

Scaling the youth employment challenge

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UKCES 
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Contents Page

Foreword..... 3

Executive summary 4

The labour market for young people 6

Recruitment of young people..... 8

Work experience 11

Apprenticeships..... 15

Conclusions 19

Foreword

by Commissioner Valerie Todd

Work experience is a vital stepping stone to help young people on the path towards employment. At its best, work experience can inform career choices and open young people's eyes to careers they'd not previously considered, or didn't even know existed. It boosts self-confidence about entering the world of work and helps to instil the attitudes and behaviours that will be expected of them. For some, it offers an opportunity to prove themselves to a future employer. When recruiting for jobs, employers consistently prefer candidates who already have some experience. For all these reasons, we want to make it easier for young people to find good quality work experience. But the evidence suggests that it is getting harder.

Too often, gaining experience relies upon existing contacts. For those who don't have access to a ready made network, this represents a clear barrier to entry. If we are to address the UK's youth employment challenge, it is essential that we find a way for all young people to benefit from these opportunities. Many enlightened employers have already developed highly successful work experience or apprenticeship programmes. Some of the best examples demonstrate strong collaboration with local schools, colleges and training providers. But we need more employers to follow their lead.

This report highlights how employers are engaging with young people across the UK, from participating in work experience to offering apprenticeships and jobs. But there is more to be done to address the barriers young people face getting into work. Clearly, Government has an important role to play. At the UK Commission for Employment and Skills, we believe that Government can create the right conditions for employers to take a leading role. Here we set out some practical steps that can help us all work together to help young people into employment.



Valerie Todd

Commissioner, UK Commission for Employment and Skills
Talent & Resources Director, Crossrail

Executive Summary

In summer 2012 the UK Commission for Employment and Skills published *The youth employment challenge*. This set out the structural changes in the labour market that have made it increasingly difficult for young people to get into work and progress on a career path.

It highlighted the importance of employer practice in tackling this challenge and called for UK employers to adopt a “youth policy”: to do something, no matter how small, to help young people get into work. This includes activities like opening up recruitment practices and offering work experience or apprenticeships.

In this report we examine the extent to which UK employers are engaging in these types of activities and some of the barriers to making them more widespread. There are many excellent examples, but there is scope to do much more.

The way in which employers fill their vacancies is key. Word of mouth recruitment disadvantages young people without the right networks and contacts. But this is on the rise and is now the number one method of recruiting. Unless recruitment becomes less about who you know and more about what you know and what you can do, employers risk missing out on a rich and diverse talent pool. Use of Jobcentre Plus for recruitment has fallen in the last two years, however the recent launch of the Government backed online vacancy matching service Universal Jobmatch offers an accessible and free means for businesses to advertise their jobs widely.

The majority of employers who take on young people straight from education find them well or very well prepared for work, but they attach vital importance to experience when they recruit. And lack of experience is the number one reason why recruiting employers turn young job applicants away. It's also the main reason they find them poorly prepared for work.

Despite the importance employers place on work experience, only one in four offer work experience placements to young people in education. Combined with decreasing opportunities to work while learning, this means that young people continue to face a ‘Catch 22’ situation.

To tackle this, work experience needs to become much more widespread and seen by employers as an integral part of their recruitment strategies. Employers who provide work experience say they gain considerable benefits, so there is a strong case for others to get involved. And there is untapped demand: 20% of employers who don't offer work experience have never been approached to offer it and many employers recruit young people without offering work experience. Our goal should be to raise the overall number participating from a quarter to a half of all UK employers.

Although the recession has caused a fall off in recruitment generally, employment in high skill managerial and professional roles has grown by over 900,000 and this growth is set to continue. Employers who specialise in these roles are the least likely to recruit young people and where they do, they tend to rely on university graduates. Creating more non-graduate routes into professional and managerial jobs would offer ladders of opportunity to young people, and feed the talent pipeline for employers. Apprenticeships offer just such a gateway into a great career for young people and bring well documented returns to employers. Yet currently, just 15% of employers have or offer apprenticeships. Twice that number say they plan to offer apprenticeships in the future, so again, we should be aiming to double participation.

In 2011 the UK Commission, supported by Government, launched a new vision for how we invest in our current and future workforce – Employer Ownership of Skills. Realising this vision through a series of significant steps would play a big part in tackling the youth employment challenge. We believe that by empowering employers and giving them far greater sway over public spending on skills, we will see innovative ideas and increased investment in return. We are encouraged by the bids from employers in the first round of the Employer Ownership Pilot (EOP) fund in England. In Round 2 we are looking for more ambitious proposals.

We know that there is significant variation in youth policy type activity by industry sector, which suggests there are sectoral solutions to youth employment. In Round 2 of the Employer Ownership Pilot, we want to encourage the establishment of employer owned and run partnerships that

bring together employees, unions and training providers around common issues like recruitment, work experience and apprenticeships. These 'Industrial Partnerships' will take end to end responsibility for workforce development - setting standards, designing qualifications and creating career pathways in key sectors of the economy.

There is huge potential for expansion of apprenticeships, but barriers to achieving this include perceptions of lack of need, suitability and cost, and a widespread lack of awareness of the Government subsidy for training. Giving employers far greater purchasing power for apprenticeship training by funding them directly instead of channelling funding through training providers could help raise awareness of the public subsidy, and encourage more employers to get involved.

We know that the best outcomes are achieved when employers and colleges/providers collaborate, especially in opening up jobs and training opportunities and tapping into the potential for work experience in small businesses. There are great examples of such collaboration in the first round of the Employer Ownership Pilots. The UK Commission will continue to promote and evaluate this approach in the second round.

Finally, the skills system has tended to measure success by fairly narrow outputs, like qualification achievements. Shifting accountability and success measures toward labour market outcomes - earnings and employment chances for learners, for example - would further encourage employer and college/provider collaboration. This could be achieved by emphasising these outcomes in quality assurance regimes, and by tying funding to them.

Nothing less than a radical shift in approach will be sufficient to redress the UK's youth employment problems. But as we have seen, there is huge scope to raise our game. By taking a few significant steps we can make a start towards embedding a culture where recruiting and developing young people are part of standard business practice in the UK.

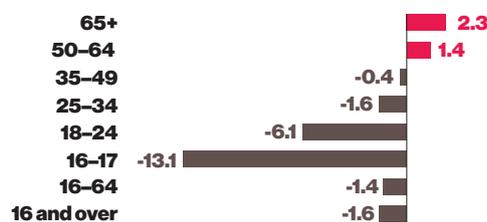
The labour market for young people

In this report we set out the extent to which UK employers are engaging in youth policy type activities including opening up recruitment practices and offering work experience or apprenticeships; and we look at some of the barriers to making these activities more widespread. Our findings are based largely on the UK Commission's Employer Perspectives Survey (UKCEPS) 2012¹. We also suggest some actions that we believe will support the radical shift needed to create more and better career opportunities for young people. Throughout the report we showcase the youth policies of UKCES Commissioners², who represent large and small businesses, further and higher education, trade unions and the voluntary sector.

The labour market's resilience in the face of a weak recovery is a key success story for the UK economy. In the final quarter of 2012 (October to December) the level of employment reached "record" levels. There are now more people employed in the UK than before the recession (29.7m). However, the employment rate, which is the share of the working age population with a job, has not yet recovered to previous highs. More importantly, the recovery in employment has not been shared equally across the age spectrum.

Net change in employment rates by age (2007 q4 to 2012 Q4)

(Source: Labour Force Survey (LFS))



The chart above shows the change in employment rates for different age groups, from the period immediately before the

¹ UKCES – "Employer Perspectives Survey 2012" <http://www.ukces.org.uk/publications/er64-uk-employer-perspectives-survey-2012> data tables can be found here <http://www.ukces.org.uk/ourwork/employer-surveys>

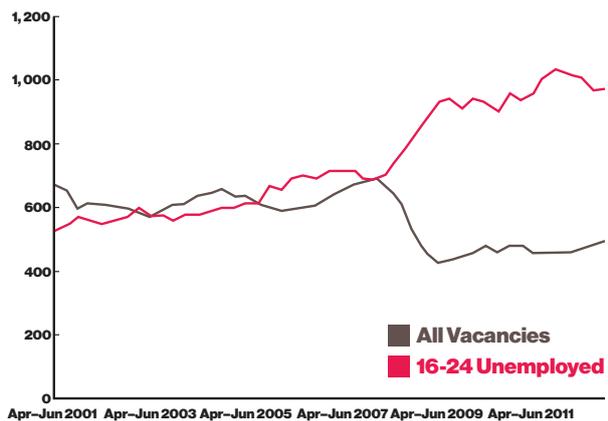
² <http://www.ukces.org.uk/commissioners>

recession (final quarter of 2007) to the latest quarter (final quarter of 2012). From this it is apparent that the recovery in employment has left young people behind. The overall employment rate gap, which is the difference between now and before the recession, is 1.6% (having gone down from 60.2% to 58.7%). But for 16-17 year olds the gap is 13%, and for 18-24 year olds, it is 6%. In marked contrast, the employment rates for the oldest age groups are actually higher than pre-recession³. To get the employment rate for 16-24 year olds back up to pre-recession levels, over 550,000 young people would need to break into the labour market.

A resilient labour market hasn't been enough to temper low levels of demand across the economy. Subdued recruitment activity is a major cause of unemployment for all age groups, but especially for young people. The chart below plots the level of youth unemployment against the level of vacancies. It shows firstly that the level of vacancies is still far below pre-recession levels, and secondly that youth unemployment is strongly tied to the level of

Total 16-24 Unemployment & Vacancies (000s)

(source: LFS and ONS vacancy survey)



vacancies.

From the UK Commission's Employer Perspectives Survey 2012 (UKCEPS 2012) we know that just over a quarter (27%) of employers in England (the UK figure is also 27%) have recruited a young person in the past year. By contrast,

³ This is not to imply that growth in employment for older workers is in conflict with that for younger workers. This would be based on the "lump of labour" fallacy.

in 2007, 40% of employers had recruited a young person⁴. A return to growth and a significant rise in vacancies are clearly necessary for employment levels to return to pre-recession levels. However, this alone may not be enough.

The structure of the economy is changing and the recession and recovery have accelerated this change. While employment has recovered to some extent, the types of opportunities that have come back are different to those that they replaced. Full-time employee jobs are still well below pre-recession levels. Instead, much of the recovery in employment is part-time, temporary or self employed. The growth in part-time work is partly responsible for one in five young people in work being under-employed, more than any other age group⁵. And young people struggle to become self employed because they lack the necessary experience, know-how, connections and access to finance⁶

The balance of occupations in the economy is also changing. Young people tend to be employed in two occupations: sales and elementary roles, such as bar staff, waiters, cleaners etc. Between them, these account for just under half of all jobs that young people do, compared to only 15% of those 25 or over. Over the course of the recession and recovery the picture for these occupations is one of net stagnation. They declined significantly and although they have recovered to some extent, there are still 145,000 fewer people employed in these occupations than pre-recession.

By contrast, high skill managerial and professional occupations have seen ongoing growth over the past few years. Employment in these occupations has increased by 930,000 over the course of the recession and recovery. Other mid skill occupations have seen large overall declines with little recovery.

These changes mean that young people are competing with older and more experienced workers, who have been forced to trade down for the lower and mid level jobs that

4 National employer skills survey for England 2007 and UKCEPS 2012. Note that these findings are indicative only as the two surveys are not directly comparable due to methodological differences

5 ONS – Underemployed workers in the UK, 2012

6 ONS – Self employed workers in the UK, February 2013

Net change in employment by type 2007 Q4 to 2012 Q4 (000s)

(source: LFS)



Net change in employment by occupation 2007 Q4 to 2012 Q4 (000s)

(source: LFS)



young people would normally take. Meanwhile, the higher level growth occupations only tend to be available to graduates. What's more, the UK Commission's forecasts on the structure of the labour market in 2020,⁷ Working Futures, predicts that this occupational rebalancing is set to continue. There will be ongoing growth at the top, decline in the middle and stagnation at the bottom

Summary

27% of employers have recruited a young person in the previous year. Before the recession, in 2007, 40% of employers had recruited a young person in the previous 12 months. Much of this difference is down to depressed recruitment overall. But there are other structural factors at play, in particular changes in the type of jobs available and employer practices in recruiting to these jobs.

7 UKCES – "Working Futures 2010-2020" <http://www.ukces.org.uk/publications/er41-working-futures-2010-2020>

Recruitment of young people

Just under two thirds (62%) of recruiting employers have taken on a young person in the previous year, leaving just over a third (37%) who have only taken on adults⁸. So the good news is that more employers take on young people than those who don't.

When we look below the surface, just 24% of recruiters taken on 16-18 year olds, which is less than half of the 53% of recruiters who have taken on 19-24 year olds. This is driven by both push and pull factors push from the lack of appropriate jobs available and pull from further and higher education⁹.

The sectors that are the most likely to take on young people are the hotels and restaurants and retail sectors. Financial services and health stand out as being two of the most likely to recruit 19-24 year olds but the least likely to recruit 16-18 year olds. Clearly, different sectors are far more likely to recruit young people than others. This means that the relative performance of sectors in terms of creating jobs matters hugely for young people. And unless the sectors that are creating jobs now and in the future alter their approach to recruitment and become more accessible to young people, we are unlikely to see a significant increase in youth employment.

Size of establishment is also a major factor when it comes to recruiting young people: the larger the establishment, the more likely it is to take on young people.

Business growth and expectations of growth are important for generating vacancies; but they also contribute to young people having access to these vacancies. Employers who have recently recruited and expect to grow significantly are far more likely to take on young people. This suggests that their optimism is leading them to think about and invest in the future of their business.

Beyond these broad associations, we also have direct insights from employers who don't take on young people as to why not. The most common reason, given by 40% of

Share of recruiting employers who have taken on 16–18, 19–24 and 16–24 year olds by nation, region, size of establishment and industry sector

(Source: UKCEPS 2012)



these employers who took on adults only, is that no young people applied for their vacancies.

In many cases, the jobs available may require more skills, experience or expertise than young people have been able to gain, so they don't apply. This is the case for many professional and managerial roles. Indeed, as we have noted, it was the most highly skilled occupations that saw ongoing growth throughout the recession and recovery. Recruiting employers who predominantly have these roles are the least likely to have recruited young people in general. Just over half (53%) have taken on a young person, compared to 75% of recruiting employers with predominantly manual staff. These employers are also the most likely to put this down to a lack of applications from young people.

⁸ UKCEPS 2012

⁹ Review of Vocational Education - The Wolf Report (March 2011)

Share of recruiting employers who have taken on 16–18, 19–24 and 16–24 year olds by expectations of future growth, age of establishment and main occupational group

(source: UKCEPS 2012)



It might also be that young people are not aware of all the vacancies that are out there. The smaller an employer is, the more likely they are to say that no young people applied, suggesting an issue around visibility. Another possibility is that word of mouth recruitment methods are leading to 'hidden' vacancies that young people are unaware of, because they do not yet have enough contacts or networks. This is an important point, which we expand on and explain why it disadvantages young people below.

However, lack of applications from young people only partly explains the story. 45% of employers who took on adults

only say their young applicants aren't able to compete with other candidates. This is put down to a lack of experience, cited by almost a third (29%) of employers who took on adults only. The smaller the establishment, the more likely they are to value experience as a key attribute when recruiting. So it is unsurprising that they are also the most likely to find that young candidates lack experience.

Word of mouth recruitment methods

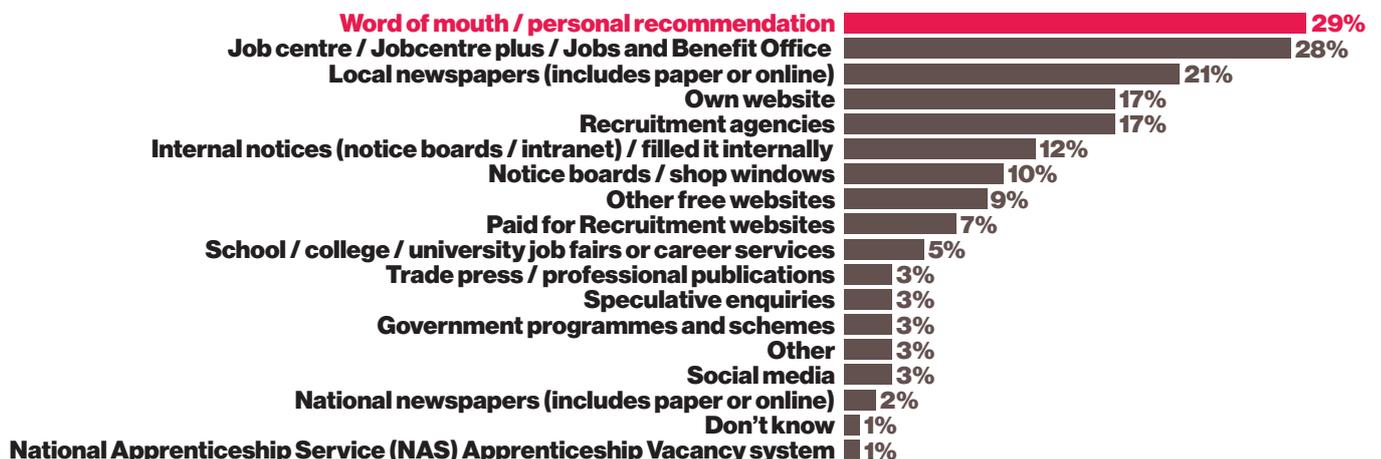
Recruitment methods are a key part of the story for young people. Young non-graduates are particularly dependent on informal connections with employers, through friends or family for example, to secure employment. Most young people haven't had time to build these social networks or don't have the right contacts to start off with, putting them at a disadvantage in today's labour market.

Internships

Internships is an online platform that connects young people, particularly UK graduates, to internships and entry-level positions in start-ups and small businesses. The company was founded when the CEO Rajeeb Dey was still at university and the average age of the office stands at 25 years old; truly reflecting the energy, drive and passion of the young people they represent. Internships currently provides internship and apprenticeship opportunities, which prove successful: a number of senior managers started out as interns. Internships is also going a step further and turning the recruitment process on its head with 'unRecruitment', which focuses on training up young people throughout the interview process giving candidates that aren't offered a job valuable experience that they can add to their CVs.

Share of recruiting employers using different recruitment methods

(source: UKCEPS 2012)



Word of mouth methods are now the number one way to recruit staff. There has been an increase in the use of these methods between 2010 and 2012, from 24% to 29% of recruiting employers.

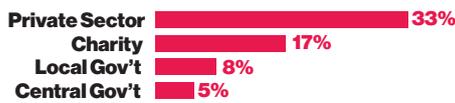
Share of recruiting employers using word of mouth recruitment by main occupational group

(source: UKCEPS 2012)



Share of recruiting employers using word of mouth recruitment

(source: UKCEPS 2012)



Word of mouth recruitment is particularly prevalent in smaller and younger organisations, and again with employers who have predominantly high skill professional and managerial roles. As jobs with these types of employers are the ones that are set to grow, this is a major barrier for young people trying to get into work.

There is also a public and private sector divide, with private sector organisations over four times more likely to use word of mouth recruitment. Construction is a [major user] of word of mouth methods when we look at individual industries. In terms of spatial variation, the clearest finding is that word of mouth recruitment appears to be much more popular in England (31% of employers use it) than it is in Wales (28%), Scotland (22%) or Northern Ireland (18%).

Summary

The good news is that more recruiting employers take on young people than those who don't. However, there are still a number of barriers when it comes to recruiting young people.

If an employer recruits a young person and finds them to be poorly prepared for work, the main reason is lack of experience. If an employer rejects a job application from a young person, the most likely reason is lack of experience.

Additionally, the most effective way for young people to build networks that they can then use to find jobs is by giving

them experience of and exposure to the world of work early on. But very few employers actually offer work experience. Another important barrier is that employers in the higher skill sectors set to grow in the future are the least likely to recruit young people: especially 16-18 year olds. So there is a decisive need for non-graduate routes into these jobs. The case study below shows how apprenticeships can be a positive and complementary alternative to graduate recruitment and we expand on this issue later.

Siemens

Learning has always been part of Siemens' culture and central to their success. The company is particularly focused on making sure school leavers have the right opportunities for getting into work. It has an education programme that starts at primary school and continues through to graduate level. Each year Siemens recruits over a hundred 16-18 year old apprentices to their long-standing Engineering Apprenticeship programme. They then recruit a third of their graduate trainees from the existing apprenticeship ranks, building career steps for school leavers that go all the way from the shop floor to the boardroom. Additionally, Siemens partners up with local schools to help give students invaluable work experience and introduce them to the world of engineering work.

Finally, word of mouth recruitment is on the increase. Although this method is free and works for many employers, it does disadvantage young people. More open methods need not cost money and can expose employers to a richer talent pool. Jobcentre Plus is a formal but free way to recruit, although employers' use of it has fallen. However, the Government recently launched Universal Jobmatch¹⁰, an online vacancy matching facility that employers and jobseekers in and out of work can use for free. If this appeals to employers and use of it becomes widespread, it will be a positive move for young people.

¹⁰ <https://www.gov.uk/jobsearch>

Work Experience

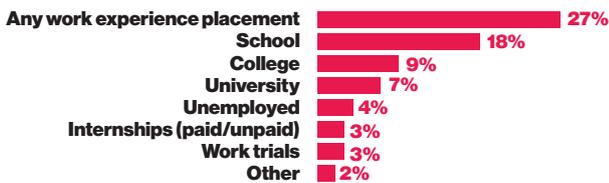
Work experience is a vital part of the transition from education into work. At present it is also, unfortunately, a rare commodity in the youth labour market.

A majority of those employers who have recently recruited young people find them to be well prepared. The minority who don't point to lack of experience as their main concern¹¹. As we have seen, lack of experience is also the main reason employers turn away young applicants.

But the share of young people in full-time education with a part-time job has been declining for around 15 years, cutting off this route to gaining vital experience. This is especially pronounced for young people still in school and college, with the share of 16-17 year olds in full-time education with a job having fallen from 39% in 1992 to 20% in the final quarter of 2012¹². This trend has been widely reported as the "death of the Saturday job"¹³. Given the importance that employers place on experience when recruiting, any work experience gained while in education becomes even more crucial for finding a job later in life.

Share of employers offering work experience placements and where to

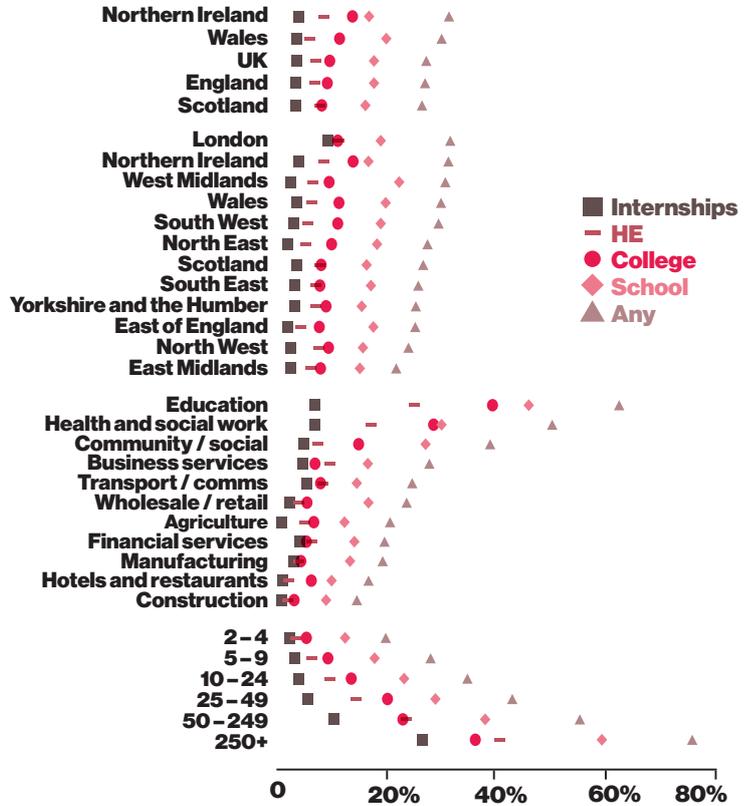
(source: UKCEPS 2012)



So are employers stepping up to offer work experience? Just over a quarter (27%) of employers have offered work experience placements or internships in the past year – there is certainly scope to do more.

Share of employers offering work experience placements

(source: UKCEPS 2012)



The likelihood of offering work experience varies significantly by a range of employer characteristics. In terms of geographical differences, employers in London and Northern Ireland are the most likely to offer work experience. In London's case this is driven by more internships.

The major factors associated with offering work experience are size and sector. The larger the establishment, the more likely they are to offer work experience, to the point where the vast majority of the largest establishments offer it. In terms of sectors, there is a clear public, private and third sector divide, with predominantly public sectors like education and health that dominate. In the education sector over 60% of employers offer work experience; but in the construction sector, it falls to just 15%.

The chances of offering work experience are tied to overall economic conditions, particularly expectations of growth. Those employers who expect to grow significantly in the next year are far more likely to have had someone on work experience (28%) compared to those who expect to

11 UKCES – "The Youth Employment Challenge" (July 2012)

12 ONS: Labour market statistics table a06; educational status and labour market status

13 The end of the Saturday job? Pupils miss out as hard times squeeze roles for teenagers" Daily Mail (Jul 2012), "Teenagers hit by shortage of Saturday jobs, warns report" Telegraph (Jul 2012), "Number of teenagers with Saturday jobs slumps" Guardian (Jul 2012)

Reasons for not offering work experience (Base: all employers not offering work experience placements)

(source: UKCEPS 2012)



contract (19%) or possibly shut down (17%). Similarly, those employers who have had a vacancy (34%) are much more likely to have taken someone on work experience than those without a vacancy (21%).

There are three big reasons that employers give to explain why they haven't offered work experience. The main reason, given by well over a third of employers (37%) who don't offer work experience, is the view that they have "no suitable roles". This is more common in sectors that involve manual work or work that is more highly regulated, such as construction and agriculture. Smaller employers are also likely to say this.

The second major reason for not offering work experience, given by a fifth of employers (20%), is the lack of an approach from local schools, colleges or universities. This suggests a ready pool of employers to tap into for offering work experience – they just need to be approached.

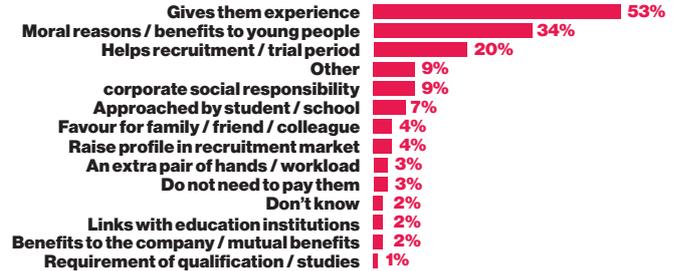
Employers who expect to grow but don't provide work experience are more likely to say they haven't been contacted. This may reflect the fact that many of these employers are new and so might not be known to local schools, colleges and universities.

Finally, 16% of employers who don't offer work experience say that they don't have the time or resources. There is less variation across sectors on this issue; the clearest pattern is by size. As would be expected, smaller establishments are more likely to see this as a barrier.

There are a variety of other reasons given, but these only affect minorities of employers. Notably, concerns

Reasons for offering work experience (Base: all employers offering work experience placements)

(source: UKCEPS 2012)



around red tape and bureaucracy are cited by only 6% of employers who don't offer work experience.

As we have seen, work experience is absolutely crucial for young people to eventually get into work. But the proportion of employers offering it is at odds with the importance they place upon experience when recruiting. So there is clearly a need to encourage more employers to get involved. To this end, it is useful to understand why those that already offer it do so, and the benefits they gain from it.

The overwhelming reason, given by just over half (53%) of employers who offer it, is simply that it provides the experience young people need. This means that most employers who offer work experience do so because they recognise its intrinsic value: that it's a good thing and necessary for a successful transition into work. The Albatross Group's approach to work experience clearly illustrates this.

The Albatross Group

With a small number of employees and relatively low staff turnover, recruiting the next generation can be tough for SMEs. However, commitment to the cause is more important than vast amounts of investment in recruitment programmes. The Albatross Group offers valuable work experience placements that give young students an opportunity to experience the real world of work; they are given meaningful tasks that combine their expertise with business need, such as working on the company's blog and website. For Albatross, in the current economic climate it is more important than ever to help young people on their path to employment.

Chas Smith Group

Chas Smith Group is a small business in the construction sector: what stands out here is that 40% of their current workforce is under the age of 30. The business works with schools in the local area to provide work experience for their students. Chas Smith Group faces many of the challenges small businesses have to tackle when taking on young people, especially a lack of time and resource. However, they are committed to moving young people up the career ladder by giving them the right skills and experience for the future. The business finds its young recruits to be enthusiastic, energetic and keen to get going. Indeed, a number of full-time staff working there today have been taken on from their work experience placement.

Just under half (45%) of employers who offer work experience are explicit about moral or Corporate Social Responsibility (CSR) reasons. These employers see work experience as a social good, benefitting their business and the young people involved, but also the community they work in. However, the business benefits of a CSR-driven approach should not be underestimated. Savvy employers are acutely aware of their customers' preferences. The ethos of companies, the way they conduct their business and in particular, their recruitment practices, are all increasingly important. So if customers, especially young customers, see businesses offering work experience or indeed any kind of opportunity for young people to get into work, they will be more likely to 'approve' of and spend money on such businesses.¹⁴

¹⁴ Sainsbury's – "The Rise of New-Fashioned Values" 2012 http://j-sainsbury.co.uk/media/1488636/csr_factsheet_new_fashioned_values.pdf

The 2010 Corporate Social Responsibility Perceptions Survey - http://www.burson-marsteller.com/Innovation_and_insights/blogs_and_podcasts/BM_Blog/Lists/Posts/Post.aspx?ID=170

Forbes - Corporate Social Responsibility: A Lever For Employee Attraction & Engagement - <http://www.forbes.com/sites/jeannemeister/2012/06/07/corporate-social-responsibility-a-lever-for-employee-attraction-engagement/2/>

A fifth (20%) of employers who offer work experience do so because it helps them with recruitment. This is more common in employers in the financial services sector, where just under a third assert this. At the other end of the spectrum, construction firms are less convinced that work experience helps them recruit.

In fact, far more employers have taken young people on from their work experience placement than the one in five saying it helps them recruit suggests. 22% of employers take people on straight after the work experience placement, and a further 15% recruit young people once they have finished their course. The likelihood of this happening increases with size, with the vast majority of the largest establishments (over 80%) taking people on from work experience. Predominantly public sectors such as education and health are also particularly likely to recruit from work experience, with just over half of employers in these sectors doing so.

This reflects the usefulness of work experience as a talent pipeline: taking young people on work experience builds employers a readymade talent pool to recruit from when the business need arises. Most employers recognise this, as the case studies below show. In fact, the majority of case studies in this report use work experience as the starting point for their youth policies.

Turning Point

Youth charity Turning Point recently developed a work experience programme for young people, with the help of Jobcentre Plus. The 10 week placements are designed to offer young people an insight into the business and third sector work more generally. Individuals on the work experience programme are supported by a buddy system to ensure they get the most from their placements. Towards the end of the placement there is the opportunity to volunteer at Turning Point, apply for a current vacancy if available, or register with Turning Point's Talent Bank to receive job vacancies by email.

Summary

Despite the fact that experience is overwhelmingly what employers value the most when recruiting young people, only a quarter of them actually offer young people the chance to gain work experience. Gaining experience is crucial to ensuring young people end up in productive work, and therefore of tackling the youth employment challenge head on. So it is in everyone's interest to provide more.

The significant benefits that those who take young people on work experience derive suggests a strong business case for more employers getting involved. The good news is that there is untapped potential. A fifth of employers who don't offer work experience say the main reason is that they have not been approached. Furthermore two thirds of those who have recruited young people into a job don't provide any work experience. If they already recruit, manage and develop young people, it shouldn't be a big jump to offer work experience. If we can capitalise on the potential of these employers we can raise the share of all employers offering work experience from a quarter to a half.

Apprenticeships

The ongoing growth of higher skilled jobs set against the ongoing high levels of unemployment for young people who don't go to university points to a sharp need for more non-graduate routes into these jobs. Apprenticeships represent a way of making this happen, and they have been a priority for all governments across the UK in recent years. The case study below shows how apprenticeships can be a key route into the high skill professional and managerial jobs that are set to grow.

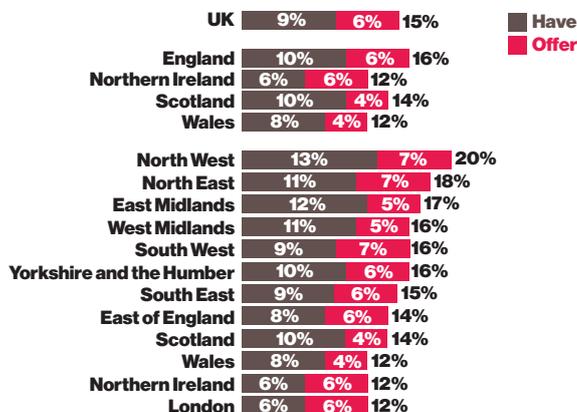
Aviva

Aviva, the multinational insurance provider, has been running its graduate scheme for years. It is dependent on bright young graduates to provide a talent pipeline that will balance the company's ageing workforce. But Aviva also wants to provide young people with an alternative route to university. So in 2012 it launched its apprenticeship offer, providing a first cohort of 30 school leavers with employment. Experience isn't vital when applying to work at Aviva; all that is needed is enthusiasm and the right attitude. Aviva's graduates and apprentices are then trained on the job and receive professional qualifications before being given permanent roles at the company at the end of their programmes.

Across the UK, 9% of employers currently have apprentices and a further 6% offer them but don't currently have them in the workplace. There is little variation across nations within the UK. However, when we look at nations and regions in the UK, it is employers in Northern Ireland, Wales and London that have the lowest engagement, with 12 to 13% of employers having or offering apprenticeships compared to 20% in the North West of England.

Share of employers who have or offer apprenticeships

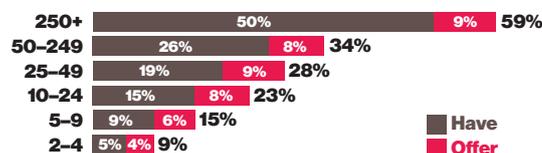
(source: UKCEPS 2012)



Size of employer is a pivotal factor: 50% of the largest establishments have apprentices and a further 9% offer them, compared to 5% and 4% respectively for the smallest employers.

Share of employers who have or offer apprenticeships by size of employer

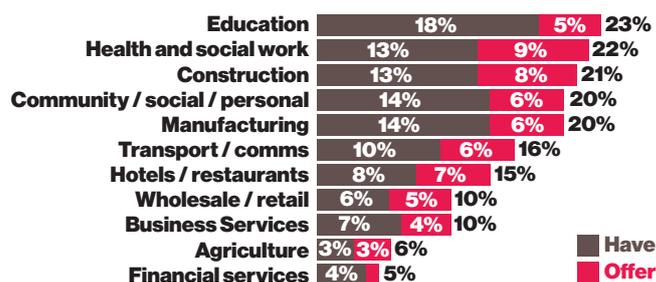
(source: UKCEPS 2012)



There is also major variation by sector. Education, health and social work and construction are the most likely to have or offer apprenticeships. These sectors are more than four times more likely to have apprentices than the financial services sector, where only 4% have and 1% offer apprenticeships. The Business Services sector, which is a catch all for a wide range of service activities, is also worthy

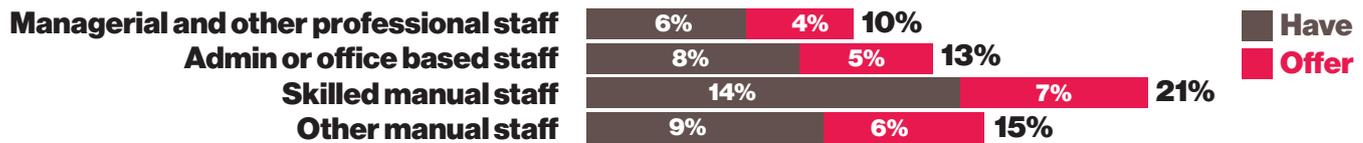
Share of employers who have or offer apprenticeships by sector

(source: UKCEPS 2012)



Share of employers who have or offer apprenticeships by main occupational group

(source: UKCEPS 2012)



of note as it has a low level of apprenticeships, but is a big employer nationally.

As we have seen, employers who predominantly have roles in the high skill managerial and professional occupations are the least likely to recruit young people. In line with this, they are also the least likely to have or offer apprenticeships. An expansion of apprenticeship take-up amongst these employers would open up a major route into the careers pathways of the future.

Employer awareness of apprenticeships

While only a minority of employers are directly involved with apprenticeships, awareness of them is much broader. Currently 15% have or offer them, but a further 26% say they have a good or very good knowledge of apprenticeships, and only 2% of all employers say they have not heard of them at all.

This broad awareness of apprenticeships will be vital in expanding employer involvement. However, when it comes to the detail of government support, awareness could be higher still. Government(s) subsidise in full the cost of training 16-18 year old apprentices, but 42% of all employers are unaware of this. This lack of awareness of the financial support available even extends to employers who are directly involved. Almost a third (30%) of employers who have or offer apprenticeships are unaware of the full subsidy for 16-18 year olds. Lack of awareness of the support available could be a barrier to more employers getting involved with apprenticeships.

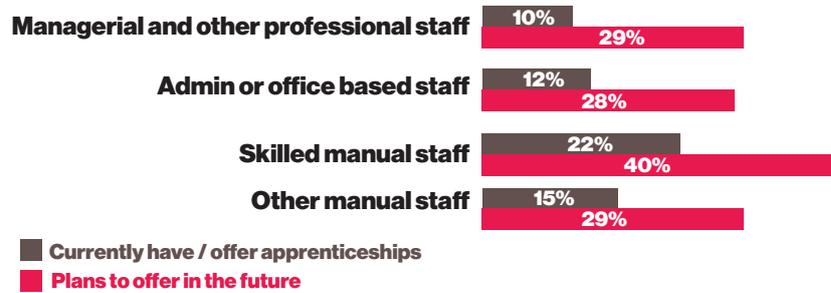
Future plans for apprenticeships

Expanding both the number of apprenticeships and their quality has been a major policy goal for all governments across the UK. A striking finding, therefore, is that there is significant latent demand amongst employers. A third of employers plan to offer apprenticeships in the future. As 15% have or offer them now, making these intentions a reality would double the number of employers currently involved. This, in turn, would mean a significant increase in youth employment.

So which employers have these ambitions? The pattern broadly follows that of those currently offering apprenticeships: so employers in manufacturing (43%), construction (43%) and education (40%) are the most likely to have these plans. However, in every sector, the share who plan to offer apprenticeships in the future is at least twice the figure who have or offer them now. In some sectors, if these aspirations were realised the increase would be quite dramatic. Amongst financial services employers just 5% currently have or offer apprentices but 19% plan to do so in the future: this would be an almost fourfold increase. Likewise, amongst the Business Services sector a third of employers plan to offer them in the future against 11% who have or offer now, a threefold increase.

Share of employers who have / offer apprenticeships now and who plan to do so in the future

(source: UKCEPS 2012)



Encouragingly, employers who have predominantly high skill professional and managerial roles are also looking to expand their involvement with apprenticeships. Capitalising on these ambitions will be key to creating career pathways for young people into the jobs that are set to grow, as it could potentially triple the number of these employers (from 10% to 29%) offering apprenticeships.

Drivers and barriers to offering apprenticeships

The benefits to both individuals and employers of providing apprenticeships are well documented. 87% of employers who have or offer them believe that apprenticeships are a cost effective way to train staff. In order to expand the number of employers offering apprenticeships it is vital to understand these kinds of drivers, as well as barriers for employers. This is particularly true for those employers who don't offer apprenticeships now but plan to do so in the future.

As with recruiting young people more generally, the state of the economy is a key driving factor. The likelihood of an employer taking on apprentices hinges on expectations and experiences of growth. Those who expect to grow significantly are twice as likely to have or offer apprenticeships compared to those who expect to contract or close.

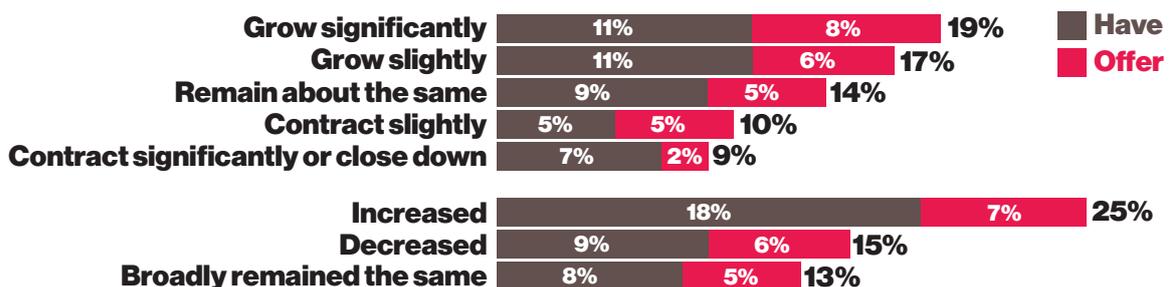
However, while the state of the economy is an important factor, there are other reasons why many employers don't offer apprenticeships.

Crossrail

The chairman of Crossrail started out as an apprentice so the company's passion for investing in young people is top-down. With its pre-apprenticeship training and apprenticeship programmes, the company aims to create the next generation of home grown specialists to hand over the next big projects to. Crossrail will collaborate with their supply chain to deliver over 400 apprenticeships over the lifetime of its major railway project. The company is keen to recruit and develop young people as they tend to be technically minded and adept at the computers and controls needed in tunnelling and construction; and having come straight from some kind of education, they are in 'learning mode' and pick up these skills quickly.

Share of employers who have or offer apprenticeships by expectations of growth and recent change in staff numbers

(source: UKCEPS 2012)



Main reason for not offering apprenticeships

(source: UKCEPS 2012)



The most common reason is simply that there is no need, or that staff are already sufficiently skilled. This is the case for 18% of employers not currently offering apprenticeships. For some employers, especially the high skill ones, this may be because they believe that they get what they need from recruiting graduates. For others, such as those in the lower skill sectors, it will be the opposite reason: they just don't need that level of skill.

Those employers who don't offer apprenticeships now but plan to offer them in the future also give this reason. Promisingly, this suggests that although their workforce has sufficient skills now, they anticipate a skills gap in the future that apprenticeships can fill.

A further 15% of employers who don't offer apprenticeships say that they are unavailable in their industry. Unsurprisingly, this varies by industry, with employers in financial services, education and business services the most likely to say this, and manufacturing and construction the least likely. This could be due to either a lack of awareness of the available apprenticeship training or a genuine gap in provision. Either way it is a significant barrier as only 7% of employers who don't offer apprenticeships now but plan to in the future mention this.

12% of employers who don't have or offer apprenticeships say this is because they aren't currently recruiting. This figure is higher for construction, manufacturing and public sector employers along with smaller employers. A lack of recruiting in general is cited by a slightly greater share (16%) of those planning to offer them in the future. A swift economic recovery might mean that these employers would quickly move to recruit apprentices.

Costs or at least the perception of costs are also an issue, as 10% of employers who don't have or offer apprenticeships

say they cannot currently afford to offer apprenticeships. The total costs of apprenticeship to an employer include the wages of the apprentice and their supervision costs, so it may be these that are of concern. However, as we have noted, many employers are not aware of the level of public support for the costs of training apprentices.

Throughout this report, the importance of experience to both young people and employers has consistently been highlighted. It also comes into play here, as some employers (9%) don't take on apprentices because they prefer experienced staff.

Bureaucracy is cited by a tiny minority (3%) as a barrier, and even those who say they have good knowledge of apprenticeships and are therefore more likely to be aware of any bureaucracy are only slightly more likely to cite this (5%).

Summary

The impact of apprenticeships on both apprentices themselves through higher wages, and on employers through higher productivity, are well documented. However, while across parts of the UK there has been impressive growth in apprenticeship numbers, when we compare internationally there is clear scope for more progress – particularly for younger apprentices.

There is potential for even more significant growth in apprenticeship numbers, with a third of employers planning to offer them in the future. But there are some barriers to overcome. Many employers believe that they just don't need apprenticeships, or that their current staff and recruitment methods are sufficient; perhaps not realising the benefits to taking on apprentices. Awareness is key: many employers claim that apprenticeships are unavailable in their industry. Cost, or at least the perception of cost, is an issue for 10% of employers: but at the same time, lack of awareness of Government support for the training element of apprenticeships is high, standing at 42% of employers.

As with work experience, there is potential for significant growth in apprenticeship numbers. Our aim should be double participation from its current level. Currently, the public subsidy for training apprentices is channelled through providers, so the amount employers are entitled to spend is not clear, nor do they see the money directly. A new approach that makes it easier and more attractive for employers to engage is needed, and may well help in doubling participation. We expand on this in the final section.

Conclusions

For the first time, through the UKCEPS, we have benchmark data on the scale to which UK employers are engaging with young people and addressing the negative impact on them of structural changes in the labour market. And going forward, we will be able to measure progress in this regard. However, what remains clear is that tackling the youth employment challenge will require a concerted effort from Government, employers and education collaborating and working together.

Structural barriers in the labour market have been compounded by the recession, and young people now have fewer opportunities than ever to find jobs and gain experience. There are encouraging sparks of activity taking place across different sectors and regions, but there is scope to do much more.

Employers who have the predominantly high skill occupations that are set to grow need to broaden their recruitment out to include more young people. Recruitment more generally needs to be much more open and much less about “who you know”. Work experience needs to become much more widespread and be seen by employers as a key part of their recruitment strategies. As a goal we should be seeking to double current participation levels. Finally, apprenticeships are a key part of the solution. There is significant potential demand among employers which the system needs to respond to maximise this potential.

In 2011 the UK Commission launched a new vision for how we invest in our current and future workforce – Employer Ownership of Skills¹⁵. We set out how empowering employers and giving them far greater sway over public spending on skills could bring returns in terms of innovation and increased investment. The UK Commission has just published our thinking on the next stage for *Employer Ownership: Building the Momentum*¹⁶. We believe that the momentum can be maintained through a series of steps.

15 UKCES – ‘Employer ownership: Our vision’ 2011 <http://www.ukces.org.uk/ourwork/employer-ownership/our-vision>

16 UKCES – ‘Building the Momentum’ 2013 <http://www.ukces.org.uk/publications/employer-ownership-of-skills-building-the-momentum>

These include:

- Establishing employer owned and run partnerships that will be responsible for setting standards, designing qualifications and designing career pathways
- Giving employers purchasing power for apprenticeships by paying them instead of providers
- Encouraging greater collaboration between employers and educational institutions
- Using labour market outcomes as a measure of success

Taken together, these ideas can help to tackle the youth employment challenge.

Employer-led partnerships

Different sectors act very differently when it comes to giving young people a job, offering work experience or taking on apprentices. For example, the hotels and restaurant sector is the most youth friendly recruiter but one of the least likely to provide work experience. By contrast, in construction employers don’t tend to recruit young people into jobs but are more likely to take them on through apprenticeships; although work experience in construction doesn’t seem to lead to work. Other industries, particularly the growth sectors of the future, recruit young people but rely predominantly on graduates. And, perhaps because of the high skill nature of their work, they believe that they don’t have suitable roles for work experience.

This variation in barriers and needs by sector suggests the need for sector led solutions. One of the key steps to engendering greater employer ownership of skills is establishing employer owned and run partnerships (‘Industrial Partnerships’) that will address some of the problems highlighted above. Such partnerships will ensure an ongoing talent pipeline into employers’ industries, addressing issues such as recruitment, work experience and apprenticeships as appropriate for the industry. They will also be responsible for setting standards, designing qualifications and developing career pathways.

Industrial Partnerships can have a role in making the case for work experience in their industry and co-ordinating work experience across their members. The establishment of Industrial Partnerships is being encouraged through the second bidding round of the Employer Ownership pilots. These pilots involve a competitive fund open to employers in England to invest in their current and future workforce.

Employers are invited to develop proposals that raise skills, create jobs, and drive enterprise and economic growth. The second bidding round closes in March 2013.¹⁷

Direct funding of employers

A key pillar of employer ownership is that employers should have far more purchasing power in apprenticeships. The changing structure of the labour market means that there is a need for more work based and non-graduate routes into the higher level occupations that are set to grow and apprenticeships are a key part of this. However, we have seen that employers who specialise in these kinds of occupations are the least likely to take on apprentices.

One of the major reasons that employers give for not offering apprenticeships is that they believe that apprenticeships are not offered in their industry. Putting buying power in employers' hands will help ensure that supply meets demand.

Many small and new employers believe that they are simply too small and new for apprenticeships. This may be the case if the business is very new and simply not recruiting. However, it may also reflect the fact that historically, smaller employers have struggled to get exactly the provision they want¹⁸. Giving them the buying power will give them much greater influence over the type of provision delivered.

Many employers also seem to be unaware of the degree of public support for apprenticeships, particularly the full subsidy for training for 16-18 year olds. At the same time, some employers believe that the costs are too high. Paying employers for apprenticeships directly as opposed to via a provider would remove any issues around transparency

¹⁷ UKCES - Employer Ownership of Skills Prospectus for Round 2 <http://www.ukces.org.uk/assets/ukces/docs/employer-ownership/employer-ownership-of-skills-pilot-prospectus-round2.pdf>

¹⁸ Making apprenticeships more accessible to small and medium-sized enterprises" A review by Jason Holt, CEO, Holts Group of Companies May 2012

of support. Industrial Partnerships would also have a role in making the case for and spreading awareness of the support around apprenticeships.

Greater employer and college/ provider collaboration

The best outcomes are achieved for learners when employers and colleges/providers collaborate. There are many good examples of this kind of working but there is scope to do more.

SA Brain

S.A Brain & Co Ltd is an independent Welsh brewer and retailer. As a result of the legal restrictions upon their industry recruiting young people under 18 is difficult. The company have however established a partnership with Cardiff Metropolitan University in which they sponsor one student a year reading a BA (Hons) in International Hospitality Management or BA in International Hospitality and Tourism Management. The company provides financial support for the student and the opportunity to get industry expertise and knowledge. One sponsor went on to work at one of the company's restaurants upon completion of her degree before working her way up to a role in Head Office as a Marketing Assistant.

The vast majority of successful bids in the first round of Employer Ownership pilots involve employers investing alongside colleges. Examples include the Manchester Airport Group (MAG) working with Stockport College to establish a Young Persons Airport Skills Academy to support young people with pathways from work experience through to employment. Another project is Langdon Industries', who propose to upskill existing employees in addition to establishing links with local schools and colleges with the aim of identifying future apprentices. This proposal involves working with two colleges and two training providers.

The fact that some employers say they have no suitable roles for work experience suggests that the traditional view of work experience as being two weeks full-time in a workplace at a certain time of the year just doesn't work for many employers, particularly smaller employers. Instead what's needed is a broader approach, including: mentoring,

challenges and competitions, site visits, mock interviews, and talks in schools alongside full-time placements. This is the approach adopted by a number of high performing colleges in England¹⁹. 'Virtual' work experience as exemplified by the case study below is also a good example of a new and innovative way of thinking about work experience.

New Statesman

The media industry is often charged with being London-centric. Political and cultural magazine New Statesman recognises this and so has been piloting a 'virtual work experience' scheme whereby young graduates who aren't based in London and can't afford to move are mentored remotely by the magazine's editors. They write and send in feature articles, which are then marked by the editors and sent back with comments and feedback on the angle taken and the writing style used. When the articles have been perfected with their mentors' help, they are published on the New Statesman's website. The New Statesman see this as a good way of giving everyone a fair chance to gain invaluable experience in writing, editing and fact checking. It also provides a great talent pipeline into the business: the web editor who is now a mentor started off on work experience.

Across the UK, policy intent will almost certainly lead to educational institutions being more pro-active in their search for work experience opportunities for their learners. In England, for example, education and skills policy is shifting work experience to the fore with programmes for 16–19 year olds focussed on English, Maths and work experience and soon to be established Traineeships²⁰.

Labour market outcomes as a measure of success

The shift to greater expectations of work experience for full-time learners will no doubt encourage more opportunities for young people. However, shifting accountability and success measures toward labour market outcomes (earnings and employment chances for learners for example) would further encourage employer and college/provider collaboration. This could be achieved

by emphasising these outcomes in inspection and quality assurance regimes, and by tying funding to these outcomes.

Local collaboration can, and does, take a variety of forms. In the case of work experience, not only have many employers not been contacted to provide any, others struggle with the time and resources necessary. These employers are again perhaps thinking of work experience in the traditional sense, as two-week full-time placements. They need to be shown that other, less onerous activities such as talks in schools are just as valid. Furthermore, even if they can only provide one or two day placements, then these can be co-ordinated through local collaboration to be part of bigger work-based programmes for young people.

There is a wide range of good practice in employer and college collaboration. Some colleges have gone a step further to become a recruitment hub. One example of this is the partnership between Bournemouth and Poole College, REED (the recruitment company) and NCFE (an awarding body). This provides a recruitment service to local employers and fills vacancies with its students. A high quality recruitment service like this might encourage employers to use this method instead of word of mouth recruitment.

By taking some concerted steps towards greater and more ambitious employer ownership we could achieve a great deal. From the current baseline our aim should be to double the engagement of youth policy activity among UK employers, in particular with work experience and apprenticeships, where we have discovered untapped and future demand. If we can move from one employer in four offering work experience to one in two, and boost apprenticeship participation from 15% of employers to 30% this would make a significant contribution to scaling the youth employment challenge.

¹⁹ OFSTED – "Promoting enterprise in vocational courses for 16-19-year-old students in colleges" November 2012

²⁰ BIS – "Traineeships discussion paper" 2013 http://media.education.gov.uk/assets/files/pdf/t/updated_%20traineeships%20discussion%20paper%20-%20january%202013.pdf

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.

UKCES
Renaissance House
Adwick Park
Wath Upon Dearne
Rotherham
S63 5NB

UKCES
Sanctuary Buildings
Great Smith St.
Westminster
London
SW1P 3BT

T +44 (0)1709 774 800
F +44 (0)1709 774 801

T +44 (0)20 7227 7800

www.ukces.org.uk

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