



**Department
for Business
Innovation & Skills**

**Government evidence on EU
action to tackle youth
unemployment**

**Report to the EU sub-
committee on the Internal
Market, Infrastructure and
Employment**

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1. Summary

1. This document provides the Government's evidence to inform the inquiry into the EU's action to tackle youth unemployment by the House of Lords EU Sub-Committee on the Internal Market, Infrastructure and Employment.
2. The structure of the document is as follows. First, a summary of the key evidence on the effectiveness of policy interventions aimed at reducing unemployment, with reference to young people is presented. Second, the report provides some high level background on the youth labour market situation in the EU and some more detailed information on the youth labour market in the UK. A brief summary of the Government's position on the EU's policies to tackle youth unemployment follows. Finally, Annex A provides a summary of the key policies in the UK that relate to young people in the labour market.
3. Seminal work by the OECD provides key policy recommendations aimed at reducing unemployment and promoting labour market participation and employment. The high level recommendations that we believe are relevant for young people are: 'remove impediments to labour market participation as well as job-search' and 'facilitate the development of labour force skills and competencies'.
4. Further evidence also suggests that labour market activation is generally an effective policy to get people in to work. Wide scale training programmes aimed at the general population have been found to give low returns – however, the literature has found some positive returns when training programmes are combined with work experience.
5. The recent recession in Europe has had a larger impact on young people than adults. After rising sharply over the course of the recession, the youth unemployment rate in the EU 27 reached 23.2 per cent of the labour force in 2013 Q2 – 8.1 percentage points higher than the pre-recession low in 2008 Q1. In comparison, the overall unemployment rate in the EU 27 was 10.9 percent in 2013 Q2, 4.1 percentage points above the pre-recession low.
6. Aggregate figures mask differences between EU countries. The UK youth unemployment rate has been consistently below the EU-27 average.
7. There is evidence to suggest that an extended period out of work while young can have long lasting effects through lower future wages, a high chance of future unemployment and negative effects on well-being. Therefore, policies to help reduce youth unemployment and the number of young NEETs are important.
8. In 2014-2020 the European Social Fund (ESF) will be part of the new European Structural and Investment Funds Growth Programme for England, along with the European Regional Development Fund and part of the European Agricultural Fund for Rural Development. The Government has allocated the vast majority of Growth Programme Funding to Local Enterprise Partnerships (LEPs) areas. LEPs are working with local partners to develop investment strategies to use the funds to promote growth and jobs in their local areas.

2. Evidence on what works to improve youth unemployment

9. An extended period out of work while young can have long lasting effects through lower future wages, a higher chance of future unemployment and negative effects on well-being. Labour market policies aim to ensure rising unemployment caused by the recession does not develop into a long-term structural problem.
10. Many workless under-18s tend to make a successful transition to employment. But for some this takes longer than it should, and some express dissatisfaction with the support and opportunities that are currently open to them.
11. Over the last few years, The OECD has conducted wide ranging research and analysis on the effectiveness of policies aimed at helping to reduce unemployment. The seminal pieces of work in this area are the 1994 Jobs study and the subsequent reassessment of this in 2006 – ‘Boosting Jobs and Incomes: Policy Lessons from Reassessing the OECD Jobs Strategy’.
12. The reassessment presents a number of recommendations, based around ‘four pillars’, aimed at reducing unemployment and promoting labour market participation and employment. According to the OECD ‘all countries need to ensure that each of the four pillars is solid. However, within each pillar they may be scope for individual countries to use different policy combinations to achieve successful outcomes, taking in to account policy interactions and country circumstances and objectives’.
13. From these pillars, the key elements that we believe are most relevant for the youth labour market are:
 - (i) ‘Pillar B: Remove impediments to labour market participation as well as job-search’.

The OECD suggests that this can be facilitated by implementing well-designed unemployment benefit systems and active labour market policies as well as making other non-employment benefits more work orientated¹.

- (ii) ‘Pillar D: Facilitate the development of labour force skills and competencies’.

The transition between school and work should be facilitated by ‘reducing early exits from education and ensuring that young people acquire skills relevant to labour market requirements – including by broadening vocational programmes, strengthening links between general and vocational education and improving career guidance.’ In addition, it is essential to ‘help combine education with work, notably through improved apprenticeship systems or more informal channels’².

¹ Boosting Jobs and Incomes - policy lessons from reassessing the OECD jobs strategy, OECD 2006; p 21

² Boosting Jobs and Incomes - policy lessons from reassessing the OECD jobs strategy, OECD 2006; p 23

The full details of the OECD's four pillars are shown in annex B. Some other elements of the other pillars may also be relevant.

Active labour market policies

14. For those in the labour market, maintaining active jobsearch is essential. There is evidence that focusing active labour market policies on maintaining labour market attachment is successful for a wide range of different groups, including young people. Evidence from the US has found significant gains in employment, particularly for women, although these are not always long-lasting³. Other evidence, including from the UK, has found significant reductions in benefit receipt and increased probability of finding work⁴.
15. One of the key conclusions of the 2013 OECD Employment Outlook⁵, supported by evidence from a number of countries, is that well designed activation policies encourage the jobless to find jobs. The study suggests that activation policies should consist of measures to assist job search and improve job readiness, backed up by appropriate requirements to participate in employment and training programmes.
16. The OECD also argues that countries' experience with regular interviews (for example with employment counsellors) has suggested they lead to reductions in public expenditure because even quite a low level of contact with unemployed people reduces the number of benefit claims⁶. Unlike other support, there is less risk that participants will find themselves locked into a programme and reduce their search activity.
17. Evaluations in the UK consistently highlight:
 - the role played by personal advisers who support claimants to access job opportunities and act as the gateway to further support for those that need it
 - the need for flexible, carefully targeted provision that can be tailored to the needs of each claimant
 - and, the need for a strong rights and responsibilities agenda backed up by an effective sanctions regime.

³ See for example, Martin (2000): What works among active labour market policies: Evidence from OECD countries' experiences; and, [OECD Employment Outlook 2005, chapter 4: Labour Market Programmes and Activation Strategies: Evaluating the Impacts](#)

⁴ See for example, [OECD Employment Outlook 2005, chapter 4: Labour Market Programmes and Activation Strategies: Evaluating the Impacts](#)

⁵ http://www.oecd-ilibrary.org/employment/oecd-employment-outlook-2013_empl_outlook-2013-en

⁶ See for example, Martin and Grubb (2001): What works and for whom: a review of OECD countries' experiences with active labour market policies; and, [OECD Employment Outlook 2005, chapter 4: Labour Market Programmes and Activation Strategies: Evaluating the Impacts](#)

18. However, in the UK, although activation plays a key role in the welfare system, the infrastructure aimed at assisting the transition from education to work is not as well developed – the evidence suggests (see section 3) that there seems to have been a structural decline in the labour market situation for young people making the transition from education to work/jobs with training. The upwards trend in workless young people who have never had a regular paid job has been present for at least a decade (see chart 5). And, although the problem of long term NEETs is concentrated amongst those with low or no qualifications, there has been some deterioration over time amongst higher qualifications. This view is supported by the fact that young people who have moved into the labour market (either they already had a job or are on unemployment benefits) have performed relatively well in the labour market.

Policies aimed at under 18s

19. Evidence for workless under 18s suggests that small steps are often needed in order to progress. Evaluation of Activity Agreement Pilots⁷ found that building confidence was at the heart of progression for many - developing the ability to work in a group, interact with adults, and, for some, travelling to and attending activities outside their 'normal' travel zones.
20. For those with more entrenched barriers, something as straightforward as establishing a routine and turning up at the first few weekly meetings can be a huge success and instil confidence in the learner.
21. Young people grew in confidence through learning in a non-school setting where they feel they are treated more like adults.
22. Developing a clear and realistic goal in itself is a key outcome in supporting progression. However, these small steps were not always a linear progression, with many suffering false starts and set backs. The intensive support of advisers combined with flexible provision was key to the success of the Activity Agreement programme⁸.

⁷See here for comprehensive research on Activity Agreement Pilots:

<https://www.gov.uk/government/organisations/department-for-education-for-series/activity-agreement-pilots>

⁸ <https://www.gov.uk/government/publications/activity-and-learning-agreement-pilots-programme-theory-evaluation-activity-agreements-and-small-step-progression-working-paper-5>

Training programmes

23. Broad training programmes aimed at the general unemployed population have been found to produce low returns. In the UK the Leitch report⁹ concluded that it was important not to delay return to work, and for most people, training could be undertaken part-time whilst maintaining jobsearch.
24. A recent literature review¹⁰ found that for low-skilled young people, programmes that combine training with periods of work experience, contact with employers and assistance with job search, and lead to recognised and relevant qualifications, are more likely to be more effective.
25. Evaluation has found that disadvantaged young people tend to need a combination of measures. Successful programmes tend to be those that either include in-depth counselling and training, and/or are well targeted - on specific groups, or in meeting specific labour market needs¹¹.
26. Class-room based programmes, particularly those that are broadly targeted, generally have the least success¹². Those who dropped out of or did not succeed in the education system are difficult to motivate in a class-room setting. This is particularly relevant for young people who are NEET – evidence suggests that being NEET long term is linked to those that have been excluded from school or were persistent truants¹³.
27. However, most evaluations follow people over relatively short periods (one or two years) and the effects of training programmes can take time to appear. Some evaluations that have followed participants over a longer period found more significant benefits after several years¹⁴.

Direct job creation

28. The OECD argue that when used to provide jobs in the public sector, direct job creation has generally been of little success in helping unemployed people get permanent jobs in the open labour market. Direct job creation typically provides few long-run benefits. Further, avoiding displacement of other activity can lead to use of low marginal product jobs¹⁵.

⁹ http://webarchive.nationalarchives.gov.uk/+/http://www.hm-treasury.gov.uk/leitch_review_index.htm

¹⁰ BIS (2013) Youth unemployment: review of training for young people with low qualifications

¹¹ See for example, Martin and Grubb (2001): What works and for whom: a review of OECD countries' experiences with active labour market policies

¹² See for example, OECD (2010): Off to a good start? Jobs for youth

¹³ DfE longitudinal Study of Young People in England

¹⁴ For example: Card et al. (2009), Active labour market evaluations: a meta-analysis

¹⁵ See for example, [OECD Employment Outlook 2005, chapter 4: Labour Market Programmes and Activation Strategies: Evaluating the Impacts](#)

29. However, the OECD argue that these programmes can be useful as a work test and as a means of helping the unemployed maintain contact with the labour market, particularly when aggregate demand is depressed and vacancies are scarce. The jobs provided should be of short duration, to avoid them becoming a disguised form of permanent employment and having negative effects on the jobsearch of the participants.

Other policies generally need careful targeting, including wage subsidies

30. Evidence on wage subsidies suggests that, if carefully targetted, they can have positive effects on employment for those who take part, by helping people overcome barriers to employment, such as employers' negative perceptions. Given high natural off-flow rates from Jobseeker's Allowance in the UK, targeting is needed to minimise deadweight.
31. Short-term wage subsidies can also suffer from high levels of substitution (firms take on subsidised workers at the expense of other employees) and displacement (other firms may lose business and employment to the subsidised firms) which reduces any net increase in levels of employment.
32. Some studies have reported that subsidies combined with a training element can be helpful in reducing unemployment. However, careful controls and monitoring are needed for all types of subsidy programmes to avoid firms using them to support existing employment, or laying off workers and re-hiring when the subsidy ends¹⁶.

Skills provision and education

33. There is a consistent correlation between young people being NEET and low qualification levels (see chart 4). Analysis of longitudinal survey data for young people up to age 19 shows that low education attainment is one of the strongest predictive factors for whether young people will be NEET post-16¹⁷.
34. UK evidence on returns to qualifications suggests that there are positive returns in terms of increased wages and positive employment returns from completing qualifications compared to not having qualifications. Furthermore, higher qualifications tend to produce higher wage returns for individuals. The evidence on employment returns from qualifications shows an increased likelihood of being employed at all levels of qualification compared to not having qualifications. The

¹⁶ See for example, Martin and Grubb (2001): What works and for whom: a review of OECD countries' experiences with active labour market policies

¹⁷ DfE Longitudinal Study of Young People in England (LSYPE)

positive impacts for earnings and employment are seen at all levels of learning between 4-7 years post-completion, including Level 1 for 19-24 year olds¹⁸.

35. A US report on the role of education and training in welfare reform found that programs that combine employment and education were found to have the greatest impact on increased earnings and reduced welfare payments (Gueron & Hamilton (2002)¹⁹).

¹⁸ [BIS Research Report No. 53 \(2011\), Returns to Intermediate and Low-level, Vocational Qualifications](#)

¹⁹ <http://www.brookings.edu/~media/research/files/papers/2002/4/poverty%20gueron/pb20>

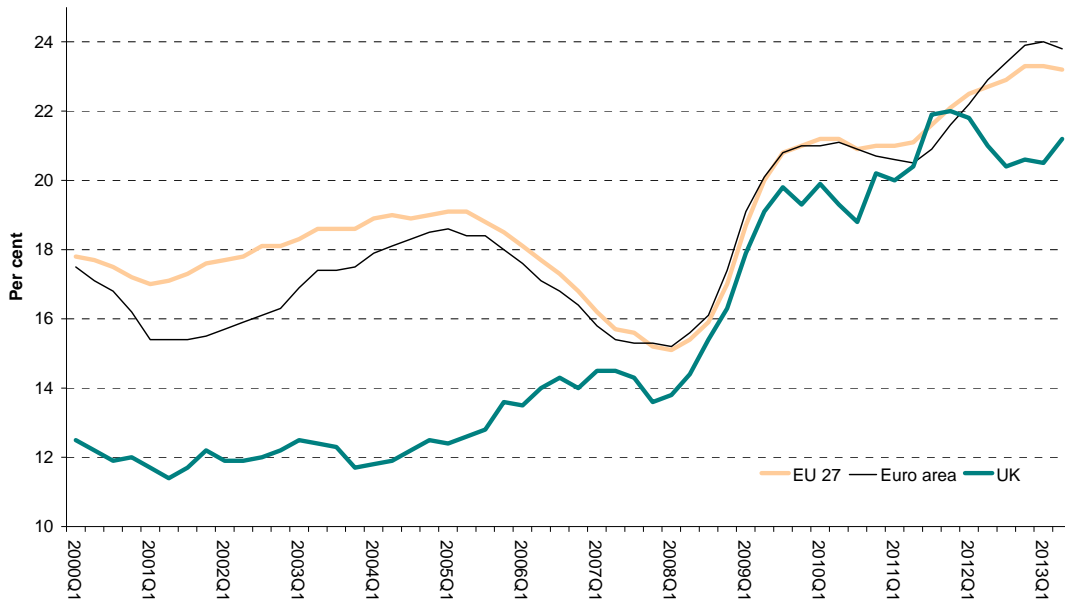
3. Youth unemployment in the EU and the UK - Background

The European Union

36. Until the end of 2008, the youth unemployment rate in the EU-27 was around twice as high as the rate for the total population, reaching a pre-recession low of 18.1 per cent in 2008 Q1. The equivalent UK rate pre-recession was around 14 per cent.
37. The economic crisis in Europe appears to have impacted upon young people more than other age groups. From the beginning of 2009, the gap between the youth and the total unemployment rates has increased – in 2013 Q1 there was a 12.3 percentage point difference between the two.
38. The EU-27 youth unemployment rate was systematically higher than in the euro area between 2000 and mid-2007. Since then and until 2010 Q3 these two rates have been very close. After this point the youth unemployment rate has moved more sharply in the euro area than in the EU-27, first downwards, until mid-2011, then upwards until the end of 2012. In the middle of 2012, the euro area youth unemployment rate overtook the EU-27 rate, and the gap continued to increase until the end of the year. Apart from a short period in 2011, the UK youth unemployment rate has been consistently below the EU-27 average.

Chart 1: Unemployment rate of people aged 15-24

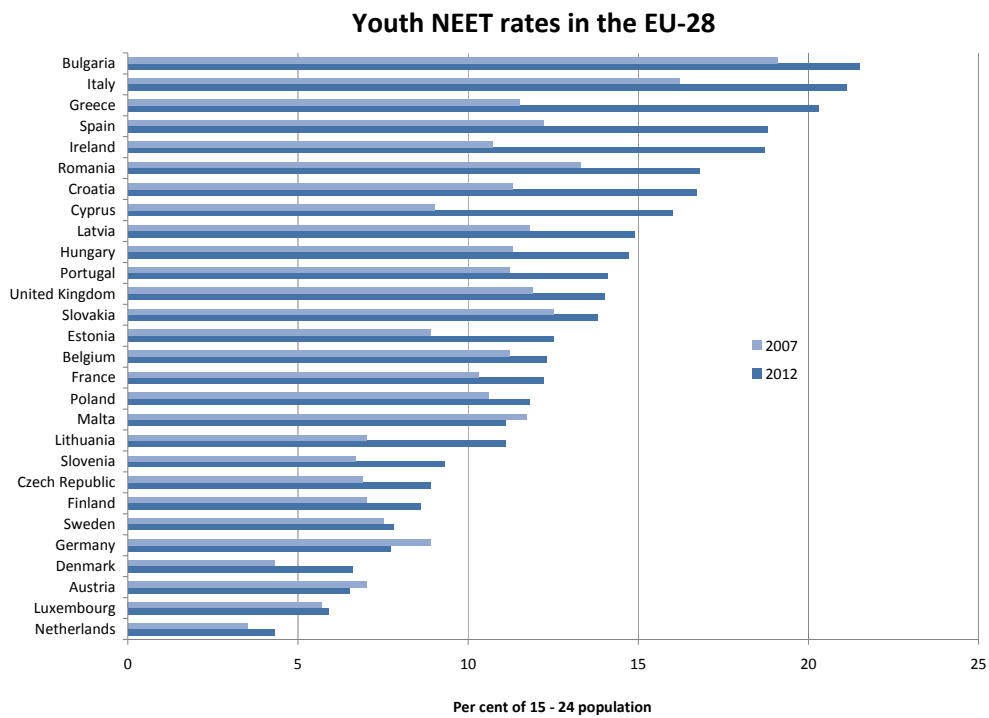
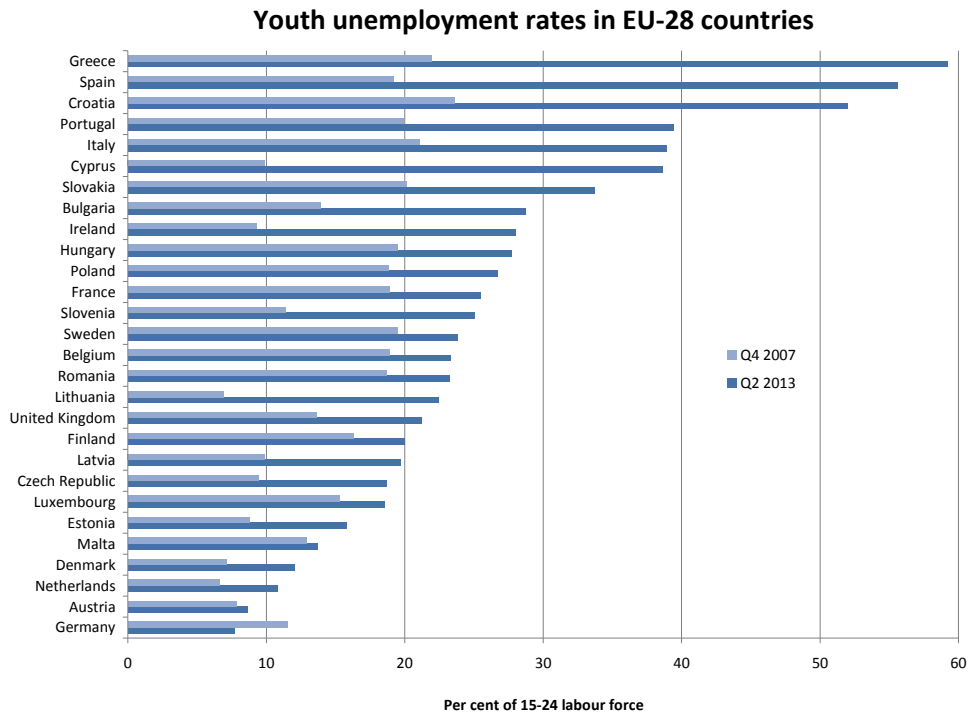
Proportion of labour force



Source: Eurostat – EU LFS

- 39. The proportion of the youth population in formal or non-formal education or training in the EU has been generally increasing, reaching 67 per cent in 2012 for the EU 27. This, combined with an ageing population suggests that the size of the EU youth labour market may have reduced.
- 40. The proportion of young people not in employment, education or training was 13.2 per cent in the EU in 2012 – a 2.3 percentage point increased compared to the low of 2007-08.
- 41. These aggregated figures mask significant variation among the countries in Europe. Recent data shows that youth unemployment rates varied from 7.7 per cent in Germany to 59.2 per cent in Greece in Q2 2013. NEET rates varied from 4.3 per cent in the Netherlands to 21.5 per cent in Bulgaria (see chart 2 below).

Chart 2: Youth unemployment rates and youth NEET rates across EU countries



Source: Eurostat – EU LFS

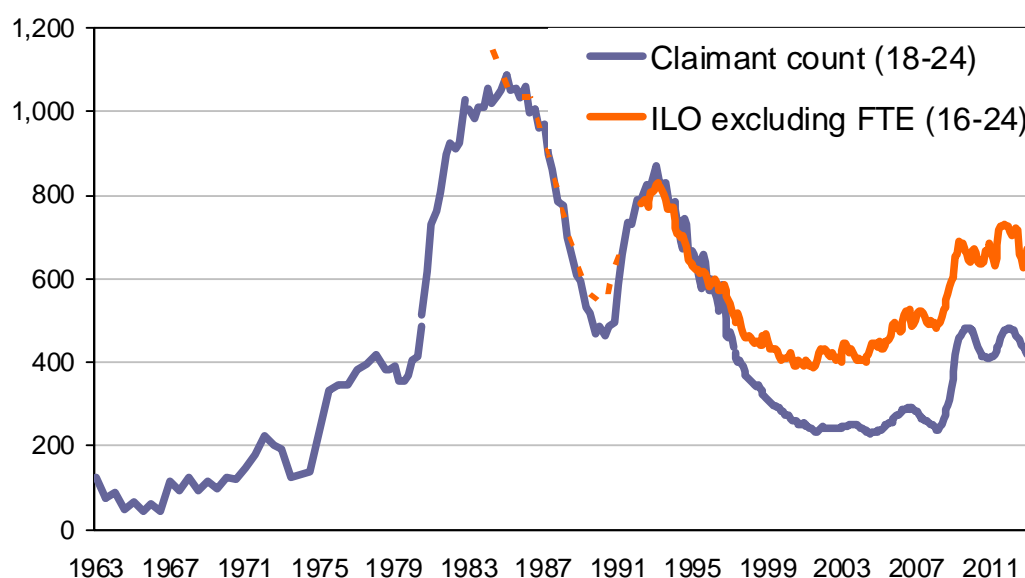
42. The reasons for these differences vary between countries - there are significant differences in labour market regulation frameworks (the OECD's strictness of employment protection indicator varied among EU countries from 1.1 in the UK to 3.1 in Portugal²⁰ in 2013), as well as education and training systems and active labour market policies. The extent of structural problems exacerbating youth unemployment in each country therefore also varies – but these all contribute to the aggregate EU indicators on the performance of the youth labour market.

²⁰ OECD average is 2.0

The United Kingdom

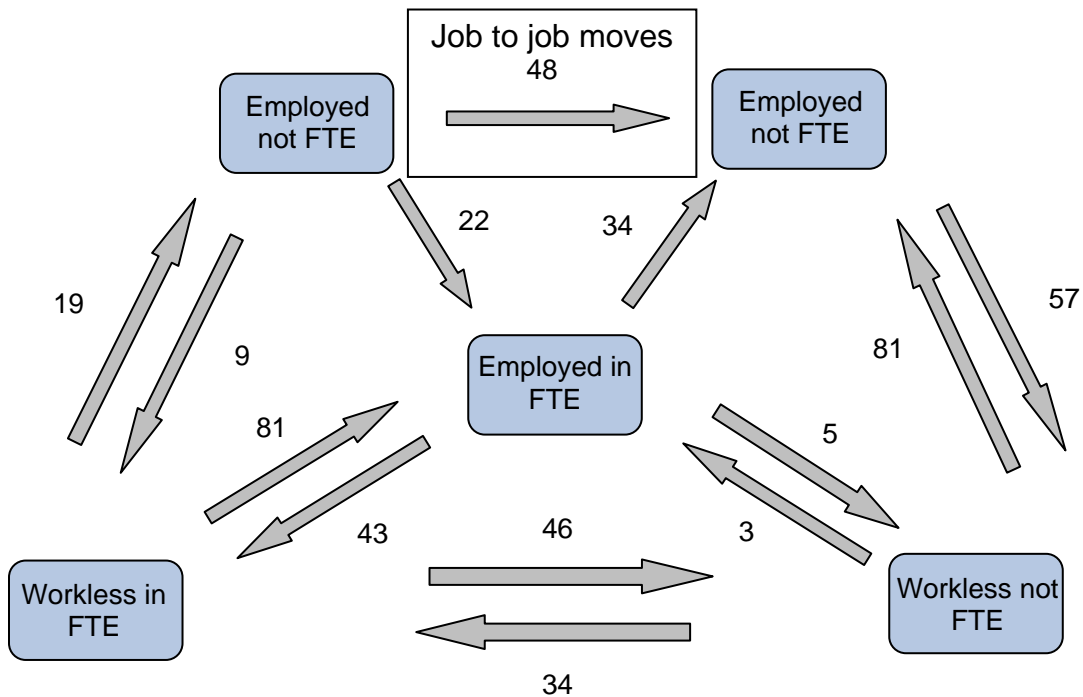
43. In the three months to August 2013 there were 958,000 unemployed 16-24 year olds in the UK – the headline unemployment rate for this group was 21 per cent of those active in the labour market, and this group made up 13 per cent of the total youth population.
44. However, nearly 300,000 young people in the headline total are unemployed full-time students. Excluding those in full-time education, there were 660,000 young unemployed people in the three months to August 2013 – the unemployment rate of this group was 19.1 per cent and it made up 9% of the total youth population.
45. The proportion of young people in full-time education has been increasing over time. It increased substantially over the second half of the recession and has continued to increase since - reaching its highest ever level in 2013 Q2.
46. Rising participation in education has cut the size of the youth labour force. This means that the unemployment rate – which is expressed as a percentage of the labour force rather than the total youth population - peaked at a higher level in the recent recession even though the number of unemployed under-25s was much lower than at previous peaks in 1984 and 1993.

Chart 3: Measures of youth unemployment (thousands)



47. Overall, around four-fifths of under 25s are working or in full-time education - 91% for under-18s, 80% for 18-24s. About half of 16-24 year olds who are not in full-time education or work are unemployed (668,000) and half (651,000) are inactive.

Fig 1: Year to Q1 2012: Approximate number of under 25s moving between labour market states (thousands)*

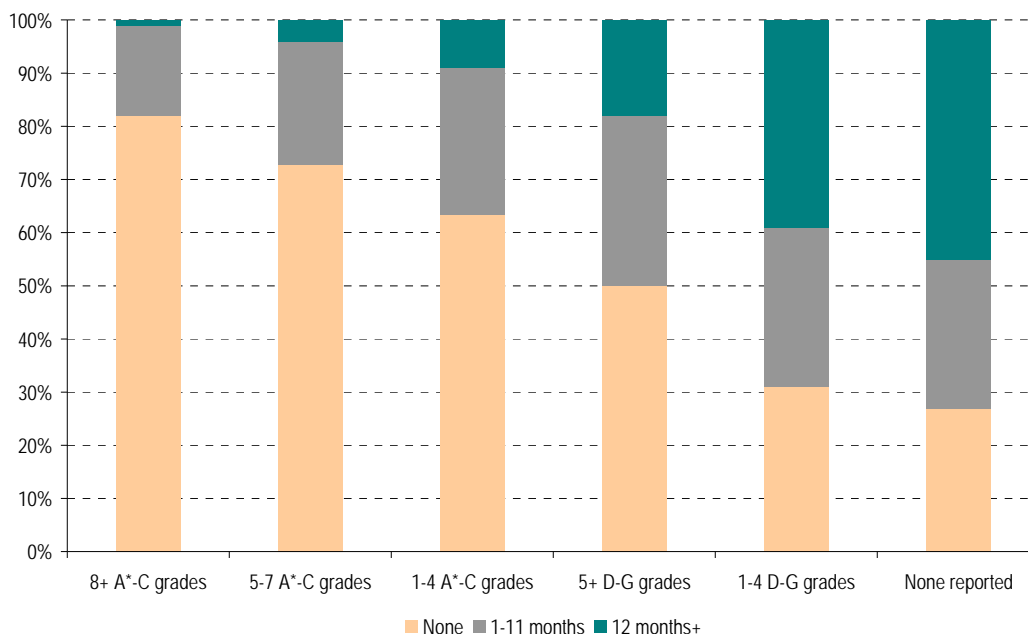


*This analysis will understate total changes throughout the year, because someone who changes state several times in one quarter will only be counted once. Those entering or leaving the age group over the period are also excluded.

Source: DWP analysis of the labour force survey

48. Young people move more frequently between jobs (see fig 1), and into and out of education. In general, most spells of ILO unemployment are short for young people, and the same is true for durations on the claimant count. This greater turnover among under 25s is partly reflected in the higher unemployment rate for young people than for other age groups (given that the unemployment rate is a snapshot in time).

49. As outlined above, a lot of youth unemployment is transitory in nature. Because of this, young people in long term unemployment are among those most at risk of suffering negative outcomes. Long term unemployment tends to be particularly prevalent among young people who have left school with no qualifications, those who consistently truant and those who are excluded from school. The Longitudinal Study of Young People in England shows that nearly half of those leaving school with no GCSEs spend a year or more NEET by the age of 18 (see chart 4 below).

Chart 4: Time spent NEET by 18 (per cent) by GCSE attainment

Source: Longitudinal study of young people in England

50. Not all of the transitions in the youth labour market happen smoothly. In particular, evidence suggests that there are some structural problems with the transition between education and employment – the number of young workless people (ILO unemployed and inactive) that have never had a paid job²¹ has been increasing since the early 2000s.

51. Chart 5 below plots under 25 year olds (excluding those in full-time education) not in employment (inactive or unemployed²²) by whether they have never worked or have previously held a paid job. The number of young people in this group who have never had paid work has been rising since the beginning of 2001, reaching a peak in 2012 Q1 of 747,000 – most of this increase occurred before 2010. This suggests that young people are generally taking longer to move from education to employment²³. However, the outflow rates from the claimant count for 18-24 year olds are higher than for older JSA claimants and are improving. This might suggest that structural deterioration in labour market prospects for young people is amongst people who are either on ‘inactive’ benefits or not on benefits at all.

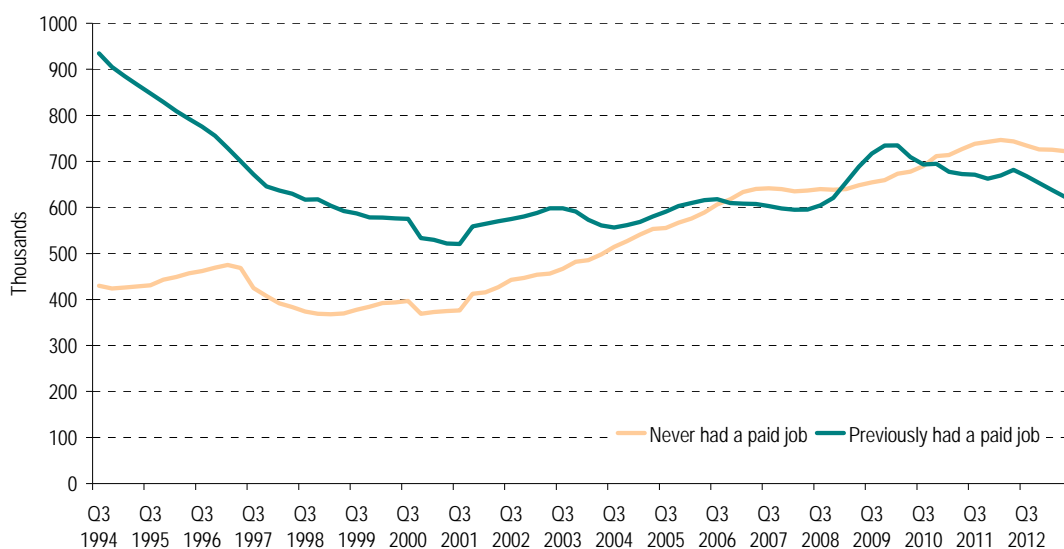
²¹ The Labour Force Survey asks people to ignore periods of casual or holiday work, therefore individuals in this group may have done some form of informal work. However, the implication of the response to this question is that individuals have not yet succeeded in making the complete transition in to the labour market.

²² Despite excluding those in full-time education, the data shows that the majority of this group are inactive rather than ILO unemployed.

²³ This figure may be affected by rising participation in education as it means that at any one time there will be more recent leavers from education who have not had a long period in the labour market.

52. In 2013 Q2, the level of under 25 year olds who have never held a paid job was 722,000, a fall of 25,000 on the year. Despite this recent improvement, there are still indications of growing structural worklessness problems for young people in this group in making the transition from education to work. Furthermore, this upwards trend in young workless people who have never had a paid job appears in people at most qualification levels.
53. Chart 5 also shows young workless people who have previously had a regular paid job. The movements in this series seem more cyclical, given that there is a local peak at the end of 2009, coinciding with the end of the recession. Since then, the number of young workless people in this group has fallen by 112,000 to reach 623,000 in 2013 Q2. However, the level is still 28,000 above the pre-recession level of 595,000.

Chart 5: Under 25 year olds (excluding those in full-time education): workless who have never had a job and previously had a job

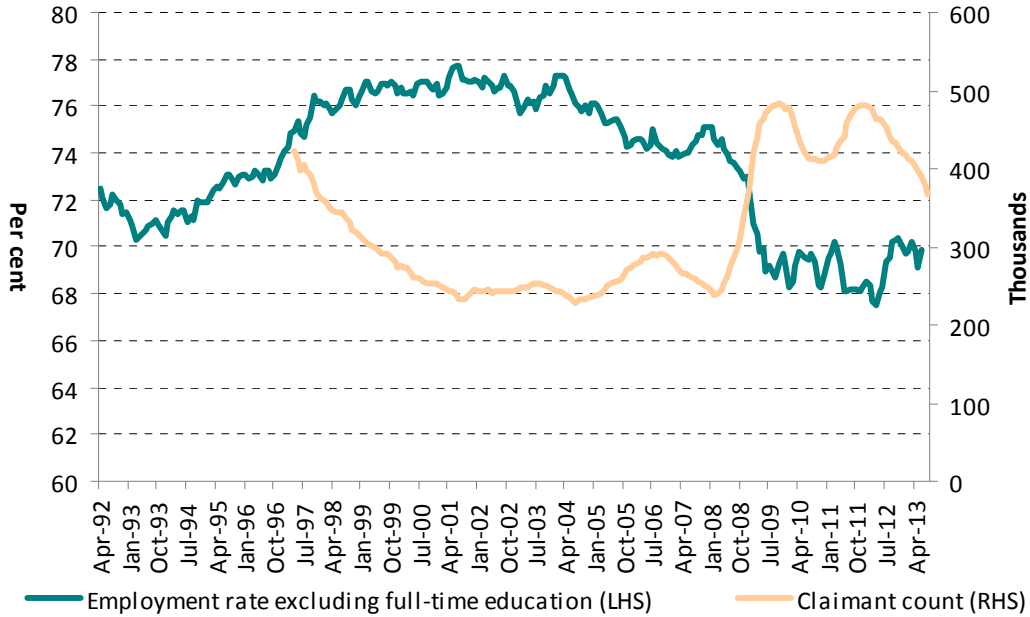


Source: BIS analysis of Labour force survey. 4 quarter moving average

54. Despite evidence of some structural issues in the labour market that were affecting young people before the recession, there is some evidence that some groups performed relatively well in the labour market in the years leading up to the recent downturn.
55. The employment rate of people aged 18-24 not in full-time education was at a relatively high level in the years up to the recession (especially relative to under

18s). In addition, the claimant count for 18–24 year olds was at its lowest for 30 years in 2004.

Chart 6: Claimant count of 18-24 year olds and employment rate of 18-24 year olds excluding those in full-time education



Source: Office for National Statistics, monthly labour market statistics

56. After sharp falls in employment, and increases in unemployment over the recession, the labour market situation of young people may have stopped declining and there may be some signs of improvement. The total number of 16-24 year olds that are classified as ILO unemployed in the UK is at a similar level to a year ago. However, the number of 18-24 year olds claiming Job Seekers Allowance has been falling for the last year.

4. EU Policies to tackle youth unemployment

57. The primary responsibility for tackling youth unemployment rests with Member States, including activation policies and dealing with important structural issues such as inflexible labour markets and high costs (wage and non-wage) to employers. Over the years, the European Social Fund (ESF) has provided funding to supplement Member States' programmes. Although this has been mainly focused on the less developed regions of the EU, all Member States have received funding.
58. In February 2013, the European Council decided to create a new Youth Employment Initiative (YEI). This will provide €3 billion to reinforce the €3 billion of ESF money in 'NUTS2' regions with youth unemployment rates above 25 per cent in 2012. The YEI money will be front-loaded in 2014 and 2015. The following regions are expected to qualify in the UK: Inner London, Merseyside, South West Scotland, Tees Valley and Durham and the West Midlands.
59. It is important that the new YEI respects Member States' powers and that they have flexibility to design programmes that meet their needs.
60. There should not be a single model for the activity that the ESF and YEI will fund. Instead how it is used should take account of existing provision and needs in each Member State or region. There should be flexibility to support the most effective interventions that complement and enhance existing provision.
61. This reflects the approach that the Government is taking to the 2014-2020 round of ESF and European Regional Development Fund (ERDF) in England. Local Enterprise Partnerships (LEPs) will have direct influence over the large majority of these funds. They are working with local partners to develop investment strategies to use the funds to promote growth and employment in their local areas. LEPs which cover areas eligible for the Youth Employment Initiative will propose in their investment strategies how this money should be used to tackle youth unemployment in their areas alongside existing Government programmes.
62. The EU sets out broad target groups for support such as young people who are NEET. It is for Member States to define more specific target groups and actions according to their needs, and reflecting how EU funding can complement national programmes and resources. This is set out in operational programmes that Member States agree with the Commission, and supported by evidence in ex-ante evaluations. The UK should not support greater prescription in EU legislation or guidance.
63. The ESF and YEI should be subject to sound financial management and the effectiveness of projects should be rigorously monitored and evaluated. The UK welcomes the enhanced focus on performance management in the 2014-2020 regulations. The onus is now on the Commission and Member States to ensure that these are implemented properly, and that robust information is available to monitor and evaluate the success of projects to tackle youth unemployment.

64. In its guidance to LEPs the Government has asked them to consider the following activities;

- Reducing the number of NEETs and those at risk of disengaging;
- Additional literacy and numeracy provision for young people;
- Additional and innovative approaches to support and motivate young people with no or few qualifications into training and the workplace;
- Innovative programmes for marginalised groups to help bring them to and support them in learning;
- Providing support to embed programmes for young NEETs;
- Brokering opportunities for young people and supporting local employers to take on young people who are NEET.

These activities are not prescriptive and LEPs may propose other activities, including new, innovative provision.

65. The Government has asked LEPs to consult local partners in developing their strategies, but there is no requirement on them to consult youth groups in particular. LEPs and their partner organisations are best placed to understand local needs and identify gaps in provision in terms of skills and education and disadvantaged groups. LEPs will work with partners to design and develop programmes and initiatives to address these shortfalls and encourage young people to participate.

66. In parallel with ESF programmes, the government has specific provision in place aimed at tackling youth unemployment that newly qualified graduates and young unemployed people can be steered towards. For example, the government has invested over £1bn in the Youth Contract which builds on existing support to provide young people with more intensive adviser support and work experience, as well as providing employers with wage incentives and apprenticeship grants to encourage them to recruit young people.

Annex A: Key UK Government policies for young people

Schools and education

67. The Government's programme of structural reform of the school system, including the rollout of more Academies and Free Schools, is aimed at providing a quality of education for all which matches the best in the world. This is the best preparation for entry to an increasingly competitive labour market. Through the Pupil Premium, the Government are targeting support to the most disadvantaged. The recent OECD Adult Skills Survey highlighted the fact that the UK is lagging behind in core skills such as numeracy and literacy. The Government is aware that these skills are closely related to the employment prospects of young people. The Government is focusing on maths and English in our school education reforms, for example through the emphasis on phonics in early literacy, and putting more rigorous mathematics at the heart of the secondary qualifications reforms. The Government is ensuring that all young people who do not achieve at least a C in English and mathematics GCSEs carry on studying these post-16, and have set an ambition that, by the end of the decade, the vast majority of 16-18 year-olds will be studying mathematics.

What happens in schools to direct young people's post-school choices?

68. Since 2012 there has been a duty on all schools to secure access to independent careers guidance for pupils aged 14-16. From September 2013 there is a new duty on schools to secure access to independent and impartial careers advice for students aged 12 to 18 years.

69. As well as the statutory guidance which supports schools in implementing this duty, DfE also published a practical guide - welcomed by the Association of School and College Leaders – which offers additional examples of policy and practice and signposts other high quality resources.

70. The Government will look to schools to support students to make the choices most suited to them. The Government expects schools to consider what form of careers guidance best meets the needs of individual students - good careers advice will not look the same for everyone.

71. As well as establishing a package of support for all ages, the Government has also established the National Careers Service which young people can contact by

visiting the website and using a free telephone service. There are also continuing duties on local authorities to support careers guidance.

72. The Government wants to focus clearly on outcomes for young people. Education Destination Measures were published for the first time in July 2012 – and revised data was published in July 2013. They should expose any schools that are encouraging pupils into post-16 options for which they are not suited, and which they therefore drop out from.
73. Ofsted's thematic review of careers guidance, 'Going in the right direction?'²⁴ was published on 10 September 2013. In its response²⁵ to this review and the National Careers Council report 'An aspirational nation' (published in June²⁶), Skills Minister, Matthew Hancock, also set out his 'Inspiration vision'²⁷. This showed the substantial changes required to improve the life chances of young people and called on employers and schools and colleges to work more closely together to inspire children and young people. The National Careers Service will play a part making links and bringing in those partners who work with schools and colleges and employers to forge new enduring and productive partnerships.

Policies on youth employment

74. The Government has a clear strategy for supporting young people into work based on five priorities:

- Raising attainment and ensuring that young people have the skills to compete in a global economy, including through quality vocational education/training.
- Helping young people at risk of falling through the net, by supporting local partners to provide effective, co-ordinated services.
- Encouraging employers to inspire young people and to offer more work experience, internships and Apprenticeships to young people.
- Promoting personal responsibility by ensuring that work pays, and that those on out-of-work benefits who can work, prepare and search for work effectively.
- Creating the wider conditions for balanced, sustainable growth, including through protecting and extending flexibilities of the UK labour market.

²⁴ <http://www.ofsted.gov.uk/news/careers-guidance-schools-not-working-well-enough-0>

²⁵ <https://www.gov.uk/government/publications/careers-guidance-action-plan>

²⁶ <https://www.gov.uk/government/publications/creating-a-culture-change-in-careers-provision-an-aspirational-nation>

²⁷ <https://www.gov.uk/government/publications/careers-inspiration-vision-statement>

75. Overall up to 350,000 young people will participate in government funded programmes over the next two years and many will be supported to access wider training and apprenticeship opportunities.

Jobcentre Plus support – for young people closer to the labour market

76. The Government has done away with one size fits all employment programmes. Young people need more tailored support to find work.

77. For those closer to the labour market the focus is on engagement in real work with employers and Jobcentre Plus keeping people active in their job search. Advisers can now offer young claimants a comprehensive menu which can include access to:

- job search support, skills provision and advice on Apprenticeships
- work experience that offers young people a few weeks with a local employer to help build their CVs and job skills
- sector-based work academies offering pre-employment training and work placements in growth industries with a guaranteed job interview
- New Enterprise Allowance helping those looking to grow a business by providing access to finance and support from local business mentors
- volunteering
- work and enterprise clubs.

78. Between January 2011 and May 2013 136,730 claimants have started a work experience placement. Work experience participants were 16 per cent more likely to be off benefit after 21 weeks than a comparable group of non-participants.

79. As part of the flexible offer of support, where Jobcentre Plus advisers feel that a young person would benefit from a short period of activity, they are able to refer them to a Mandatory Work Activity placement that lasts for four weeks focused on delivering benefit to the local community.

The Work Programme – for young people who need extra support

80. Most young people claiming JSA are referred to the Work Programme at the 9 month point in their claim (compared to the 12 month point for JSA claimants aged 25+).

81. For JSA claimants participation in the Work Programme is mandatory. For Employment and Support Allowance claimants, the Work Programme may be voluntary or mandatory, depending on a claimant's personal circumstances.

82. 18 year olds who have been Not in Employment, Education or Training (NEET) for six months immediately before they make a claim to JSA are referred at the three month point in their claim.
83. Work Programme providers have the freedom to provide the help that they consider necessary to support young people into a job. Providers are paid on the results they achieve, and they are paid more for supporting the harder to help into work.
84. By the end of June 2013, 366,780 18-24 year olds were referred to the Work Programme. The Government is investing £3-5 billion in the Work Programme over the life of the contracts. About 28 per cent of referrals are young people.

Youth Contract

85. Launched at the beginning of April 2012, the Youth Contract is a package of support worth nearly £1 billion to help young unemployed people prepare for work and find a long term sustainable employment.
86. The Youth Contract builds on the support already available through Jobcentre Plus and the Work Programme. Over three years from April 2012 it will provide nearly half a million new opportunities for young people.
87. The Youth Contract will provide:
- 160,000 wage incentives worth up to £2,275 each for employers who recruit an 18 to 24 year old who has spent six months or more on benefit from Jobcentre Plus or through the Work Programme.
 - An extra 250,000 work experience or sector-based work academy places over three years, taking the total to at least 100,000 a year;
 - A further 20,000 incentive payments to encourage employers to take on young Apprentices, taking the total number to 40,000 in 2012/13;
 - Additional support through Jobcentre Plus by way of more adviser time and weekly signing;
 - An opportunity to be referred for a careers interview with the National Careers Service.
 - As part of the Youth Contract, Government is investing £150m over three years (£126m of it in England) to support the most disengaged and disadvantaged 16-17 year olds. This provides support to help them to get back into education, an apprenticeship or a job with training.

Innovation Fund

88. On 12 May 2011 the Government announced a package of measures to help address youth unemployment. These included a new 'Innovation Fund' of up to £30 million over three years for social investment projects.
89. The projects will support disadvantaged young people and those at risk of disadvantage with a particular focus on those aged 14 years and over.

Apprenticeships and Traineeships

90. Apprenticeships and the introduction of Study Programmes for the 16-19 age group are at the heart of the Government's drive to equip people with the skills that employers need. They are rightly popular both with businesses and with young people.
91. The Government is aware that many young people, including those who are currently not in education, employment or training (NEET), are highly motivated by work, or the prospect of it. It is important to ensure that young people are well equipped with the skills to impress potential employers and to secure and succeed in jobs, including Apprenticeships.
92. Some providers already offer excellent activities that aim to do just this, and the Government wants to build on these experiences to develop a successful Traineeships programme. This will offer a combination of extended work placements, work skills training and English and maths, together with other flexible training and support to suit individual young people's needs.

Traineeships

93. Traineeships were introduced in England in August 2013 and will support a significant number of young people into Apprenticeships and other employment opportunities. The core target group is young people who:
- are not currently in a job and have little work experience, but who are focused on work or the prospect of it;
 - are 16-19 and qualified below Level 3, or 19-24 and have not yet achieved a full Level 2; and
 - training providers and employers believe have a reasonable chance of being ready for employment or an Apprenticeship within six months of engaging in a traineeship.

94. The Government welcomes the promotion of best practice in the area of Traineeships, and believes that maximising opportunities through a light and even regulatory system is the best possible approach. It is important to respect Member States' national powers to design programmes that meet their needs.

How does the EU define a traineeship?

95. Over the past year, the European Commission has been considering a Quality Framework for Traineeships. The definition it has used is much broader than that used by the UK Government. The Commission's social partner consultation document identifies five main (and overlapping) types of traineeship:

- traineeships during education
- traineeships as part of mandatory professional training
- traineeships as part of active labour market policies
- traineeships on the open market
- transnational traineeships

96. It is currently unclear exactly what the Commission's Quality Framework for Traineeships will look like. However, in its social partner consultation, the Commission identified a number of problems with the way traineeships are provided in the EU that it is keen to address. These included insufficient learning content, pay and working conditions.

Policy implications for the UK

97. Introducing the Commission's proposed recommendation in part, or in full is likely to reduce the number of opportunities and the diversity of the opportunities available for young people. Employers value their ability to run a range of flexible schemes to help young people get into work. There is a risk that any attempt to impose a one-size-fits-all approach to traineeships would constrain employers from offering young people work placements.

98. Diverse routes into employment for young people are required to maximise opportunities, increasing the likelihood that young people will find the type of employment that suits them. As a result there is potential for such a measure to exacerbate youth unemployment rather than reduce it. This would also have significant long term consequences on the competitiveness of the UK and the EU as it could reduce the ability of businesses to find skilled individuals.

Apprenticeships

99. Apprenticeships play an important role in equipping people to lead successful and rewarding working lives. However, although they are a key pathway into work, Apprenticeships are not of themselves a measure to improve youth unemployment.
100. The Government is working to ensure that every Apprenticeship delivers high quality training which employers really value, and which provides each apprentice with the skills they need for real, sustainable employment.
101. Apprenticeships are jobs, so growth depends on employers coming forward and offering new opportunities. Ministers are very focused on encouraging and supporting employers to take on young apprentices, including introducing £1,500 incentives to support smaller employers taking on a young apprentice aged 16-24. Up to 40,000 of these grants have been made available since February 2012.
102. Additional financial assistance is provided by Government's fully funding Apprenticeship training for apprentices aged 16-18, and making a considerable contribution to those aged 19-24.
103. During 2012/13 Academic Year (August 2012 to July 2013) the National Apprenticeship Service (NAS) filled almost 50,000 Apprenticeship vacancies, mainly via their online vacancy system.
104. NAS has been working closely with Jobcentre Plus (JCP) on arrangements to support and encourage progression into Apprenticeships from unemployment measures; especially targeting young people aged 19-24 who are NEET.
105. A recent initiative by NAS has been to stream Apprenticeship vacancies to the JCP's Universal Job Match system, which went live on 2 September.
106. One of the options of Raising the Participation Age (RPA) is work-based learning, including Apprenticeships. There is a strong demand for Apprenticeship places from young people, and Apprenticeships will continue to be the Government's flagship programme for work-based learning.
107. From September 2012, all schools in England are now under a legal duty to secure access to independent and impartial careers guidance, including information about Apprenticeships.
108. Provisional data show that 178,500 16-18 year olds and 291,900 19-24 year olds participated on an Apprenticeship in the 2012/13 academic year; there were 111,700 Apprenticeship starts by those aged 16-18 and 161,200 by those aged 19-24. Apprentices were engaged in over 200,000 employer workplaces²⁸.

²⁸ Provisional data for the 2012/13 academic year provide an early view of performance and will change as further data returns are received from further education colleges and providers. Caution must be taken when comparing against data from earlier academic years.

Annex B: The Restated OECD Jobs Strategy – the four pillars

Pillar A: Set appropriate macroeconomic policy

A1. Macroeconomic policy should aim at price stability and sustainable public finances so as to keep interest rates low and encourage investment and labour productivity, thus strengthening economic growth with potential beneficial effects on employment; where the state of government finances permits, improvements in public finances may be used to reduce taxes or increase spending in areas that have the most beneficial impact on growth and employment.

A2. Macroeconomic policy should be used to help stabilise the economy in order to reduce the risk that transitory increases in unemployment due to adverse shocks become persistent and to ensure that the benefits of structural reforms are brought forward. This calls for:

- Monetary policy should pursue medium-term price stability by reacting to both inflationary and dis-inflationary shocks, and, within the scope given by that objective, aim to stabilise economic activity.
- Fiscal policy should aim to restore and maintain sound public finances so that automatic stabilisers can be allowed to operate, supplemented as required and feasible by discretionary policy. This is particularly important in countries that cannot employ monetary policy for that purpose.

Pillar B: Remove impediments to labour market participation as well as job-search

Implement well-designed unemployment benefit systems and active labour market policies

B1. Unemployment benefit replacement rates and duration, as well as social assistance benefits provided to individuals who can work, should be set at levels that do not discourage job search excessively and, especially where they are relatively generous, be made conditional on strictly enforced work-availability criteria as part of well-designed “activation” measures; moderate benefit sanctions should be part of such an activation strategy.

B2. Employment services should offer unemployed workers in-depth interviews and job-search assistance; participation in effective active labour market programmes should be compulsory after a certain length of joblessness that may differ across groups (e.g. immigrants facing integration difficulties, disadvantaged youth and older jobseekers); employment services should have adequate resources to perform these tasks and their functions should be well integrated.

B3. Performance of employment services should be assessed on the basis of their long-term impact on employment and benefit caseloads; active labour market programmes should be regularly assessed in a rigorous way to ensure that inefficient programmes are terminated, and that the mix of programmes is adjusted to suit the needs of jobseekers and the labour market.

Make other non-employment benefits more work-oriented

B4. Gate-keeping measures should be strengthened to avoid individuals with substantial work capacity leaving the labour market via sickness and disability systems, while at the same time protecting adequately the needy; the degree of work capacity of people receiving such benefits should be reviewed periodically; rehabilitation with a labour market orientation should be available to those who have some work capacity; job-search support and financial incentives to go back to work should be provided for those with sufficient work capacity.

B5. Public early retirement schemes should be gradually phased out, and public and private pensions as well as other welfare systems reformed so as to remove incentives for early labour market exit.

Facilitate family-friendly arrangements

B6. Family-friendly policies, including childcare support, as well as working-time arrangements which help reconcile work and family life, should be implemented so as to remove barriers to employment for those with family commitments.

Adjust taxes and other transfer programmes to make work pay

B7. Employment should be made financially attractive vis-à-vis benefit receipt, notably through tax-benefit reform and the provision of targeted in-work benefits to make work pay, without creating excessive tax distortions or compromising public finances.

Pillar C: Tackle labour- and product-market obstacles to labour demand

Ensure that wages and labour costs respond to labour market developments

C1. Ensure that minimum wages are set at levels that do not harm job creation significantly for low-productivity workers.

C2. Payroll taxes on labour should be reduced, especially on low-wage earners, where these are high and the budget situation allows, and health and pension contributions should be kept under control.

C3. In countries where uncoordinated sectoral collective agreements predominate and have adverse effects on employment, individual firms, through collective agreement,

should be allowed to opt-out from sectoral agreements or the administrative extension of sectoral agreements should be reformed.

Enhance competition in product markets

C4. Legal impediments to entry of new firms should be removed in all areas where competition is feasible, and administrative burdens on business start-ups should be reduced; start-up costs should be lowered and administrative procedures for the creation of new businesses simplified so as to nurture an entrepreneurial climate; move towards open international trade and investment in goods and services.

C5. Competition-restraining state control of business operations should be reduced.

Facilitate the adoption of flexible working-time arrangements

C6. Obstacles in labour legislation which impede the emergence, through employer-employees agreements, of flexible working-time arrangements should be removed; tax and social security provisions should not discriminate against part-time work or other flexible arrangements which help reconcile work and family life and promote gradual work-to-retirement transitions.

Make sure that employment protection legislation helps labour-market dynamism and provides security to workers

C7. Employment protection legislation should be reformed in countries where it is overly strict, by sanctioning unfair dismissal (for example by prohibiting dismissal on the basis of discrimination with respect to gender, age and ethnicity), but reducing constraints on dismissals for economic reasons; severance costs and administrative procedures should be made more predictable so as to reduce judicial uncertainty; reasonable dismissal notice periods should be provided so as to help laid-off workers find new jobs.

C8. Regulations on fixed-term and temporary contracts may need to be relaxed in some countries; in order not to aggravate labour market duality and thus undermine labour market performance in the long term, a more balanced treatment between temporary and permanent contracts should be pursued, with one option being that dismissal protection rights grow in line with seniority.

Promote transitions to formal employment

C9. Transitions to formal employment should be promoted through: lower taxes on low-paid employment going hand-in-hand with better compliance of other taxes (notably on small businesses); reforms of labour regulations and business registration requirements, to make firms more prone to create formal jobs; and closer ties between social protection entitlements and work to encourage workers to declare their job.

Pillar D: Facilitate the development of labour force skills and competencies

D1. In view of the key role of human capital accumulation for the achievement of economic growth and social objectives, governments should promote high-quality initial education and, in coordination with social partners where this is consistent with national practice, they should set conditions likely to improve labour force skills by:

- establishing a system of recognition of new competencies gained by adults through training and work experience, including foreign credential recognition of new immigrants;
- ensuring that training is more demand-driven and responds effectively to firms' changing skill requirements, and encouraging greater quality of training provision, including through performance monitoring of providers;
- supporting training programmes – e.g. training vouchers, training leave or schemes that help workers alternate between work and training – which include co-financing from private agents and address existing training inequalities by providing effective learning opportunities for disadvantaged groups, notably the low-educated;
- expanding the scope of apprenticeship contracts by easing age limits and allowing flexible compensation arrangements; and
- ensuring that some employment programmes are targeted to the specific needs of disadvantaged people, including through second-chance schools.

D2. In order to facilitate school-to-work transition, it is essential to:

- reduce early exits from education and ensure that young people acquire skills relevant to labour-market requirements, including by broadening vocational programmes, strengthening links between general and vocational education and improving career guidance; and
- help combine education with work, notably through improved apprenticeship systems or more informal channels.

Annex C: Response to question 7

Should the EU and Member States take in to account the positive and negative socio-economic impacts of youth migration due to unemployment when designing measures to tackle youth unemployment? How might any negative consequences be mitigated?

The government has commissioned the Migration Advisory Committee to undertake a review of migrant employment in low-skilled work, which will cover a significant proportion of the migration of young people to the UK from within the EU. The MAC will report by the end of April 2014 and their Call for Evidence is open until the 13th of December. The MAC's review will look at the extent to which, and the reasons why, employers choose to recruit migrant workers; why these migrant workers choose the UK over other countries; the extent to which migrant labour fills gaps in the UK domestic labour supply and whether the work they find is a match for the skills they bring; and whether there are structural or cultural issues which inhibit the recruitment of UK-born workers, including issues such as motivations and attitudes to work. This will include a consideration of current government policy around helping UK residents to make the transition from education to the workplace. This work should significantly advance our understanding of the impacts of low-skilled migration into the UK, including how it impacts on young people in the labour market.

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