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Employers and the recruitment of young people (16-18 year olds): An evidence review

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Employers and the recruitment of young people (16-18 year olds): An evidence review

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Views expressed by the author of this Briefing Paper are not necessarily those of the UK Commission for Employment and Skills.

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Introduction

The recent recession in the UK has highlighted once more the vulnerability of young job seekers to changes in economic conditions. New entrants to the job market will always be vulnerable to cyclical downturns in the demand for labour but the impact of the recession may be compounding longer-term, underlying structural changes in the 'youth labour market' as well as patterns of employer recruitment behaviour that disadvantages young people. Public policy has a role to play in facilitating the entry of young people into employment and their progression within work. To be effective in this regard, public policy must be informed by an appreciation of employers' recruitment practices regarding young people and the role that skill and qualifications play in that recruitment process. This review provides the evidence regarding these important issues.

Key findings

The key findings from the review were as follows.

- Only a very small proportion of employers recruit 16-18 year olds directly from school or college, although a greater number recruit 16-18 year olds from unemployment or other employers.
- Much of the recruitment of 16-18 year olds is of students to part-time jobs. The proportion of the 16-18 age cohort recruited to full-time jobs is comparatively low.
- Where young people entered full-time employment they tended to enter skilled manual trades (25 per cent), personal service occupations (19 per cent) or elementary occupations (19 per cent). Around 12 per cent of full-time jobs for young people were in administrative and secretarial jobs. Part-time employment of young people, unlike those in full-time work, is dominated by jobs in sales and customer service occupations (45 per cent) and elementary occupations (38 per cent).
- 16-18 year olds who have entered employment (excluding full-time students) are much better qualified than those who are unemployed or inactive. A majority (64 per cent) of 16-18 year olds in employment held qualifications at NQF Level 2 or above. This suggests either that employers have selected the best qualified or that the best qualified possess other characteristics that employer want.
- Unemployment amongst young people is relatively high but normally of short duration, suggesting it is a transitional state between education and job, or between one job and another. The cyclical sensitivity of youth unemployment suggests a link to employer recruitment behaviour.

- The reluctance of some employers to recruit young people stems from a perception that their employment is a risk and a potential burden on their business. Negative perceptions see 16-18 years olds as unable to make a productive contribution from the start of their employment (perhaps because of a lack of basic skills) or as lacking the right attitudes, motivation and ability to learn required to progress in the business.

- Employers commonly use of informal channels (such as word of mouth and recommendations) when recruiting to entry level jobs. The use of informal methods has increased as the job market has weakened during the recession. Informal recruitment channels disadvantage young people because they are centred on the workplace and the social networks surrounding an existing workforce. Young people seeking work have only a limited awareness or access to such networks thus limiting the job opportunities open to them. Such channels are also unfair as access to employment depends more on family connections than upon ability.

- Employers use a range of criteria to select applicants for entry level jobs. These criteria often emphasise attitudes and motivation over experience and qualification. In a recession, however, employers may raise their hiring standards and require more experience and higher qualifications than previously. This tends to disadvantage 16-18 year olds who, as new entrants to the job market, lack prior work experience and may hold only low level qualifications.

- Job prospects for young people could be improved if employers were to adopt more formal human resource practices that made indirect, or unintentional, discrimination less likely. Unprofessional recruitment and selection methods lead to poor matches between recruits and jobs and are inefficient for the business and can lead to the confirmation of negative perceptions on both sides. More efficient matching would lead to longer-term and successful employment relations and promote more positive perceptions of young people.

- Employers are making greater use of work placements and work trials in order to reduce the perceived risk of recruiting and employing a 16-18 year old. Work experience placements, internships or training places such as apprenticeships all provide employers with an opportunity to evaluate a young person in the workplace without a longer-term commitment to employ them.

- Employers can engage with the education and training system at a number of levels. In general, employers can be regarded as ‘consumers’ when they hire young people who leave school or college, as stakeholders when they provide leadership through their involvement in the design, development, management, delivery and assessment of learning, and as strategic partners when there is sustained interaction between

employers and education institutions.

- Employers can gain from engagement in terms of reduced recruitment costs where an employer has relationships with selected schools or colleges by which selected young people are directed towards the employer for possible recruitment, if opportunities are organised to try out potential young recruits (for instance through work placements. Employers also gain from engagement if it helps close the gap between their business needs and schools and college provision. Employers gain from greater productivity, lower turnover, reduced training and supervision cost as the result of better matches between recruits and the needs of their businesses.

- Any benefits from engagement need to be set against the costs of achieving such links. Engagement is time consuming. The cost of identifying potential points of engagement (such as specific schools or colleges), the staff time involved in liaising and working with them, any financial costs involved in work placements all need to be taken into account. These costs need to be considered in the context of existing recruitment practices that are low cost to employers, even if disadvantaging young job seekers.

- Educational institutions also need to engage with employers. Contrasting cultures and a failure mainstream business education can limit effective engagement. The complexity of the educational system and its frequent changes, mean that employers often face difficulty identifying 'who does what' within the system and within individual institutions. Where links are established they often depend on interpersonal relationships that are vulnerable to staff turnover.

- The constraints on business-education links are greater for small enterprises than for large organisations. Small businesses often face greater barriers in terms of the knowledge within the business of school and college providers, while the process of forming links between a small business and education providers can be disproportionately time consuming.

- Both the recruitment process and employer-education engagement needs to be seen in the context of a business community that, while very supportive of the need to help young people into work, nonetheless see little or no role for the State in supporting the recruitment process. Bringing about improvements in the job opportunities for young people is about changing the 'hearts and minds' of employers and, that type of change takes time and considerable effort to achieve.

1 Introduction

1.1 Background to the review

The recent recession in the UK has highlighted once more the vulnerability of young job seekers to changes in economic conditions. The unemployment rate of 16-24 year olds in the UK has continued to rise since the onset of the recession in 2007 and currently stands at 19.3 per cent[1]. Younger groups (16-19 year olds) have fared even worse with their unemployment rate increasing to 27.0 per cent, or a total of over 405 thousand unemployed 16-19 year olds.

New entrants to the job market will always be vulnerable to cyclical downturns in the demand for labour but the impact of the recession may be compounding longer-term, underlying structural changes in the 'youth labour market' as well as patterns of employer recruitment behaviour that disadvantage young people. These underlying changes include new patterns of labour demand that impact upon the volume of 'entry level' jobs and the skills/qualifications that employers require of recruits, while supply-side changes include a massive expansion in the number of young people remaining in education beyond compulsory school age together with a fall in the number, and some employers would argue the quality, of 16-18 year old school leavers.

Public policy has a role to play in facilitating the entry of young people into employment and their progression within work. It is a priority for the UK Commission to work with employers to help align the education and training with business needs and to help prepare young people for employment and career progression. To be effective in this regard, such public policy must be informed by an appreciation of employers' recruitment practices regarding young people and the role that skill and qualifications play in that recruitment process. This proposal is for a review of evidence regarding these important issues.

The evidence review was carried out by Hasluck Employment Research on behalf of the UK Commission for Employment and Skills.

1.2 Aim and objectives

The aim of the review was to collate and assess recent evidence on employers' attitudes and recruitment practices in regard to young people. Specifically, the review examined evidence relating to the recruitment of young people (with a focus wherever possible on 16–18 year olds), what employers are looking for from young recruits and the extent to which young people meet those requirements. It also considered the extent to which

[1] Source: Labour Force Survey, Fourth Quarter, 2010.

employers feel well served by the current education and training system and are engaged with it, for instance through involvement in the design and provision of education and training, offers of work placement/experience or internships, entry to work training or other support to young people and young recruits.

In reviewing the evidence, the review will seek answers to a number of research questions including:

- Which employers recruit or do not recruit young people (16 – 18 year olds)?
- What do employers look for when recruiting young people?
- What are the barriers to recruiting young people?
- To what extent do employers feel that the current education and training system prepares young people for work?
- To what extent are businesses engaged with the education/training system and what might strengthen such links?
- What actions (and by whom) would help facilitate greater recruitment of young people?

The evidence review drew on a range of sources including (but not limited to):

- Official statistics accessed on-line via NOMIS and the National Statistical Office
- Journal and other academic publications,
- Official reports and evaluations (including that of the UK Commission, Department for Education, Department for Business, Innovation and Skills, Department for Work and Pensions, Jobcentre Plus);
- 'Grey' literature consisting of unpublished material and working papers

Evidence was mainly be obtained via on-line sources but also included material (such as unpublished working papers) provided by other experts in the field.

There is a substantial body of historical evidence relating to the recruitment of young people. This review sought wherever possible to focus on evidence from the last five years (2007 to date), partly to keep the review manageable and the report concise, but also as a response to the sense that the current economic and employment context may be somewhat different to that of the past. Nonetheless, where appropriate, reference is made to evidence from an earlier period where it is especially significant.

2 Young people and the transition from education to employment

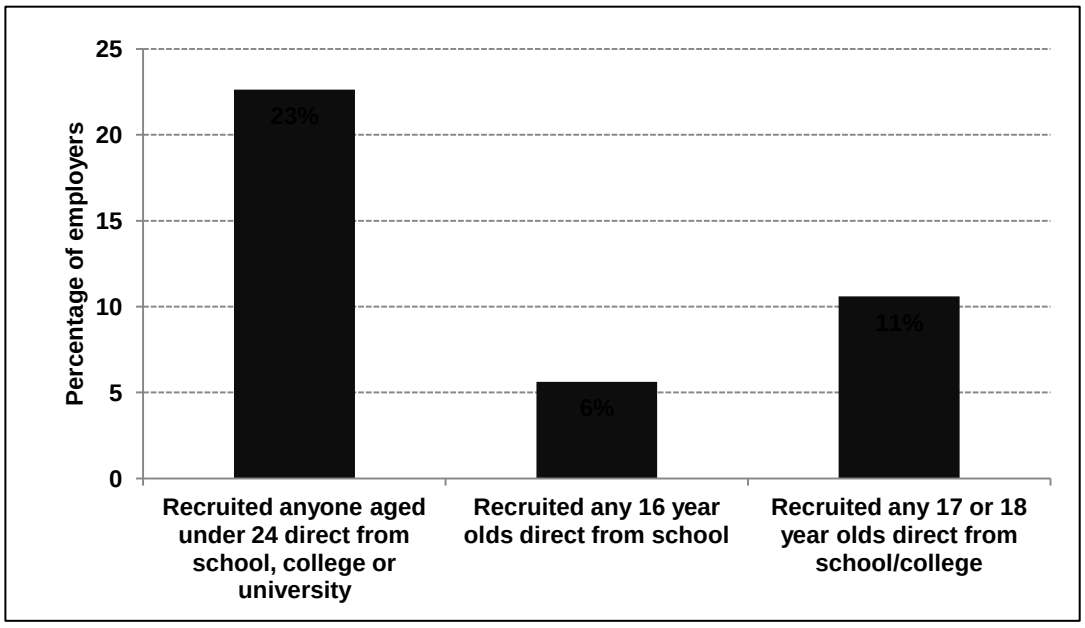
2.1 Introduction

This chapter provides some recent evidence relating to the position of young people (16-18 year olds) in the job market. By definition, young people in the 16-18 year age range will either be in full-time education or have recently made the transition from full-time education and training to another economic status, either employment or inactivity outside of education and training. According to the Labour Force Survey, there were estimated to be around 2,311,745 young people in the UK aged 16-18 years of age. Of these, more than half (56 per cent) were 'inactive' (mainly in education), 31 per cent were in employment and 13 per cent were unemployed on the ILO definition. The focus of this review is on the 44 per cent of the 16-18 year old age group who had been recruited to a job or who were actively seeking and available for employment.

2.2 The extent of recruitment of 16-18 year olds

The Wolf Report (Wolf, 2011) pointed out that whereas there were many jobs for young people two decades ago, the great majority of 16-18 year olds now participate in full-time education. Employment for that age group is now substantially less and, as a consequence, has also changed in character from employment in the past. The extent of recruitment of young people, and 16-17 year olds in particular, is shown in Figure 2.1 derived from data collected by the National Employers Skill Survey (NESS2009). The data relates to young people recruited directly from education and covers only England.

Figure 2.1 Recruitment of young people, England 2009



Source: National Employers Skills Survey, 2009

The NESS2009 shows that, in the 12 months prior to the survey, just under a quarter of employers (23 per cent) in England had recruited a young person (defined in the broadest sense, i.e. aged less than 24 years) directly from full-time education (school, college or university). The proportion of employers recruiting 16 or 17 year olds from school or college was, however, much lower at just 6 per cent and 11 per cent respectively. This was little different from in earlier surveys.

Not all young people are recruited directly from education. Indeed, only 22 per cent of employers recruited a young person directly from education, while the comparable proportion was just under 6 per cent for 16 year olds and just over 10 per cent for 17-18 year olds (UKCES, 2010). Many young recruits are already in employment or have left education but not entered employment (the so-called NEETs: Not in Employment, Education or Training). Table 2.1 provides some insight into the extent of such recruitment. It shows the economic status of 16-18 year olds 12 months prior to the survey and who were in employment (excluding full-time students in part-time jobs) at the time of the survey. This is not a true measure of transitions or recruitment but such transitions can be inferred in many cases (for instance where the employee was previously unemployed or in full-time education).

Table 2.1 Economic status of currently employed young people 12 months earlier, by age group: UK, 2010 Q4

Per cent

	Age			
	16	**17**	**18**	**Total**
Working in paid job or business	14.7	37.9	59.6	48.9
Unemployed, actively seeking work	6.6	9.7	7.7	8.3
Special government t scheme		1.8	1.5	1.5
Full time student	76.1	48.7	29.8	39.7
Looking after family or home			0.4	0.2
Temporarily sick or injured		0.7		0.2
None of these	2.6	1.1	1.1	1.2
Total	100.0	100.0	100.0	100.0

Source: Labour Force Survey, 2010

Unsurprisingly, three quarters (76 per cent) of 16 year olds were in education but this proportion decreases with age to just 30 per cent of 18 year olds. Correspondingly the proportion that was previously in employment increases from 15 per cent of 16 year olds to 60 per cent of 18 year olds. Overall, around 10 per cent of those in employment had previously been unemployed or on a government scheme.

2.3 Who recruited 16-18 year olds?

Table 2.2 sets out the pattern of employment of 16-18 year olds by industrial sector in the UK at the end of 2010. This provides an indication of which employers have recruited from this age group. While Table 2.2 distinguishes employment patterns by age there is little difference in terms of the sectors in which young people were employed, with the minor exceptions of areas such as transport, utilities, financial services and quarrying. The latter sectors are likely to be ones where regulations and legal requirements mean that jobs require a minimum age or some form of licence.

Table 2.2 suggests that the young people are predominantly recruited to just two main sectors: *wholesale, retail & repair of motor vehicles* and *accommodation & food services*. These two sectors accounted for almost 63 per cent of all employment of 16-18 year olds. A further 11 per cent are employed in two other sectors: *arts, entertainment & recreation* and *other service activities*. It is, however, important to note that many of the jobs in these sectors are part-time jobs. In contrast, full-time jobs for young people tend to be more evenly spread across the sectors with 11 per cent in manufacturing, 20 per cent in construction, just 16 per cent in wholesale, retail & repair of motor vehicles and just 8 per cent in accommodation & food services (see Table 2.3 below).

A key question concerning the employment of young people is whether their employment in part-time jobs is a choice that allows them to combine employment and education or is a forced choice because they cannot obtain a full-time job. Table 2.4 shows the pattern of employment according to employment status and, in the case of part-time employment, the reason for taking a part-time job. The table indicates very clearly that the majority (68 per cent) of 16-18 year olds were recruited by employers to part-time jobs while students in education and only a quarter (25 per cent) were working in full-time jobs. These proportions do, however, vary greatly from sector to sector with only 12 per cent of 16-18 year olds students employed in the *construction* sector working part-time but as much as 86 per cent of the employment of 16-18 year olds in *accommodation & food services* being students working on a part-time basis. Conversely, the majority of employment was on a full-time basis in sectors such as *manufacturing, utilities* (gas, electricity, water, waste etc.), *financial & insurance activities, public administration & defence* and *other services*.

Table 2.2 Employment of young people by sector and age group: UK, 2010 Q4

Per cent

	16 years	17 years	18 years	Total
Agriculture, forestry and fishing	2.1	1.7	1.0	1.5
Mining and quarrying			.3	.2
Manufacturing	1.8	4.0	3.8	3.6
Electricity, gas, air conditioning supply		.2		.1
Water supply, sewerage, waste		.2	.2	.2
Construction	5.0	4.9	6.9	5.9
Wholesale, retail, repair of vehicles	40.3	38.9	41.5	40.4
Transport and storage		.9	1.5	1.0
Accommodation and food services	28.4	25.5	17.4	22.1
Information and communication	1.5	1.2	.8	1.1
Financial and insurance activities		.7	1.4	.9
Real estate activities	.5	.2	.4	.4
Professional, scientific, technical activities.	1.2	1.7	3.1	2.3
Administration and support services	.4	1.7	1.6	1.5
Public administration and defence	.5	1.6	1.4	1.3
Education	1.4	2.1	3.7	2.8
Health and social work	3.9	3.9	4.1	4.0
Arts, entertainment and recreation	8.0	4.8	7.0	6.4
Other service activities	4.1	5.7	3.6	4.4
Households as employers	.8		.2	.2
All sectors	100.0	100.0	100.0	100.0

Source: Labour Force Survey, 2010

Table 2.3 Employment of young people by employment status, UK, 2010 Q4

Per cent

	Full-time	**Part-time**	**Total**
Agriculture, forestry and fishing	2.5	1.1	1.5
Mining and quarrying	.6		.2
Manufacturing	11.3	1.0	3.6
Electricity, gas, air conditioning supply	.3		.1
Water supply, sewerage, waste	.7		.2
Construction	20.1	1.1	5.9
Wholesale, retail, repair of vehicles	16.0	48.7	40.4
Transport and storage	2.4	.6	1.0
Accommodation and food services	7.9	27.0	22.2
Information and communication	.6	1.2	1.1
Financial and insurance activities	2.2	.5	.9
Real estate activities	.7	.2	.4
Professional, scientific, technical activities.	4.5	1.5	2.3
Administrative and support services	1.6	1.4	1.5
Public administration and defence	4.0	.5	1.3
Education	2.9	2.7	2.8
Health and social work	7.3	2.9	4.0
Arts, entertainment and recreation	3.0	7.5	6.4
Other service activities	11.0	2.1	4.3
Households as employers	.3	.2	.2
	100.0	100.0	100.0

Source: Labour Force Survey, 2010

Table 2.4 Employment of young people by sector, status and reason for part-time employment, UK 2010 Q4

Per cent

	Part-time: student	Part-time: could not find full-time job	Part-time: did not want full-time job	Full-time	
Agriculture, forestry and fishing	42.1		8.8	49.0	100.0
Mining and quarrying				100.0	100.0
Manufacturing	20.7			79.3	100.0
Electricity, gas, air conditioning supply				100.0	100.0
Water supply, sewerage, waste				100.0	100.0
Construction	12.1		1.4	86.4	100.0
Wholesale, retail, repair of vehicles	82.6	4.8	2.6	10.0	100.0
Transport and storage	28.7	14.3		57.0	100.0
Accommodation and food services	85.5	4.3	.7	9.1	100.0
Information and communication	78.7		7.5	13.8	100.0
Financial and insurance activities	28.5	9.1		62.5	100.0
Real estate activities	50.4			49.6	100.0
Professional, scientific, technical activities.	45.7	4.1		50.2	100.0
Administrative and support services	53.9	5.5	12.5	28.2	100.0
Public admin and defence	19.1	6.6		74.2	100.0
Education	56.8	10.3	6.1	26.8	100.0
Health and social work	42.9	6.5	4.5	46.1	100.0
Arts, entertainment and recreation	74.3	6.0	4.4	11.8	100.0
Other service activities	31.3	2.0		66.6	100.0
Households as employers	63.7			36.3	100.0
	67.6	4.4	2.3	25.4	100.0

Source: Labour Force Survey, 2010, Quarter 4

2.4 To what kind of jobs are young people recruited?

The types of job to which 16-18 year olds are recruited depends very much on whether the job in question is full-time or part-time. Table 2.5 reports the distribution of occupations to which young people were recruited in 2010. As might be expected, relatively few are recruited to managerial or professional jobs, almost certainly a consequence of their recent entry to employment and their lack of higher level qualifications.

Table 2.5 Occupations of young people by employment status, UK, 2010 Q4

Per cent

	Full-time	Part-time	Total
Managers	1.9	0.1	0.5
Professionals	2.1	0.5	0.9
Associate professionals	7.4	2.6	3.8
Administration & secretarial	11.6	4.1	6.0
Skilled manual trades	24.6	2.5	8.1
Personal services	18.7	6.9	9.9
Sales & customer services	9.9	44.7	36.0
Semi-skilled operatives	4.8	0.9	1.8
Elementary jobs	19.1	37.7	33.0
	100.0	100.0	100.0

Source: Labour Force Survey 2010

Where young people entered full-time employment they tended to enter skilled manual trades (25 per cent), personal service occupations (19 per cent) or elementary occupations that required only basic education or low levels of skills (19 per cent). Around 12 per cent of full-time jobs for young people were in administrative and secretarial jobs. Part-time employment of young people contrasts sharply with that of full-time employment and is dominated by jobs in sales and customer service occupations (45 per cent) and elementary occupations (38 per cent).

2.5 What skills have young people to offer employers?

Young people who have entered employment (excluding those in full-time education in part-time jobs) are not poorly qualified. In fact, only around 7 per cent held no qualifications, although 25 per cent held qualifications below NQF Level 2. The majority of 16-18 year olds in employment (64 per cent) held qualifications at NQF Level 2 or above.

Table 2.6 Level of highest qualification, 16-18 year olds in employment, UK, 2010 Q4

Per cent

	Full time	Part time	All in employment
NQF Level 4 and above	3.6	2.5	3.3
NQF Level 3	12.2	19.7	13.8
Trade Apprenticeships	4.3	1.2	3.6
NQF Level 2	44.5	37.7	43.0
Below NQF Level 2	25.5	24.6	25.3
Other qualifications	3.9	1.6	3.4
No qualifications	6.1	12.6	7.5
Total	100.0	100.0	100.0

Source: Labour Force Survey 2010

It is striking to contrast the extent of qualifications amongst those in employment with those 16-18 year olds who were unemployed or economically inactive (in both cases excluding full-time students). Where 16-18 year olds were unemployed, around 20 per cent were unqualified and 35 per cent qualified only at NQF Level 1. Where people in that age group were economically inactive, the proportion that was unqualified increased to 34 per cent while the proportion with only NQF Level 1 qualifications was 32 per cent. This strongly suggests that those in employment are the most qualified of their age cohort (excluding those who were in education). This could reflect a selection process by employers when recruiting young people or, alternately, a self-selection process with those who are best qualified also possessing greater drive and determination to obtain employment.

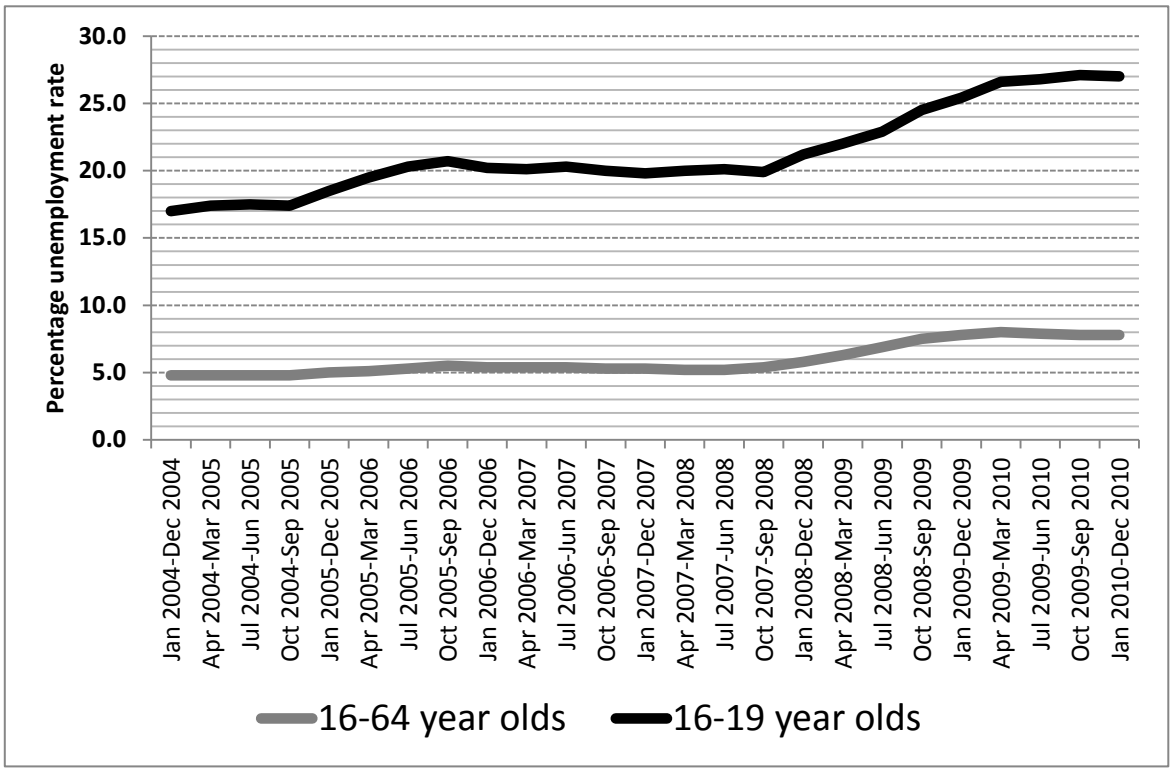
2.6 The incidence of worklessness amongst young people

According to the Labour Force Survey there were an estimated 301,713 unemployed 16-18 year olds on the ILO definition in late 2010. The ILO definition relates to people who were actively seeking work and who thus represent part of the pool of potential recruits from which employers can draw. The ILO definition, however, includes students who were looking for work and excluding them reduces the number of wholly unemployed 16-18 year olds outside of education to 135,787.

While the unemployment rate of young people is currently at an historically high level, such unemployment rates are not unprecedented. Similarly high rates were experienced in previous recessions (such as the early 1990s). Unemployment of young people is particularly sensitive to cyclical variations in economic activity (DWP and HMRC, 2009) as can be seen from Figure 2.2. The chart indicates not only the much greater relative

incidence of unemployment amongst 16-18 year olds but also the rapid increase in that incidence during the recent recession. While the unemployment rate amongst the working age population as a whole increased by three percentage points from around mid-2008 up to early 2010, the unemployment rate amongst 16-18 year olds increased by 7 percentage points over the same period to a level of around 27 per cent.

Figure 2.2 ILO unemployment rate by age group, UK, 2004-2010



Source: Labour Force Survey

This cyclical sensitivity is likely to be related to employers' employment decisions and their impact upon recruitment volumes (see Chapter 4 below). Decisions by employers to stop recruiting in a recession are likely to impact most on young people as they are at a point of entry to the job market and likely to be excluded in favour of retention of existing employees. The impact on young people can be serious, both in terms of short-term attitudes and behaviour (Princes Trust, 2010) and in terms of long-term employment opportunities and lifetime earnings (Bell and Blanchflower, 2010).

2.7 'Churn' in the 'youth' job market

It is often suggested (Worth, 2005: Wolf, 2011) that the youth labour market is characterised by 'churn', that is by frequent job changes and periodic short spells of unemployment. The explanation for this is that young people lack sufficient information to make informed choices of career and engage in a period of testing the job market in order to find jobs and employers that they like. It is also likely that the jobs to which they are recruited – accommodation & food services, sales jobs, elementary occupations - are themselves characterised by high turnover regardless of the age of employees.

The Labour Force Survey for 2010 indicates that the duration of spells of full-time employment amongst young people was short, generally a matter of months. Overall amongst the 16-18 year age group nearly a quarter (24.3 per cent) had been with their current employer for less than six months. This might seem inevitable amongst recent school leavers aged 16 but short employment spells are also to be found amongst 17 and 18 year olds. Amongst the latter, for instance, 25 per cent had worked for their current employer for less than six months and almost half (48 per cent) had work for their current employer for less than less than 12 months.

Further evidence of 'churn' comes from the spells of unemployment amongst young people. Table 2.7 reports on the duration of people aged 16-18 years of age who were unemployed on the basis of the ILO definition. The table indicates that just over a third (35 per cent) had been unemployed for less than three months and more than half (56 per cent) had been unemployed for less than six months. This suggests that the majority of unemployment spells amongst 16-18 year olds are of short duration, although it must be borne in mind that these are uncompleted spells of unemployment.

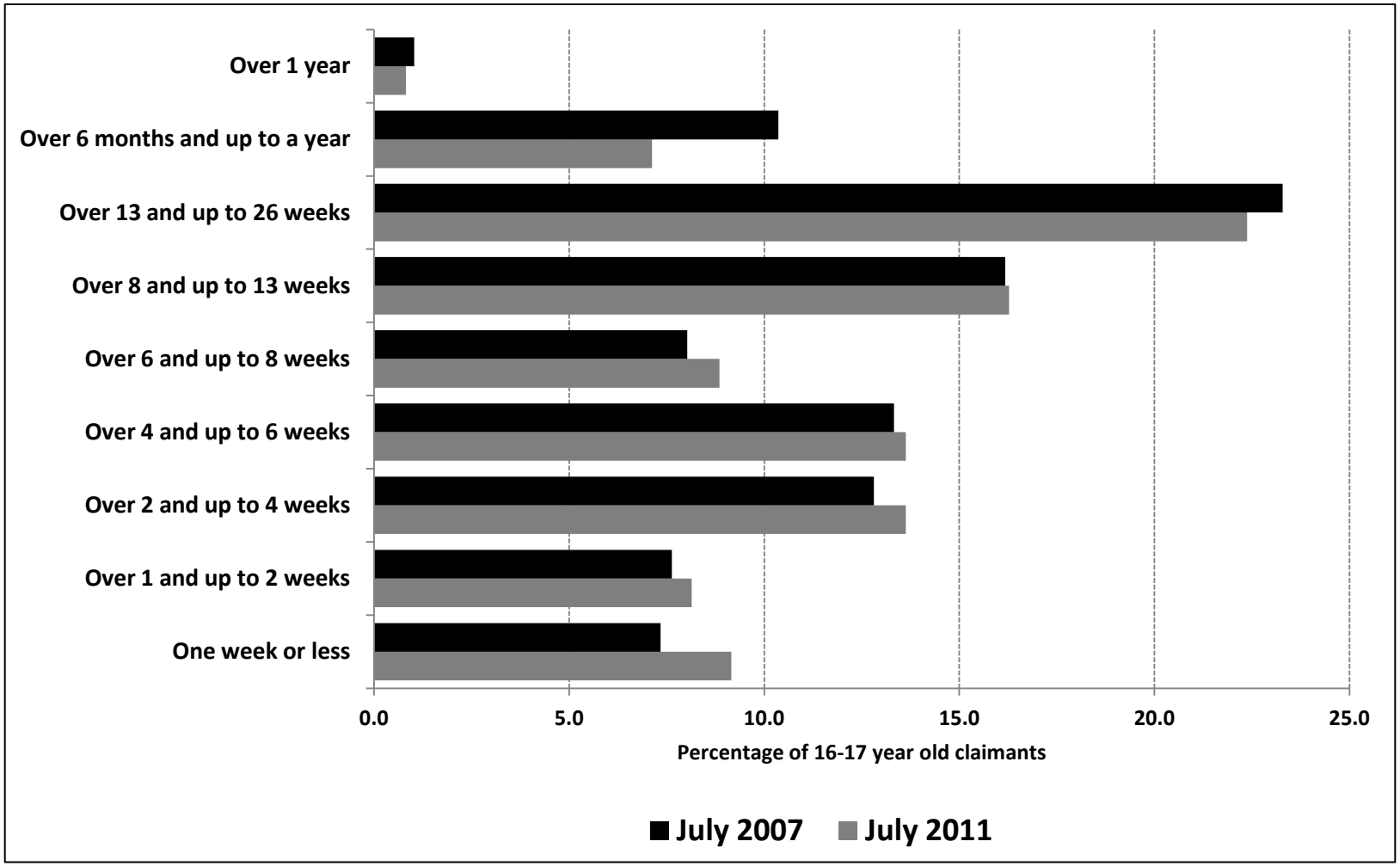
Table 2.7 Duration of unemployment spell, 16-18 year olds, UK, 2010 Q4

Duration of unemployment spell	Number	Per cent
Less than 3 months	104437	34.7
3 months but less than 6 months	63682	21.2
6 months but less than 12 months	79840	26.5
12 months but less than 18 months	34139	11.3
18 months or more	18779	6.2
Total	300877	100.0

Source: Labour Force Survey, 2011, Q4

A similar, if less reliable, picture emerges from data on unemployed claimants. This is a less reliable picture because 16-17 year olds are not entitled to claim Jobseekers Allowance and so the incentive to register as unemployed is correspondingly reduced. Figure 2.8 describes the duration of unemployment for those young people who do 'sign on' with the Jobcentre. The chart suggests that in July 2011, almost a third (31 per cent) of such young claimants had been unemployed for less than one month while well over two thirds (70 per cent) had been unemployed for less than 13 weeks.

Figure 2.8 Distribution of unemployed claimant spell by duration, 16-17 year olds, UK, 2007 and 2011



Source: Labour Force Survey, 2011, Q4

2.8 Key characteristics of the 16-18 year old job market

The preceding brief review of the labour market situation of 16-18 year olds has highlighted a number of key features of their situation. These are:

- Only a very small proportion of employers recruit 16-18 year olds directly from school or college, although a greater number recruit 16-18 year olds from unemployment or other employers.
- Much of the recruitment of 16-18 year olds is of students to part-time jobs. The proportion of the 16-18 age cohort recruited to full-time jobs is comparatively low.
- Where young people entered full-time employment they tended to enter skilled manual trades (25 per cent), personal service occupations (19 per cent) or elementary occupations (19 per cent). Around 12 per cent of full-time jobs for young people were in administrative and secretarial jobs. Part-time employment of young people, unlike those in full-time work, is dominated by jobs in sales and customer service occupations (45 per cent) and elementary occupations (38 per cent).
- 16-18 year olds who have entered employment (excluding full-time students) are much better qualified than those who are unemployed or inactive. A majority (64 per cent) of 16-18 year olds in employment held qualifications at NQF Level 2 or above. This suggests either that employers have selected the best qualified or that the best qualified possess other characteristics that employer want.
- Unemployment amongst young people is relatively high but normally of short duration, suggesting it is a transitional state between education and job, or between one job and another. The cyclical sensitivity of youth unemployment suggests a link to employer recruitment behaviour.

The conclusion that can be drawn from this the job market for 16-18 year olds is a complex one. While many employers are unlikely to be recruiting young people, those that do are likely to be doing so on a frequent basis as the jobs offered are often part-time and subject to high turnover (partly because they are taken by students during their studies and partly because of the inherently high turnover in the low skilled jobs on offer). Chapters 3 and 4 that follow now considers the recruitment process in more detail and the impact that this can have on the employment of young people.

3 Employers and the recruitment process

3.1 Introduction

Before examining the evidence relating to the recruitment of young people, and 16-18 year olds in particular, it is important to consider the recruitment process that provides the broad context for such recruitment. Recruiting young people is just one recruitment option for employers and it is critical to understand why they might, or might not, choose to recruit from that source. By considering when employers recruit, how they recruit and what they want from the people they recruit, some light can be shed on the position of young people in the job market and help identify specific aspects of the process that may disadvantage young people in the job market.

3.2 When do employers recruit?

Employers are the 'gate-keepers' in the market for jobs. Jobs are created by employers in response to their labour requirements, which are, in turn, determined by the type of economic activity that the business is engaged in, the 'production' techniques available to it and the level of output or activity within the enterprise. When the labour requirements of an enterprise differ from the labour resources available to it, adjustment is required. Adjustments may be needed because of labour turnover or because of an increase or decrease in output. It can also occur because of a mismatch between labour requirements and the skills of current employees. Employers can respond in a number of different ways, only some of which will result in recruitment in the external job market. For instance, faced with the need for additional labour of a particular type, an employer could:

1. Change the utilization of the existing workforce, e.g. by working overtime, extending job responsibilities
2. redeploy the existing workforce
3. reduce turnover within the existing workforce, e.g. reduce quits, delay retirements etc.
4. hire a replacement employee of the type required
5. hire and train a less skilled worker
6. leave the vacancy unfilled

Only in the case of (4), (5) and (6) will a job vacancy appear on the external market, as the other adjustments to meet the new labour requirement are met by changes to the existing workforce. The number of recruits that employers will be seeking will thus be

given by the following identity:

$$R = Q + D + W - RD – FTE - UV$$

where R is recruitment, Q is quits, D is dismissals (or layoffs), W is withdrawals (retirements, maternity leave, sick leave etc.), RD is redeployment, FTE is the full-time job equivalent change in labour utilization (hours and effort) and UV is unfilled vacancies. The number of people recruited from the external job market would be high where Q, D or W is high and lower where RD, FTE or V is high.

Recruitment decisions are made in a world of uncertainty and incomplete information. This has several consequences. First, employers often need to wait to see how circumstances unfold, for instance whether an increase in sales is a temporary fluctuation or a longer-term trend, and often take short-term measures in the meantime. Second, even if an employer decides it is necessary to recruit on the external job market, they face the problem that labour is of variable quality or suitability. This necessitates a search process to identify and select recruits of an acceptable standard. How much effort is put into this search process will depend upon the extent of the differences between workers (and hence the costs of making a poor engagement), the costs of carrying out the recruitment activity and search and, finally, the hiring standards that are set (how choosy the employer is). The more resources that are devoted to this search process, the greater the initial costs but the greater will also be the potential benefits in terms of high quality recruits and future output.

3.3 What do employers want?

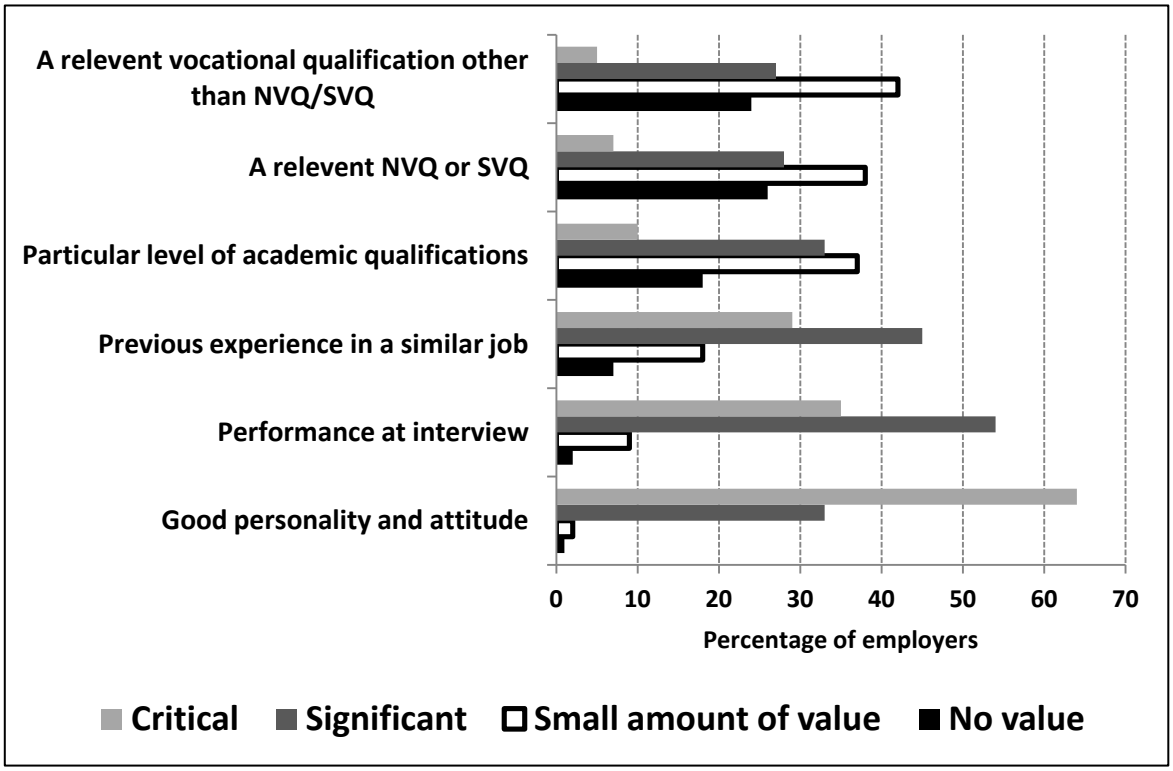
What employers look for in their recruits differs from job to job, depending upon the job specification, sector and region (Bunt, 2005). Many different components can feature in the hiring decision, including;

- possession of the particular skills being sought
- possession of relevant qualifications or licenses
- past experience in a similar job
- personal circumstances
- personal qualities

Recent evidence from the *UK Employer Perspectives Survey 2010* (EPS2010) provides an indication of the weight employers attach to different attributes when recruiting. These are illustrated by Figure 3.1. The evidence from EPS2010 is that the most important factor of ‘critical importance’ to employers is a good personality and attitude. This was mentioned by 64 per cent of employers in EPS2010. Performance in an interview and previous experience were also regarded as critical or significant by a large proportion of

employers. Qualifications, either academic or vocational, were relatively less important than personality and attitude or previous experience (Shury *et al*, 2011).

Figure 3.1 Attributes employers look for in recruits, UK 2010



Source: *UK Employer Perspectives Survey 2010 (Shury* et al*, 2011)*

While Figure 3.1 describes the overall pattern, the weight attached to individual attributes does vary somewhat according to the size of business. While employers of all sizes broadly agreed on the critical importance of personality and attitude, small businesses were more likely to place a critical value on previous experience while large employers were more likely to place critical significance on the attainment of some specific level of attainment in academic qualifications. There was little difference across the size bands in terms of the (lack of) importance of vocational qualification, with only between 5 and 9 per cent of employers regarding such qualifications as critical (Shury *et al*, 2011).

Nonetheless, while all these factors are likely to carry some weight in the hiring decision, research with employers commonly finds an underlying intent to find '*the right person for the job'*. The right person for the job can mean different things depending upon the type of job and the circumstances in which it was created (Devins *et al*, 2004). Snape (1998) suggested that some employers, especially large organisations with a degree of market power, looked for recruits who fit in with the organisation's culture and ways of working. Shared values or an ability to 'get on' with' existing staff were more important than specific skills which organisations were often willing to allow recruits to pick up on the job. Other organisations, especially small businesses in competitive environments with low margins, were looking for recruits who could 'hit the ground running' and had the ability to do the job right from the start. For these employers, job specific competences were at a

premium (as they minimised productivity losses and training needs) together with attributes indicating that a low level of early supervision would be required, such as the 'right' attitude, flexibility, self-motivation and reliability.

While some of the attributes that employers want are readily observable (e.g. qualifications, previous experience) others are less amenable to direct observation (e.g. motivation, flexibility, ability to learn) and even the observable attributes may not perfectly measure the qualities being sought. In such circumstances, there is a risk that a mistake will be made and an employer will hire the 'wrong person' rather than the 'right person'. That mistake is likely to involve a cost to the business. As one micro business employer put it:

> "*an employee is, at least initially, a burden on the business. It takes a while to convert their work into growth for the firm"* (BCC, 2011).

The aim is therefore to hire someone who will be a burden on the business for the shortest time and to minimise the risk of hiring someone who will be a longer-term burden.

Employers can seek to minimise the risk of hiring errors in a number of ways. Where the employment relationship is expected to be short-term (for instance, because of historically high turnover rates), a low cost approach to selection, such as statistical discrimination, may be used (Bonoli and Hinrichs, 2010). Statistical discrimination involves selection on the basis of some personal characteristic such as age, gender or even place of residence in the belief that certain groups of job seekers are, on average, more productive than other groups. If based on real differences in productivity, such an approach would, on average and over the long-term, result in the recruitment of more productive workers even if it was unjust for specific individuals. This simple type of selection process is often found in low skill, high turnover occupations since it is a simple low cost method capable of dealing with high levels of recruitment activity. Some forms of discrimination are illegal but even where this is not so (or is practiced surreptitiously) such an approach to minimising risk will be inefficient if the perception of the link between productivity and characteristic is erroneous. Employer perceptions thus play an important role in recruitment through this selection process.

Where the employment relationship is likely to be longer-term, and the consequences of a mistake are more costly to the employer, statistical discrimination may be too crude a method and additional methods may be used to select the right person (Bonoli and Hinrichs, 2010). Tests relating to specific skills or aptitudes may be administered as part of the application process. Further methods to reduce the risk from a wrong appointment include work trial periods, probationary periods or even temporary and casual contracts that allow the employment of the new recruit to be terminated should it become apparent

that they are not right for the job.

3.4 Recruitment methods

There are many different methods by which employers' can find potential recruits. These include formal methods such as use of Jobcentres, private employment agencies, advertising in professional journals and newspapers as well as informal methods such as seeking personal recommendations from existing employees, direct approaches to potential recruits, word-of-mouth and so forth. Each recruitment channel in turn has its own associated costs and benefits in terms of its coverage of potential recruits and its effectiveness in identifying and selecting suitable recruits each of which will translate into direct costs of recruitment and indirect cost in terms of delays and errors in recruitment. Differences in the use of recruitment channels can be attributed to differences in the potential benefits to search (the consequences of making a wrong appointment; the extent of the variation in the distribution of worker productivity), differences in the costs of different methods and the scale on which recruitment is required.

The recent *UK Employer Perspectives Survey 2010* (EPS2010) found that the most commonly used recruitment channel in the UK was the Jobcentre, used by two fifths (39 per cent) of employers trying to fill a vacancy. Local newspapers and word of mouth were also used by a significant proportion of employers, 28 per cent and 24 per cent respectively (Shury *et al*, 2011). Employers often use a combination of recruitment channels (Hasluck and Hogarth, 2008), for instance in 2010 around 24 per cent used the Jobcentre in combination with some other method (Shury *et al*, 2011).

EPS2010 found that the use of the Jobcentre was more common amongst large employers than small. Whereas 53 per cent of those employing 250 employees or more used the Jobcentre, the proportion fell with size to just 32 per cent of businesses employing 2-4 employees. Similarly, word of mouth and personal recommendations was most common (31 per cent) amongst those employing 2-4 employees, decreased with size until just 11 per cent of the largest employers (250 employees or more) used such methods (Shury *et al*, 2011). A recent survey of micro businesses found that just over half of businesses employing less than 10 people used word of mouth or personal recommendations (BCC, 2011). More strikingly, 92 per cent of employers recruiting to entry level jobs and surveyed by the Centre for Social Justice were reported to have recruited at least a portion of their staff through word of mouth and informal networks (CSJ, 2011). These differences reflect of the more professional human resource practices of larger organisations and the more intimate and close working relationships that exist within microbusinesses (BCC, 2011).

4 Recruiting young people

4.1 Recruitment practices and young people

The overview of employers' recruitment practices in the preceding chapter suggests that there may be several ways in which employer behaviour and recruitment methods could impact upon the job opportunities available to young people. In the first place, the volume of recruitment, and thus opportunities for entry to employment, is strongly cyclical in nature and young people, as new entrants to the job market, will be disproportionately affected by this. In addition, there may also be direct effects arising from employer perceptions of young people as a group. If employers see young people aged 16 or 17 in some negative way and regard their recruitment as more of a risk, then very young job applicants may be sifted out at the application stage.

> "*Employers can be reluctant to employ a young person with no work experience as they see them as a risk rather than as a productive employee, especially in difficult economic times"* (Katerina Rudiger, Skills Policy Adviser, Chartered Institute for Personnel and Development, quoted in Personnel Today, 30th June 2011).

Finally, there is a possibility that employers' recruitment practices may inadvertently disadvantage young people and exclude them from job opportunities when they arise.

4.2 Young people and the recession

Chapter 2 highlighted the cyclical sensitivity of employment amongst 16-18 year olds (Blanchflower and Freeman, 2000; OECD, 2010; European Commission, 2011). The recession that commenced in the UK during mid-2008 has led to large increases in youth unemployment as young people compete with an increasing number of job seekers for a diminishing number of jobs (OECD, 2010). Examination of business decisions regarding recruitment as set out in Chapter 3 suggests several reasons for this. First, employers in many sectors may simply not be recruiting, making it difficult for young people to gain entry to employment. Faced with falling or stagnant sales, businesses will reduce recruitment and use other means to adjust their labour force, such as reductions in hours or short-time working. According to the CIPD (2011) the impact of the recent recession has been to increase the percentage of employers concentrating on retaining existing employees (51 per cent in 2011 compared with 28 per cent in 2010) or redeploying people to new roles (44 per cent in 2011, 30 per cent in 2010) rather than recruiting. Many (22 per cent in 2011) were not recruiting at all or were reducing the head count in their business (35 per cent). This inevitably has limited the job opportunities available to young people. In 2009 around 13 per cent of employers indicated that they had decreased their recruitment of young people, although this was partly offset by the 5 per

cent who had increased their recruitment (UKCES, 2010)

Second, even when job opportunities arise on the external job market, in a recession young people may face increased competition for jobs from more experienced and more skilled job seekers who have been displaced from a previous job by redundancy. This can even be the case where the jobs in question are low skill, entry level jobs. Hasluck (2011) demonstrated that in 2010 a large proportion of people working in elementary occupations in the UK (for which little more than basic schooling was normally required) held intermediate and even higher level qualifications. Almost half (47 per cent) of people working in elementary occupations were qualified to NQF Level 2 or above. That employers raise their hiring standards in slack labour markets was recognised a long time ago (Reder, 1955: Thurow, 1975). In the recent recession and its aftermath, employers may well be selecting recruits on the basis of levels of qualifications and experience that they would not previously have sought. Chapter 2 already highlighted the fact that 16-18 year olds in employment are much better qualified than those who are not in education or employment. Raised hiring standards may also apply to work experience. Bell and Blanchflower (2010) suggest many young people find themselves caught in 'an experience trap' in which employers select recruits on the basis of previous work experience and, as a result, young entrants to the job market who lack experience cannot obtain the job that would allow them to gain that experience.

A further consequence of a tightening of the job market and increased competition for entry level jobs is that many people seeking work will be 'displaced' into jobs that they would not ordinarily consider. Employers who continue to recruit will tend to be those in sectors where high levels of staff turnover are endemic because pay and conditions are poor (such as in the hospitality or retail sector). Young people who are recruited to these jobs run the risk of acquiring a problematic work history with frequent job changes and, possibly, disillusionment with work. These are also sectors that traditionally have been poor at providing training and workforce development opportunities to their recruits.

When full-time jobs are difficult to come by, young job market entrants may be forced to take part-time work. The Institute for Public Policy Research (IPPR, 2010) found that more than 20 per cent of people working in a part-time job because they could not find full-time work were young people (aged 16-24). Research by the Office for National Statistics (ONS) found a similar proportion (22 per cent) of 'under-employment' (people working part-time because they could not find a full-time job) amongst 16-17 year olds. This increased to 29 per cent amongst 16-17 year old men (ONS, 2010). Evidence from the Labour Force survey presented earlier in Table 2.4 indicates that around 30 per cent of non-student 16-18 year old employees in the *accommodation & food services* sector in late 2010 were people working part-time because they could not find full–time employment. The comparable figures for *transport & storage* and for *arts, entertainment*

& recreation were 20 per cent and 27 per cent respectively.

Being forced by economic circumstances to work part-time or to work in a high turnover sector can have long term consequences for young people, as can failing to obtain a job. Frequent job changes (especially if punctuated by spells of unemployment) or a pattern of sporadic part-time employment can result in a work history that employers tend to regard as 'problematic' (see Section 4.4 below). In addition, many of the jobs taken do not provide the training that would allow young recruits to progress later in their careers. Kahn (2010) showed that young people leaving college during a recession experienced large negative effects on wages over the remainder of their working life. Arulampalam (2001) and Mroz and Savage (2006) both found similar large negative lifetime wage impacts of unemployment when young, while Bell and Blanchflower (2010) found negative lifetime impacts on happiness, job satisfaction, wages and health.

An additional factor in the recent recession is competition for entry level jobs from EU migrants. Clancy (2008) showed that migrants from the new EU accession states were concentrated in certain occupations, the largest number being in *distribution, hotels & restaurants*, followed by *elementary occupations* and *process, plant & machinery operatives.* As already noted, these are areas of the job market where they would be in competition with young people. Compared with UK school and college leavers, many migrants have a competitive advantage as they work in occupations ranked lower in terms of skill content and wages than UK born workers with the same level of education (Dustmann, Frattini, and Preston, 2007). Nonetheless, there is little evidence that such migration has had an impact on wages (Lemos and Portes, 2008: Blanchflower and Lawton, 2009), although Blanchflower and Shadforth (2009) provided evidence of a negative impact on the employment of the least skilled young people, although this impact was small.

4.3 Employer perceptions of young people

The Wolf Report (Wolf, 2011) suggested that employers see 16 and 17 year olds seeking employment as likely to be low-achieving or lacking the personal qualities they seek. This perception is based on experience, Wolf argues, and is a consequence of the selection process in which the majority of 16-18 year olds remain in full time education while the less able leave education at the earliest opportunity to seek a paid job.

Some business leaders have gone further and suggested that the school system does not provide them with young people possessing the basic skills their businesses require. Sir Terry Leahy, chief executive of Tesco, said in 2009 that the standard of school leavers was "*woefully low*" while Sir Stuart Rose, chief executive of Marks and Spencers, claimed that businesses were "*not always getting what we need*" from the British education

system which was producing people that were "*not fit for work*". Sir Stuart said of some school-leavers: "*They cannot do reading. They cannot do arithmetic. They cannot do writing*" and added "*There is a lot of money being spent [on skills] but we want to make sure that what is required is being met by what is produced. Sometimes there is a mismatch and we're not always getting what we need*." (quoted in the Daily Telegraph, 24 November 2009).

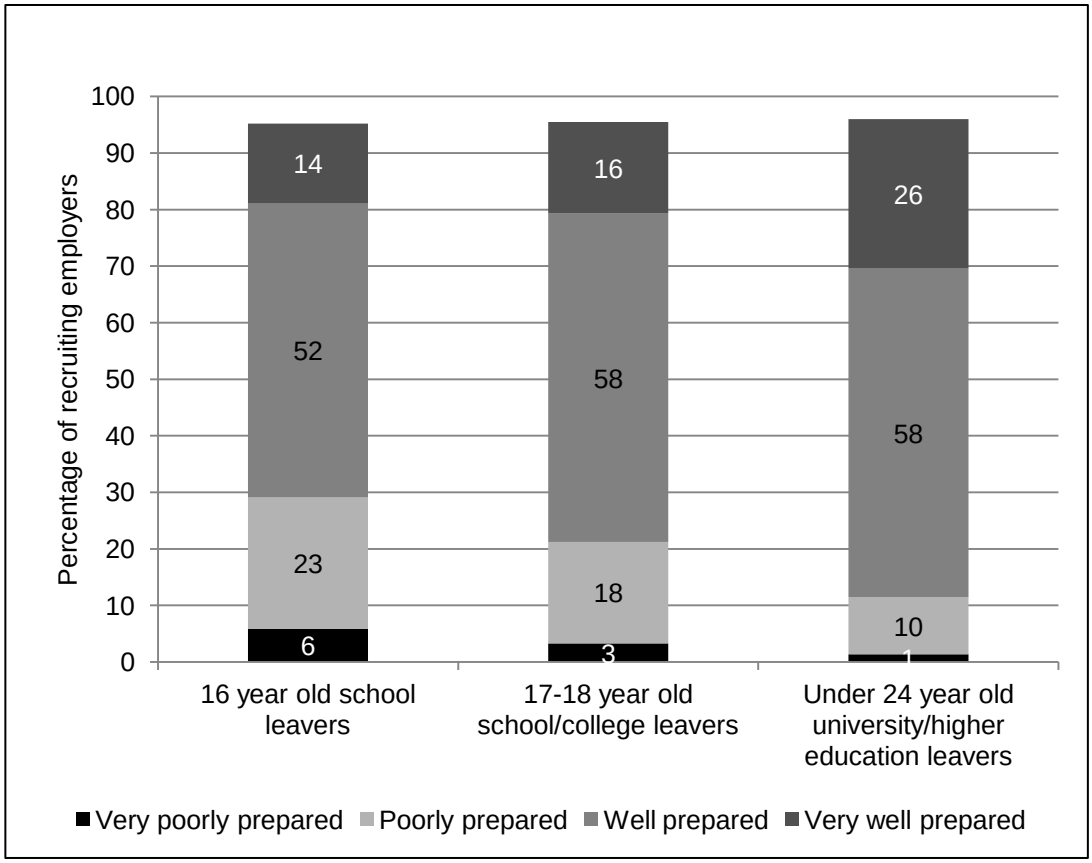
Clearly if such views are widespread amongst employers, and based on real characteristics of young people, the impact on recruitment of 16-18 year olds would be significant. How widespread are such views? The annual *CBI/EDI Education and Skills Survey 2011* quantified the extent of such employer dissatisfaction with the basic skills of school and college leavers. The survey found that 42 per cent of employers surveyed were not satisfied with the basic use of English by school and college leavers while 35 per cent were concerned about the basic numeracy skills of such young people. Notably, 44 per cent of employers said that they had to invest in remedial training for young recruits from school or college (CBI, 2011).

Not all employers regard young people so negatively, even in the CBI survey. Casebourne (2011) cites evidence from NESS2009 that suggests that the great majority of employers regarded young people recruited directly from school or college as being well prepared for work (see Figure 4.1). Around 84 per cent of employers who had recruited any young person (under 24) felt that their young recruit was well, or very well, prepared. While this proportion does fall slightly where recruits were younger, even here the great majority of employers still regarded their recruits as well or very well prepared (66 per cent in the case where the recruits were 16 year olds).

Despite the generally positive views expressed by employers in NESS2009, there is a sizable minority who regarded recruits from school or college as poorly prepared for employment. In the case of employers who recruited a 16 year old, the proportion of employers was 29 per cent, much higher than for employers who recruited 17 year olds (21 per cent) or where employers recruited any young people (11 per cent).

Where employers were dissatisfied with the work preparedness of 16-17 year olds the main reasons cited were a lack of working world or life experience and poor attitude, personality or lack of motivation whereas a lack of specific skills or competencies, such as technical or job specific skills, was the concern in regard to older youth age groups. In a survey of 2255 micro businesses in 2011, employers said that, in general, young people lack numerical skills, research skills, ability to focus and to read plus poor written English. Almost half (47 per cent) of micro business employers said they would be 'fairly' or 'very nervous' of recruiting a school leaver (BCC, 2011).

Figure 4.1 Work readiness of young recruits by proportion of employers recruiting young people, England, 2009



Source: National Employers Skills Survey (cited in Casebourne, 2011)

A group of young people at a particular disadvantage in terms of the way in which they are perceived by employers is the unemployed, especially the longer-term unemployed. While there is little evidence that being unemployed *per se* has a negative impact on being successful in a job application, there is substantial evidence that employers regard job applicants who have been unemployed for a long time as a serious risk, both in terms of additional cost, poor performance and risk of leaving the job at short notice. A survey 1,000 managers in 2009 for the Institute of Leadership and Management found that job seekers had a 'six month window' within which to get into work before employer attitudes to their unemployment began to harden (ILM, 2009). Around 83 per cent of managers in the ILM survey said that employment status was irrelevant initially as it was not an indicator of ability but this dropped to just 28 per cent if the applicant had been unemployed for six months or more.

Part of the reason for employers' negative attitude towards longer-term unemployed young people is that they use the duration of unemployment an indicator of motivation, with long spells unemployed being seen as a sign that the applicant lacks drive or the desire to work and may also lack the self-discipline required to be relied upon to keep good time and low absence (Devins and Hogarth, 2005; BCC, 2011).

4.4 The impact of employers' recruitment practices on young peoples' employment opportunities

The macroeconomic conditions which influence levels of activity and labour requirements are largely outside of the control of businesses. The impact of macroeconomic conditions on the recruitment of young people is therefore difficult to modify as they are a consequence of basic business decisions. The ways in which employers' recruit, however, and who they recruit for any given vacancy is something over which employers do have control and could, therefore be open to influence by policymakers.

4.4.1 Recruitment channels

When recruiting, employers use a variety of recruitment channels to find applicants. Formal methods of recruitment include advertising in newspapers (national and local) and professional or trade journals, radio and similar media, private sector employment agencies, the Jobcentre and, increasingly, the internet. Informal methods include internal vacancy newsletters and noticeboards, word of mouth, waiting lists and so on. From a survey of employers in Greater Manchester, Hasluck and Hogarth (2008) found the following patterns of usage amongst employers[2]:

- informal methods, such as word-of-mouth (used by three quarters of employers);
- the Jobcentre (just under a half of employers);
- the local and regional press (just under a half of employers);
- employers' own websites (just under a third of employers); and
- recruitment websites (just under a quarter of employers).

Some employers outsource recruitment to employment agencies. Employment agencies can help employers by obtaining and sifting applications but this is more common amongst employers recruiting high level and professional staff as the cost of using such agencies is often high. Some employment agencies do, however, specialise in providing staff for entry level jobs, sometimes on a 'temporary' basis so that an employer can see how they perform before taking them on permanently and this may help young people gain entry to employment as it reduces the risk perceived by employers.

The use by employers of informal methods to seek recruits has frequently been cited as disadvantaging young job seekers. Such methods are centred on the existing workforce and its extended network of contacts. Informal methods include vacancy boards within or outside the workplace, internal newsletters and vacancy lists, lists of previous applicants, contacts with ex-employees, word of mouth and recommendations from existing employees. The principal reasons cited by employers for the use of such methods are

[2] The survey covered 600 employers with 10 or more employees in Greater Manchester area.

two-fold: these methods cost little and the employer regards the applicant as low risk because they come with a recommendation or are already known to them (Hasluck and Hogarth, 2008; BCC, 2011). Atfield *et al* (2011) have suggested that the use of word of mouth recommendations from existing employees has been increasing in recent years, especially during the recession. A survey of employers offering entry level jobs found that 92 per cent of them recruit a portion of the staff through word of mouth and other informal methods (CSJ, 2011). Similarly, a survey of 'micro businesses' by the British Chambers of Commerce found that more than half of the businesses surveyed used networking, recommendations and word of mouth (BCC, 2011).

There is a striking inconsistency between the ways that young people look for employment and the way by which they obtain it. Atfield *et al* (2011) found evidence that low skilled job seekers were more reliant on more formal job seeking methods and this is equally the case in respect of young people. .The Labour Force Survey for 2010 shows that the main method used by 16-18 years in employment (excluding full-time students) to search for a job was to look at, or answer job advertisements in newspapers or journals (53 per cent). Only 11 per cent used word of mouth methods such as asking friends of relatives and only 15 per cent regarded the Jobcentre or Careers office as their main method of job search. This pattern is very different from the methods used by employers as discussed above. Moreover, when asked how they had obtained their last job, their answers were very much in line with pattern of recruitment channels used by employers, predominantly citing 'hearing from someone who worked there' (38 per cent) or, to a lesser extent, the Jobcentre or Careers Office (13 per cent) while relatively few (17 per cent) obtained their job by replying to a job advert despite the fact that the majority used that method as their main method of job search.

It is clear that informal recruitment channels dominate the recruitment process for young people. The key concern about such methods is that most are centred directly or indirectly on the workplace. Young people may only have limited awareness of such recruitment channels as they are seeking to enter the world of work and are not yet part of it. The evidence from the Labour Force Survey very much supports that view. Access to job opportunities may thus depend very much on the social networks to which young people belong (Devins and Hogarth, 2007).

4.4.2 Selection procedures

Recruitment generally involves a selection process. Methods and practice vary greatly, particularly in respect of skill level. Snape (1998) found that for the least skilled jobs the most common selection process was a written or telephone application followed by an interview for all applicants. While this remains broadly true it is increasingly the case that applications are made on-line at the employer's website. Interviews remain the most

commonly used method of sifting and selecting recruits (Devins *et al*, 2004; CIPD, 2011).

There is much evidence from the past (Devins *et al*, 2004; Jenkins and Wolf, 2005; Roe *et al*, 2006; Shury *et al*, 2008) that qualifications play only a limited role in employers' selection decisions regarding applicants for low skilled occupations of the type for which young people would be applying. Having said that, more recent evidence, reflecting the impact of the recent recession, found that some employers who recruited through the Jobcentre and who faced large numbers of applications of widely differing quality used qualifications as a simple screening device to short-list potential recruits (UKCES, 2011). This opportunistic inflation of hiring standards has the effect of preventing candidates from entering employment who would, in a more buoyant labour market, have been hired. If so, this is merely confirmation of the Reder's proposition (Reder, 1955) that employers respond to cyclical variations in labour demand by varying their hiring standards, raising them in recession and lowering them in tight labour markets. As hiring standards rise or fall, so recruitment recedes or advances along the 'labour queue' (Thurow, 1975) excluding or embracing young people with the lowest qualifications or other attributes that employers seek.

Keep and James (2010) found that employers may disregard formal educational requirements if an applicant has other desirable qualities. Specific qualifications may not even be stipulated or required in some instances. Much greater weight appears to be given to selecting applicants who possess the right generic and soft skills: attitudes, motivation, flexibility (Newton *et al*, 2005). Employers offering entry level jobs tend to look for a number of attributes in applicants:

- an attitude that demonstrates a positive work ethic
- an awareness of what the role entails
- an aptitude for the basic requirements of the job
- 'likeability' and individual 'fit within the organisation.

Various indicators of such generic skills may be used, either at any shortlisting stage or after interview. It is at this point that perceptions and statistical discrimination may affect employers' decisions. Negative perceptions of young peoples' motivation or attitude and work readiness may result in an initial screening out or rejection at interview.

Following the distinction made by Snape (1998), some employers are primarily concerned to recruit a person who can perform the tasks required by the job at the outset. These tend to be employers operating in competitive markets where margins are low. Such employers will seek recruits who can demonstrate that they have the skills and competencies necessary to do the job straight away and not to require a length period of training or supervision. Experience and technical competence, together with a good work

history will be at a premium for this type of employer. In many cases school leavers and college graduate will find it difficult to gain jobs with such employers unless the work is very elementary. Even if they have the right attitudes and personal qualities, such young people will not have much, if any, work history nor experience in a similar job. Young people may have a greater probability of securing employment in organisations that are looking for recruits whom they can train, who share the values of the business and have the right drive and commitment. These are more likely to be larger organisations and this may go some way to explaining the fact that 63 per cent of businesses employing 100 or more recruited a young person in the previous 12 months compared with just 30 per cent of businesses employing 5-24 employees (Casebourne, 2011).[3]

4.4.3 Temporary work, work experience placements and internship

One way by which an employer can reduce the risk they associate with the recruitment of a young person is to 'try before they buy'. Hiring a young person on a trial basis allows the employer to assess the suitability of the recruit while not having a commitment to employing the young person should they prove unsuitable. Several studies have found that the motivation to of businesses that offer work placements to educational institutions is predominantly the belief that such placements will help the employer identify suitable candidates for employment and ease the recruitment process (CBI, 2007: Education and Employers Task Force, 2010).. Such trials can take various forms. A work experience placement may be offered where a young person works in the business to gain experience and the employers gets to assess their suitability and may offer a job at the end of the placement. Some work placements are offered to young people still in education and the offer, if the young person is satisfactory, is for a job when that education is completed. Other placements are offered after full-time education is completed with the prospect of being taken on by the employer if deemed suitable. It has become fashionable to describe the latter type of placement as an 'internship' although work placements of that nature have existed for a very long time.

Work placements and internships are controversial. Advocates point to the experience gained allowing young people to break out of the 'experience trap' as well as being an encouragement to employers to try out young people they might not otherwise have considered. Critics suggest that some placements amount to exploitation of young people, pointing to the low pay and the uncertainty of the outcome from such placements. There is evidence that young people on work placements or internships tend to be poorly paid. In a survey conducted by XpertHR, and reported in *Personnel Today*, 44 per cent of employers surveyed admitted that they did not pay a wage to people on work

[3] Caution needs to be exercised in regard to the relationship between employer size and the likelihood of recruiting a young person. The probability that a large employer will recruit a young person could be greater than that of a small business simply because the large business recruits on a larger scale.

placement and less than half considered this unethical. Even where a wage was paid it tended to be low, even below the National Minimum Wage in some instances. The lowest pay reported was just £2.50 per hour. (Personnel Today, 2011a).

Responding to such criticism, several guides for employers have been launched. *Chartered Institute of Personnel and Development* (CIPD) has joined Jobcentre Plus to launch a guide to employers "*Work experience placements that work*". The guide is designed to help employers run a placement and one of its key recommendations is that a 'work experience agreement be signed at the outset by employer and young person to ensure commitment on both sides (Personnel Today, 2011b). In July the Department for Business, Innovation and Skills launched a 'best practice guide' for internships while the *National Council for Work Experience* also provides guidance for employers. The Council recommended that employers considering a work placement should:

- plan ahead to ensure there is a meaningful but achievable project appropriate to the skill level of the person in the placement
- draw up a development plan so that it is clear what the placement will entail
- be inclusive – treat work placements just as any other employee
- provide an induction for the person in the placement
- assign a mentor
- organise progress reviews to assess performance and receive feedback.

Another strategy that reduces risk when recruiting a young person is to hire them on a temporary or short-term basis. If their performance is satisfactory such a short-term contract may be replaced by a more permanent contract. According to the Labour Force Survey around 15 per cent of 16-18 years olds (excluding full-time students who were working) were employed in a job that was temporary in some sense. Of these around 17 per cent were working for an employment agency, 29 per cent in a casual job and 29 per cent on a fix-term or fixed-task contract. It is difficult to say what proportion of these jobs represent a trial in the true sense although all represent 'a foot in the employment door'. Around 15 per cent of 16-18 years in employment (excluding students) were on a fixed term contract that included training, which might suggest a degree of commitment on the part of the employer that might, possibly, be translated into a more permanent job offer in the future. While many young people in temporary or casual jobs said this was because they did not want a permanent job, many others said they had taken a temporary job because they were unable to obtain a permanent job. It is likely that some of the latter is also employment on a trial basis.

An alternative to offering a temporary or probationary period of employment is to recruit a young person to a training place, such as an Apprenticeship, on the understanding that

the period of employment is only for the period of training in the first instance. This also has the advantage of limiting the employer's commitment to permanent employment but it has the advantage of providing the young person with skills and work experience. Apprenticeships in traditional areas such as engineering or construction represent a substantial investment on the part of the employer and may not be a suitable vehicle for employers' to trial young people. In less traditional sectors, such as retailing or hospitality, the short completion time and low cost may make apprenticeship a viable way of assessing the suitability of young recruits as potential future employees. Many Level 2 apprenticeships can be completed in 9-12 months and have been shown to be of low cost to employers, even resulting in a financial benefit in some instances ((Hasluck, Hogarth, Baldauf and Briscoe, 2008: Hasluck and Hogarth, 2010: Gambin, Hasluck and Hogarth, 2010),

Despite the many benefits of Apprenticeships, the extent to which Apprenticeships have penetrated employers is small. According to the National Employers Skills Survey 2009, only around six per cent of employers offered 16-18 year olds an apprenticeship and only around four per cent actually had 16-18 year olds undertaking an apprenticeship. Given the prominence currently given to the Apprenticeship programme by the Government the proportion of employers offering apprenticeships can be expected to have increased since 2009. Nonetheless, in 2009 only 11 per cent of employers reported that they were quite or very likely to employ an apprentice in the 16-18 year age group in the following 12 months (UKCES 2010). In fact, Wolf (2011) has suggested that many employers have a strong preference for older apprentices and a reluctance to recruit 16 or 17 year olds to such training places, citing a range of concerns including health and safety issues. Nevertheless, while some employers may be reluctant to hire 16-18 year olds as apprentices on other grounds, the opportunity provided to recruit young people on a less risky basis should not be overlooked.

4.5 Improving recruitment practices

The reluctance of many employers to recruit very young people stems from a tendency to regard their employment as a risk. Some employers see the risk in terms of a perceived inability of young recruits to make a productive contribution to the business from the start of their employment and an unwillingness to provide the training or supervision required to bring them up to the required standard. Other employers see young people in the 16-18 year age group as lacking the right attitudes and motivation and, while having a preparedness to provide training to the right candidates, very young recruits are thought not to fit in or have the drive, motivation and ability to learn required. Partly in response to this, many employers use selection criteria that emphasise previous experience, current employment status and, in some instance, higher qualifications than jobs require in order to screen out applicants in a way that inevitably disadvantages very young job

applicants. Employers may also reduce the likelihood of receiving applications from young applicants by using informal recruitment channels to which many young people have limited access.

The use of informal recruitment channels by employers tends to disadvantage young people because such channels are centred on the workplace and the social network surrounding the existing workforce. Young people seeking work appear to have only a limited awareness or access to such networks thus limiting the job opportunities open to them. It also introduces an element of unfairness in that access to employment may depend more on family connections than upon ability.

In part, the job prospects for young people could be improved if employers were to adopt more formal human resource practices that made indirect, or unintentional, discrimination less likely. Nunn *et al* (2010) found the use of 'information shortcuts' (another term for statistical discrimination) was less likely where recruitment was 'professionalised'. Atkinson and Williams (2003) have argued that unprofessional recruitment and selection methods by employers lead to poor matches between recruits and jobs. Poor matches tend to result in the early termination of employment, confirming negative perceptions on both sides. More efficient matching would lead to longer-term and successful employment relations and promote more positive perceptions of young people.

The perceived risk of recruiting and employing a 16-18 year old could be reduced if employers were to make greater use of trial periods of employment, whether by means of work experience placements, internships or by offering training places such as apprenticeship.

Having said all of the above, if it is truly the case that the education and training system is not producing young people who are prepared for employment and who lack basic skills, it will be necessary to address that problem. One approach would be for employers to engage with education and training institutions to seek to ensure that when young people leave school or college their capabilities, skills and attitudes better match the needs of employers. This is considered in the final Chapter of this review.

5 Employer engagement with the education and training system

5.1 Introduction

This chapter looks at the concept of employer 'engagement' with the education and training system (ETS). It considers what might be meant by that term, the benefits that might flow from such engagement in terms of the recruitment of young people and the factors that might limit such engagement. There is a wide range of literature relating to employer engagement with education and business-education links and include, for instance, Taylor (2005), Smith V (2004), MacLeod and Hughes (2006).

5.2 What is meant by employer engagement with education?

A traditional view of employer-ETS links sees education institutions offering a number of services and 'outputs', ranging from school and college graduates and the facilitation of workplace learning and professional development. Employers 'engage' with the ETS through the 'purchase' these outputs when recruiting young people who have received a basic education or attained specific qualifications. More recently a broader and more multi-dimensional notion of engagement has emerged where engagement takes the more active form of two-way links and collaboration between employers and the ETS. The ultimate expression of this kind of engagement is the notion of a business-ETS partnership in which business and education institutions work together to determine the form of the education and training deliverables.

Macleod and Hughes (2006) developed a typology of employer engagement in which engagement involves:

- employers as consumers when they purchase the output of the learning process;
- employers as stakeholders when they provide leadership through their involvement in the design, development, management, delivery and assessment of learning; and
- employers as strategic partners when there is sustained interaction between employers and education institutions.

The most obvious form of employer engagement is through the recruitment of school leavers and college graduates. In some instances such engagement is almost incidental as such young people are recruited to entry level jobs. More significant levels of engagement involve situations in which employers contribute to the learning process in educational institutions in regard to:

- funding;
- work placements;
- standard setting;
- course design;
- assessment;
- involvement in / contribution to teaching, lecturing or workshops
- releasing staff for workforce development activities.

5.3 The benefits of, and limits to, employer-education links

Employers do not necessarily need to engage with educational institutions but could, instead, rely on schools and colleges to supply them with young people possessing the skills and qualities their business requires. That many employers regard young people as ill prepared for work and lacking in basic skills suggests that many employers are dissatisfied with the output of the education and training system. This means there may be scope for gains to employers from some form of engagement with the ETS, either to help redress deficiencies in school or college education or to assist in the recruitment and selection process. It is worth noting that many employers are reluctant to engage with educational institutions unless there is a clear business case for doing so (Education and Employers Task Force, 2010).

The gains to employers from greater engagement include a saving in recruitment costs and gains in productivity. Engagement might take the form of establishing relationships with selected schools or colleges, establishing channels by which selected young people are directed towards the employer for possible recruitment or by establishing opportunities by which the employer can try out potential young recruits (for instance through work placements). This could reduce recruitment costs (for instance by eliminating much of the need to screen large numbers of applicants) and reduce the risk associated with such recruitment. The benefit of improved recruitment has been found to be one of the primary motivations for employers to engage with education (CBI, 2007: Education and Employers Task Force, 2010). Potential gains to employers come in the form of greater productivity and lower turnover costs arising from a better match between recruit and the needs of the business.

There is a common perception amongst business leaders that there is a gap between employers' needs and the provision of schools and further education providers (CBI, 2011) Engagement in this instance would aim to be an influence on the curriculum, set standards and ensure that young people are better prepared for employment than currently (Ofsted, 2010). Employers that are motivated to engage for this reason stand to

gain in terms of more work ready recruits, reduced training and supervision costs and a more immediately productive workforce.

Despite the business benefits of a link between employers and the ETS, the extent of such engagement is variable. While there are potential benefits to be had – for employers, for young people and for society as a whole – the extent of employer engagement with schools and colleges will reflect the balance between those potential benefits and the perceived costs. Some employers do not offer the type of entry level jobs that 16-18 year olds typically take and are unlikely to seek to engage with schools and colleges (they might prefer, for instance, to establish links with universities instead). Even where an employer does recruits 16-18 year olds (or potential could do so) the costs of business-education engagement need to be set against any benefits.

Employer engagement with the ETS is not costless. There is likely to be an investment aspect to such engagement, with initial costs in terms of establishing a relationship with a school or college being greater than the continuing costs of maintaining such a link. The cost of identifying potential points of engagement (such as specific schools or colleges), the staff time involved in liaising and working with them, any financial costs involved in work placements all need to be taken into account. These costs need to be considered in the context of existing recruitment practices that are low cost to employers, even if disadvantaging young job seekers. A commitment to engagement is required at the very top of organisations is required if the links are to be successful (Stirner and Duckenfield, 1992). Some have questioned whether employers even wish to engage with educational institutions (Reeve and Gallacher, 2005).

Employer-education engagement is a 'two-way street'. Boud and Soloman (2003) suggest that contrasting cultures in educational institutions can limit the realisation of effective engagement. A similar conclusion of cultural incompatibility was reached by Reeve and Gallacher (2005) while Hughes (2004) observed that initiatives aimed at developing college's responsiveness to business failed to bring about a cultural change because they remained marginal activities undertaken by few of the full-time staff. In a similar vein, Ofsted (2011) found that many of the teachers deployed to deliver aspects of enterprise education, especially in secondary schools, were non-specialists who had little or no training in the area and this limited their ability to teach effectively. Scesa and Williams (2008) found that unnecessary use of academic language and terminology could be off-putting for employers seeking to engage. The Lambert Review (HM Treasury, 2003), albeit looking at higher education, pointed to the difficulty facing employers of identifying 'who does what' within the ETS and within individual institutions. Where links are established they often depend on interpersonal relationships that are vulnerable to staff turnover. This makes it was difficult to maintain school/college links with employers even where they had been established. Perhaps for some of these reasons, Ofsted

found that a third of schools inspected failed to provide sufficient opportunities for students to engage with local business (Ofsted, 2011).

One thing that both sides of the employer-education relationship are agreed upon is that the constraints on education-business links are much greater, relatively, for small and medium size enterprises (SMEs) than for larger organisations. Small businesses often face greater barriers in terms of the collective knowledge in the business of school and college providers while the process of forming a link between a small business and education providers can be time consuming (Scesa and Williams, 2008)

This discussion suggests that a key driver of engagement is likely to be the potential gains to businesses from engagement (reflecting factors such as their recruitment activity and turnover, their skill needs and the difficulties faced in securing young recruits with the right qualities) while the constraints affecting engagement are likely to be those relating to the cost of engagement. Where education institutions can reduce costs, engagement becomes more likely. Ofsted visited 30 providers of work-related education and training in 2009-2010 and that there were a range of benefits to both learners and employers. To help realise these benefits Ofsted (2010) recommended that schools and colleges:

- plan how to maintain any positive relationships built with employers;
- involve employers in the training of provider staff;
- use links with employers to inform curriculum design;
- use employer-based mentors to support learners; and
- hold progress reviews involving learners, providers and employers.

These recommendations were addressed to providers and Ofsted also made the recommendation to employers that that they needed to take greater responsibility for ensuring that provision was tailored to meet their own requirements.

5.4 Employer engagement with other forms of support for young people

The skills strategy for England, *Skills for Sustainable Growth*, highlights the UK Commission's 'Best Market Frameworks' model of driving up ambition and demand for skills in industry sectors (BIS, 2010). The model offers a range of potential tools that employers might deploy to this end, including minimum professional standards, voluntary levies, procurement, human capital reporting and occupational licensing. In its recently published *Youth Inquiry*, the UK Commission for Employment and Skills set out the potential benefits of the 'Best Market Frameworks' approach, if adopted by employers. The *Inquiry* identifies a key outcome of this model as the creation of more entry level jobs, made possible through the articulation of clear work-based training pathways and progression opportunities (UKCES, 2011). The Inquiry also recommended that the

Departments of Business, Innovation and Skills, together with the Department for Work and Pensions, devise a simple and concise offer of support to employers encompassing apprenticeships, internships and work experience placements.

While commendable, the recommendations set out in the Inquiry need to be considered in the context of employers' current awareness and commitment to support for young people. Despite the finding that 91 per cent of members of the Chartered Management Institute recently surveyed agreed that they had a duty to develop the skills of young employees (Woodman and Hutchings, 2011), there is much less support generally for a government role in supporting the recruitment of young people. The *UK Employer Perspectives Survey 2010* (ERP2010) found that employers' views tended towards the notion that government has only a limited role in supporting recruitment, with 51 per cent agreeing with the statement that the role of government is largely irrelevant. Private sector and small employers are more inclined to that view that public sector and large employers.

Perhaps as a consequence of such a view, many employers are unaware of recent government recruitment initiatives even though such initiatives could have provided them with access to a pool of potential recruits. Only 15 per cent of employers surveyed by EPS2010 claimed to be aware of the *Future Jobs Fund* and only 22 per cent of employers in England ware aware of the *Backing Young Britain* initiative even though these were two programmes specifically aimed at helping employers recruit young people[4]. Similarly, Devins *et al* (2004) found that employers in two New Deal for Communities areas were largely unaware of the support offered to local employers through that initiative (some had heard of it but few could say what it offered).

It is clear from evidence such as that collected by EPS2010 and elsewhere that it will be a considerable challenge to bring about change in employers recruitment practices regarding young people. A small majority see no role for state support of recruitment and remain largely unaware of policy and initiatives designed to improve the prospects of young entrants to the jobs market. Bringing about improvements in the job opportunities for young people will be about changing the 'hearts and minds' of employers and, as always, that type of change takes time and considerable effort to achieve.

[4] Both the *Future Jobs Fund* and *Backing Young Britain* were terminated by the incoming Coalition Government.

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