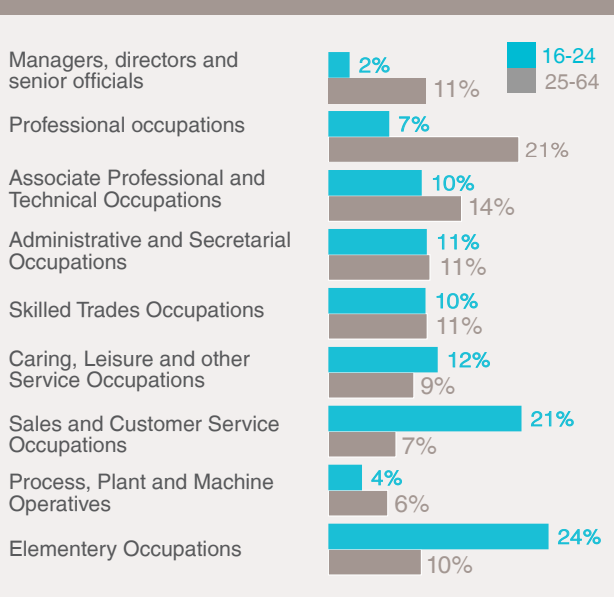
7. UKCES – The Youth Employment Challenge (2012).

8. UKCES – Working Futures: 2012 to 2022 (2014).



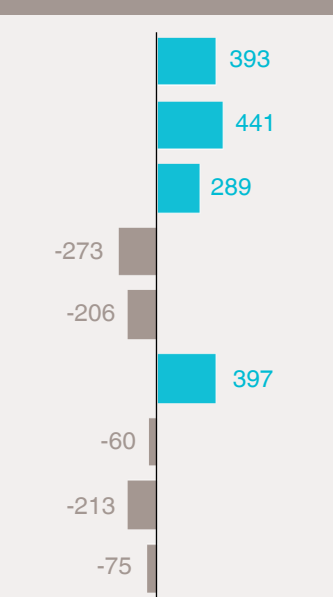
Figure 6

Breakdown of youth (16-24) and adult (25-64) workers by occupation (2013) (base: all employed workers in each age group)



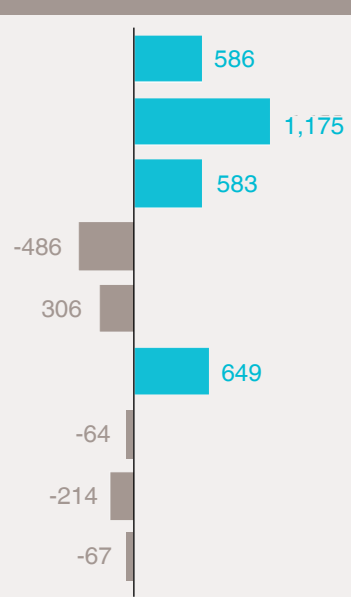
Source: Labour Force Survey (4 quarter average for 2013)

Net change in total employment 2007 Q4 to 2013 Q4 (000s)



Source: ONS Labour Market Statistics table EMP04

Net change in total employment 2012 to 2022 (000s)

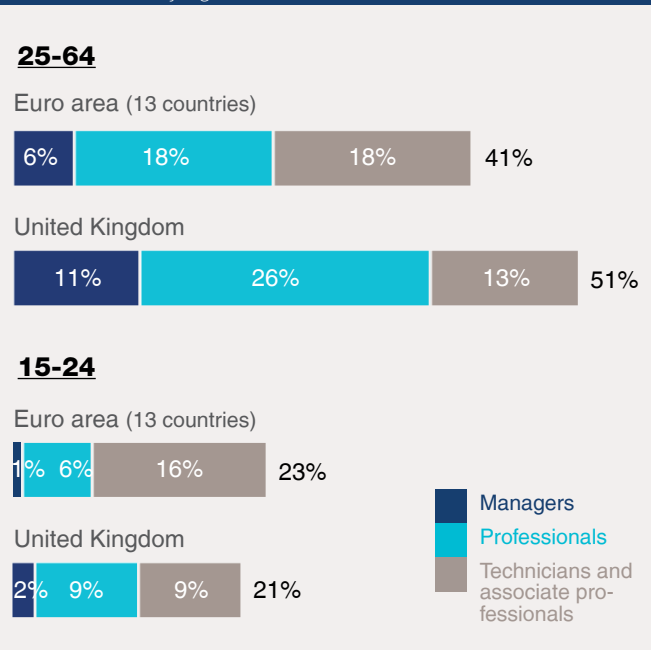


Source: UKCES Working Futures: 2012 to 2022

This pattern – top level occupations being dominated by older workers – is replicated across Europe, but is particularly pronounced in the UK (see Figure 7). The UK has one of the largest shares of adult workers (51 per cent) in these occupations, compared to 41 per

cent for Europe as a whole. This leaves us second only to Luxembourg, Switzerland and Sweden in the share of adults with these jobs. But when looking at the share of young people in these roles, the UK is below the European average.

Figure 7: Share of workers in managerial, professional and technical roles by age



Source: Eurostat

## Summary

Recent falls in youth unemployment are welcome and our international position is close to the average. However, when looking at countries with similar levels of adult unemployment as the UK, our youth unemployment rate is significantly higher than would be expected. There are long-term and deep rooted challenges hindering young people's movement into work, and whilst these may not be unique to the UK they certainly seem more acute here than in other countries.

A big challenge is in the kinds of jobs that the labour market is creating. There has been significant growth in higher level jobs over the past few years, but the UK struggles to get young people into these jobs in comparison with other European countries.

In the next chapter we look at how our young people's skills stack up in an international context and whether this might shed further light on the causes of, and solutions to, high youth unemployment in the UK.

## 2. The skills of our young people

**At first glance it appears that young people in the UK have poor skills by international standards. However, these measures do not take into account the breadth of skills young people need in the workplace. Improving literacy and numeracy skills is vital, and there is clear room for improvement, but this alone will not be enough. Access to the workplace, either via work experience or earning and learning, develops the skills and experience that employers value. It is therefore fundamental for improving transitions from education into work.**

Young people's skills and preparedness for the workplace has been a perennial fixture of the youth employment debate for many years. Only recently has there been sufficient evidence to look at the skills of young people in an international context, in the form of two major international studies into skills (see box 2).

These studies seem to show that the UK's

### Box 2: The PISA and PIAAC assessments

*Published in 2013, the Programme of International Assessment of Adult Competencies (PIAAC)<sup>9</sup> is a large scale OECD study. It provides an assessment of the literacy, numeracy and problem solving skills in 'technology rich environments'<sup>10</sup>, of the working age population in 24 countries. In total, around 8,000 people aged between 16 and 64 from across England and Northern Ireland took part in tests to inform the study. Later in the year, the OECD's Programme of International Student Assessment (PISA) looked at the skills of 15 year olds in the UK in terms of literacy, numeracy and science in over 60 countries, cities and regions.*

performance is mediocre when it comes to skills. In the PIAAC study our working age population as a whole ranked around the middle of the pack, but the performance of our young people was worse. 16-24 year olds ranked 20th out of 23 countries for numeracy, 21st out of 23 for literacy and 15th out of 19 countries for problem solving in technology rich environments. In the PISA study our 15 year olds ranked 26th, 23rd and 21st out of 64 countries for maths, reading and science respectively, with scores equivalent to the OECD average. The one area of positive news was the publication in early 2014 of a new domain: problem solving.<sup>11</sup> In this area pupils, in England in this case, scored relatively well – we come back to this later.

It is important to understand that these are 'just' rankings: the actual differences in proficiency between countries are relatively small. When it comes to proficiency within countries, rankings can actually obscure the huge variation – in some cases polarisation – that we find in most countries, including the UK. Indeed, over 90 per cent of the variation in adult literacy and numeracy proficiency is actually within countries rather than between them.<sup>12</sup> Furthermore, in all countries but one, at least 10 per cent of the population are not considered to have the minimum literacy or numeracy skills that are necessary to succeed in today's world.

Despite these caveats, the UK's overall performance is not as high as it could be. It is also much more closely related to parental and social background than in other countries. As the OECD<sup>13</sup> puts it: *'England and Northern Ireland show one of the strongest associations between socio-economic background and literacy proficiency among young people... Unlike most other countries, this association is stronger among young people than among the overall adult population. In England and Northern Ireland, parents' educational attainment has a stronger-than-average impact on proficiency in both literacy and numeracy, even after taking account of other factors, such as age, gender, and type of occupation'*.

This clearly leaves room for improvement, particularly for those at the lower end of the proficiency spectrum. When it comes to young people, the natural conclusion is that low skills cause their disadvantaged

9. OECD – Skills Outlook 2013.

10. *ibid* p.59: 'the ability to use digital technology, communication tools and networks to acquire and evaluate information, communicate with others and perform practical tasks'.

11. OECD – PISA 2012 Results: Creative Problem Solving: Students' skills in tackling real-life problems (Volume V).

12. OECD – Skills Outlook 2013.

13. *ibid*.

position in the labour market. A cursory comparison of NEET rates for the countries involved in the PIAAC study does show that, broadly speaking, high proficiency is associated with lower NEET levels. However, there are exceptions to this relationship, and the direction of causality between proficiency in literacy and numeracy and young people not being in education, employment or training actually runs both ways.

Having poor skills is likely to result in poor labour market outcomes, but use of skills is vital in both maintaining and growing these and other skills. This means that those young people who are NEET are likely to see their skills 'atrophy', as they have few chances to put them to use. The UK's relatively high NEET rate is therefore likely to be both a cause and a consequence of poor literacy and numeracy proficiency.

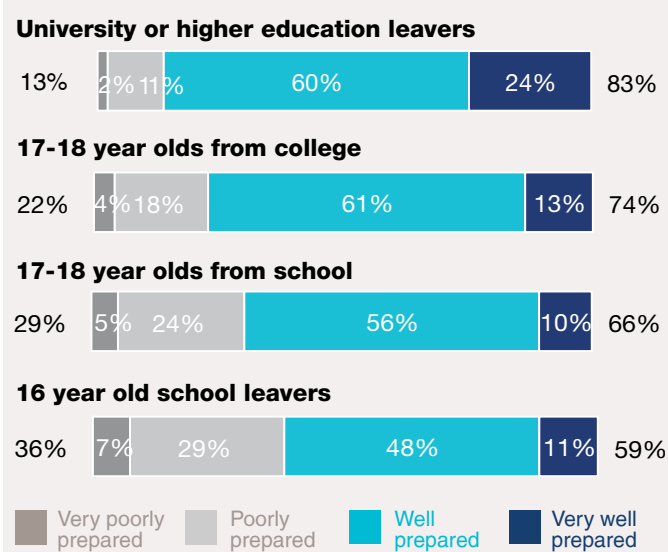
## Are our young people's skills good enough?

The recent international evidence seems to show that UK youth have mediocre skills when compared to other countries. But what do employers, who actually recruit and use skills, think?

The UKCES Employer Skills Survey (UKESS)<sup>14</sup> tells us that employers who recruit young people straight from education find them to be well or very well prepared for work, and this preparedness increases with age and time spent in education (see Figure 8). 83 per cent of employers who take on graduates find them well or very well prepared for work; for employers taking on 16 year old school leavers it is 59 per cent. 17-18 year old school and college leavers fall in between these two with 74 per cent of employers finding college leavers well prepared, and 66 per cent finding 17-18 year old school leavers well prepared.

The majority of employers, then, find their young recruits well prepared for the world of work – but there is a significant minority that don't, including over a third of employers recruiting 16 year olds straight from school. In line with the international evidence we would expect these employers to cite literacy and numeracy skills as key reasons for poor preparedness. This is not the case; instead, these employers overwhelmingly cite lack of experience and poor attitude (see Figure 9). Just under a quarter

Figure 8: Employer perceptions of their young recruits



Source: UKESS 2013. Base: employers who have recruited from each of the categories of young people shown

of those taking on 16 year olds from school say that their recruits lack work experience (23 per cent) and have a poor attitude or lack motivation (18 per cent). And in sharp contrast to international findings, the share of employers who find recruits from education lack literacy or numeracy skills is tiny, ranging from 4 per cent of those taking on the youngest school leavers to 1 per cent of those taking on graduates.

Figure 9: Share of employers recruiting from education who find education leavers poorly prepared and for what reason	16 year olds from school	17 or 18 year olds from school	17 or 18 year olds from FE College	HE
Lack of working world / life experience or maturity	23%	18%	14%	8%
Poor attitude / personality or lack of motivation	18%	15%	11%	5%
Lack required skills or competencies	10%	9%	7%	5%
Lack of common sense	6%	4%	3%	2%
Literacy/numeracy skills	4%	4%	2%	1%
Poor education	3%	2%	1%	1%

Source: UKESS 2013. Base: employers who have recruited from each of the categories of young people shown

14. The UKCES Employer Skills Survey 2013 surveyed over 90,000 employers and provides a comprehensive picture of skills needs and training investment, including vacancies and skills shortages, employee skill gaps and the recruitment of education leavers and young people.

## Do we get the whole picture from employers?

An obvious possibility is that UK employers simply don't recruit those with poor skills. If this is the case, then employer survey results wouldn't adequately reflect the skills of those who are out of work and looking for work. However, when employers who only recruited adults are asked in the UKESSE why they didn't take on young people, just under two thirds of them explain that it is simply because no young people applied. Another 15 per cent<sup>15</sup> did have young applicants who were readily employable but who were simply outcompeted by other, older, candidates. Only 13 per cent of this group of employers had young applicants who lacked the necessary skills, experience or attitudes.

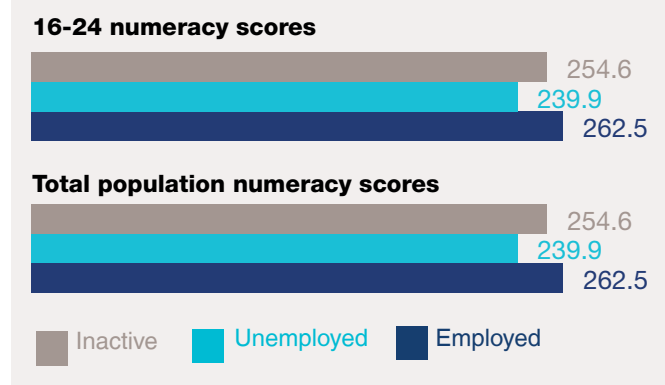
Furthermore, if employers were screening out applicants based on poor basic skills, there would be large differences in literacy and numeracy proficiency between those who are in work and those who are looking for work. Figure 10 shows that while there are differences in numeracy<sup>16</sup> - with those in work recording higher proficiency - they are small.

## Are all of the skills that employers use and value being measured?

It is important to understand the relationship between the skills that these international assessments measure, and the skills that employers actually use and value. It may be that employers are happy with their young recruits' literacy and numeracy skills because they perform better in other skills that are of equal or greater importance in the workplace.

When assessing young people's skills proficiency, the PIAAC study considers literacy, numeracy and problem solving in technology rich environments. But the study also looks at the degree of actual skill usage in the workplace, and demonstrates that employers want their staff to use a very broad range of skills alongside literacy and numeracy. These

Figure 10: OECD PIAAC numeracy proficiency scores by age and labour market status



Source: OECD - 'Skills Outlook 2013' and OECD PIAAC international data explorer <http://www.oecd.org/site/piaac/publicdataandanalysis.htm>

include information processing skills such as reading, writing, numeracy, ICT and problem solving and generic skills such as learning at work, influencing, co-operation and self-organising.

If young people have a good degree of proficiency in these workplace skills then this may explain employers' satisfaction, despite mediocre performance on literacy and numeracy. One good example of this is problem solving skills, which were recently assessed as part of the PISA study for the first time.<sup>17</sup> This study used a much broader definition of problem solving than that referred to previously. It is "...an individual's capacity to engage in cognitive processing to understand and resolve problem situations where a method of solution is not immediately obvious. It includes the willingness to engage with such situations in order to achieve one's potential as a constructive and reflective citizen."

This found that 15 year olds in England performed significantly above the OECD average and are among the top performers in Europe.<sup>18</sup> This strong performance may partly explain why young people are, according to the PIAAC study, the 4th largest users of problem solving skills.

Literacy and numeracy skills are clearly necessary to enable a smooth transition from education into work for young people. However, because of the need for a broader skillset and experience, they are not sufficient. The example of Korea is illustrative here. Korea has

15. 15 per cent of those employers who took on adults only.

16. The OECD PIAAC proficiency scores work on a 0 to 500 scale, which is then further subdivided into 5 levels. All of the scores on this chart fall between 226 and 276, this equates to level 2 on the PIAAC proficiency scale.

17. OECD - PISA 2012 Results: Creative Problem Solving: Students' skills in tackling real-life problems (Volume V).

18. The differences between many European countries are so small as to be statistically insignificant. This means that only a few countries in the Far East, including Singapore, Korea, Japan and areas within China alongside British Columbia outperform the UK on young people's problem solving skills.

exceptional levels of literacy and numeracy proficiency<sup>19</sup> but also relatively high NEET levels.<sup>20</sup> The OECD Skills Beyond School review of England states that: *'In Korea, companies often complain that young people are not ready for employment upon graduation. According to a survey of 536 companies, new university graduates typically need over 20 months of training before they can do productive work'*.

## Do employers use and value skills enough?

Some businesses with low skill jobs may have low expectations for skills, this may explain their satisfaction with the UK's apparently mediocre skills base. The UK is second only to Spain in the proportion of all workers (23 per cent in the UK) who say they only need primary level of education to do their jobs. The UK's labour market<sup>21</sup> is fairly unique in its polarisation here: we have high proportions of jobs with both low and high educational requirements.<sup>22</sup>

The UKES has consistently shown that there is a long tail of businesses with 'low road' strategies. These businesses provide little opportunity for training, have low demands for skills and operate strategies that do not require significant skill usage. Improving the skills of UK workers, including young workers, is important but unless the demand for these skills moves in parallel there is a risk that skills are underused and do not make an impact on productivity.

## Summary

*At first glance, it would be easy to conclude that the UK's high youth unemployment is down to our young people's skills not being up to scratch, yet employers are generally satisfied with them.*

*Employers need their staff to use a broad range of general and technical, practical and job-specific skills alongside literacy and numeracy skills. As such, international assessments of literacy and numeracy do not alone give a complete picture of young workers' proficiency across the range of skills that employers value.*

*Other OECD evidence shows that skills such as problem solving, communication and conflict management are more effectively developed in the workplace as opposed to classrooms or simulated work environments.<sup>23</sup> At the same time, the number one issue for employers when recruiting young people is lack of experience.*

*Improving literacy and numeracy skills is important, but this alone won't be enough to get young people into work. It is important that young people get as much access to the workplace as they can during their education, either via work experience or through earning and learning opportunities (apprenticeships or combining part-time work with education). The next chapter looks at how well the UK does on work experience and earning and learning in an international context.*



19. In PIAAC Korean 16-24 year olds ranked 4th, 5th and 1st of 23 countries in literacy, numeracy and problem solving in technology rich environment respectively. In PISA they ranked 5th, 5th and 7th maths, reading and science respectively out of 65 countries, regions and cities.

20. OECD Education at a Glance 2013 – NEET rates for 20-24 year olds in 2011 were 23.3 in Korea, 19.1 in the UK and 18.4 for the OECD average.

21. England and Northern Ireland.

22. OECD – Skills Outlook 2013.

23. OECD – 'Learning for Jobs' - (2010).

# 3. Work experience and earning and learning in an international context

***Experience of the workplace is fundamental. Many of the countries that have better labour market outcomes for young people than the UK are also far better at providing access to the workplace during education, through work experience and opportunities to earn and learn (including apprenticeships as well as combining part-time work with full-time study).***

One way for young people to gain experience of the workplace is through placements as part of an education programme such as work experience, sandwich placements or internships. The second way is through earning and learning: combining paid work with study, either formally through apprenticeships or by taking up a part-time job during school, college or university. Each of these pathways provides considerable benefits for young people.

The benefits of work experience are substantial: young people with four or more work experience-type activities during their education are 5 times less likely to be not in education, employment or training (NEET)<sup>24</sup> later on. Graduates with work experience get better degrees, higher wages and are less likely to be unemployed.<sup>25</sup> Work experience during education is also associated with improved motivation and attainment<sup>26</sup> and may be becoming increasingly more important in the admissions process for higher education.<sup>27</sup>

When it comes to earning and learning, the positive impacts of apprenticeships on earnings and productivity are very well documented.<sup>28</sup> Combining part-time work with full-time education also has a powerful – but perhaps less well-known – effect on the transition from education into work. For example, 16/17 to 18/19 year olds who combine work with full-time education are 4-6 percentage points less likely to be NEET five years later than those who are just in full-time education. They also tend to earn more a year later than those just in full-time education, with a premium of 12-15 per cent.<sup>29</sup> These benefits aren't limited to teenagers: higher education students

who combine work with their studies achieve better degrees than those who do not, and are less likely to be unemployed after their studies, more likely to be in a graduate job, and earn more.<sup>30</sup>

## Work experience and international case studies

A recent UKCES paper 'Not just making tea: Reinventing work experience' used case studies to set out the importance of work experience and the different ways employers can get involved. From this we know that, across the UK, there is clearly exceptional practice in giving young people opportunities to experience the workplace. But in other countries this kind of practice seems to be much more the norm.

For example, in Australia and the Netherlands – both of which have low rates of youth unemployment – it is usual for work experience to be integrated into education. This is despite the fact that both countries have relatively low apprenticeship take-up.



24. Education & Employers Taskforce - Work experience: Impact and delivery - Insights from the evidence (April 2012).

25. BIS Research Report No. 143 - Learning from Futuretrack: impact of work experiences on HE student outcomes.

26. Edge & Education and Employers Taskforce – "Profound employer engagement in education: what it is and options for scaling it up.

27. Education and Employers Taskforce - The importance of experience of the world of work in admissions to Russell Group universities (2011)

28. See various sources including: CEBR – Productivity matters: The impact of apprenticeships on the UK economy (2013), National Audit Office – Adult Apprenticeships (2013).

29. DfE – Research report No. DFE-RR182 Young people's education and labour market choices aged 16/17 to 18/19.

30. BIS Research Report No. 143 - Learning from Futuretrack: impact of work experiences on HE student outcomes.

### Box 3 – Work experience in Australia

*In Australia, there is a high level of interaction between education and employers. The majority of students undertake work experience during ages 14-15,<sup>31</sup> and it is the norm for employers to provide advice and guidance to students in school.<sup>32</sup>*

*From the age of 16, young people have the opportunity to opt for Vocational Education and Training in Schools (VETiS), a classroom based, qualification focused route that has many similarities to vocational education in the UK. 'Structured Workplace Learning' is an important element of this route, and consists of extended placements that allow students to acquire skills and competencies that are recognised and accredited as part of their courses. They are not compulsory, but around two thirds of VETiS students undertake these placements.<sup>33,34</sup> A School-Business Community Partnership Brokers Programme supports the demand for the work placements and works strategically to encourage direct relationships between schools and employers.*

*When it comes to higher education Australian universities are, as in the UK, overwhelmingly academic in focus. Regardless, over a third of students report doing extended work placements that are integrated into their study programmes.<sup>35</sup> These placements, known as 'Work Integrated Learning', are growing in number as the government places increasing pressure on universities to align provision more closely with the needs of the labour market. One example of this is specific government funding streams for those universities integrating work placements into their curricula.<sup>36</sup>*

### Box 4 – Work experience in the Netherlands

*In the Netherlands, post-16 vocational education has many similarities to the UK model. Around two thirds of vocational students undertake the school-based 'BOL' stream, in which they spend the majority of their time studying for qualifications in specialised training colleges. A significant difference to the UK is that to achieve these qualifications, there is a statutory requirement that students spend between 20 to 60 per cent of their study time on a work placement.<sup>37</sup> Students tend to find this work placement one of the most satisfactory elements of the whole experience.<sup>38</sup>*

*Work placements are organised by dedicated staff at Regional Education and Training Centres (ROCs), which are the equivalent to colleges and trainers in the UK.<sup>39</sup> They are helped by a network of knowledge centres who maintain a national database of employers which offer apprenticeships and work placements. The database is updated daily and searchable by both students and teaching staff alike. To provide apprenticeships or work placements, employers must be accredited by the knowledge centres. At the same time substantial financial incentives are in place for employers to offer these opportunities.<sup>40</sup>*

*The institutional arrangements in the Dutch higher education system are similar to our own. Work placements are not a legal requirement for qualifications, and there is no equivalent to the knowledge centres underpinning the system. As a result, there is no national database of quality assured work placements to which students have access. Despite this, work placements remain the norm even in higher education. 62%*

31. Australian Council for Education Research - Work experience, work placements and part-time work among Australian secondary.

32. Hillman and Rothman – Research Report 53 - Career Advice in Australian Secondary Schools: Use and Usefulness (2008).

33. Polesel et al – VET in schools - a post compulsory education perspective (2004).

34. Currie and McCollow – Vocational Education and Training in Public Schools: Enhancing Student Career Options (2002).

35. McLennan – Work-integrated learning in Australian universities (2008).

36. Patrick, Peach and Pocknee – Work Integrated Learning - A National Scoping Study p3(2008).

37. OECD Jobs For Youth - The Netherlands (2008).

38. UKCES – Skills systems and apprenticeships: international approaches (2012).

39. European Commission – Study on a comprehensive overview on traineeship arrangements in Member States (2012).

40. UKCES – The Vocational Education and Training Systems In the Netherlands (2013).

of higher education students undertake 'HBO',<sup>41</sup> a practice oriented variant of higher education. Work experience is ordinarily built into the curricula of these courses. Students undertake placements of around 9 months in their third year of study, on which they base their thesis or final project. In 2004/05, 84% of students completed a work placement of this kind. 38% of higher education students undertake 'WO', the academically focused route, and in the same year, 59% of these students completed a work placement.<sup>42</sup>

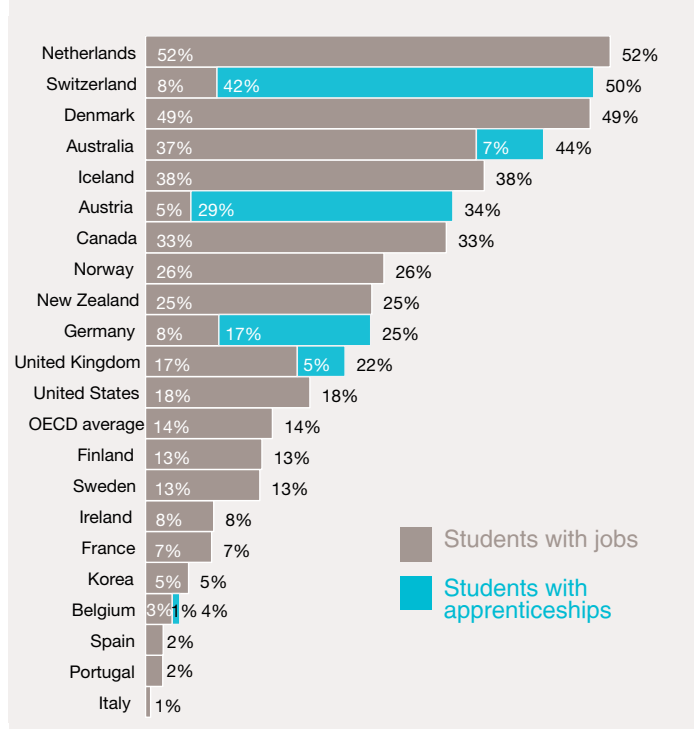
Both Australia and the Netherlands illustrate that high degrees of access to good quality, substantial and meaningful work experience can be the norm for most young learners. However, the institutional arrangements that underpin this vary significantly between and within these two countries. The contrast between vocational and higher education in the Netherlands is particularly stark. This tells us that there are several potential approaches to ensuring that high quality work experience becomes the norm for young people, but that the consistent factor is employers having a key role and responsibility.

## Earning and learning across different countries

Both the extent of earning and learning, and the balance between apprenticeships and combining part-time work with study, vary significantly across countries. While the UK is above average, we are significantly outperformed by a number of other countries (see Figure 11). As would be expected, countries with extensive apprenticeship systems including Germany, Austria and Switzerland all outperform the UK. However, also included are the Netherlands, Australia, Canada, Iceland, Norway and New Zealand, whose apprenticeship systems are less extensive. These countries have a far greater share of full-time learners who also have part-time jobs<sup>43</sup> than the UK.

The value and importance of earning and learning becomes clear when looking at Figure 12. This

Figure 11: Share of 15-19 students who have a job or are on an apprenticeship (base: 15-19 year olds in education or training)



Source: Education at a Glance 2013, table C5.2d

**“ Earning and learning is therefore an important lesson for the UK to learn from other countries ”**

shows that every country in the OECD that has more earning and learning at 15-19 has fewer people becoming NEET later on in the 20-24 age range. Although not shown, the data shows the same pattern for 20-24 year old learners and 25-29 year olds NEETs. Broadly speaking, it seems that high levels of young people earning and learning lead to lower youth unemployment.

There will of course be other factors at play, not least the fact that a buoyant, job-creating economy is necessary for both earning and learning and low NEET rates. However, this international evidence combined with longitudinal evidence from England suggests a causal link between earning and learning and the chances of becoming NEET. A focus on earning and learning is therefore an important lesson for the UK to learn from other countries.

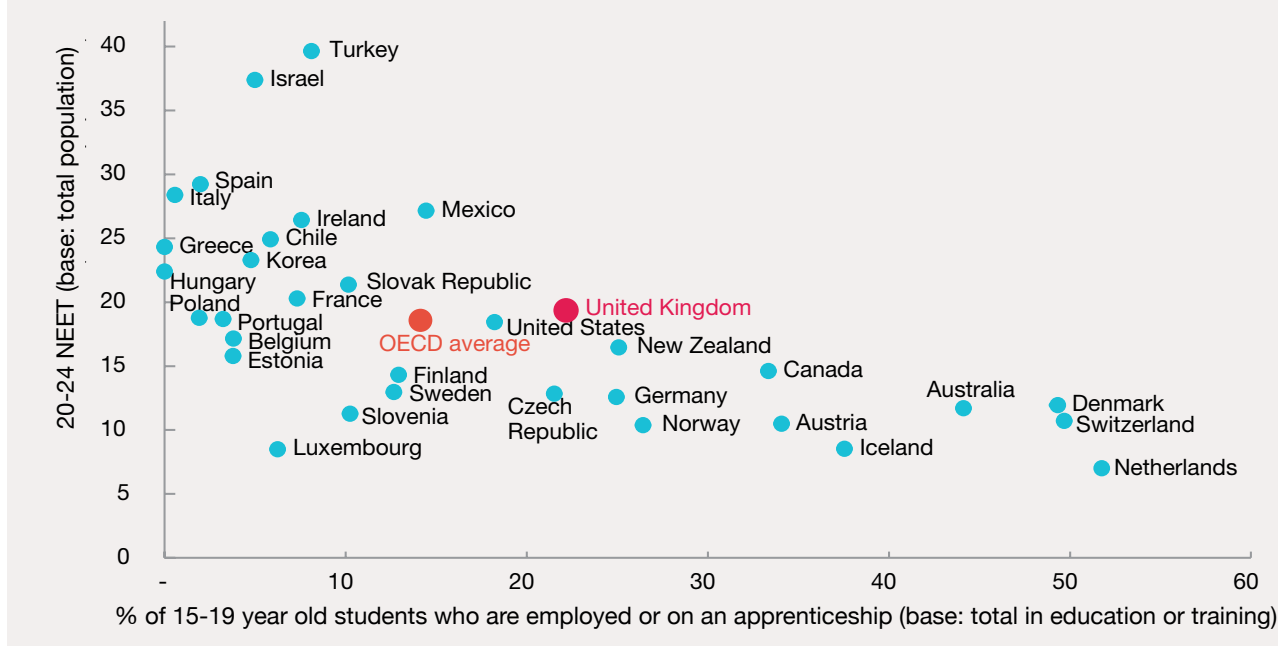
41. Ministry of Social Affairs and Employment – Youth employment and unemployment in The Netherlands (2013).

42. European Commission – Study on a comprehensive overview on traineeship arrangements in Member States (2012).

43. For 20 to 24 year olds the picture is similar but with the USA moving above the UK.



Figure 12: Earning and learning at 15-19 and NEET levels at 20-24 (2012)



Source: Education at a Glance 2013, table C5.2d

Previous UKCES work<sup>44</sup> has touched on the long-term decline in earning and learning, which was widely reported as the 'death of the Saturday job' in 2012. International data appears to show that this decline is unique to us: the UK was the only European country to see a decline in earning and learning in the years leading up to the recession (see Figure 13). Ireland, Spain and Norway have also seen declines, but their timings point to the financial crisis and resulting recession as the cause.

The time series data for earning and learning cannot be broken down into its two separate elements,

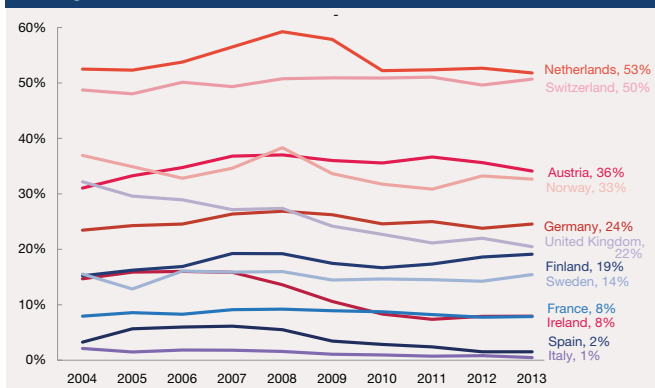
apprenticeships and combining part-time work with education. However, we know from domestic evidence that apprenticeships have not fallen in the UK. Instead, it is a drop in combining part-time work and education that is causing the overall decline.

## Summary

*So far we have seen that access to the workplace via earning and learning is vital for young people. This section has shown that while there is much good practice across the UK, there is still room for improvement in both work experience and earning and learning. Planned policy changes, both current and forthcoming, will impact on this and we consider these briefly in the conclusions.*

*There remains a question as to why fewer students are earning and learning. There are a range of possible answers to this question including the number of part-time jobs available, the hours and the occupation they are in. Part-time work has grown significantly in the UK but the occupational pattern mirrors that for growth overall: the professional, managerial and technical jobs dominate. This suggests that the same structural patterns affecting youth employment overall are also partly responsible for the decline in earning and learning.*

Figure 13: Employment rates of 15-19 year olds in education or training



Source: Eurostat

44. UKCES – 'The Youth Employment Challenge' (2012).

# 4. Conclusions

***As the economy moves into sustained recovery, now is the time to tackle deep-rooted barriers to youth employment. Access to the workplace is critical to this, whether through work experience, apprenticeships or combining part-time work with education.***

From both UK and international evidence it is clear that access to the workplace significantly improves young people's chances in the labour market. This can come through earning and learning, but significant and meaningful work experience also needs to form a part of all study programmes. Greater employer ownership and responsibility is also crucial to actually creating the right pathways into work for young people. Below we expand briefly on these three ideas:

## **A balance between work and education for all young people**

All young people need the right balance of access to the workplace and education. The evidence we have presented clearly shows that combining part-time work with education is beneficial. It provides economic benefits and the skills and experience that employers require – and it also helps young people develop invaluable networks and contacts. The latter is especially important for young people, with word of mouth recruitment currently on the rise.<sup>45</sup>

However, time spent working does need to be balanced with the needs of education. If work becomes too demanding on time this can affect attainment. The evidence tells us that if hours of work are not greater than 10 hours per week, there is rarely any negative impact on attainment or decisions to stay on in education.<sup>46</sup> This may explain why combining work and learning appears easier in other countries: there are sufficient jobs of the appropriate hours. For example, in the Netherlands young part-time employees work on average 10 hours per week, while in the UK it is around 15 hours per week.<sup>47</sup>

Combining work and education is not currently

possible for all young people, particularly as the UK is witnessing a decline in these kinds of opportunities. This means we may require action to encourage more jobs of the appropriate hours. We could also reconsider the balance of contact hours and the length of courses, to more easily enable the combination of work and learning.

Policy changes are already occurring that may lead to more earning and learning. For example, in England a recent agreement between Ofsted and the Department for Education will allow part-time working to contribute towards work experience requirements as part of study programmes.<sup>48</sup>

## **An expectation of high quality work experience as part of all study programmes**

Another way for young people to gain the experience that employers desire is for all students to have high quality work experience – where possible, related to studies – integrated into their study programmes.

This means moving beyond the concept of simulated work environments, such as training kitchens and salons, into real work environments with commercial rewards and sanctions and with a sense of pace and urgency, financial rigour, professional standards and expectations.

As with earning and learning, current changes to policy are helping to make work experience the norm. In England, work experience has recently become a central part of 16-19 study programmes. A Commission for developing Scotland's young workforce<sup>49</sup> recommends that a modern standard for the quality of work experience be set. However, these changes are new and we are yet to see their impact. At the moment, the UK is still nowhere near the standards set by other countries as exemplified in this report.

Collaboration between business and education is at the heart of this. The ultimate aim must be for

45. UKCES – Scaling the Youth Employment Challenge (2012).

46. Education & Employers Taskforce – Exploring the impact of formal work experience and term-time paid employment using longitudinal data from England (2010).

47. Source: stats.oecd.org - Average usual weekly hours worked on the main job for 15-24 year olds in part-time employment in 2011.

48. FE Week – Casting the OFSTED eye over 16-19 work experience.

49. Scottish Government – Education Working For All! Commission for Developing Scotland's Young Workforce Final Report' June 2014).

all parties in vocational education – employers, educational institutions and learners themselves – to have a clear expectation of significant and meaningful time in the workplace. Educational institutions in particular have a role in ensuring that access to this kind of activity is not governed by ‘who you know’.<sup>50</sup>

A recent UKCES paper ‘Not just making tea: Reinventing work experience’ shows that there are already many excellent examples of employers working with schools, colleges and universities to offer young people work experience. Most of these are long-term collaborations that also involve charities, local Jobcentres, councils, Chambers of Commerce and/or Local Enterprise Partnerships. This kind of activity now needs to be scaled up across the country and different sectors.

## Employer leadership and networks

**Creating stable and meaningful vocational pathways for young people, that have a direct line of sight to the labour market, calls for far greater employer ownership and responsibility. Where it exists, employer leadership needs to be galvanised and channelled. For other employers, the case needs to be made, and ways of getting involved made simple.**

The UKCES Employer Ownership Pilots have made progress in encouraging and enabling employer leadership and collective action. We are particularly excited about the formation of industrial partnerships: voluntary coalitions of leading employers, trade unions and delivery partners. These pilots and partnerships have huge potential to tackle some of the challenges discussed in this report.

Where relevant, employer leadership and collective action could focus on taking action at a local level. For example, given that there are around 4,000 secondary schools and 400 colleges across the UK, it is not unfeasible that every one of them should have a clear and strategic link with one or more of the 4.9m private sector businesses in the UK. The Commission for developing Scotland’s young workforce aims to achieve this for all 363 Scottish secondary schools in the next three years. There should be a similar aim for the whole of the UK.

There is existing work that can be built on to strengthen employer leadership and networks, particularly at a local level. An example of this is UKCES’ work with the 157 Group and the Gazelle Colleges Group in England to see how collaboration between colleges and employers can become more widespread.<sup>51</sup> This work reveals the benefits to employers of engaging with their local college, and the key characteristics of colleges which successfully develop and maintain strategic relationships with employers. Through these relationships businesses derive enhanced access to young people via work experience, assisting their talent pipeline, bespoke training and innovation in the work place.

**Later in the year, UKCES will return to these ideas and more with the publication of a statement on skills. This will set out solutions to challenges in three areas: helping young people to get in and on in the labour market, encouraging businesses to become more productive and workers to progress in work, and developing new work based routes to higher level skills.**



50. Birmingham City University – The work experience placements of secondary school students: widening horizons or reproducing social inequality? (2008).

51. UKCES, 157 Group of Colleges & the Gazelle Colleges Group – A new conversation: employer and college engagement (2014).

The UK Commission for Employment and Skills is a publicly-funded, industry-led organisation providing strategic leadership on skills and employment issues in the four home nations of the UK Together, our Commissioners comprise a social partnership that includes CEOs of large and small employers across a wide range of sectors, trade unions and representatives from the Devolved Administrations

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