

Item 3

Annex A

Extract from Daily Telegraph 12 May 2011

A scandal that David Cameron will struggle to shake off

It's hard to be optimistic about No 10's package of measures to tackle youth unemployment.

Of all the ill-effects of the financial crisis, perhaps the most pernicious is the scourge of youth unemployment. Since the crisis began, unemployment among 16- to 24-year-olds not in full-time education or training has risen from around 16 per cent to more than 20 per cent, substantially reversing gains of the previous 10 years.

Nor does the official data fully capture the scale of the problem, for it only measures those who make themselves available for work. To take account of the economically inactive, and those who cannot work, or leave the country in despair to travel and work overseas, you'd need to add another five to 10 per cent, possibly more.

Against Spain's youth unemployment rate, which is in excess of 40 per cent, the UK statistics don't look too bad – but favourable comparison with the depression-hit Iberian peninsula is hardly a consolation. Having been substantially below the OECD average, Britain is now well above it, with rates of joblessness among the young more than double those of the "apprenticeship nations" of Austria, Germany and Switzerland.

Yesterday, in announcing a £60 million package of measures to get the young working again, David Cameron called the current state of affairs a "scandal", and so it is. Those who don't get jobs in their early years tend to remain disaffected for life.

Failure to integrate early into the workforce creates a potentially permanent state of alienation, loss of self-esteem and an insurmountable skills deficit. We are in danger of squandering a whole generation of our most precious resource – our youth.

In as far as it went, the package of measures announced by No 10 seems reasonable enough, even if it does look suspiciously like one of those New Labour press releases, where everything conceivable the Government is doing to tackle the problem is scraped together and then "re-announced" as an all-embracing new initiative.

To cite, apparently in all seriousness, "the fiscal consolidation measures" as a policy designed to promote youth employment – because of their supposed benefits in providing "a foundation for growth" – is stretching it a bit. I may broadly support the cuts, but it's ludicrous to suggest they'll do anything to help youth unemployment.

As for the rest, there is something wearily familiar about the breathless list of apprenticeships, vocational training, education and welfare reform. I seem to have read it all before somewhere – there will almost certainly be a version of this well-intentioned guff from another era gathering dust in the bowels of Whitehall.

Perhaps surprisingly, given the depths of the economic contraction we've just been through, youth unemployment is actually a little bit lower today than after the recession

of the early 1990s. From Labour's New Deal onwards, no expense was spared in trying to crack the problem. A vast alphabet soup of initiatives and programmes emerged from the Blair years. It did little good, however.

It's true that long-term youth unemployment was seven percentage points lower by 2007 than 10 years previously. As ever, however, the statistics are somewhat misleading. In fact, there was a marked deterioration towards the end of that period. What's more, according to OECD analysis, there was a five-percentage-point deterioration in the proportion of 16- to 24-year-olds in employment over the first 10 years of Labour's rule. The apparent contradiction of reduced unemployment and declining employment is explained by the growing proportion of youths in higher education or economically inactive.

Like much of what occurred during those years, the improvement was as much illusion as reality, and to the extent that real progress happened at all, it is much more likely to have been driven by a decade of uninterrupted growth than targeted public policy.

It's therefore hard to be optimistic about this latest stab at the problem. If the causes of high youth unemployment were simply bad policies, then things would be easy enough to correct. Yet they are as much structural as anything else, and this is a hugely more difficult nut to crack.

At root, there are essentially only three reasons for unemployment. First, and most important, is a lack of jobs. This isn't something that's going to change any time soon. Second is a lack of the requisite skills. In the past, there used to be a safety net of relatively well-paid employment to catch the always-significant numbers who come out of education ill prepared for work. Thanks to technology and globalisation, this has gone. Only the skilled and the trained will now progress. And finally, there's lack of incentive. Welfare reform will help, but again it'll take time, and it won't have much traction unless there are jobs to be had.

If we could only copy the German "dual system" of apprenticeships and vocational training, we'd be home and dry. Unfortunately, it's a system that only works because of Germany's extensive manufacturing base, and in particular its *Mittelstand* of small and medium-sized engineering companies. That would take decades to replicate.

The truth is that success in tackling youth unemployment will require bold, long-term thinking, as well as a recognition that policy will take years to deliver results. Regrettably, our politicians don't tend to be very good at that sort of thing.