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1. Executive Summary

The issue

1. Youth unemployment is a deeply worrying feature of this recession, in the UK generally but specifically in Wales. A substantial period of unemployment in early life has serious and long lasting consequences for individuals. *Even 25 years later they have, on average, lower incomes, fewer skills and are more prone to unemployment than their peers* (referenced in Volume 2 – Basic Skills and Volume 3 – Employability Skills of our second annual report). *Consequently, youth unemployment can have long-term social costs and weaken the economy.*

WESB believes important changes in policy are needed if we are to address the issue more successfully into the future.

2. It is a complex problem. It varies by age, gender and geography. It has grown substantially during the recession, but there was a hard core of youth unemployment before the recession which had not responded to the many attempts to reduce it and which must therefore be considered to be a long-standing structural problem. There is no unambiguous, consistently used policy term to cover this latter phenomenon. The nearest for those aged 16-18 is the language of NEETs (young people not in employment, education, or training), but that is a purely administrative term that embraces both those taking a gap year before further or higher education and disaffected young people who have left school with no skills and no obvious future.

3. Although the terms are inadequate, we believe there is a valuable distinction to be made between **cyclical and structural youth unemployment** and urge that policy responses be carefully attuned to both the short and long term issues that face us.

4. Currently there are many public policy responses to both these issues but they are not coherent and seem insufficiently to address the complexities. For example, the Assembly's strategy on NEETs lacks powers and seems to lack sufficient funding. But above all it is not a coherent response to **the wider concern: the disengagement of a significant group of children and young people**. It is this disengagement – and the parallel lack of sufficient jobs of the right kind in the right places – that ensures we have structural youth unemployment.

5. WESB recognises that the long-term solution to youth unemployment ultimately lies in sustainable jobs in a dynamic Welsh economy and in the development of the employability of young people so that they can take effective part in that economy. WESB accepts that, in the meantime, solutions based on short-term training and work experience will continue to form a major part of the policy response. However, we propose that a number of developments would improve the situation.

The response

The Welsh Assembly Government's approach

6. Firstly, the Assembly Government needs to recognise in practice, as we believe it does in principle, that the problem has economic, social, educational and skills aspects and, thus, demands a **'whole government'**, multi-departmental response.

7. A first set of developments would then comprise 'enabling actions'. These include:

- The identification, on a temporary basis, of a *wider budget for action*;
- *Simplification* of the means by which youth unemployment is tackled;
- Further *flexibility* in the relationship between UK-funded support (such as that through the Department of Work and Pensions) and Welsh priorities.

Policy responses to youth unemployment

8. Secondly, a range of clear policy responses are needed immediately to tackle unemployment amongst young people.

9. A first and obvious response, despite current financial constraints, is to maintain funding for the maximum possible number of places in Further Education.

10. A second is to maximise the number of Apprenticeships for young people and to get 'best value' from the Pathways to Apprenticeship and Young Recruits programmes.

11. A range of other responses then need to be made. These need to be carefully designed and co-ordinated within an overall 'offer' to unemployed young people, particularly to those aged 16-18 and those aged 18-24 in the first 6 months of unemployment to whom the 'Youth Guarantee' does not apply.

12. These responses include:

- The use of the Welsh Assembly Government's own procurement and recruitment (and the Welsh Assembly Government's influence on recruitment by its suppliers) to promote the recruitment of young unemployed people.
- Stimulus to volunteering and to work placements and internships as structured ways of enhancing skills and employment. WESB believe these should be offered at the earliest stages of unemployment and not seen as a last resort for those who have been unemployed for some time.
- Selective travel subsidy for young people, who move from unemployment into employment, in the first few months of their new employment to encourage wider mobility.
- Encouraging businesses to recruit unemployed people by a new approach based on a 'vacancy matching' service supported by bespoke pre-employment training for those matched to vacancies and by post-employment

training to support stability and progression. A wage subsidy to employers who recruit unemployed young people should be evaluated.

Addressing structural youth unemployment

13. To address the core feature of the **structural** youth unemployment problem, WESB then proposes that a new **Youth Engagement Strategy** should be developed which takes a wider view of disengagement than does the current NEETs strategy. The essence of this proposal is:

- Wales needs a *co-ordinated strategy* which secures coherent support for children and young people who are in danger of disengaging not only from education and employment but from society more generally.
- *This strategy has to be rooted in a wide agenda for economic renewal and the reduction of poverty* as much as in any particular strand of social policy (whether that is concerned with education and training, employment, justice, or whatever), and has therefore to be a whole government approach that also strongly links into and influences DWP (Department for Work and Pensions) policies and practices.
- It *needs to be personalised* so as to respond to complexities and individual circumstances.
- It needs to maintain continuity across the various transitional points from early childhood to adulthood so as to *achieve a smooth trajectory from education to sustained employment*.
- It needs *actions to improve and maintain the socialisation, social confidence and social skills of young people* since disadvantaged young people tend to lack the social networks and the social skills that are so important in gaining and sustaining employment. These actions must include re-invigorating youth services with a particular focus on detached youth work, the much wider employment and development of *learning coaches or mentors, support to community organisations, and the development of 'flagship' engagement projects*.

Youth unemployment as a key priority

14. WESB recognises that this agenda would require more resource than is being devoted to these issues at present, but the alternative is to create extra long term costs for a wide range of public services and a further weakening of our long-term economic capability. Some contribution can certainly be found from a reduction in 'back room' costs and inefficiencies within the relevant spending streams, but it must surely also come from a wider programme of efficiency gains across government and fewer, more sharply defined, government priorities.

WESB is in no doubt that youth unemployment and its underlying causes has to be one of those priorities for the foreseeable future.

Key recommendations: immediate action

15. A number of actions need to be taken immediately to tackle youth unemployment directly and urgently. Our recommendations for immediate action are set out below.

The Welsh Assembly Government's approach

16. A first set of recommendations concerns the Welsh Assembly Government's overall approach to management of the youth unemployment issue.

Goals and targets

WESB recommends that the primary goals of Welsh youth unemployment policy should be:

- That the recession should not lead to an increase in the scale or intractability of the long-term, structural problem
- That the structural problem should then be substantially reduced in the post-recession period

We recommend that the Welsh Assembly Government adopt as key targets:

- That the pre-recession level of structural youth unemployment be adopted as the maximum acceptable level post the immediate recession with a target date of December 2011
- That structural unemployment – and the NEETs problem as a crude measure of it – is halved by 2015

To ensure sufficient scale and pace of response, WESB recommends:

- That the Welsh Assembly Government urgently and rigorously assess the scale of the response by Welsh Assembly Government departments, JobCentrePlus(JCP)/DWP, and other public and third sector services so as to measure current provision against our suggested goals and targets – and that this be started immediately so as to assess any shortfall in provision as of September 2010

The relationship between DWP/JCP and the Welsh Assembly Government

WESB recommends to the Welsh Assembly Government and to the new Joint Employment Delivery Board for Wales (JEDB) that:

- Sustainable employment (of at least one whole year) is adopted as the over-riding objective
- Sustainable employment as defined be adopted as the only outcome measure
- Every effort is made to transform episodic interventions into a planned, continuous trajectory to sustainable employment – especially for the most vulnerable
- An ‘empty box’ approach be adopted such that no young person would be without a planned, personalised, comprehensive and coherent set of interventions by the time they have been unemployed for 6 months
- The Welsh Assembly Government/JCP move as close as possible to a model of ‘lead agency’ with a single, named ‘case manager’ in order to minimise complexity and discontinuity – again, especially for the most vulnerable
- Support for employers and the employee be significantly increased during the first year that a young person is in employment
- The Joint Employment Delivery Board for Wales be specifically required to achieve the maximum possible flexibility in order to deliver the coherent ‘customer journey’ which is needed to progress young people into sustainable employment
- The new joint board deliver as much movement in the direction of a ‘pooled budget’ as possible

Youth unemployment as a ‘whole government’ issue

WESB recommends that the Welsh Assembly Government:

- Adopt an inter-departmental approach to delivery of targets, in recognition of the economic, social, educational, and skills dimensions of the youth unemployment problem
- Respond to the severity and importance of the youth unemployment problem by temporarily (for a minimum of 2 years) diverting additional funds from other government budgets at a level identified as necessary to begin to deliver on our recommended targets and at a minimum to avoid structural youth unemployment increasing beyond its pre-recession scale.

Policy responses to youth unemployment

17. A second set of recommendations for immediate action concerns particular policy responses to reduce or ameliorate youth unemployment. Though presented individually, they need to be co-ordinated within a clear 'offer' to young unemployed people.

Maintaining numbers in Further and Higher Education

WESB recommends that the Welsh Assembly Government:

- Seek to maintain, at least for now, as many opportunities for young people to enter Further and Higher Education as possible

The role of Apprenticeship

WESB recommends:

- Intensive work with employers to increase Apprenticeship opportunities as the recession eases, not least in the public sector which must be seen to make its contribution in full
- A concerted use of measures that could increase the willingness of SMEs to take Apprentices, including the rapid expansion of the Shared Apprenticeship Pilot and re-consideration of the need to subsidise the 'transactional costs' that seem to inhibit many SMEs
- The maintenance of the existing Pathways to Apprenticeship programme, with further work being undertaken with Sector Skills Councils (SSCs) not currently engaged with the programmes so as to extend its range; and monitoring of the progression rate of young people on the scheme into full Apprenticeships
- An urgent review of Young Recruits with a view to developing its capability to secure full Apprenticeship places for those coming to the end of Pathways to Apprenticeship courses

Procurement and recruitment by the Assembly Government

WESB recommends that the Welsh Assembly Government:

- Continually review whether and how public sector procurement in Wales can increase the multiplier effect within Wales and thereby grow jobs, per se and especially for young people
- Ensure that its own recruitment is as open to the recruitment of young unemployed people as possible
- Use procurement to encourage its contractors to recruit young unemployed people

Volunteering

WESB recommends that the Welsh Assembly Government and DWP/JCP:

- Urgently review current practice with a view to making volunteering available as an early form of intervention
- Present it in a positive light as a means to achieving/maintaining the social skills and maturity that employers seek and not as a substitute for a real job or as a condition of retaining benefit
- Ensure that benefit rules and practices (such as the speed with which a job offer must be taken up) do not result in any disincentive to volunteer
- Review and increase the range and scale of volunteering opportunities

Work placements and internships

WESB recommends that:

- The Welsh Assembly Government review and work to increase the number of work placements and internships opportunities available to young people, including within the Assembly Government and the public services in general

Travel subsidy to encourage mobility

WESB recommends that:

- The Welsh Assembly Government introduce a travel-to-work grant scheme for young people who have been unemployed for a period of three months or more and who live in areas offering particularly low employment opportunities

Stimulating the recruitment of unemployed young people

WESB recommends:

- That the Welsh Assembly Government urgently develop and fund a new approach to the encouragement of recruitment of unemployed young people by business

Key recommendations: longer-term but starting now

18. Our final set of recommendations reflects WESB's views on the need to deal with 'structural' youth unemployment as a reflection of the disengagement of many children and young people from many aspects of society, not just from education and training from age 16 onwards.

From 'NEETs' to a Youth Engagement Strategy

WESB recommends that the Welsh Assembly Government:

- Recognise that disengagement is the core, but larger, issue underlying the concept of 'NEETs'
- Adopt a comprehensive Youth Engagement Strategy that moves beyond the language and present responses to 'NEETs'
- Ensure that the Strategy is underpinned by identifiable and sustained funding rather than resting on elements of multiple funding streams

WESB further recommends that the strategy should:

- Allocate unequivocal lead roles and accountabilities, set demanding targets, and ensure that performance is measured against these targets and accountabilities
- Ensure a high degree of planned personalisation of response so as to meet the diverse needs of young people who become disengaged
- Ensure high quality and uniform standards of identification and tracking of young people across the various stages, transitions and key agencies such that young people who begin to disengage are known and not lost to view
- Ensure that the strategy is underpinned by identifiable and sustained funding rather than resting on elements of multiple funding streams.
- Ensure that Children and Young Persons Partnerships are working effectively and that all are brought up to the current standard of the best

Engagement and social skills: re-invigorating Youth Services

WESB recommends that the Youth Service be given a significantly enhanced role in combating disengagement and, to this end, that:

- As soon as possible the Youth Service be placed on a statutory basis in Wales, with increased funding
- A planned expansion of Youth Service in schools be required of all local authorities and schools
- The value of the Youth Service in combating the disengagement of young people be championed by the Department for Children, Education Lifelong Learning & Skills (DCELLS) so as to reduce the great variation between local authorities in the proportion of funds notionally provided that is actually spent on the Youth Service
- Detached youth workers be increased in number across Wales and given a clear remit within the Youth Engagement Strategy
- The Apprenticeship Youth Worker Scheme in Merthyr Tydfil be generalised both as a small contribution to the number of public service Apprenticeships and as a significant addition to the scale of Youth Service resources
- The pilot 14-19 Pathway pilot in Youth Work be evaluated with a view to possible generalisation as a route into the Apprenticeship Youth Worker Scheme

Engagement and social skills: strengthening community organisations and developing flagship projects

WESB recommends:

- That a Youth Engagement Strategy should include action to identify, encourage and fund community organisations and major projects which have, or can develop, activities which engage unemployed young people in productive activities leading to their better socialisation, re-motivation, and connection with positive societal norms

2. Youth Unemployment in Wales

Introduction

19. Published in April 2009 as recession was already evident, WESB's first annual report noted that while the Board's 'focus is on the longer term, we cannot, of course, ignore the current economic crisis'. A particular matter of urgency was, and is, the impact of recession on young people about to enter the labour market. Those older people who have an asset base of experience and established ability to deploy skills may ride out a period of unemployment and re-enter the workplace. For younger people, who have only their qualifications to offer – and in some cases these are negligible – the prospect of finding employment in a period of low demand for skills and labour is a daunting one.

20. Since that last report, therefore, a Board working group has been examining the youth unemployment problem. The Board has received much valuable intelligence and analysis from officials of the Welsh Assembly Government, from academic specialists, from civil servants from the Department of Work and Pensions and JobCentre Plus, and from practitioners working directly with young people. The Board is extremely grateful for these important contributions to its understanding of the issue. This report synthesises what we have learned from this external expertise with our own views in order to offer a perspective on the nature of the problem and on the response, from government and its agencies and from employers, which it believes to be necessary and urgent. This first chapter of the group's report considers the dimensions of the youth unemployment problem.

The nature of youth unemployment

Overall youth unemployment

21. As with many other labour market and skills issues, data on youth unemployment is frequently not wholly up-to-date nor as detailed as we would wish. However, it contains enough information to make a number of points which we believe are essential to understanding and tackling the problem.

22. Firstly, at any point in time, there are a number of distinctions which can be applied to young people – defined for the purposes of this paper as those aged 16-24 – who are unemployed.

23. A first such distinction is clearly that between structural and cyclical youth unemployment. Broadly, these elements are distinguished by the persistence of the former through all economic conditions whilst the latter comprises unemployment generated by recession and the much slacker labour market which has ensued. While the recession has brought significant problems and

insecurity for young people which need to be addressed with a sense of urgency, it is long term structural unemployment that underpins present concerns. The recession has added a short term need to a long-term social ill that has resisted all previous forms of intervention. What the data below emphasise is that to continue with the same policies and practices after the recession will simply result in the same outcome. This is especially so for those aged 16 to 18 who find themselves marginal to the contemporary pattern of employment – and particularly so for young men.

24. The exact boundary between ‘structural’ and ‘cyclical’ unemployment cannot be determined but the recent trends have been:

Table 1: Unemployment in Wales 2004-2009; rates (percentages of age group)

	2004	2005	2006	2007	2008	2009*
Age 16-19	18.0	19.6	18.6	20.0	26.4	27.1
Age 20-24	10.1	11.0	11.3	10.9	12.5	15.4
All of working age	4.8	5.2	5.2	5.6	6.3	8.1

* 2009 data is based on year to September

Source: Annual Population Survey, Office for National Statistics; ‘ILO measure’ of employment

25. These data show a slow increase in youth unemployment between 2004 and 2007 with a sharper acceleration in 2008 and 2009 as the recession commenced and deepened. In numerical terms, the number of unemployed young people was 30,800 in 2004, 34,700 in 2008, but 45,300 in the year to September 2009. As far as these statistics allow, they suggest that the structural element of youth unemployment – that which was present even in the more buoyant economic years in the middle of the decade – currently contributes around 65%-70% of the problem whilst the cyclical or recession-driven element contributes the remainder.

26. There is a distinction, however, between young men and young women in respect of this analysis. Youth unemployment amongst young women aged 16-24 rose between 2004 and the year to September 2009 by 40%. In the same period, unemployment for young men aged 16-24 rose by 52%. Whilst young men comprised 60% of the mainly structural youth unemployment of 2004, they comprised 61% of total youth unemployment – structural with the cyclical element now added on – in 2009. In short, young men are both a larger component of the long-term structural problem and have been more adversely affected by the cyclical effect.

27. A similar overall trend is evident in respect of ‘claimant’ unemployed people aged between 18 and 24, with significant increases in 2009 and 2010 in both the total of claimants and the total of claimants who have claimed for 12 months or more:

Table 2: Unemployed claimants aged 18-24 in Wales, 2004-2010 (March of each year), numbers

	2004	2005	2006	2007	2008	2009	2010
All aged 18-24	14,300	14,500	16,900	15,600	15,600	27,600	27,600
Aged 24 and under claiming for over 12 months	180	270	500	510	410	520	2,100

Source: Claimant count statistics, Office for National Statistics

Not in employment, education or training (NEET)

28. A second distinction in respect of youth unemployment concerns 'NEETs'. Officially, these are young people aged 16-18 who are not in employment, education, or training – old enough to be beyond compulsory education but young enough not to be able to claim unemployment benefits. These young people are a sub-set of the 16-24 year old unemployed people quantified above (as around 30,800 in 2004 rising to around 45,300 in 2009).

29. Statistics suggest that the NEET group is mainly a structural phenomenon in so far as the proportion of 16-18 year olds who are members of the group remained fairly stable even into the middle of 2009 when (as shown above) recession was clearly evident in other statistics on youth unemployment:

Table 3: Young people not in education, employment or training in Wales, aged 16-18

	2005	2006	2007	2008	2009
NEET percentage	11.7	11.4	12.1	12.3	12.0

Source: Annual Population Survey; Quarter 2 of each year

30. Thus, the proportion of 'NEETs' in the middle of 2009 was not significantly higher than it was in 2005. As with other youth unemployment, NEET figures also show a gender imbalance such that over the last three years, the rate for male 16-18 year olds (at an average of 13.1%) is consistently around two percentage points higher than for female 16-18 year olds (at an average of 11.2%).

31. However, within the NEET population, there is further distinction. It has been suggested that there are three main groups of NEETs. These are alternatively described as:

Source of description	Group 1	Group 2	Group 3
Department of Children, Schools and Families (England)¹	Not really NEET	NEET with barriers	NEET without barriers
DCELLS, the Welsh Assembly Government²	Transition/gap year NEET	Floating/ 'at risk' NEET	Core NEET

32. It is this second level of analysis which moves consideration of the youth unemployment issue from a technical description of the balance of its structural and cyclical elements to a point at which the characteristics of unemployed young people begin to be recognised.

33. Thus, DCELLS³ describes Group 3, 'core NEET', as comprising 'those with social and behavioural problems or other more complex needs, including those who come from families where worklessness is an accepted norm'. This accords with the DCSF's group 'NEET without barriers' which basically means 'being NEET' without a specific barrier such as being a young parent or having a chronic illness – but lacking skills and/or having an attitudinal and motivational disposition which is antithetical to engagement with formal employment or learning. For DCELLS, an intermediate group is comprised of those who lack direction and motivation but who are not as negative towards engagement as 'core NEETs'; whilst the Department for Children Schools and Families (DCSF) intermediate group is characterised as those with 'an identifiable barrier to participation, as they have a child or are experiencing serious illness or disability. Some of these individuals may be perfectly able to participate now, but others may require specific help to do so'. And both DCELLS and DCSF recognise that some 'NEETs' are simply in transition between more positive situations or have disengaged for motives – such as to take a gap year – which have no great significance for public policy.

34. Using this type of analysis, DCELLS estimated in 2008 that around 6,500 NEETs, or 53% of 16-17 year olds not in education, employment or training, required additional support to engage and to sustain engagement in the labour market. That estimate of 'core NEETs' was based on an overall total of around 14,000 NEETs at the time (2008). The current estimate is that the current number of NEETs is also around 14,000. If the model which DCELLS used in 2008 can be extrapolated, then it can be estimated that the number of 'core NEETs' is again of around 6,500 young people. DCELLS' 'core NEET' proportion (of 53%) is fairly

¹ NEET Statistics – Quarterly Brief, November 2009, DCSF

² Reducing the proportion of young people not in education, employment or training in Wales, DCELLS, the Welsh Assembly Government, 2008

³ DCELLS, 2008, op cit

close to the 55% of NEETs in England who the DCSF estimated belonged to their 'core NEET' equivalent group.

35. Whilst these distinctions have been applied by English and Welsh governments to 'NEETS' who are aged 16-18, it must also be recognised that the simple breakdown of 'core', 'at risk' and 'not really NEET' will apply beyond age 18 within the population of young unemployed people who move into eligibility for unemployment benefit at that age. And, 'core NEET-ness' and 'at risk NEET-ness' may well become more deeply entrenched after the age of 18.

36. Another 'layer' can be added into our analysis of youth unemployment: that of the 'revolving door'. It consists of some of the young people who have voluntarily and enthusiastically taken up or who have been encouraged or forced by benefit regulations to enter an employability or skills development programme (Skillbuild being an obvious example) – but for whom these programmes do not subsequently succeed in generating entry into any or sustained employment. These young people are not formally counted into unemployment statistics but, whilst their employability may have been boosted by programme participation, their fate, in the short term at least, is often to fall back into unemployment. This 'revolving door' component of the problem is extended by the number of young people, again not quantified in unemployment figures, who are in short term and unstable or casual employment.

37. The bare statistics therefore reflect a dynamic not static reality. Some young people successfully move out of unemployment, some are fundamentally unlikely to gain secure jobs unless supported very substantially, some move in and out of employment or programmes, and some of those slip into the category of the virtually unemployable.

Differentiating youth unemployment

38. Thus, overall, we recognise that youth unemployment is a multi-layered phenomenon which extends from highly qualified and well-motivated young graduates or even post-graduates to school leavers aged 16 or 17 with multiple disadvantages of absence of qualifications, unsupportive family backgrounds, poor social skills, disaffected attitudes, and even responsibilities as carers.

39. A diagram below summarises variation within the 'young unemployed':

	Age 16	Age 18	Age 21	Age 24
The 'revolving door'	Young people on programmes or in casual, unsustainable employment who will shortly return to unemployment but who are not currently unemployed			
Cyclical unemployment	Young people who are well-motivated, have reasonable qualifications, and stable circumstances but who left school or college and are unable to find work because of economic conditions			Unemployed graduates
Structural unemployment/NEET	'Not really NEETs' – transitional or 'gap year' status		Older equivalents to 'not really NEETs' who may or may not be in a position to claim benefits	
	'At risk NEETs' – fewer disadvantages than 'core NEETs' but not competitive in the labour market even in normal economic conditions		Older equivalents to 'at risk NEETs' who have moved into the 'benefits sphere'	
	'Core NEETs' – poor backgrounds, employability, attitudes		Older equivalents to 'core NEETs' who have moved into the 'benefits sphere'	

40. As noted earlier, the boundaries between different groups in this diagram are fuzzy in some cases and quantification of numbers in the various groups is either not possible or is imprecise. Nevertheless, the diagram is helpful as a base for a number of other analytical observations.

41. Firstly, the diagram is two-dimensional only. It actually conceals other dimensions. We have pointed to the gender dimension earlier. Clearly, young people described in some of the 'cells' have a preponderance of young men. Secondly, the diagram also conceals a geographic dimension. The geography of all groups within the diagram is not available but detail for two groups is illuminating:

Table 4: Rank of Welsh local authority areas (first = highest or worst)

	Job Seekers Allowance Claimants *	Year 11 leavers who are NEET **
Blaenau Gwent	1	6
Merthyr Tydfil	2	16
Caerphilly	3	12
Rhondda, Cynon, Taff	4	13
Newport	5	1
Torfaen	6	3
Neath Port Talbot	7	5
Bridgend	8	4
Anglesey	9	9
Conwy	10	15
Flintshire	11	20
Vale of Glamorgan	12	8
Denbighshire	13	17
Wrexham	14	11
Monmouthshire	15	10
Pembrokeshire	16	14
Carmarthenshire	17	19
Swansea	18	7
Powys	19	22
Gwynedd	20	18
Cardiff	21	2
Ceredigion	22	21

* Source: JobCentre Plus; figures for March 2010; % of 18-24 year old resident population claiming Job Seekers Allowance; range is from Blaenau Gwent = 17.0% to Ceredigion = 3.1%

** Source: Careers Wales Pupil Destinations from Schools in Wales; % of Year 11 leavers who are NEET by Unitary Authority of School, 2009; range is from Newport = 9.1% to Powys = 2.1%

42. Data for 18-24 claimants clearly shows a ‘Valleys’ effect – the continuing impact on a particular economic sub-region of major and long-term industrial decline. It also suggests that either rurality or a large and strong service sector (as in Cardiff) have some protective effect against youth unemployment in general. Data for Year 11 leavers who are NEET may be volatile and not particularly consistent from year to year. Allowing for this, however, whilst they show the same ‘rurality’ effect as in the claimant data, NEET data do not easily support an economic, ‘derelict industry’ vs. ‘more vibrant services’, interpretation.

For example, Cardiff, which has the second lowest rank for 18-24 claimants, had the second highest rank for NEETs. The imperfection of the correlation of NEET rates with broad sub-regional economic characteristics points towards an understanding of NEET status as one which has personal, social, educational, or sub-cultural origins as much as economic ones.

43. Of course, this last observation is a central one, irrespective of whether a geographical analysis shows it or not. ***It is critical to our analysis of youth unemployment, and to our reflections on policy which follow later in this paper, that 'economic' unemployment driven by lack of demand – which afflicts young people who, in normal circumstances, would be readily absorbed into the economy – is distinguished from 'social' unemployment caused by the unemployability of some young people in any foreseeable economic circumstances.***

44. Further, it is essential that policy responds not just to the two different types of unemployment but also to one serious implication of the probability that economic recovery will be slow. Most commentators predict that UK output growth will be below 2% in 2010 and may reach 2.5% in 2011. These are not rates which would be expected to lead to a rapid rise in employment, which in any case, tends to lag improvements in output. Whilst the rise in total unemployment appears to have stabilised, this is not the case for claimant unemployment and the number of economically inactive people continues to grow. The underlying prospect is that economic recovery will not, in itself, greatly reduce unemployment overall, nor youth unemployment in particular, for some time. It is a clear concern in this circumstance that youth unemployment which can presently be described as 'cyclical' may migrate into a 'structural' condition. Clearly, there are limits to this, in the sense that young people who are well-qualified, personable and have supportive home circumstances – but who are unemployed simply because of a shortfall in jobs – will not immediately lose these advantages. However, there is a risk that, with a substantial period out of work, they begin to lose the advantage which recent qualification conveys to employers and may become de-motivated as repeated job search fails. A vital point of our review of youth unemployment is ***that Wales, as it moves from recession back into growth, should not have a larger problem of structural youth unemployment than it started with at the point when recession began.***

Youth unemployment as a feature of labour market competitiveness

45. A second point with regard to our analytical diagram above is that competition in the labour market is an important dynamic, driving both the overall number of unemployed young people and numbers within particular groups.

46. When the overall framework within which competition for jobs takes place is examined, it is evident that youth unemployment has not been caused by a simple fall in the number of jobs available in Wales. The number of people in

employment in the year to September 2009 was 1,300,000, just 1,000 less than at the start of 2004 – a period in which youth unemployment rose continuously. However, in that period, the nature of jobs changed considerably:

Significant growth	Significant decline
Corporate managers (+8,000)	Administrative occupations (-7,800)
Technology professionals (+5,000)	Secretarial occupations (-4,100)
Business and public service support professionals (+13,300)	Sales occupations (-11,200)
Caring personal service occupations (+17,400)	Manual operatives (-22,000)
Elementary service occupations (+11,600)	Elementary manual occupations (-6,900)
	Skilled metal and electrical trades (-4,400)

47. If we take a somewhat traditionalist view of ‘male’ and ‘female’ employment, a view which may not survive in the future but reflects current reality, then a simple interpretation of these data is that most growth occurred in ‘gender-neutral’ higher level jobs or at lower levels in care or service sector jobs which are much more frequently taken by women. On the downside, administrative, clerical, and sales jobs, which are more frequently occupied by women, reduced significantly in number. There were large falls for skilled and lower skilled manual jobs which are mainly held by men. Thus, overall, for lower skilled young women seeking to enter the labour market, the key growth opportunity was the social care sector. However, many jobs in social care are not available (because of regulation) to those under 18, many young people are not suited to the exigencies of caring, and there is a preference for recruits who hold NVQ2 in care to enable care homes to meet the requirements of the Care Standards Act. For lower skilled young men there was no obviously-relevant area of employment which was expanding.

48. Thus, in terms of gross employment availability, the data suggest that opportunities for young people with few or low skills was limited, even in a period when the total number of people in work in Wales was broadly stable.

49. Of course, job opportunity is not mainly driven by growth in the absolute number of jobs of particular types but by flows into and out of those jobs. Data on vacancies notified to JobCentre Plus is not, of course, a measure of all vacancies but it is an indicator of fluidity in the labour market.

50. The average monthly total of vacancies notified to JobCentre Plus fell from 17,700 in 2007 and 18,300 in 2008 to 14,800 in 2009 – revealing that opportunities were falling for job seekers of all ages. And opportunity, and lack of opportunity, are not, of course, equally distributed across Wales. The following table sets out a ratio between the number of unemployed young people aged 18-24 in December 2008 and notified vacancies – available to people of all ages – in different areas of Wales. It shows that even if all the vacancies were suitable for young people and even if there were no competition from older

people for the vacancies, in all areas of Wales there was an excess of young people over notified vacancies; *and at the worst extreme, in Merthyr Tydfil, there were over 7 unemployed people aged 18-24 in relation to each notified vacancy.* Overall, the data show the particular imbalance between supply of, and need for, employment in the Heads of the Valleys and the more advantageous position of Wales' larger urban areas (Cardiff and Swansea) and (on the whole) of its rural counties:

Table 5: Ratio between unemployed people aged 18-24 and vacancies notified to JobCentre Plus, December 2008

	Unemployed people aged 18-24 divided by JC+ vacancies
Merthyr Tydfil	7.5
Caerphilly	6.9
Blaenau Gwent	6.2
Anglesey	5.9
Rhondda, Cynon, Taff	3.5
Vale of Glamorgan	3.5
Wrexham	2.4
Conwy	2.3
Denbighshire	2.3
Neath Port Talbot	2.2
Gwynedd	2.0
Pembrokeshire	1.9
Newport	1.9
Bridgend	1.8
Torfaen	1.7
Cardiff	1.6
Ceredigion	1.6
Swansea	1.6
Powys	1.6
Carmarthenshire	1.5
Flintshire	1.4
Monmouthshire	1.4
Wales	2.2

Source: JobCentre Plus

51. Opportunity for low skilled young people is not just about the supply of jobs, it is also about who else is competing for them. Although we had little hard evidence, the view of several labour market specialists who presented to the Board was that competition tending to exclude young people was intensifying as a consequence of older people choosing not to retire as pension values diminished. To some extent, this is supported by labour market statistics. Unemployment amongst those aged 50+ rose substantially between 2008 and 2009 (September of each year): by 6,700, with the rate up by 1.6%. Unemployment amongst those aged 16-24 rose by 7,700, with the rate up by 3.9%. The proportion of those aged 50 and over who were unemployed at September 2009 was only 4.3% compared with 19.4% for 16-24 year olds. And the increase in the number of those aged 50 or over who were unemployed was not artificially reduced by a move into retirement and inactivity – the proportion of those who were inactive fell marginally between 2008 and 2009.

52. It was suggested to us that there are also two substitution processes taking place which reduce opportunities for young people with low and intermediate skills. One is the pressure on the least qualified resulting from those with higher qualifications seeking and getting jobs for which, in other circumstances, they would see themselves as too highly qualified. The typical example was of graduates taking 'routine' or low-skilled jobs for want of alternative; to which may be added undergraduates working part-time to pay the costs of their University education. Two or three undergraduates working 15 hours per week in a supermarket or restaurant or pub may displace a full time job for a less-qualified individual. What might be seen as valuable labour market flexibility in times of higher labour demand can be a constraint on opportunity for less qualified young people in times of low demand (and future policies on student fees, by influencing the propensity of students to seek part-time work, may therefore be important to opportunities for the low skilled). We did not identify reliable data on such pressures in the youth employment market, but we believe any such trends should be monitored.

Youth unemployment: Wales and the UK

53. Comparative data show that:

1. Unemployment rates for 18-24 year olds for Wales tended to be a little above those for the UK from 1993 to 2004, and have been equal to those of the UK since.
2. NEET rates for 16-18 years were around 2% higher in Wales than in England between 1996 and 2004, but then fell below the English rates in 2005 and 2006 before again assuming a '2% higher' position in 2008 and 2009.

3. In March 2009, Wales' overall 16-24 years unemployment rate (ILO) was 17.8%. This placed Wales below ('better than') four English regions (North East, West Midlands, Yorkshire and Humber, and London) but above ('worse than') all other English regions and above Scotland. These same relativities were evident for 'NEETs' and for 18-24 unemployment.
4. As in Wales, overall youth unemployment and NEET status are both more frequent in the UK for young men than for young women.

54. These relatively minor variations from English regions and other devolved administrations mainly reflect underlying variations in economic and social structures rather than something specific to the Welsh context. The Welsh Valleys have more in common in respect of youth unemployment with, say, the decayed mining area of South Yorkshire than with Carmarthenshire, whilst Carmarthenshire has more in common with, say, rural Cumbria than it does with Blaenau Gwent or Merthyr Tydfil.

The consequences of youth unemployment

55. The long term consequences of youth unemployment are both serious and long lasting. Evidence was presented to us⁴ that:

1. In a previous (1981) recession, men aged 23 or under who were unemployed for 12 months spent another 30 months out of work by age 30 compared with an additional 6 months out of work for those who were initially unemployed for 6 months or less. About half of this variation was due to the length of unemployment itself rather than to other variations such as those in education level or qualifications.
2. Those, including young people, who return to work following a substantial period of unemployment during recession are subject to a long term wage penalty because of lesser access to long-tenured jobs and career development.
3. Graduates who come on to the job market during a recession have a permanent wage penalty estimated to be around 10% throughout their working lives (but not long term worklessness).
4. Children of fathers who are unemployed are themselves subsequently more likely to be unemployed.

56. Failure to arrest unemployment in a recession and its immediate aftermath is not just a short term issue or a temporary setback. If a period of unemployment is prolonged, it has consequences which reverberate through the rest of that person's life and, in some cases, into the lives of future generations. The scale of these effects cannot be predicted – the Welsh economy and labour market may behave differently on this occasion than they did in past instances – but the threat of long-term damage to individuals and society, and the economic

⁴ Chief Economist, Welsh Assembly Government

costs of such damage, make action essential. The basic message must be that prevention, of entrenched and prolonged unemployment amongst young people – and mitigation where prevention is not possible – is not just the humane response, it is the economically-justified response.

Summary: youth unemployment in Wales

57. In summary, our analysis of youth unemployment in Wales highlights the following:

1. There has been a consistently high rate of unemployment amongst those aged 24 and under for many years.
2. Recession has propelled more young people (aged 16-24) than older people (aged 50 or over) into unemployment.
3. There are both structural and cyclical components of youth unemployment – the structural component representing the level of unemployment which persisted at more or less consistent rates through times of economic buoyancy, the cyclical component representing the sharp rise in unemployment through the recent recession. The structural component is the larger, the more resistant to current policies, and the more deleterious in the long term.
4. There are other, more complex, ways to segment youth unemployment involving age, gender, ability and qualifications, motivations and attitudes, and benefits eligibility.
5. There are variations in the severity of problems according to gender and geography within Wales. Young men are more likely to be a majority in most of the groups which make up the young unemployed. Youth unemployment is particularly problematic in the Valleys and is least concentrated, though no less personally and socially damaging, in rural areas.
6. Evidence from previous recessions suggests that lengthy spells of youth unemployment have long term individual, social and economic costs.
7. It is critical that the cyclical component of youth unemployment should not turn into structural unemployment, which has proved so persistent and which lays a foundation for such costs.

3. WESB's perspectives on youth unemployment

Introduction

58. We begin by asserting what we believe are already widely shared assumptions which are nonetheless worth re-stating.

59. *First, the core long-term solution to the long-standing problem of high youth unemployment is economic renewal.* As we argued in our last annual report and re-iterate this year, Wales needs a transformed economy capable of generating good, sustainable jobs. By 'good' and 'sustainable' we do not necessarily mean highly paid jobs. The terms can also encompass lower-wage employment provided that such employment has a 'progressive' character, which, through attention to the development of job-holders' technical and personal skills, offers the basis for career development and a stable working life. Our basic proposition is that such economic development will arise in Wales, as anywhere else where dynamic growth occurs, from inward and indigenous investment and from entrepreneurial and creative imagination; and that it is government's responsibility to foster these and to provide the infrastructure which supports them. In this sense, the government's economic strategy is the vital foundation of a long-term reduction in structural and cyclical youth unemployment.

60. *Second, a key driver of economic transformation (alongside 'infrastructure' and enhanced performance at the company level) is a skilled workforce which is employable in the first place and is subsequently adaptable because it has both opportunities and a capacity for continued learning.* In several places in this annual report we argue strongly that the literacy and numeracy of our young people and the other characteristics that add up to employability need to be improved. Such 'supply side' gain will both support economic growth and make young people more competitive for jobs as they arise. We are clear that the development of vocational options through 14-19 Pathways and the Welsh Baccalaureate, work experience and other devices to raise employability, and initiatives to improve basic skills, are all relevant to the youth unemployment issue.

61. *Third, we recognise that the main tendency of policy towards youth unemployment may continue to be an 'intermediate labour market' approach in which young people are encouraged into training programmes – with varying likelihoods of a job offer at the end – by a mix of incentives for participation (a weekly payment) and disincentives (stoppage of benefits) for non-participation.*

62. Major improvements in both the demand and supply sides of the labour market are massive and long term tasks. On the demand side, it may well be that Wales will do well over the next few years to hold its own on the jobs front let alone to manage major expansion as post-recessionary difficulties continue and as public budgets decrease. However, while we recognise the importance of intermediate labour market policies, this approach has frequently failed young people and has often simply recycled them through short-term programmes and unsatisfactory employment experiences. WESB therefore believes that Wales needs to take a long hard look at current policies and to foster new responses that can dramatically improve outcomes.

63. Our arguments and proposals are set out under three headings:

1. The Welsh Assembly Government's overall approach to youth unemployment.
2. Individual policy responses to youth unemployment..
3. Re-visiting the 'NEET' issue: a new Youth Engagement Strategy.

The Welsh Assembly Government's overall approach to Youth Unemployment

Urgent need for action

64. Our first concern is simply that the government should see the youth unemployment issue as a matter for urgent action. Our perception is that, to date, rising youth unemployment has perhaps been seen as an inevitable by-product of recession; and that our earlier argument, that high youth unemployment lays a foundation for long-term social and economic costs, is recognised 'intellectually' by government but does not generate the political heat which would drive a more forceful policy response. We therefore welcome the minister's decision to appoint a working group (chaired by Martin Mansfield, Secretary of the Welsh TUC) to build on this report and implement urgent change.

65. Given a substantial structural component which pre-dates recession, the possibility of a slow recovery from recession, and the danger that the additional cyclical element generated in this circumstance will become 'structural' and thus increase the long-term problem, we believe that focussed and 'joined-up' attention to youth unemployment is needed without delay. We also believe that it is essential to set demanding targets in order to drive progress. There cannot be a strategic approach without clear goals and targets. Thus:

WESB recommends that the *primary* goals of Welsh youth unemployment policy should be:

- That the recession should not lead to an increase in the scale or intractability of the long-term, structural problem
- That the structural problem should then be substantially reduced in the post-recession period

66. And, correspondingly:

We recommend that the Welsh Assembly Government adopt as key targets:

- That the pre-recession level of structural youth unemployment be adopted as the maximum acceptable level post the immediate recession with a target date of December 2011
- That structural unemployment – and the NEETs problem as a crude measure of it – is halved by 2015

67. To ensure adequate and urgent progress:

WESB recommends:

- That the Welsh Assembly Government urgently and rigorously assess the scale of the response by the Welsh Assembly Government departments, JCP/DWP, and other public and third sector services so as to measure current provision against our suggested goals and targets – and that this be started immediately so as to assess any shortfall in provision as of September 2010

Urgent need for co-ordination

68. There are a number of barriers to a stronger and better co-ordinated government response to youth unemployment. One is surely the complexity and fragmentation of current arrangements.

69. Intervention is funded from several sources including departments of the Welsh Assembly Government, Careers Wales, the European Social Fund, and DWP and JobCentre Plus. Some are externally managed or delivered by local partnerships, voluntary organisations, schools, colleges, universities, private training intermediaries, and local authorities.

70. Any list of interventions would have to include: Youth Gateway, Keeping in Touch, Pathways to Work, IDEAS, LEP PETs, Progress 2 Work, Linkup, Want 2 Work, Deprived Area Fund, Access to Work, New Deal, SkillBuild, ProAct, ReAct, Apprenticeships, Career Development Loans, Individual Learning Accounts, Rapid Response Fund, Jobsearch support, DWP 8 week training offer, DWP 6 month offer, Young Persons Guarantee, Future Jobs Fund, Flexible New Deal, Go Wales, Peer Mentoring Programme, and Work for your Benefit. In addition, there is a plethora of regional and local support programmes (such as those funded by 'Reach the Heights' and 'Pre-Vent') and a range of educational initiatives including the 14-19 Learning Pathways programme and Welsh Baccalaureate

which seek to motivate young people into continued post-16 learning via their vocational content.

71. Though, no doubt, a range of evaluations of individual interventions have been undertaken or are in process, neither we nor the Welsh Government or other funders know the relative value of elements of this vast array of intervention activity, how much duplication it contains, or what cumulative impact it has had on youth unemployment. To give it the benefit of the doubt, we must assume that it keeps youth unemployment substantially below what it would be if the interventions were not in place, but it has not significantly reduced overall youth unemployment or the NEET rate in the last decade and has not prevented both of these rising in the recession.

72. Thus, if 'strategy' is defined as a coherent and integrated set of actions designed to achieve a particular end, there are presently many initiatives but no strategy towards overall youth unemployment. Indeed, we understand that the Regeneration, Skills, and Economic Inactivity Cabinet Committee 'has commissioned a comprehensive mapping exercise of all interventions by the wider public sector and the third sector in Wales that relates to economic inactivity and unemployment'.⁵ As with the lack of agreed goals and targets, complexity and fragmentation underline the need for a clear strategy.

The relationship between DWP/JCP and the Welsh Assembly Government

73. The factor of devolved and non-devolved systems is an added complication. Some critical components of the support for young unemployed people between the ages of 18 to 24 are provided and regulated by the UK-national government via the Department of Work and Pensions (DWP) and JobCentre Plus (JCP). They are thus largely out of direct Welsh control. We welcome the fact that a Joint Employment Delivery Board for Wales involving DWP/JCP and officials of the Welsh Assembly Government has been established to increase the degree of co-ordination between the support offered by DWP/JCP and Welsh Assembly Government programmes and initiatives.

74. One particular aspect which has concerned WESB is that, based on the experience that many people 'naturally' find work within the initial 6-month period, intensive and tailored JCP interventions have in the past only commenced after the 6 months stage. For all the reasons noted earlier, we fear this is too late to prevent long term effects – especially for the most vulnerable. WESB's position is that support and encouragement should be available to young people at a very early point following the onset of unemployment and that all unemployed young people should have been given direct, personalised, and well-coordinated assistance designed to lead to sustainable employment well before they have been unemployed for 6 months.

⁵ Note prepared for the WESB working group by Strategic Regeneration Areas – Economic Inactivity

75. In particular, we argue for a concerted joint Welsh Assembly Government/JCP attempt to identify and specifically support those who are least likely to gain sustainable employment within 6 months. Ideally we would want this to be based on a 'pooling' of expenditure streams. However, we understand that DWP rules are such that Welsh Assembly Government-funded assistance programmes which introduce additional subsidy before 6 months may be set against and reduce DWP funding to Wales. This is the reverse of the approach to funding advocated by Beecham and which we endorse.

76. This position is a particular instance of WESB's wider concern that intervention can all too easily take the form of episodic and discontinuous efforts at support, generated in part by institutional complexity and in part by administrative targets (for example, the need to achieve placements rather than long term, sustainable employment). Episodic support is, perversely, more likely to be the lot of the most vulnerable precisely because they are difficult to place or sustain. The objective must be to *achieve a planned, continuous, and smooth trajectory to sustainable employment*. One key requirement, difficult as this undoubtedly is, is to move as close as possible to a single, named case manager – especially for the most obviously vulnerable – who would co-ordinate early planning and subsequent implementation of intervention. A further need, if continuous and sustained employment is to be the goal, is to *allocate more and sufficient effort to supporting employers and individuals once they are in employment* – again especially in the case of the most vulnerable – so as to promote sustainable employment.

77. We therefore recommend to the Welsh Assembly Government and to the new joint board that:

- Sustainable employment (of at least one whole year) is adopted as the overriding objective
- Sustainable employment as defined be adopted as the only outcome measure
- Every effort is made to transform episodic interventions into a planned, continuous trajectory to sustainable employment – especially for the most vulnerable
- An 'empty box' approach be adopted such that *no young person would be without a planned, personalised, comprehensive and coherent set of interventions by the time they have been unemployed for 6 months*
- The Welsh Assembly Government/JCP move as close as possible to a model of 'lead agency' with a single, named 'case manager' in order to minimise complexity and discontinuity – again, especially for the most vulnerable
- Support for employers and the employee be significantly increased during the first year that a young person is in employment

78. Whether there is sufficient flexibility within DWP/JCP regulations to enable much of what we seek is not clear. We would see the early intervention programmes we believe are necessary being funded by 'pooling' DWP/JCP and

Welsh Assembly Government resources to create a single 'pot' from which to fund seamless provision. As we have already noted, this is not presently the case and Welsh Assembly Government expenditure on such measures may actually reduce the overall level of funds available.

We therefore recommend that:

- That the Joint Employment Delivery Board for Wales be specifically required to achieve the maximum possible flexibility in order to deliver the coherent 'customer journey' which is needed to progress young people into sustainable employment
- The new joint board deliver as much movement in the direction of a 'pooled budget' as possible

Youth unemployment as a 'whole government' issue

79. As a final point on the role of government, WESB considered whether youth unemployment should be considered and dealt with by the Welsh Assembly Government as a 'whole government' problem as distinct from one which is dealt with within particular departments. This has three implications:

- A 'machinery of government' implication – should different departmental interests in youth unemployment be drawn together within a co-ordinated and resourced strategy?
- A funding implication – should funding to concentrate on the problem be found not just from existing and planned budgets for the education, training, and employment support of young people but by diversion of resources from within the total Assembly Government budget towards youth unemployment (probably for a finite period)?
- A 'government acting as government' implication – can the government-as-employer and government-as-major-purchaser-of-goods-and-services act to reduce youth unemployment directly?

80. In respect of all three of these questions, WESB's answer is 'yes'. Even before there can be a joint DWP/JCP/the Welsh Assembly Government strategy there needs to be a strategic approach across the Welsh Assembly Government itself. We believe that the roles of all interested departments should be incorporated within a coherent strategy and that, in line with our argument for a 'lead agency' approach, the Welsh Assembly Government should identify a lead department (or its own internal joint board) for the youth unemployment issue. We also believe that a whole government approach is needed to increasing the funding of intervention – at least during the immediate aftermath of the recession. As we have underlined, the long term costs of increased structural youth unemployment will rebound to many budgets. Despite all the present constraints, there is a need to invest to save.

We recommend that the Welsh Assembly Government:

- Adopt an inter-departmental approach to delivery of targets, in recognition of the economic, social, educational, and skills dimensions of the youth unemployment problem
- Respond to the severity and importance of the youth unemployment problem by temporarily (for a minimum of 2 years) diverting additional funds from other government budgets at a level identified as necessary to begin to deliver on our recommended targets and at a minimum to avoid structural youth unemployment increasing beyond its pre-recession scale.

81. We amplify our answer to the third question, regarding 'government acting as government', in the next section.

Policy responses to youth unemployment

Introduction

82. Our previous section has considered the general principles which we think should guide the Assembly Government's approach to youth unemployment. In this section, we consider some more specific areas in which action can be taken and make recommendations accordingly.

Maintaining numbers in Further and Higher Education

83. In principle, and as shown by practice in the recent past, the growth of staying-on in full time education can hugely reduce the proportion of young people seeking jobs at an early age. We recognise that both Further Education (FE) and Higher Education (HE) budgets are under considerable stress, but one of the simplest ways to combat youth unemployment in the short term is to maximise the number of young people in education.

WESB therefore recommends that the Welsh Assembly Government:

- Seek to maintain, at least for now, as many opportunities for young people to enter Further and Higher Education as possible

The role of Apprenticeship

84. Generally, the growth of Apprenticeships in Wales has been a success and considerable and commendable efforts have been made to protect and sustain Apprenticeships during the recession. Nonetheless, the overall numbers fell back in the run up to and into the recession. This has been particularly the case in the public sector. The Pathways to Apprenticeship programme has mitigated the

loss of Apprenticeship numbers to a degree. But the Young Recruits programme has not been popular with employers despite the comparative success of similar initiatives elsewhere in the UK. The rate of subsidy available to employers in the scheme is low and may explain its poor performance.

85. A number of factors appear to hold back the number of Apprenticeships for young people. These include:

- Increased employer reluctance to take on young people generally because of perceived lack of basic, employability, and social skills; and competition from older people who are more experienced and seen as more capable.
- The extension of Apprenticeship to older age groups.
- The impact of recession on recruitment in general and employers' more specific concerns that they may not be able to retain young people for the full duration of the Apprenticeship.
- For SMEs particularly, the perceived bureaucracy and 'hassle factor' of taking on an Apprentice.

86. In consequence, a notable gap has opened up. Some 55% of Apprenticeships are now for people over 25 years old and only 16% for those aged 16 to 19.

87. WESB believes, however, that, as in England, the number of Apprenticeships for young people can and should be increased as a practical response to youth unemployment and as a significant contribution to the Assembly Government's Economic Renewal Programme.

WESB recommends:

- Intensive work with employers to increase Apprenticeship opportunities as the recession eases, not least in the public sector which must be seen to make its contribution in full
- A concerted use of measures that could increase the willingness of SMEs to take Apprentices, including the rapid expansion of the Shared Apprenticeship Pilot and re-consideration of the need to subsidise the 'transactional costs' that seem to inhibit many SMEs
- The maintenance of the existing Pathways to Apprenticeship programme, with further work being undertaken with SSCs not currently engaged with the programmes so as to extend its range; and monitoring of the progression rate of young people on the scheme into full Apprenticeships
- An urgent review of Young Recruits with a view to developing its capability to secure full Apprenticeship places for those coming to the end of Pathways to Apprenticeship courses

Procurement and recruitment by the Assembly Government

88. The Welsh Assembly Government and its agents are substantial sources of employment and government is a major purchaser of goods and services. We raised earlier the question of whether 'government as employer' and 'government as purchaser' could and should act in particular response to youth unemployment.

89. WESB would not generally support protectionism or inappropriate interference in the natural operation of the labour market. However, given the importance of increasing employment generally and the significance of youth unemployment, we believe that the Assembly Government should examine how its own within-Wales procurement may be increased, and whether – consistent with its own organisational efficiency and the competitiveness of its contractors – government and government-contractor recruitment can be influenced in the direction of the increased recruitment of young unemployed people.

WESB recommends that the Welsh Assembly Government:

- Continually review whether and how public sector procurement in Wales can increase the multiplier effect within Wales and thereby grow jobs, per se and especially for young people
- Ensure that its own recruitment is as open to the recruitment of young unemployed people as possible
- Use procurement to encourage its contractors to recruit young unemployed people

Volunteering

90. We received evidence from practitioners that volunteering programmes had been the subject of enthusiastic participation by unemployed young people (including some 'hard core' ones), who were motivated not only by doing valued practical work but by the chance to be able to show evidence of positive attitudes and experience to potential employers. Volunteering has the capacity to improve social skills and increase the maturity which employers value. Indeed, even the social skills that young people have can be eroded by prolonged unemployment – and that is as true of graduates as of the least well educated. Volunteering may help to slow or prevent such erosion.

91. We were informed that, generally, there is little threat to benefits from engaging in voluntary work provided that no more than basic expenses are paid. However, we were also informed that volunteering presently comes at the end of DWP's hierarchy of interventions. It is an offer made after prolonged unemployment. We believe this is entirely inappropriate and has the danger of labelling volunteering as a last resort. We believe the DWP/JCP approach should be turned on its head – volunteering opportunities should be offered as early as possible.

92. WESB also recognises that voluntary work as a response to youth unemployment is at its best when it is integrated into a 'customer journey'. Whilst a 'stand alone' experience can have much merit in its own right, it is most likely to lead to sustainable employment if it is part of an individual progress plan which is targeted towards work and includes other elements of training, employability skills development, and advice.

We therefore recommend that the Welsh Assembly Government and DWP/JCP:

- Urgently review current practice with a view to making volunteering available as an early form of intervention
- Present it in a positive light as a means to achieving/ maintaining the social skills and maturity that employers seek and not as a substitute for a real job or as a condition of retaining benefit
- Ensure that benefit rules and practices (such as the speed with which a job offer must be taken up) do not result in any disincentive to volunteer
- Review and increase the range and scale of volunteering opportunities

Work placements and internships

93. Unpaid *work placements* or '*internships*' represent a particular form of voluntary work undertaken on employer premises in which skills are learned, experience gained, and CVs enhanced. We clearly recognise the danger of such 'work experience' if, rather than helping young people to improve their employability, it is used to replace real jobs. We also recognise that this kind of experience may operate best at a higher occupational level, particularly for unemployed graduates, in the professional and business services sector where the concept has some (well-publicised) purchase. However, we were also impressed by instances described to us where young people of quite limited ability had moved from work placements, into which they had fitted well, into full-time, quality employment.

94. We believe that, with suitable safeguards, a significant formal programme of work placements/internships could be promoted and developed with employers (including government itself) and could enhance the employability and recruitment of unemployed young people.

WESB recommends that:

- the Welsh Assembly Government review and work to increase the number of work placements and internships opportunities available to young people, including within the Assembly Government and the public services in general

Travel subsidy to encourage mobility

95. We observe that in some locations in Wales, notably the Valleys, the ratio of unemployed young people to employment opportunities is so great that for the foreseeable future no more than a fraction will get a sustainable job. Whilst young people regard 'their valley' as their effective travel-to-work area, their prospects are simply of passing in and out of the 'revolving door'. WESB believes that, in this circumstance, it is important that unemployed young people are encouraged to look beyond their local area for work. One means of doing so would be to extend the travel subsidies currently offered to learners and job-seekers to any young unemployed person who is able to secure employment which is at an approved minimum distance from home and is at a wage rate below an agreed maximum. This subsidy would be available for travel to and from work and would be maintained for an agreed period.

WESB recommends that:

- The Welsh Assembly Government introduce a travel-to-work grant scheme for young people who have been unemployed for a period of three months or more and who live in areas offering particularly low employment opportunities

Stimulating the recruitment of unemployed young people

96. Above we have briefly described and then advocated a range of possible interventions to increase the employability and actual employment of young people who are unemployed. Some of the propositions – such as maintaining the number of FE and HE places – are 'stand alone' propositions.

97. However, other interventions clearly need to be co-ordinated – to form parts of an overall 'offer' to unemployed young people which is organised and coherent. Key target groups for this offer may be young people aged 16-18 (to whom the support offered by JobCentre Plus, under the 'Youth Guarantee', is not available) and young unemployed people aged 18-24 in the first 6 months of unemployment before the 'Youth Guarantee' applies.

98. As above, the offer may include volunteering and work placement opportunities and it will clearly need to relate carefully to the existing SkillBuild programme. A travel subsidy to promote mobility may be included.

99. However, a particular element of the offer should be a distinctive focus on *encouraging employers to recruit young unemployed people*. In our view, the requirement is:

1. The approach is clear, simple and as non-bureaucratic as possible.
2. There is a mechanism for attracting and identifying employers, including SMEs, who are interested in supporting young unemployed people into work.
3. A 'vacancy matching' approach is taken such that identified employment opportunities are matched to individual unemployed young people.
4. Young people who are 'offered' to employers have an acceptable degree of employability relevant to the job(s) on offer, including, as an absolute minimum, that they are genuinely prepared to work and that they understand the nature of the work in prospect (requiring, perhaps, an initial short test period during which either side can withdraw with honour intact).
5. Where necessary, there is focussed pre-employment training and, following employment, there is on-going support to the development of the individual's basic and generic skills so as to enable the individual to sustain their position and to progress.

100. One question is whether this approach should be incentivised by a payment to the employer (of, say, £2,500 per individual taken on). Clearly, such an incentive would have some effect but it might incentivise *some employers* to create 'false' employment purely to receive the payment and (as argued by at least one employer member of the Board) most employers are mainly incentivised by the employability and enthusiasm of recruits not by relatively small cash payments.

101. Thus, our view is that the Welsh Assembly Government should develop, with its partners, a new approach (including some reshaping of existing activity) which has a clear focus on encouraging employers to recruit unemployed young people (particularly those aged 16-18 and those aged 18-24 in the first 6 months of unemployment). Part of the development process would be to ascertain whether or not financial incentivisation of employers would give the programme greater strength. Once developed, the programme should be funded, promoted, and delivered with urgency and forcefulness.

WESB recommends:

- That the Welsh Assembly Government urgently develop and fund a new approach to the encouragement of recruitment of unemployed young people by business

Re-visiting the 'NEET' issue

Introduction

102. Our proposals above have been concerned with ensuring that young people beyond the age of compulsory education do not languish in unemployment. However, there is a particular facet of youth unemployment which concerns 'NEETs', people aged between 16 and 18 who are not in employment, education or training. Consideration of this group raises issues which go beyond simply combating unemployment amongst young people.

103. This is already recognised by Wales' existing 'NEETs' strategy: *'Reducing the proportion of young people not in education, employment or training in Wales'* (DCELLS, the Welsh Assembly Government, 2008). For WESB, this strategy presses many of the right buttons. It recognises the need for better tracking of NEETs, recognises that support must be tailored to the particular types and levels of difficulties faced by NEET individuals, and it recognises the need for one-to-one intensive personal support. The strategy further acknowledges the danger that, with a wide range of organisations and institutions having responsibilities for some aspect of the NEET issue *'there is a risk of duplication and inefficiency, as well as of young people falling through the network of support and provision availability'* and it therefore gives local authority-led Children and Young People's Partnerships the responsibility for co-ordinating efforts to reduce the NEET problem.

104. However, we have a basic reservation about the current 'NEETs' strategy. Its focus on disengagement from employment and education between the ages of 16 and 18, does not do full justice to the real issue.

105. It is our belief, supported by the analysis earlier in this paper and by the testimony of experienced practitioners, that there are two strands of 'NEET-ness'. One strand is quite straightforward. It comprises young people who may or may not achieve much at school and may or may not much like education. They leave school or college in the NEET window of 16-18 years and are unable to find work. However, they are reasonably well-grounded individuals who are disposed towards employment and are basically employable. If work were available to them, they would take it. In other times or in other circumstances they would not be NEET.

106. The other strand, however, is more complex. In thinking about it there is a need to leave aside the language of NEETs altogether and think instead about the needs of *disengaged young people of all ages*. It does not help to focus on an administrative category that rather crudely groups together some young people within the 16-18 years 'observation window' that occupies a period between the relative obscurity of compulsory education and relative obscurity of the post-18 benefits system. The core issue to be addressed is that some young people become disengaged from many aspects of society, not just its educational or work aspects. For them the hopes, expectations, opportunities and structures of mainstream society have passed them by or have been rejected as unattainable. We need to respond to young people many of whom have been dealt a tough

hand by fate (traumatic parental relations, prolonged family illness, death and separation, caring responsibilities assumed early in life). Statistics suggest that 55% of 16-18 year old NEETs have non-working parents. Many will be detached from education by truancy throughout secondary school or, if present in school, are there in body but not spirit. Some will display a range of negative behaviours, from withdrawal to anti-social and aggressive, from an early age. Prospective disengagement may be readily identifiable by teachers in primary school.

107. In short, the 'core NEET' issue is only a brief 'labour market' representation of a problem which has poverty and underachievement at its core and has as much relevance to social service, health, and criminal justice agendas as it does to the employment agenda. For the individuals concerned, difficulties are present well before age 16, essentially from birth in many cases, and extend well beyond age 18.

From 'NEETs' to a Youth Engagement Strategy

108. As became obvious when we took evidence, there is no lack of activity surrounding the so-called 'NEETs' position. What people engaged at grass-roots and management levels underlined, however, is that there remains a lack of coherence, co-ordination, focus and drive. More specifically, different witnesses identified an absence of clarity about:

- The authority to act and drive performance.
- Accountability for action and especially outcomes.
- How best to identify – as early as possible – and track young people who are disengaging.
- How best to set targets and indicators of success – and for whom.

109. In addition, we were told that there is too often a lack of clearly identified and sustainable funding for initiatives that can all too easily seem peripheral to mainstream activity and a consequent need for strenuous efforts to chase and harness funds from programmes to which the 'NEETs' agenda was marginal.

110. What is also immediately clear, even at compulsory school age, is the multiplicity of agencies and the need for a coherent approach to identifying, tracking and planning for those at risk. One local authority told us how many 'NEETs' they were aware of, but expressed concern that there might be others of whom they had no knowledge because some 'NEETs' were not actively in contact with any support services.

111. The chance of 'losing' young people is exacerbated by the possibility and the reality of fracture in the transitions that young people are required to make: within the schools/college system, typically at 11 and 16; to Careers Wales at any and all points along the route; and, from 18 onwards, to JobCentre Plus for unemployed young people.

112. The need to identify and track merely underlines the need for clear goals, targets, and performance monitoring. This in turn means there must be the

authority to set such targets, establish accountability for delivery, and hold agencies and individuals accountable. As in many areas of policy, the intentions and ideas are good but the implementation lacks edge and drive. For those who gave us evidence, the issue is partly one of extending some forms of intervention (such as youth work, as we discuss below) but it also remains one of having a more fully coherent, integrated approach to strategy and delivery.

113. What we believe is needed is a determination to look beyond the arbitrary, narrow and essentially negative concept of 'NEETs' and to commit to a comprehensive and coherent strategy for Youth Engagement.

WESB recommends that the Welsh Assembly Government:

- Recognise that disengagement is the core, but larger, issue underlying the concept of 'NEETs'
- Adopt a comprehensive Youth Engagement Strategy that moves beyond the language and present responses to 'NEETs'
- Ensure that the Strategy is underpinned by identifiable and sustained funding rather than resting on elements of multiple funding streams

WESB further recommends that the strategy should:

- Allocate unequivocal lead roles and accountabilities, set demanding targets, and ensure that performance is measured against these targets and accountabilities
- Ensure a high degree of planned personalisation of response so as to meet the diverse needs of young people who become disengaged
- Ensure high quality and uniform standards of identification and tracking of young people across the various stages, transitions and key agencies such that young people who begin to disengage are known and not lost to view
- Ensure that the strategy is underpinned by identifiable and sustained funding rather than resting on elements of multiple funding streams.

114. These principles were discussed earlier in the context of work of the Welsh Assembly Government and the Joint Employment Delivery Board for Wales which is focussed directly on young unemployed people beyond the end of compulsory education. In relation to our proposed new Youth Engagement Strategy, they are still, we believe, critical to success but have a different and wider context.

115. Principally, the age range over which the principles apply is much wider, extending back to early years in some cases, and certainly applying to children and young people in their primary and secondary school years. In this case, therefore, it is just not co-ordination between training and employment support from the Welsh Assembly Government, Careers Wales, and DWP/JobCentre Plus which is needed, but wider co-ordination of many other public functions

and responsibilities including those in education, social services, health, and criminal justice.

116. The roles of local authorities and, particularly, of *Children and Young Persons Partnerships*, are critical here. WESB received evidence that effectiveness of these Partnerships is variable with some performing well below the standard of the best.

WESB recommends that the Welsh Assembly Government should:

- Ensure that Children and Young Persons Partnerships are working effectively and that all are brought up to the current standard of the best

Engagement and social skills: re-invigorating Youth Services

117. Disengagement from learning that begins at school age can become a more fundamental disengagement from mainstream society as a whole. The initial response has to be built around the full-time educational system. As we identify in our discussion of the basic skills problem⁶, the first target has to be to ensure that at each stage of education all learners have the basic skills needed to tackle the next stage in the learning journey. A system characterised by high basic skills attainment will automatically be one with lower disengagement.

118. As we argue – and our witnesses emphasised – this can only be achieved if basic skills attainment is more highly valued and driven harder throughout the school system. This is partly about pedagogy and teaching skills, but it is also inescapably about re-balancing the goals, targets and priorities that dominate our schools. As one group of local authority contributors put it to us, the success criteria within which schools currently work encourage an emphasis on those who have the capability to succeed and those just below the threshold, but not the – smaller and more resource and time costly – group below this level. We make recommendations designed to help re-balance these priorities.

119. An additional factor is motivation. Young learners – especially from backgrounds of disadvantage and limited hope and experience of employment as a norm – are far less likely to be motivated to learn. The rapid development of high quality vocational and experiential learning is one necessary response and we place great emphasis on the need to speed up the Learning Pathways and collaborative agenda. But disengagement is not susceptible to social programme solutions unless they are supported by diverse opportunities in a vibrant economy: jobs are vital to the motivation to learn. In the first volume⁷ of this Annual Report, we underline this by arguing for a clear commitment to increase jobs at all skills levels and for the creation of a Jobs Growth Fund.

120. Beyond these responses lies the need radically to extend, personalise and co-ordinate the support for learners who are struggling. A major need is

⁶ *Moving Forward: Foundations for Growth, Vol. 2, Basic Skills*, WESB, 2010

⁷ *Moving Forward: Foundations for Growth, Vol. 1, Economic Renewal and the Skills Agenda*, WESB, 2010

to improve their social skills – as employers constantly demand. But where communities, and families, have been economically blighted the traditional networks that linked young people to the world of work have also been eroded. Young people need new routes into mainstream society.

121. Moreover, as learners disengage, the very process and institutions of education can be seen as part of the problem not the solution. At the heart of combating this, we believe, is the need for trusted adults/mentors. Teachers may help individuals through their problems; the learning coach model is one means of systemising support; careers advisors and youth workers can swell the ranks of available adults to whom to turn. Whatever the means the need is to ensure some trusted and preferably long term support is available from an adult or capable peer.

122. The very fact that the *Youth Service* tradition is non-didactic and committed to 'personalisation' (beginning where young people are and treating them as having unique, individual needs) makes it an especially important resource – both in and outside the school setting. We were also struck by the particular value of detached and 'street corner' youth work when dealing with entrenched disengagement.

123. What we could not but notice was the highly variable and generally low (we believe less than 1% of the educational budget) level of funding for youth services – which is reflected in the variability of provision across Wales in general and within schools in particular. We came to believe that a substantial enhancement of the Youth Service in Wales is an essential part of moving beyond the responses which have failed to eliminate the NEETS and disengagement problem in the past.

WESB recommends that the Youth Service be given a significantly enhanced role in combating disengagement and, to this end, that:

- As soon as possible the Youth Service be placed on a statutory basis in Wales, with increased funding
- A planned expansion of Youth Service in schools be required of all local authorities and schools
- The value of the Youth Service in combating the disengagement of young people be championed by DCELLS so as to reduce the great variation between local authorities in the proportion of funds notionally provided that is actually spent on the Youth Service
- Detached youth workers be increased in number across Wales and given a clear remit within the Youth Engagement Strategy
- The Apprenticeship Youth Worker Scheme in Merthyr Tydfil be generalised both as a small contribution to the number of public service Apprenticeships and as a significant addition to the scale of Youth Service resources
- The pilot 14-19 Pathway pilot in Youth Work be evaluated with a view to possible generalisation as a route into the Apprenticeship Youth Worker Scheme

Engagement and social skills: strengthening community organisations and developing flagship projects

124. An enhanced Youth Service is not the only way forward. We believe that efforts to engage young people via a variety of **community organisations** – sports clubs (at any level from Wales' major football and rugby clubs down to local clubs), churches, and traditional youth clubs – can have great value, particularly in areas where industrial decline has greatly undermined such participation.

125. Finally, we believe there is a role for large '**flagship projects**' which are able to engage large numbers of young people in activities which give a focus to their lives and counteract more negative pressures. Whilst the 'pop factory' project foundered for well-known reasons related to its finances, we do not believe that the model represented by that project is flawed in itself.

126. Thus, we believe that a further important role for a new Youth Engagement Strategy is to find the resources and to harness the imagination which is needed to give major impetus to development in these latter two areas.

WESB recommends:

- That a Youth Engagement Strategy should include action to identify, encourage and fund community organisations and major projects which have, or can develop, activities which engage unemployed young people in productive activities leading to their better socialisation, re-motivation, and connection with positive societal norms.

4. Policy recommendations: a summary

127. The importance, scale, and complexity of the youth unemployment problem are great. Our review of the issue has necessarily been wide-ranging. A diagram may be helpful in summarising what we see as the relevant ‘policy landscape’:

