

Youth unemployment

Purpose of report

This report invites the Board to discuss how the LG Group can help councils respond to rising youth unemployment.

Summary

The LG Group has had a programme of work on young adults' engagement in learning and work which we have called Hidden Talents.

The programme evidenced and promoted the need for an approach centred on the needs of individual young people in the context of specific families and communities. It called for devolution and reform to allow personalised, joined-up support that engages more young people in productive activity including work, learning and volunteering. Although our work programme commands a broad consensus of support among councils, voluntary sector organisations and others, government policies remain over-centralised and fragmented.

Latest figures show that youth unemployment is now 20.6% - the highest figure since comparable records began in 1992. Against that background this paper invites the Board to discuss how the LG Group might help councils respond and take our Hidden Talents work into a new phase.

Recommendation(s)

The Board are invited to comment on the paper.

Action

Officers to take forward members' suggestions.

Contact officer: Phillip Mind
Position: Senior Policy Consultant, LGA
Phone no: 020 7664 3243
E-mail: Philip.mind@lga.gov.uk

Youth unemployment

The background

1. Youth unemployment¹ is rising and currently stands at 20.6%. By comparison adult unemployment is 8% and the number of people aged 50-64 and 65 and over in employment is the highest since comparable records began in 1992.
2. Concerns about the overall level of youth engagement in productive activity², principally work and learning, prompted the Hidden Talents work programme, which began in 2009 at Baroness Eaton's request.
3. At the national level, there is currently a political debate about both the causes of the high levels of youth unemployment and the appropriate policy response.
4. In 2009, the previous government introduced the Future Jobs Fund (FJF) as a response to rising youth unemployment. We successfully argued that job creation measures should be locally led and the FJF was rapid, responsive and successful in creating employment opportunities.
5. The current government is however highly unlikely to opt for this kind of public/voluntary sector job creation scheme. DWP has produced analysis intended to suggest that the FJF has had limited success in helping young people into sustained employment after their six month FJF placement, although there is lots of scope to argue the point. The Budget is instead likely to focus on measures intended to stimulate private sector job creation. Again this different approach requires local leadership and this is implicitly acknowledged by government in their policy on local enterprise partnerships.
6. The high level of youth unemployment impacts on local communities, particularly those where the numbers out of work are above average in different ways, for example:
 - 6.1 there is a lifetime "earnings scar" that results from a period of youth unemployment – estimates vary but earnings for individuals in their late thirties are 12-15% less than average where they have been unemployed for a significant period after leaving school;

¹ There are a number of definitions of "youth unemployment". The definition used here is based on the unemployment rate. This is not the same as the count of young people aged 16 to 24 years old who are not in employment, education or training (NEET)

² Historically, the UK's post-16 participation in education and training is consistently below the OECD average.

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- 6.2 this “earnings scar” is not just an issue for individuals’ immediate income – it impacts on their ability to save, make pension contributions and of course to pay taxes. Today’s youth unemployment is tomorrow’s fiscal problem;
 - 6.3 people who suffer unemployment as young adults are more likely to suffer worse physical and mental health later;
 - 6.4 high levels of youth disengagement from the labour market are also likely to manifest themselves in civic disengagement, a lower propensity to vote and greater social instability.
7. These are just some of the reasons why councils need to care about youth unemployment. Whilst at the level of the national political debate these issues may be the subject of partisan exchanges, councils face very immediate questions about how to reduce youth unemployment and handle its impact in their communities.

Hidden Talents

- 8. The Hidden Talents programme has been about how to provide more effective help to young people who are not in a job, education or training, and how we can prevent young people falling into that situation in the first place.
- 9. It challenges the prevailing orthodoxies – focussing on what young people can do, rather than stigmatising them as NEET (not in employment, education or training) for what they are not doing. We advocated local solutions that put young people, their families and the community at the heart of the solution.
- 10. Hidden Talents has commanded widespread support and interest. It has been developed with councils, the Centre for Social Justice and a number of voluntary sector partners including the Prince’s Trust, Groundwork UK and Rathbone.
- 11. The policy paper Hidden Talents II³ sets out detailed recommendations for better support for a child at every stage of their journey to adulthood with an emphasis on acting early and personalised approaches. Alongside it we have produced research papers, case studies, more specific policy papers and associated events, for example on volunteering.
- 12. Some of the key policy recommendations to enable a more coherent, joined up local approach included:

³ Hidden Talents II – getting the best out of Britain’s young people, Local Government Association/Centre for Social Justice, October 2009

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- 12.1 removing the distinction between pre- and post-19 year olds which resulted in young people having to navigate different funding regimes for training and different bodies for advice and guidance;
 - 12.2 removing the public sector fragmentation. In Hidden Talents we identified too many bodies and too many funding streams (49 at the time) aimed at helping young people, resulting in “a crowd around the customer”;
 - 12.3 more emphasis on volunteering and informal learning as ways of progressing young people into learning and work; and
 - 12.4 the critical importance of local and cultural factors which point towards rooting successful approaches in the local circumstances of communities and families.
13. We also made the case for pooling funding from national and local partners, under local accountability, to enable more personalised, streamlined and local approaches to youth unemployment – in essence a case study for the community budget approach.

The policy landscape

14. The policy landscape is of course now changing rapidly, for example:
- 14.1 local authorities have a statutory role to support the delivery of the age rise in compulsory participation in some form of education or training up to 17 years old by 2013 and 18 years old by 2015;
 - 14.2 local authorities have a strategic commissioning role in 16-19 year old education and training;
 - 14.3 local enterprise partnerships could play a strategic market making role to ensure that youth training fits the needs of local employers and local people, in particular to drive up the quality and quantity of work-based training, including apprenticeships;
 - 14.4 the government’s market based reforms to the skills system make it vitally important that there is informed choice - high quality information, advice and guidance and provider transparency about job outcomes;
 - 14.5 public subsidy in higher education is focussing on STEM subjects – targeting resources at skills gaps – and government is reforming higher education finance so that universities will charge higher levels of fees, alongside plans to protect young people from lower income households. It is also extending the student loan system to FE;

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- 14.6 the welfare reforms, including the introduction of the Work Programme and universal credit, to provide better support to get people into work and improve work incentives;
- 14.7 Graham Allen MP is conducting a review of early intervention which supports the basic argument of Hidden Talents that helping children early is the best way to improve their educational and employment outcomes.
15. Whilst we need to conduct a more thorough analysis, the policy changes do not appear to address the structural fragmentation in the system that we identified in Hidden Talents – there are, for example, different funding bodies for pre and post-19 training and new national initiatives, such as the National Citizens Service, which on the face of it do not appear to mesh with local volunteering schemes and new commissioning silos for both the Work Programme and careers advice.
16. In the absence of nationally funded Future Jobs Fund type schemes, and whilst new policies are taking shape (for example, the introduction of the Work Programme and the migration of benefit caseload onto universal credit) in many places there is a clear expectation that local government must demonstrate the strategic leadership necessary to: mitigate the impact of youth unemployment on young people themselves and the wider community; help young people become job ready; support the most vulnerable young people into work; and promote growth in the local economy.
17. This could include a wide range of actions such as co-ordinating the support available locally and driving out inefficiencies, an effective local offer of work-based training, including the expansion of apprenticeships, or encouraging young entrepreneurs through local mentoring schemes.

The role of the LG Group

18. Youth unemployment is as big an issue as ever and our instinct is that the fragmentation in central government and between agencies locally is still a major obstacle to tackling it effectively.
19. Leading up to the Budget, the most recent unemployment statistics show unemployment on a rising trend, with young people most exposed to the risk. There is a window now in which local government can make the case for local solutions and a framework that enables them.
20. Against that background, and given that addressing youth unemployment will be a local priority in many areas, we see a strong case for a programme of work drawing on the Group's wider offer on the economy, agreed jointly with the Children and Young People's Board (since the issues span the interests of both Boards), that could include:

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- 20.1 an LG Group “green paper” a fresh analysis now that the new government’s policies are beginning to become clear, exploring what is now needed in a reformed public sector landscape to enable effective local approaches to youth unemployment;
 - 20.2 a Local Government Youth Unemployment Summit to promote our analysis and lobbying asks;
 - 20.3 support and peer challenge to local enterprise partnerships, inviting those that are leading the way working with 14-19 partnerships - in sorting out the traditional weaknesses in work based learning and increasing the number of apprenticeships on offer - to publicise their approaches;
 - 20.4 a campaigning lobbying strategy that puts councils at the forefront of the public debate calling for action, mobilising support from national government, the private and voluntary sectors.
21. The Board are invited to discuss the issues and proposals outlined in this note.