

Purpose:

The UK Commission's Youth Inquiry sets out to answer three questions:

- Who and where are the young unemployed?
- How well are the current initiatives aimed at employers working?
- What works from the employer perspective when recruiting young people?

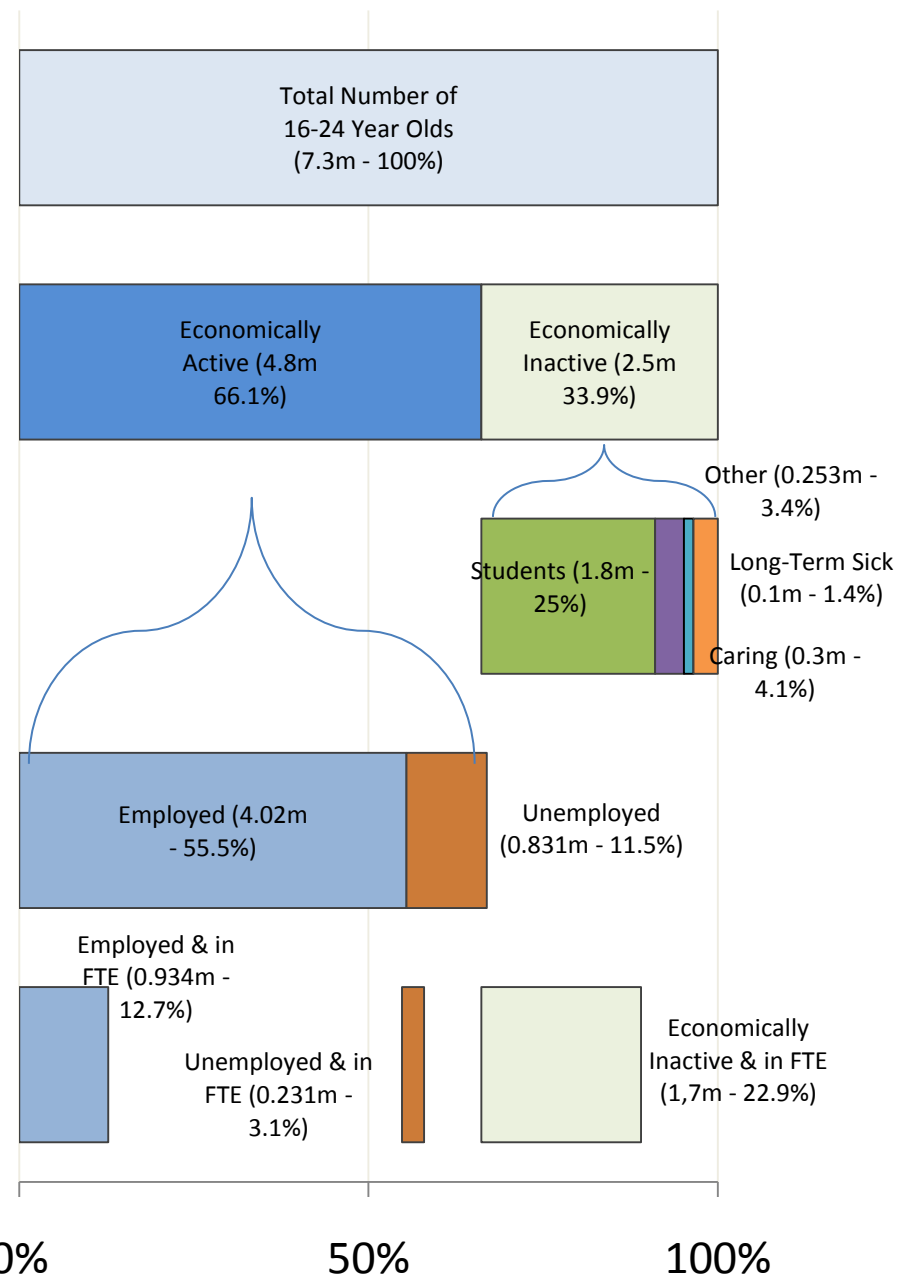
This paper provides the quantitative evidence behind these three questions. The evidence is predominantly drawn from eight quarters of the Labour Force Survey (Winter 2008 – Autumn 2009) and surveys of employers such as the National Employer Skills Survey in England and its equivalents in the devolved nations. All data refers to the UK unless otherwise specified.

Contents:

- Recent trends in youth unemployment
- Characteristics of the young unemployed
- The changing nature of work for young people
- Employer perspectives on young recruits
- Employer perspectives on Government initiatives to support recruitment

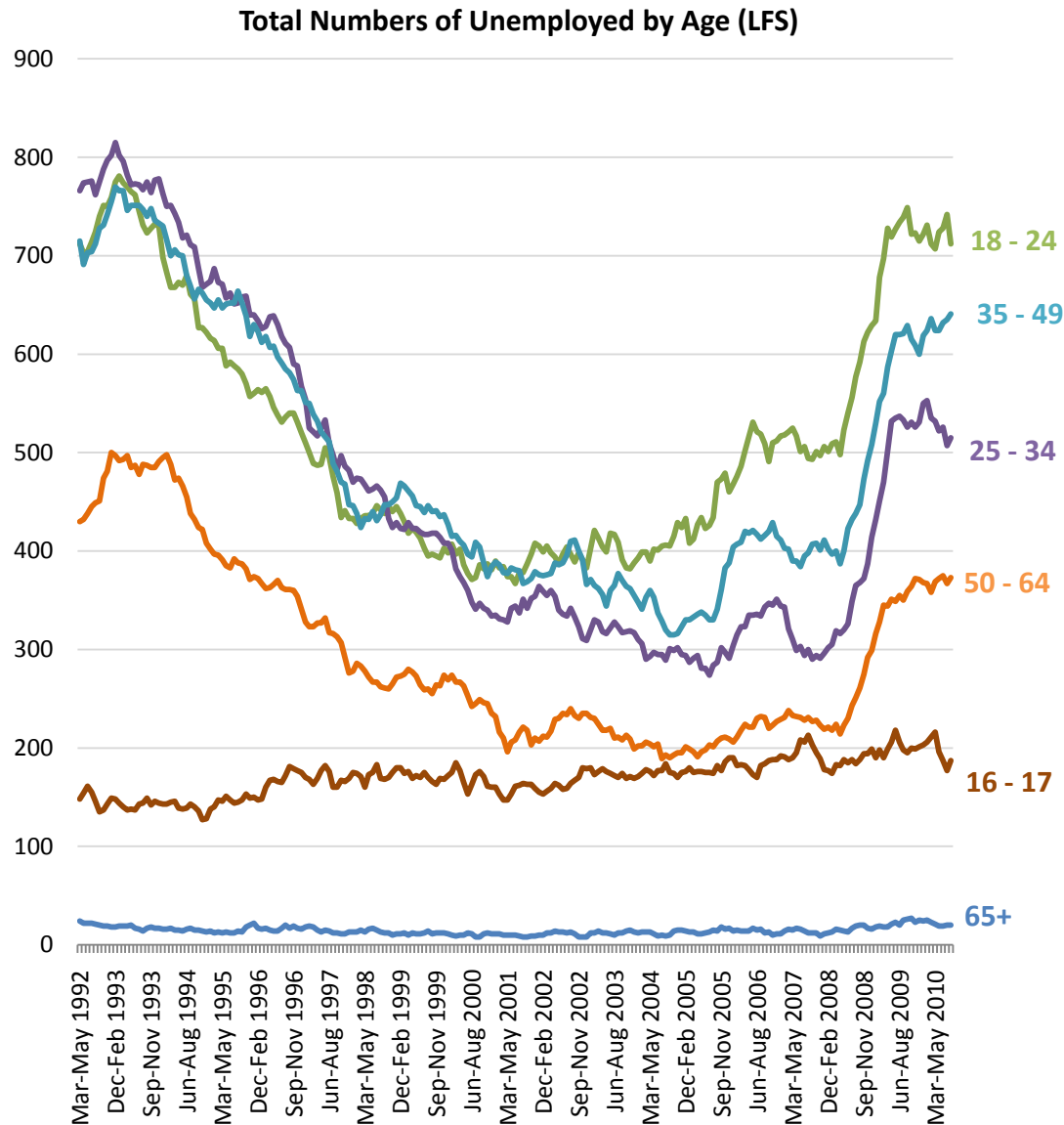
Intro: Definition and concepts around Youth Unemployment

- This page sets out the key definitions and labour market concepts around youth unemployment. First of all there are a 7.3m young people aged between 16 and 24 in the UK.
- This total population can be divided roughly two thirds into the 'economically active' and one third into the 'economically inactive' group. The economically active are either working or available for and seeking work i.e. employed or unemployed.
- The Economically Inactive are not available and/or not seeking work. This group can be further subdivided, the vast majority (1.8m or 25per cent of all young people) are students and the rest are predominantly long-term sick (104,000 or 1.4per cent of all young people) or have caring responsibilities (300,000 or 4.1per cent of all young people).
- The economically active are made up of the employed (4.02m or 55per cent) and the unemployed (831,000 or 11.5per cent). Importantly , the unemployment rate is calculated just from the economically active population. This means that the number of economically inactive students affects the rate by reducing the denominator – this is explored in detail later on.
- Finally, large numbers of young people are also in full-time education across the three labour force status's of employed, unemployed and economically inactive. Again this is explored in more detail.



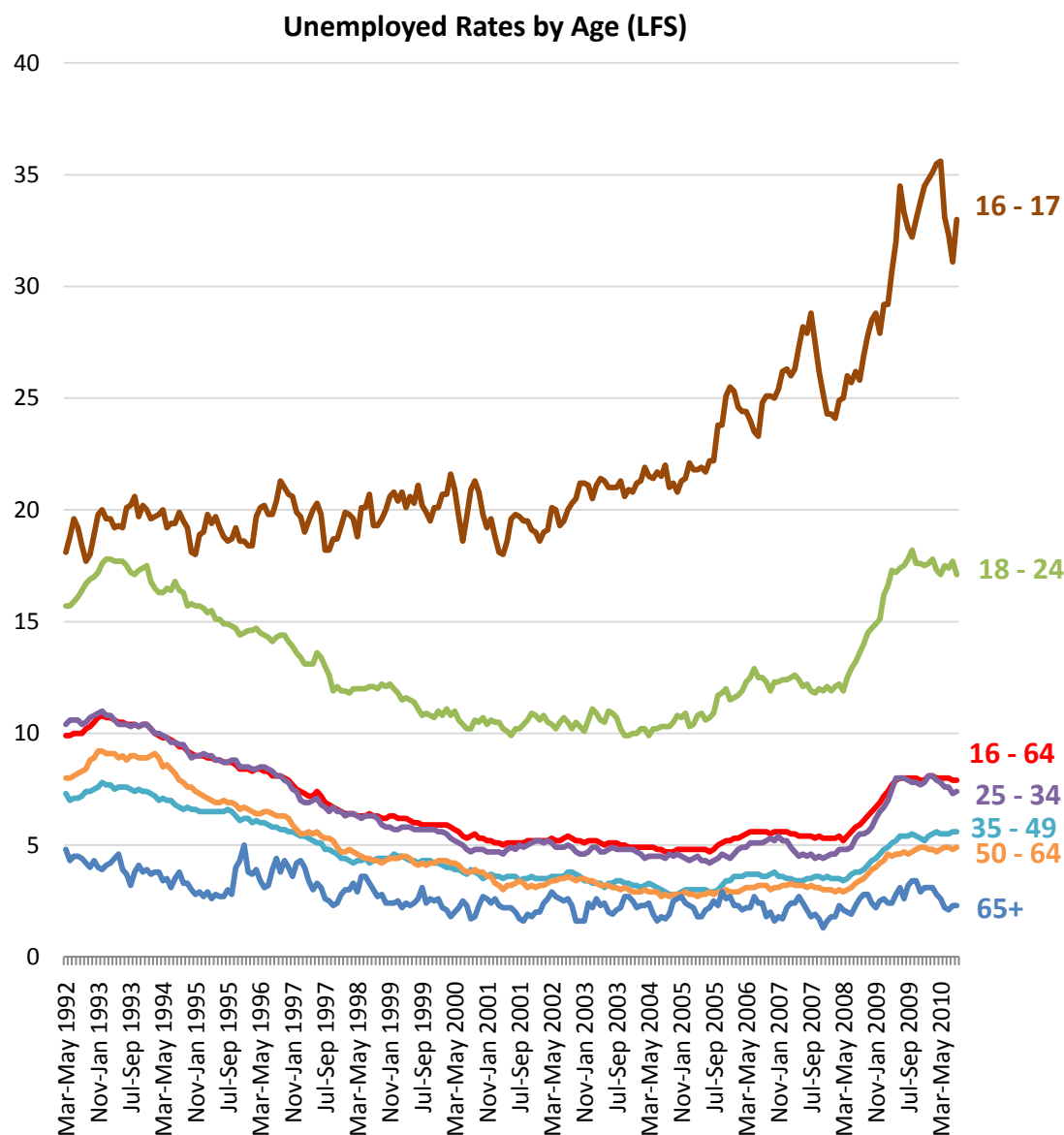
Recent trends in youth unemployment

Youth Unemployment has been rising since well before the recession



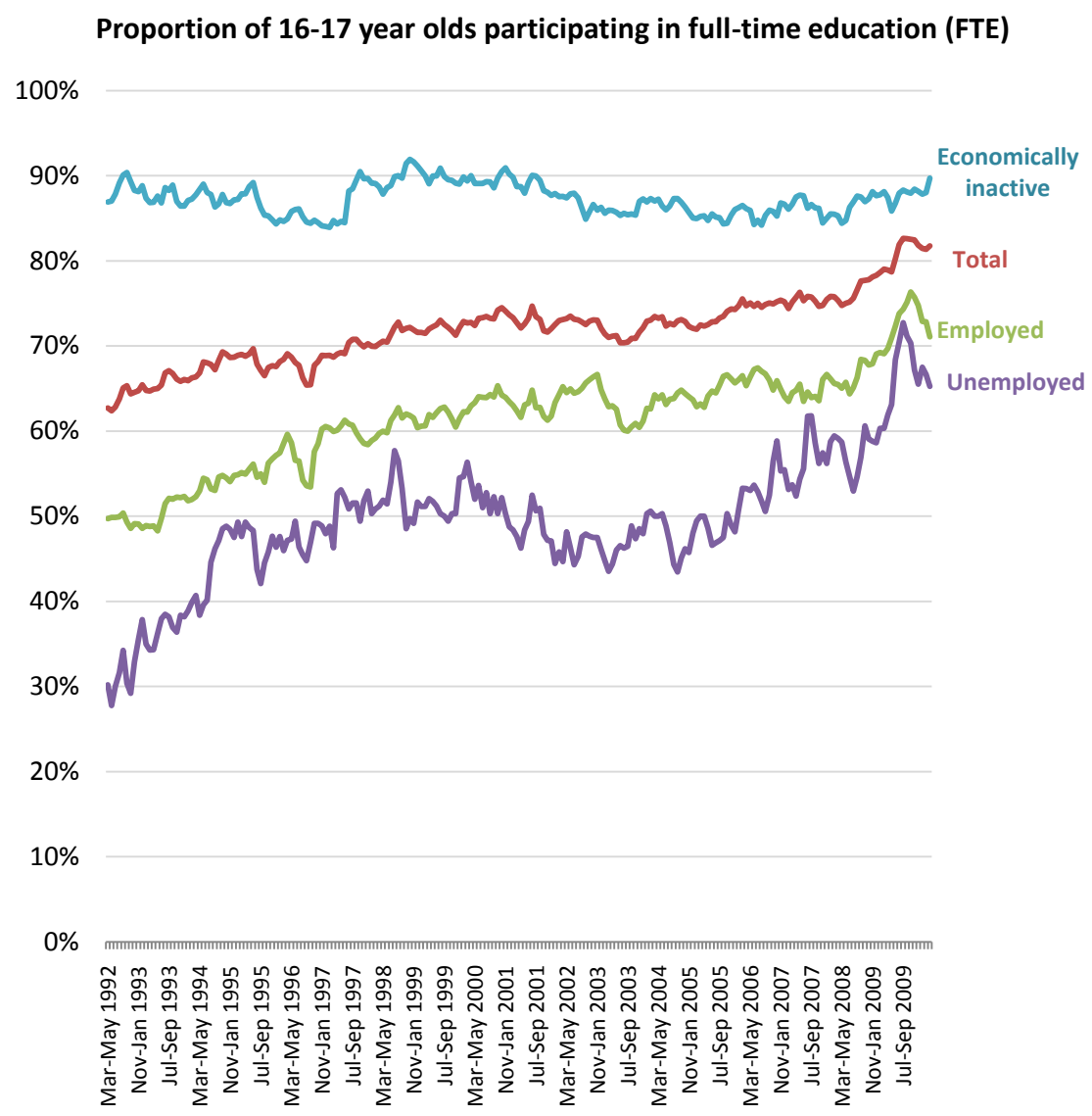
- The numbers of unemployed 18-24 year olds actually started to increase around 2005, plateaued over 2006 and 2007 and then started to rise more dramatically during 2008 as the recession began.
- Two groups which do not seem to have been as affected are 16-17 year olds and those of retirement age, neither of which have seen a 'spike' in response to the recession.
- In numerical terms the three age groups of 18-24, 35-49 and 25-34 all have seen similar numerical increases (between 210,000 and 240,000 since Mar-May 2008).
- The 16-17 age group has seen a much more steady increase over the time period from about 150,000 to approx 200,000.
- By comparison in numerical terms the 16-17 age group and 50-64 had very similar levels until recently where the older age group has seen a much greater numerical increase while the 16-17 has not.

Youth Unemployment Rates show a different picture



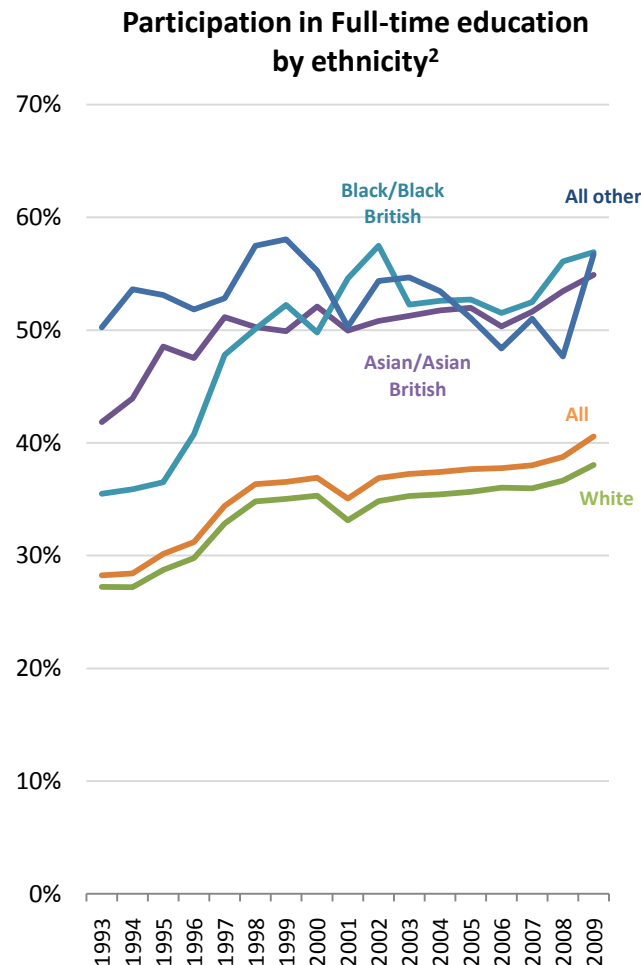
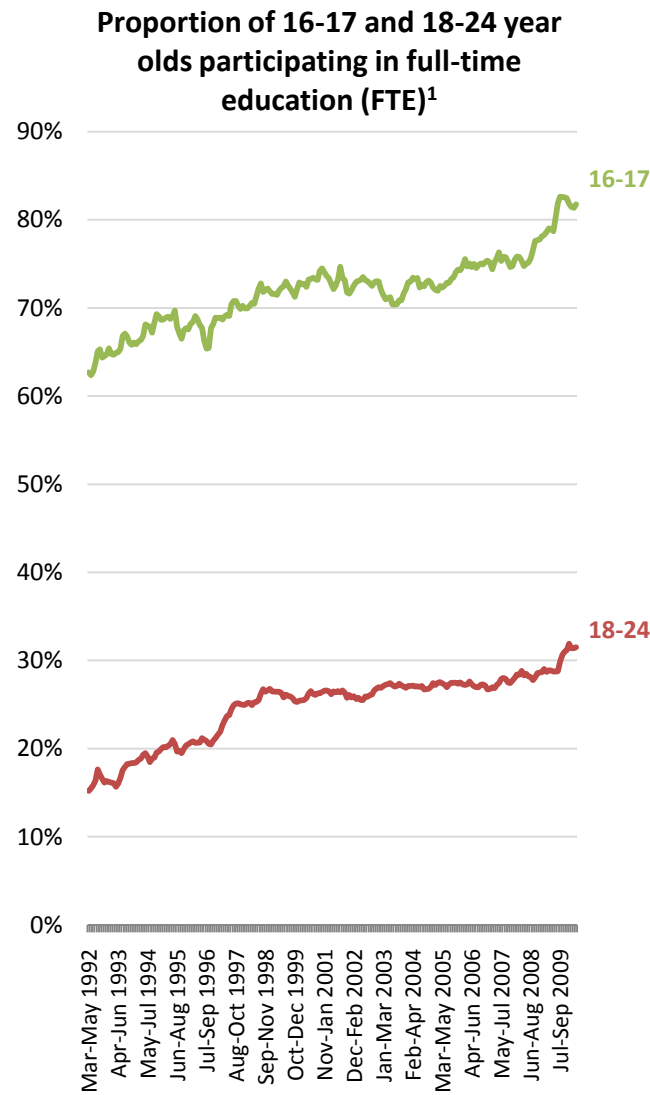
- This chart shows the rates of unemployment as opposed to raw numbers and contrasts with the previous page as the 16-17 rate is the highest whereas in absolute numbers it is one of the lowest.
- The two youth rates (16-17 and 18-24) clearly stand out as being consistently higher and seeing the largest recent increases.
- In particular the 16-17 rate does not reflect the previous chart which showed a long steady increase but no dramatic increase in response to the recession. By contrast the increase in the rate is much more dramatic for this age group.
- Essentially the large increase in the 16-17 rate is not caused by a change in the numerator in the rate equation (**unemployed**/economically active) but the denominator (**unemployed/economically active**). The economically active population of 16-17 year olds (most studying full-time and not looking for work) has fallen as more and more are entering education and are subsequently counted as economically inactive and so the same number of unemployed 16-17 year olds (approx 200,000) represents a greater proportion of a smaller population.

16-17 year old participation in full-time education has been rising steadily but has seen a further increase in response to the recession



- This chart shows the proportion of 16-17 year olds who are participating in full-time education by different economic status. The red line shows that overall over 80 per cent of 16-17 year olds are participating in full-time education.
- Furthermore the trend has been steadily rising since the early 1990s but has seen a further increase in response to the recession.
- The proportion of economically inactive 16-17 year-olds participating in education has remained reasonably consistent. The most recent figures show that around 90 per cent of economically inactive 16-17 year olds are in full-time education.
- Large numbers of employed and unemployed 16-17 year olds are also participating in full-time education. This is explored in more detail later on.
- This chart explains why the 16-17 unemployment rate has seen such a dramatic increase while the actual numerical increase has been more modest. More and more 16-17 year olds are participating in full-time education and most of these are economically inactive which increases the rate of unemployment by lowering the denominator.

Participation in full-time education has been rising steadily

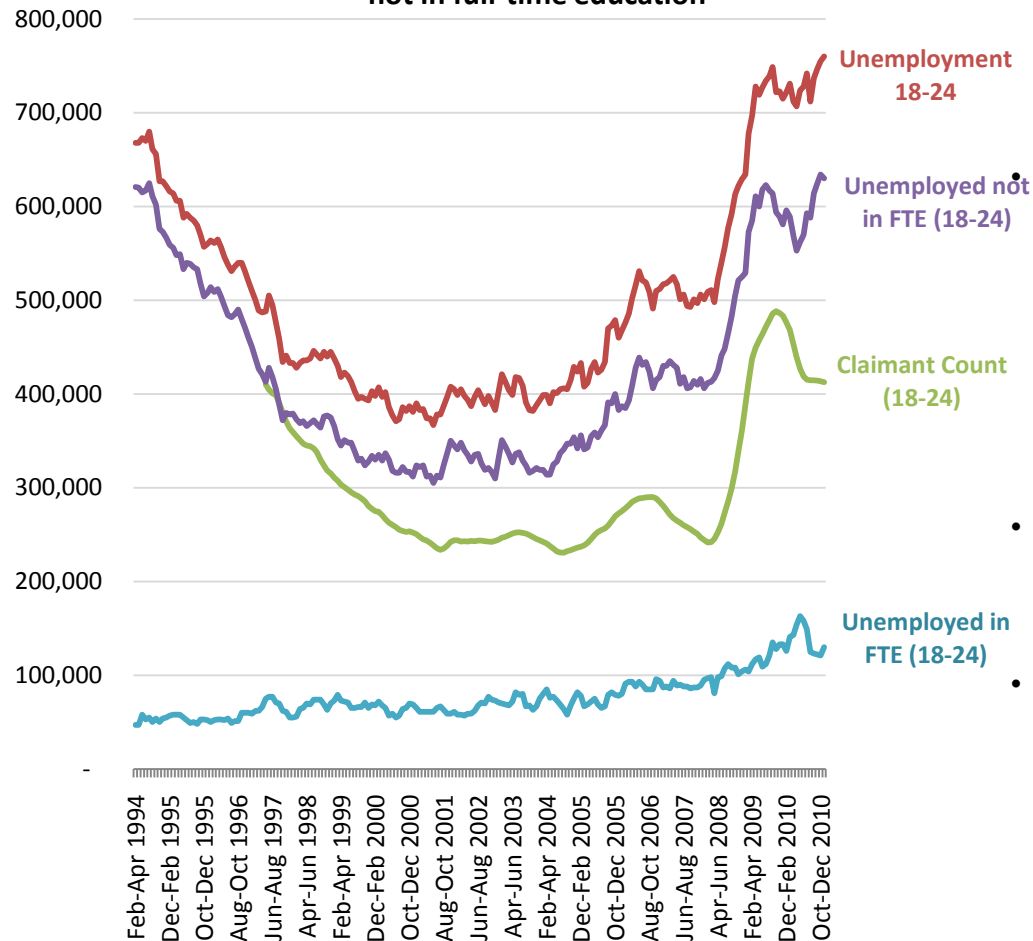


- The charts on this page show the trend in participation for 16-17 and 18-24 year olds along with the participation for 16-14 year olds by different ethnic group.
- As was shown on the previous page over 80 per cent of 16-17 year olds are now participating in full-time education. By comparison around one third of 18-24 year olds are in full-time education.
- Both age groups have seen a steady increase over the last 15-20 years or so but have also seen a 'spike' in response to the recession.
- Participation has been on the rise for all ethnic groups too. Participation amongst Black/Black British and Asian/Asian British groups has been consistently higher than for White groups.

¹ Source: Labour Force Survey - Educational status, economic activity & inactivity of young people , http://www.statistics.gov.uk/OnlineProducts/LMS_FR_HS.asp
² Source: Labour Force Survey – UK Commission analysis of LFS (4 quarter averages)

The gap between unemployment and JSA claims has been closing as a result of the recession, education explains much of this but the gap remains

18-24 ILO unemployment, 18-24 JSA claims and ILO unemployed not in full-time education



- The chart opposite compares the total number of 18-24 year olds who are unemployed to claims of JSA, along with those 18-24 year olds who are unemployed and in full-time education (FTE) and those who are unemployed and not in FTE. (16-17 year olds are ineligible for JSA).

Up to the point where the recession began the gap between these two figures had been widening. Just before unemployment started to rise there were half as many JSA claimants as there were ILO unemployed. Since unemployment started to rise the gap narrowed to the point where JSA claims were approximately 65 per cent of ILO unemployment. However, in recent months the gap has begun to widen again.

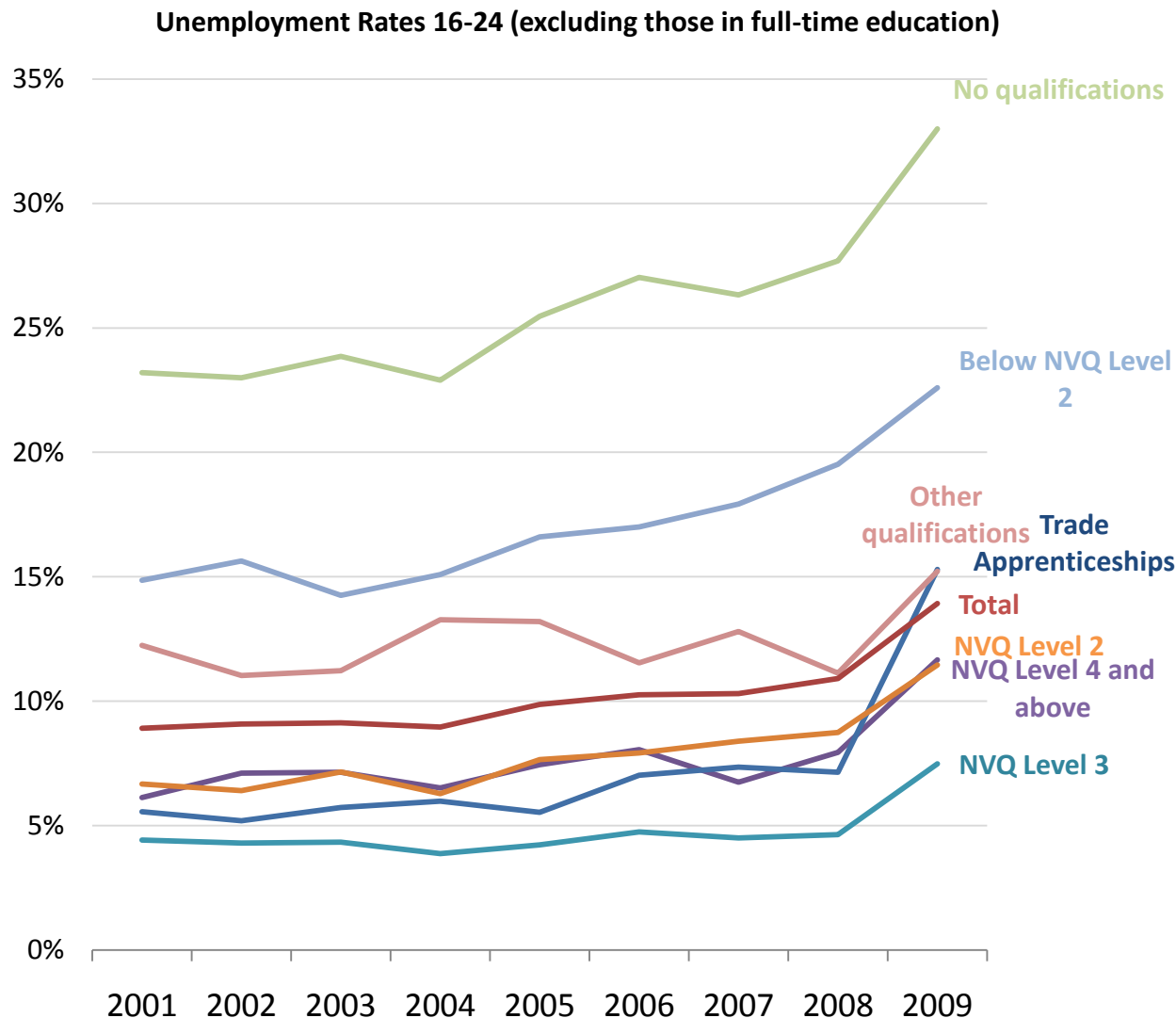
- What explains the gap? Much of the gap can be explained by full-time participation in education, which in most cases makes the learner ineligible for benefits.
- Participation in full-time education (FTE) while being unemployed has been rising consistently and now 20 per cent of unemployed 18-24 year olds are actually in FTE. The gap between those who are unemployed and not in FTE and the JSA claimant count is smaller still, the latter accounts for 85 per cent of the former.
- Nevertheless this leaves approximately 100,000 young unemployed people who neither receive support from the benefit system or the education system.

¹Source: LFS - Virtual Bookshelf - Labour Market Statistical Bulletin Historical Supplement - Table 9

²Source: LFS - Virtual Bookshelf - Labour Market Statistical Bulletin Historical Supplement - Table 14

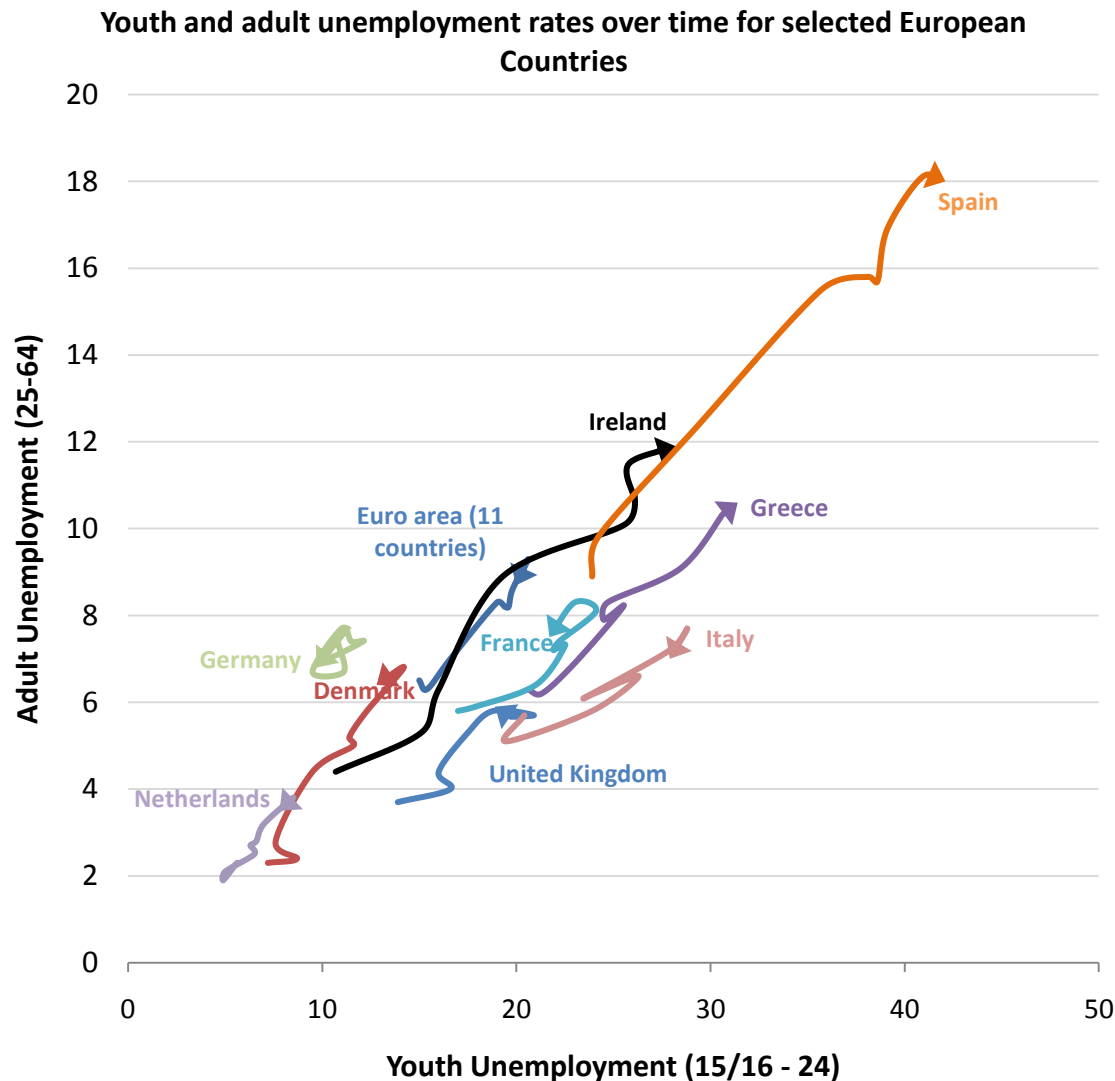
³Source: NOMIS - Claimant Count Rates and Proportions (monthly figures have been averaged into three month rolling averages for direct comparison with LFS figures)

The gap between the low skilled and high skilled has been high for some time but the gap has been widening since 2004



- The chart opposite shows the unemployment rate for different young people by qualification level. Those who are counted as both unemployed and in full-time education are excluded as this varies significantly by qualification level. This is discussed later on in the evidence base.
- As would be expected the lower the qualification level the higher the unemployment rate. However, the long-term trend, particularly after 2004 is that the gap is widening for young people without qualifications and those qualified below level 2.

By European standards the UK's labour market has performed well over the recession



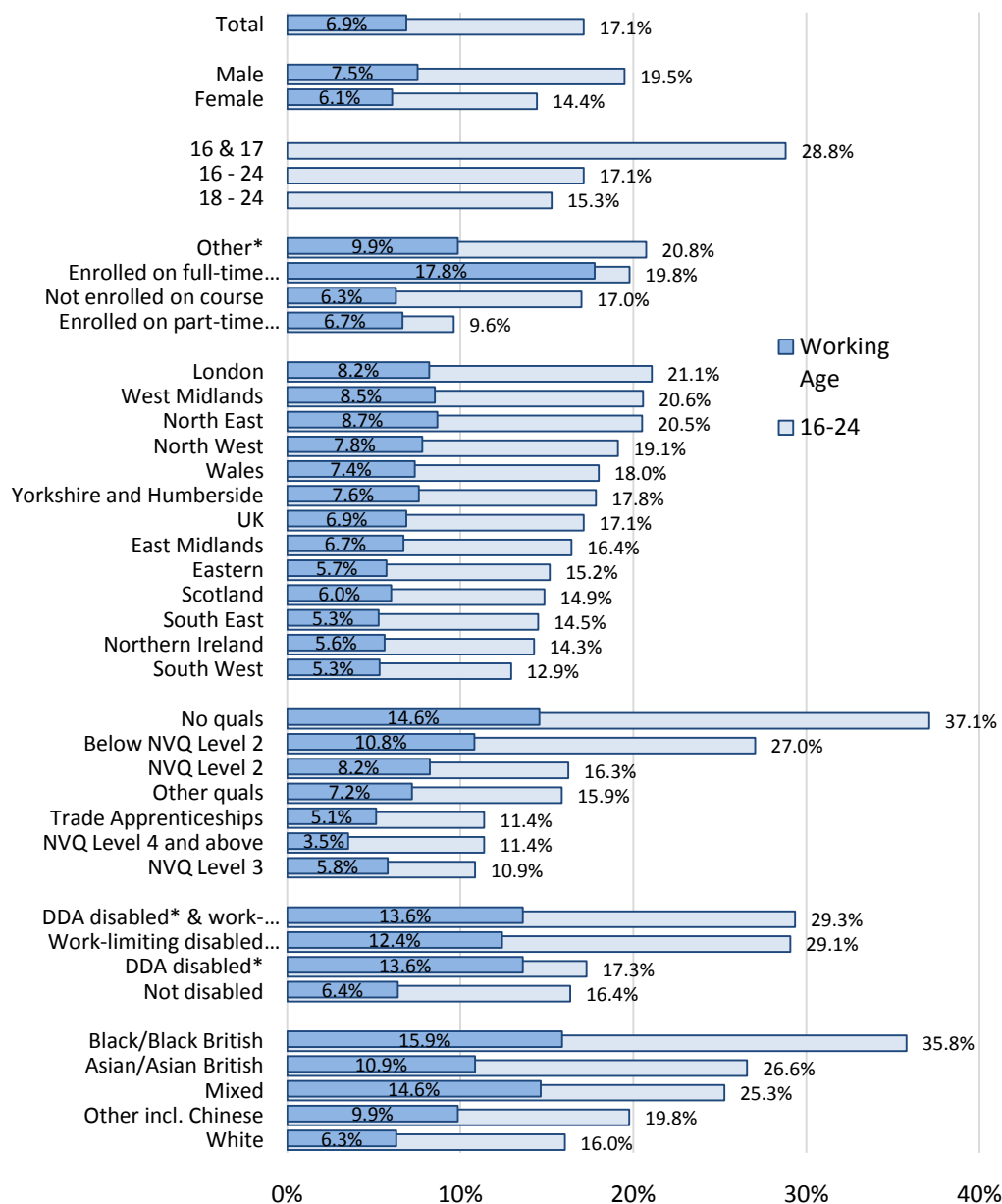
- The chart on this page illustrates how youth and adult unemployment rates have evolved over the last two years.
- Each arrow starts at the second quarter of 2008 and ends (the arrow's head) in 2010 Q2.
- By European standards, the UK has a below average level of adult unemployment but an average level of youth unemployment.
- Most countries have seen a move up and to the right showing that both adult and youth unemployment have increased over the course of the recession. However, several countries have seen the trend start to reverse. The Netherlands, France, Italy, Denmark, Germany and the UK have started to see falls. However, for Ireland, Spain and Greece the trend is continuing growth.

Who and where are young
unemployed?

Risk of unemployment varies significantly by characteristics of the young

- The chart opposite shows the unemployment rates for young people aged 16 to 24 and all those of working age for a variety of different groups, characteristics and areas.
- Males have higher rates than females for all ages although the difference is more pronounced amongst the young. The younger age groups (16-17) have higher rates but, as this analysis later demonstrates, this group are far more likely to be in full-time education.
- Those enrolled on full-time courses of education or training are also more likely to have higher rates of unemployment
- London and the West Midlands have the highest rates while the South West has the lowest. The sub-regional differences are explored later on.
- The biggest differences are found amongst those with low skills where the unemployment rate for 16-24 year olds with no qualifications is 37 per cent which is more than twice the youth rate overall and far greater than the rate for adults with no qualifications.
- Black/Black British and Asian/Asian British rates are also far higher than those found for White groups. This is also explored further later on.
- Having a disability also has a strong impact on young people, the rates for those who are DDA disabled are twice as high as those for adults.

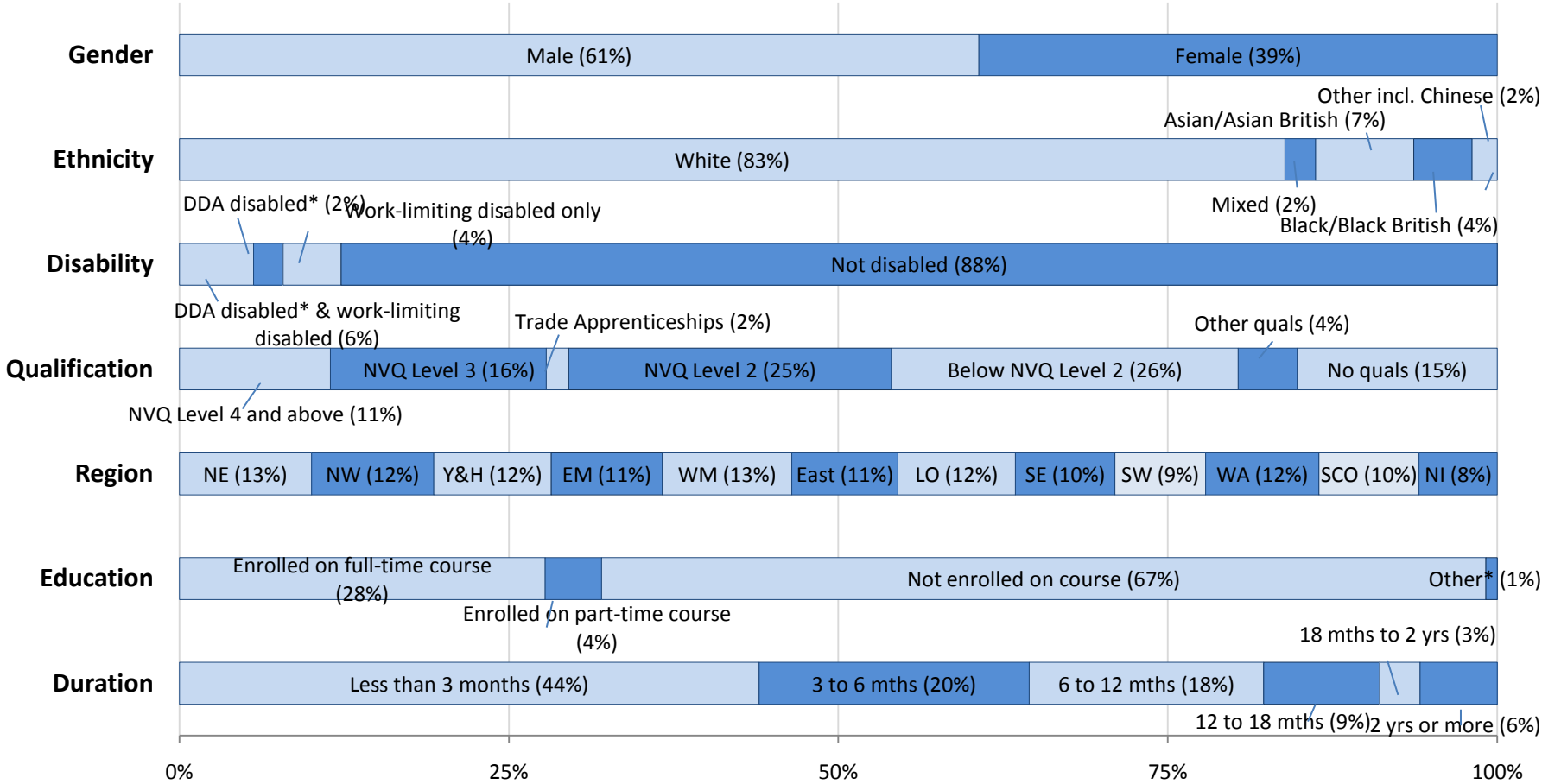
ILO Unemployed Rates for 16-24 year olds and those of working age by various characteristics



A breakdown of the unemployed cohort shows a slightly different picture

The previous page showed the proportions of various groups who are unemployed. This page looks the other way and instead just takes the young unemployed cohort and breaks it down by a variety of characteristics. This shows that while some groups are significantly more at risk of being unemployed this may overstate the issue for these groups. For example the previous page shows that the unemployment rate for those with no qualifications is exceptionally high at 37 per cent. However, on this page we can see that those with no qualifications only make up 15 per cent of the unemployed cohort.

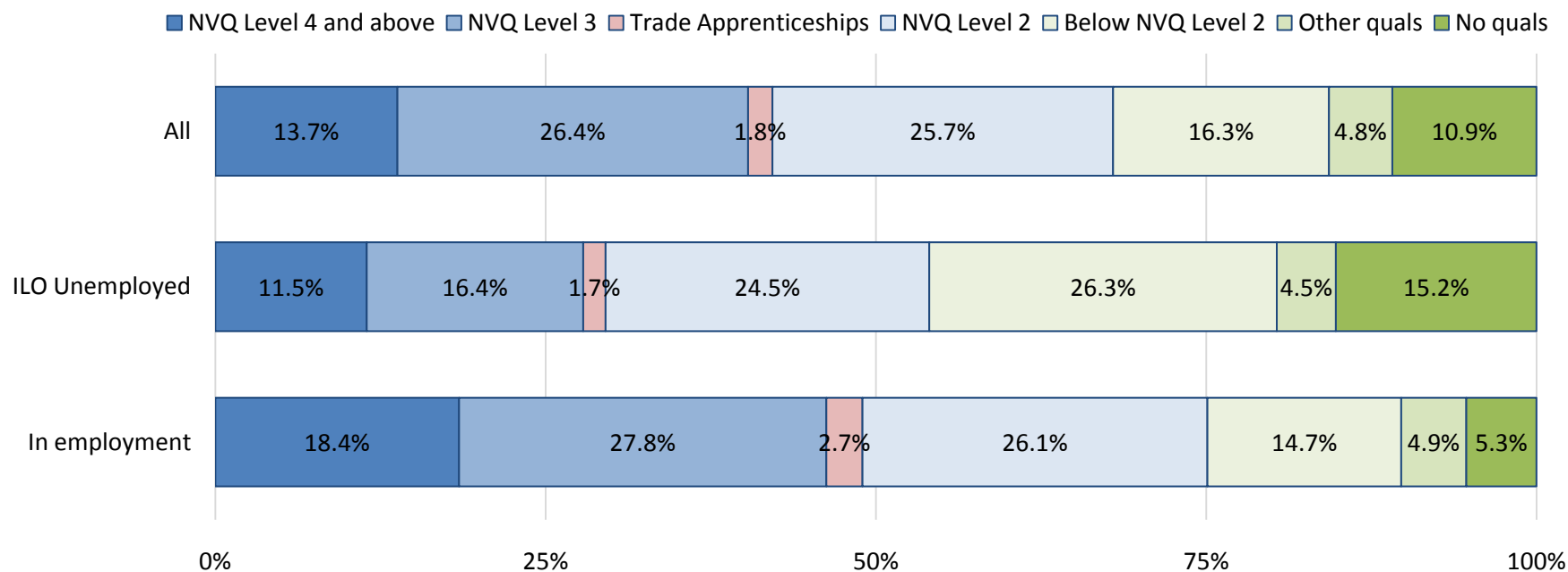
Breakdown of Young Unemployed by Various Characteristics (16-24, LFS 8 Quarters Averaged)



The skills profile of the unemployed is generally lower, but significant proportions are qualified to level 3 and above.

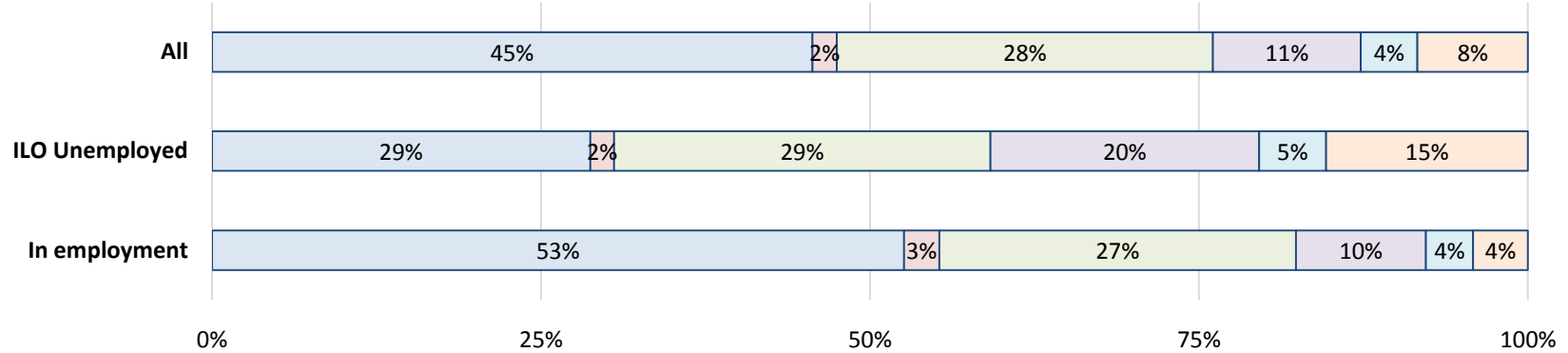
- The chart below shows what proportion of three groups of young people (the total 16-24 population, the unemployed and those in employment) are qualified to what level. The levels go from left to right with the proportion at level 4 or above on the left and those without qualifications on the right.
- The skills profile of the unemployed cohort is lower than that for the total population, for example 15 per cent have no qualifications compared to 5.3 per cent of the employed cohort. Furthermore a quarter of the young unemployed are qualified to below level 2, this compares to 14.7 per cent of employed and 16.3per cent of the young .
- However, a significant proportion of the unemployed are qualified to a high level, for example over a quarter of the unemployed are qualified to level 3 and above and over half are qualified to level 2 and above.

16-24 population by highest qualification level

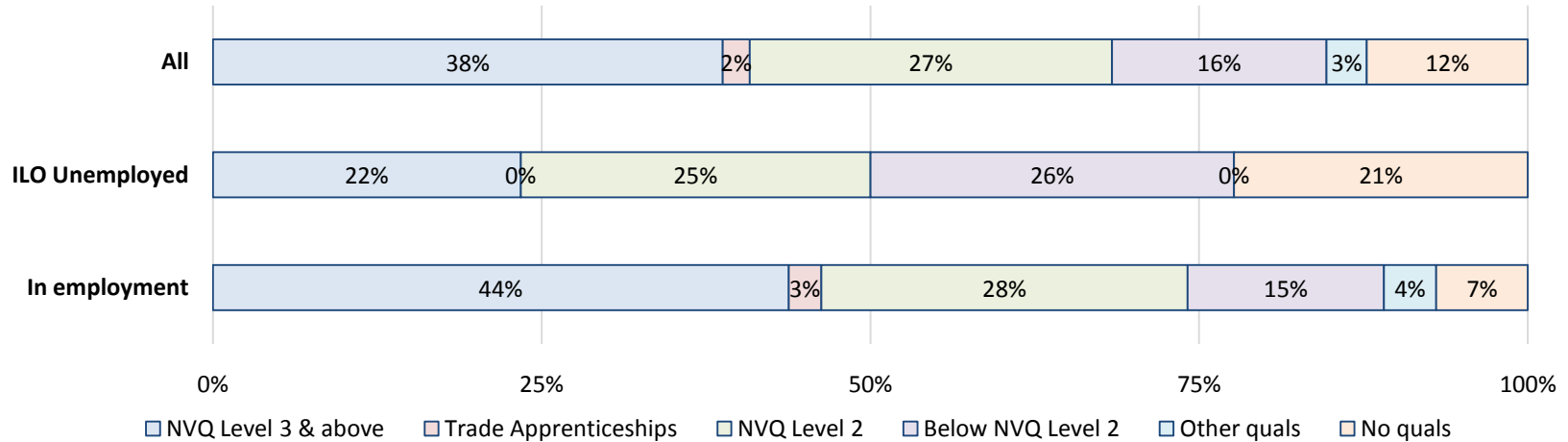


The skills profile of the unemployed is generally in Scotland and Wales, however differences with the UK are mainly driven by differences in the overall skills profile.

16-24 population by highest qualification level (Scotland)



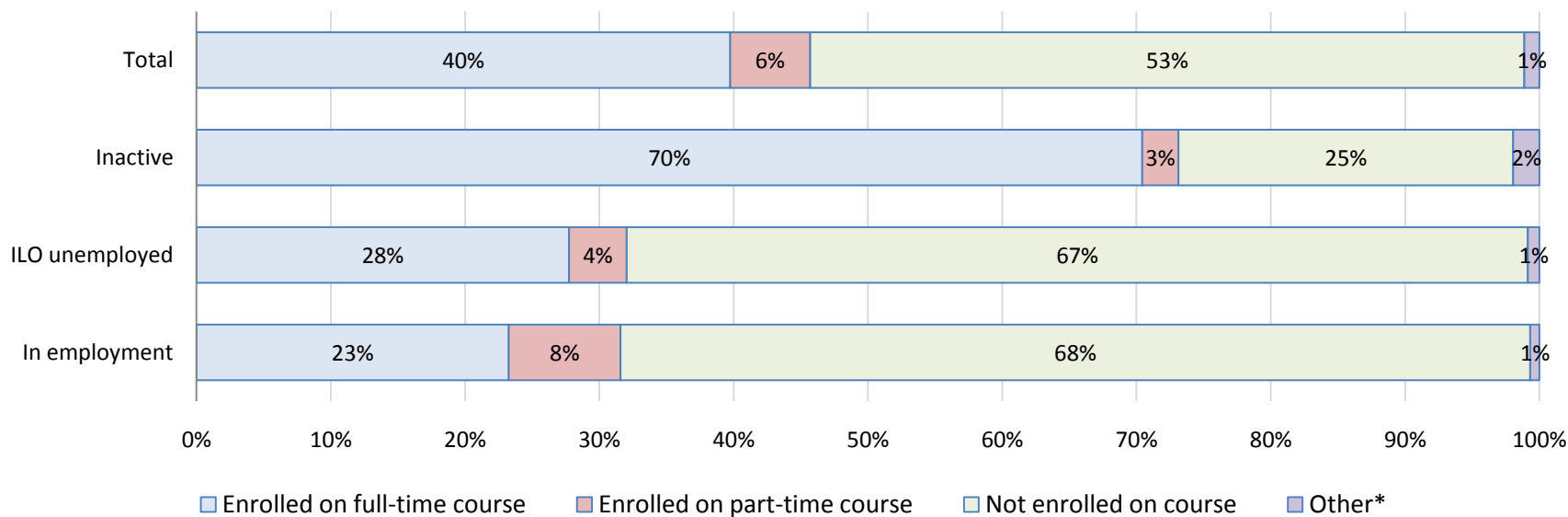
16-24 population by highest qualification level (Wales)



There is high participation in education amongst the young, including the young unemployed

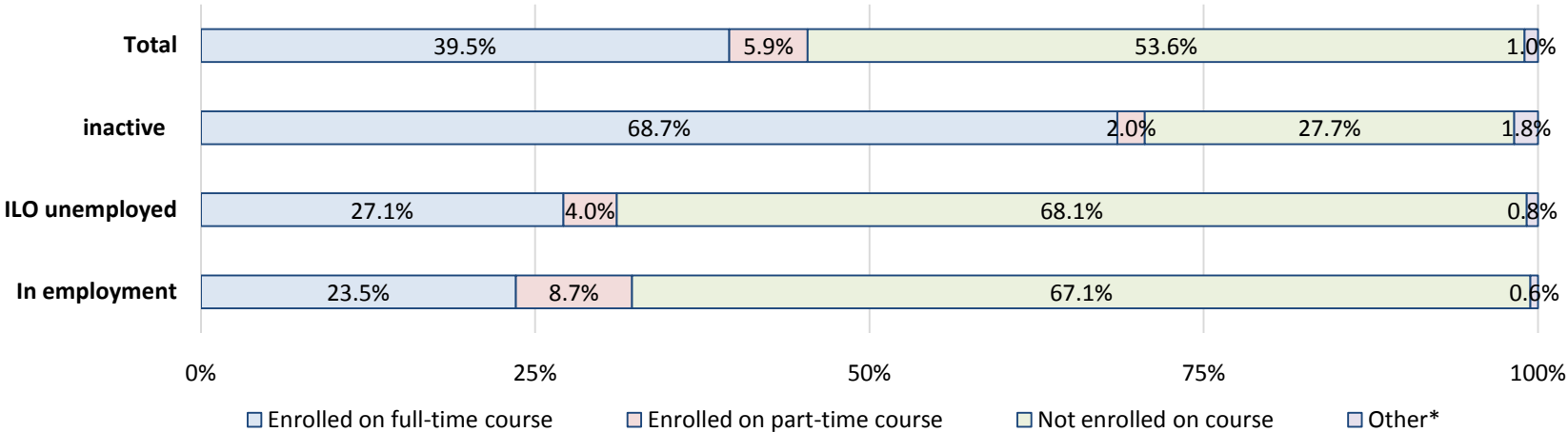
- There is high participation in education amongst the 16 to 24 population with 40 per cent participating in full-time education and a further 6 per cent in part-time education.
- Breaking this down further there is high participation amongst the unemployed with over a quarter (28per cent) of those 16 to 24 year olds counted as unemployed actually in full-time education. Many of these will be students seeking part-time work while they are studying. An individual is counted as unemployed if they meet certain criteria; that they want a job, have actively sought work in the last four weeks and are available to start work in the next two weeks. The definition of unemployment applies irrespective of whether the individual is in full-time education or not.
- The previous page showed that large numbers of unemployed young people are actually well qualified. Combined with the information on this page raises the question as to whether there is a relationship between participation in education while unemployed and the skill level of the individuals in question – this is explored later.

16 - 24 year olds by economic activity and education course

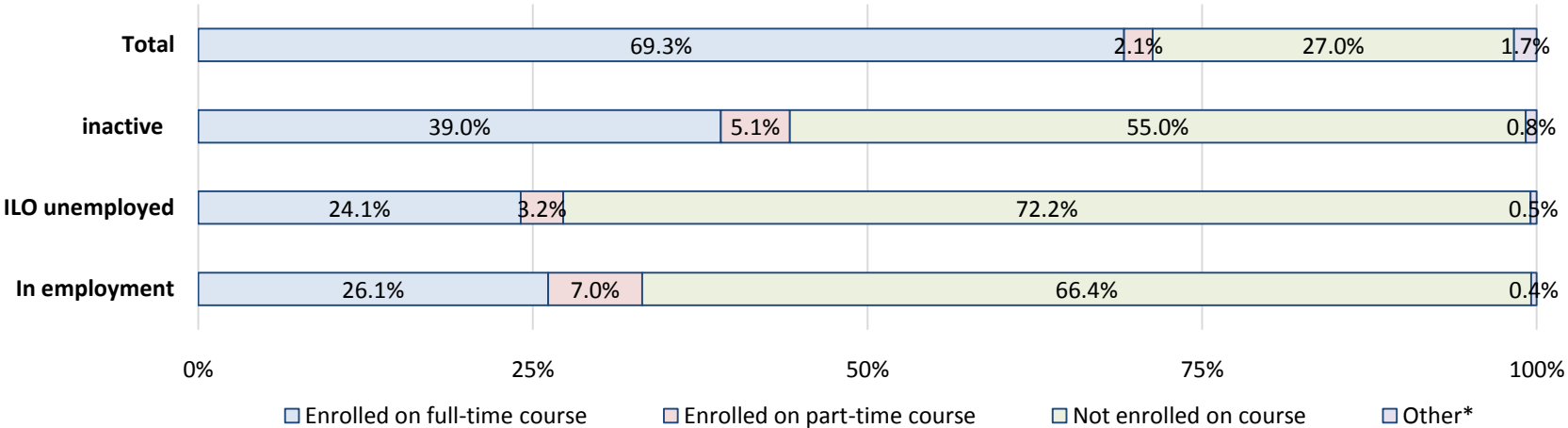


Participation in full-time education (Scotland & Wales) by economic activity

16-24 population by highest qualification level (Wales)



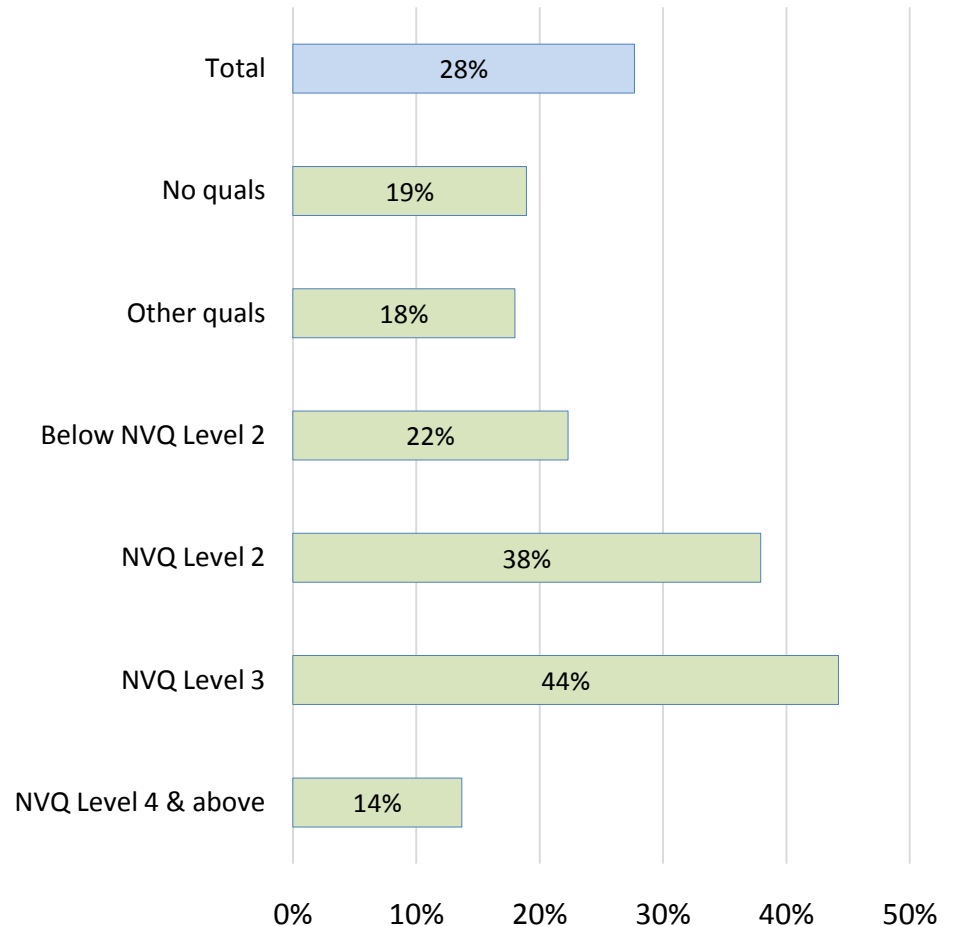
16-24 population by highest qualification level (Scotland)



The proportion of the unemployed who are actually in full-time education (FTE) varies across different qualification levels

- The chart shows what proportion of unemployed young people are in full-time education by current qualification levels.
- Overall 28per cent of unemployed people are in full-time education, but this varies significantly by level of qualification. Looking first of all at the lower end of the skills spectrum shows that just under a fifth of those who have no qualifications or whose highest qualification is classified as 'other' are in full-time education.
- Looking levels 2 and 3 shows much higher participation in full-time education with 38 per cent of those at level 2 and 44 per cent of those at level 3 engaged in full-time education. These figures most likely describe young people at college and university who are seeking part-time work while they're studying.
- At the high end of the skills spectrum those unemployed young people with level 4 and above qualifications are the least likely to be engaged in full-time education.

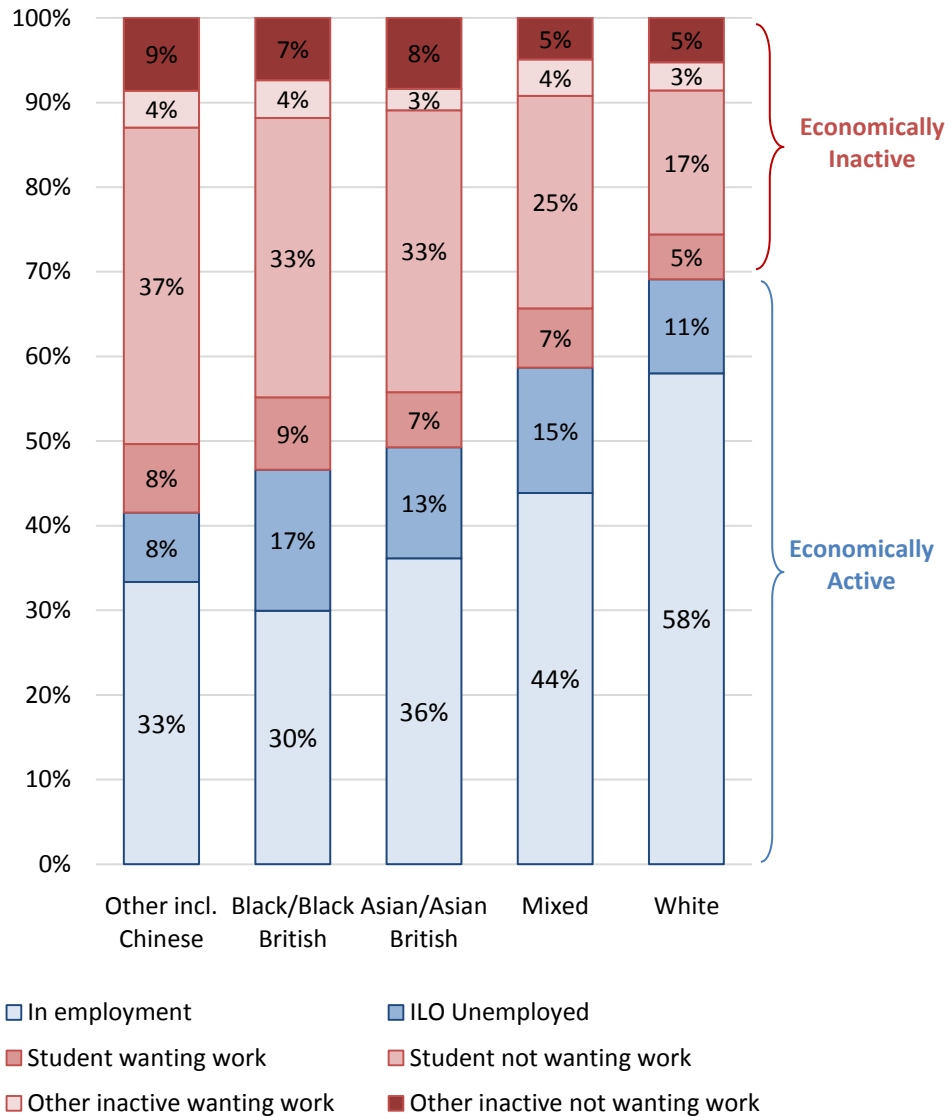
Proportion of 16-24 unemployed who are in FTE by qualification level



There are significant variations in labour market status by ethnicity; employment rates are significantly higher for White 16-24s but participation in education is significantly higher for Black/Black British and Asian/Asian British 16-24s

- There are large variations in the labour market status of young people by different ethnic group. For example 58per cent per cent of White young people are in employment, this is almost twice as high as the rate for Black/Black British (30per cent).
- Rates of inactivity due to being a student are also extremely variable. Two fifths of Black/Black British and Asian/Asian British are economically inactive due to being in education, this is almost twice as high as the 22 per cent figure for White 16-24 year olds.
- This variation in participation in education skews the unemployment rate upward for some groups by lowering the denominator (the economically active population) of the unemployment rate equation. Greater participation in education reduces the economically active population and therefore increases the unemployment rate.
- For example 11 per cent of all young White people are unemployed, but as the unemployment rate is worked out as a proportion of the economically active and not the whole population this 11 per cent is actually an unemployment rate of 17.3 per cent. If we do likewise for the young Black/Black British group 16.3 per cent of the 16-24 population unemployed becomes a rate of 34.2 per cent because there is a much larger inactive student population for this group (42 per cent of the young Black/Black British group are inactive students, compared to 22 per cent of the White group).

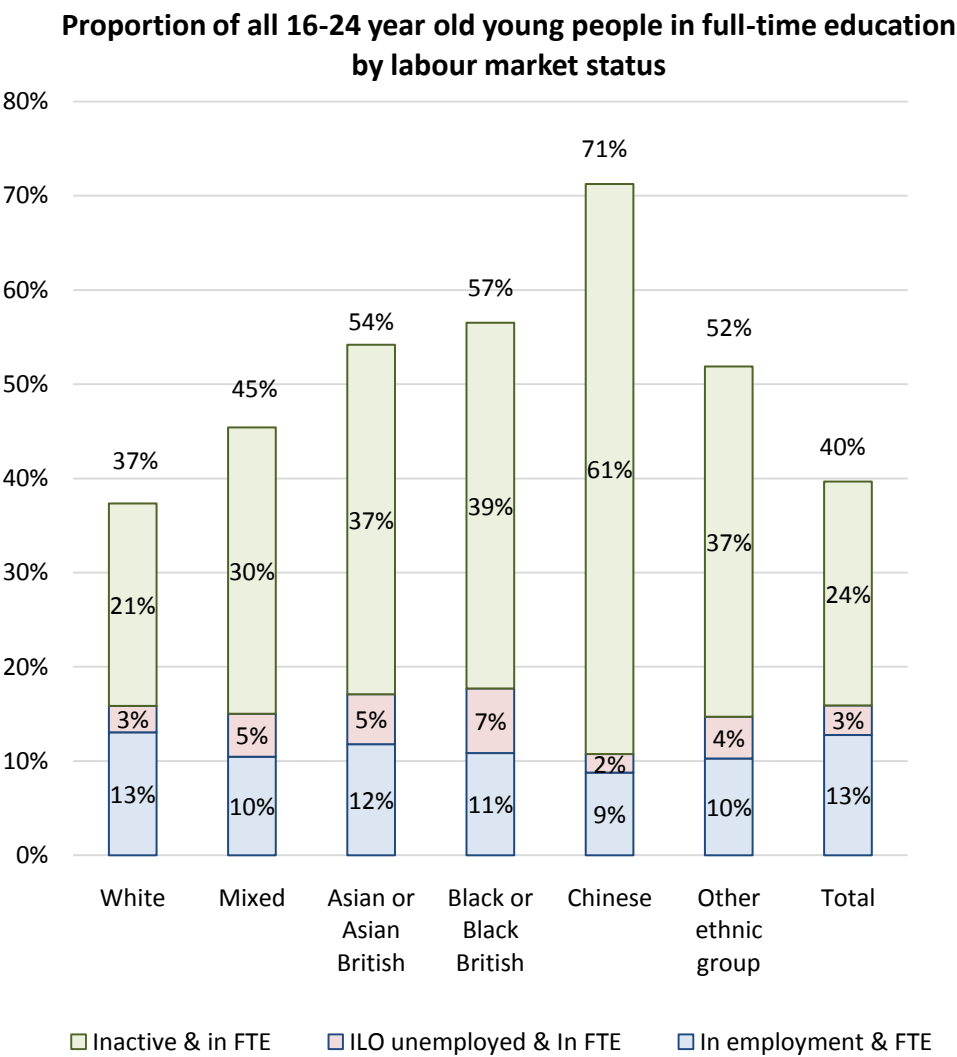
Aged 16 - 24 by economic activity and ethnic group



Source: UK Commission Analysis of 8 quarters of LFS

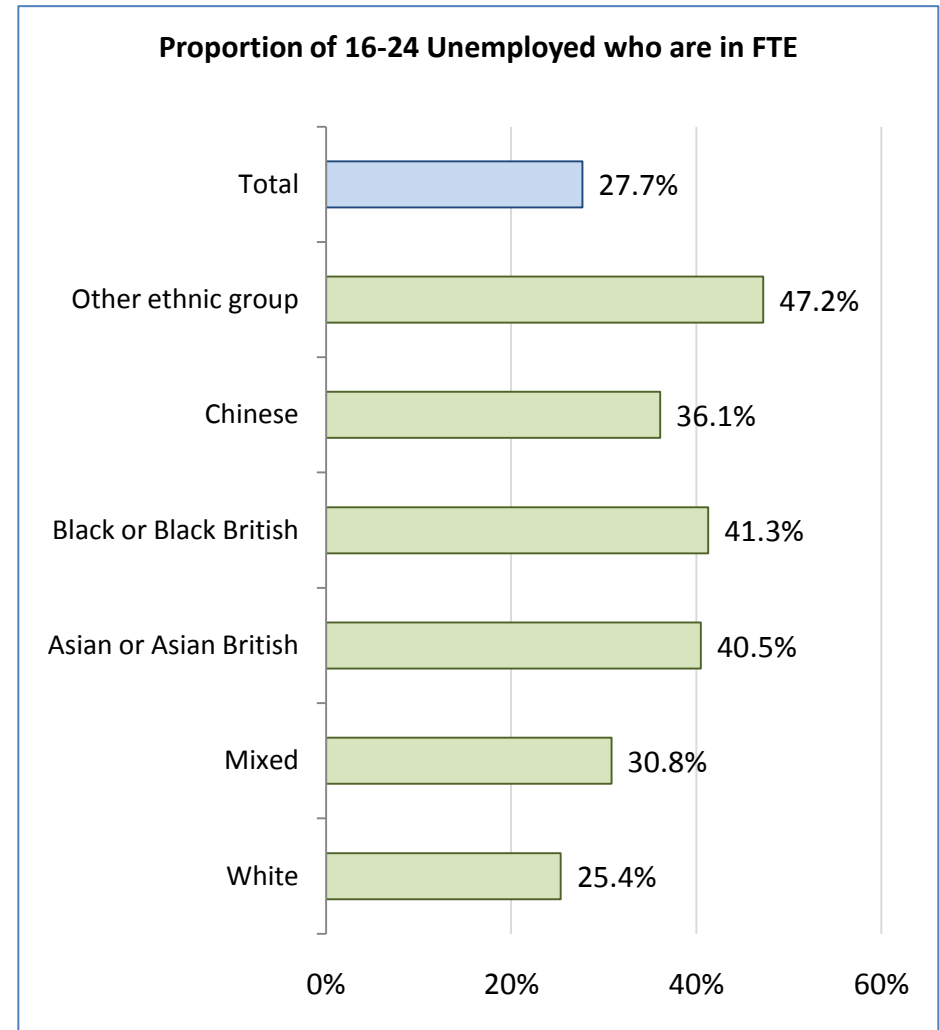
Participation in full-time education varies across ethnic groups and also by labour market status

- The previous page showed considerable variations in the proportions of young people who are economically inactive because they are students. However, the figures also show that participants in full-time education can also be unemployed and employed. The chart opposite shows what proportion of all young people are in full-time education by different labour market status.
- Overall 40 per cent of 16-24 year olds are participating in full-time education. And just over half of this group (24 per cent) are economically inactive. This leaves 13 per cent of all young people in employment and studying full-time and 3 per cent who are unemployed and studying full-time.
- Variations in total participation are equally marked with 37 per cent of young White people in full-time education compared to 54 and 57 per cent respectively for Asian/Asian British and Black/Black British young people.
- Variations in those who are employed and studying full-time are less marked with little variation around the total of 13 per cent.
- However, for those young unemployed and studying full-time the differences are greater. 3 per cent of White young people are unemployed and studying full-time but the figures are almost twice as high for Asian/Asian British and Black/Black British at 5 and 7 per cent respectively.
- Furthermore, as the previous page noted, the proportions inactive and studying full-time are twice as high for these groups

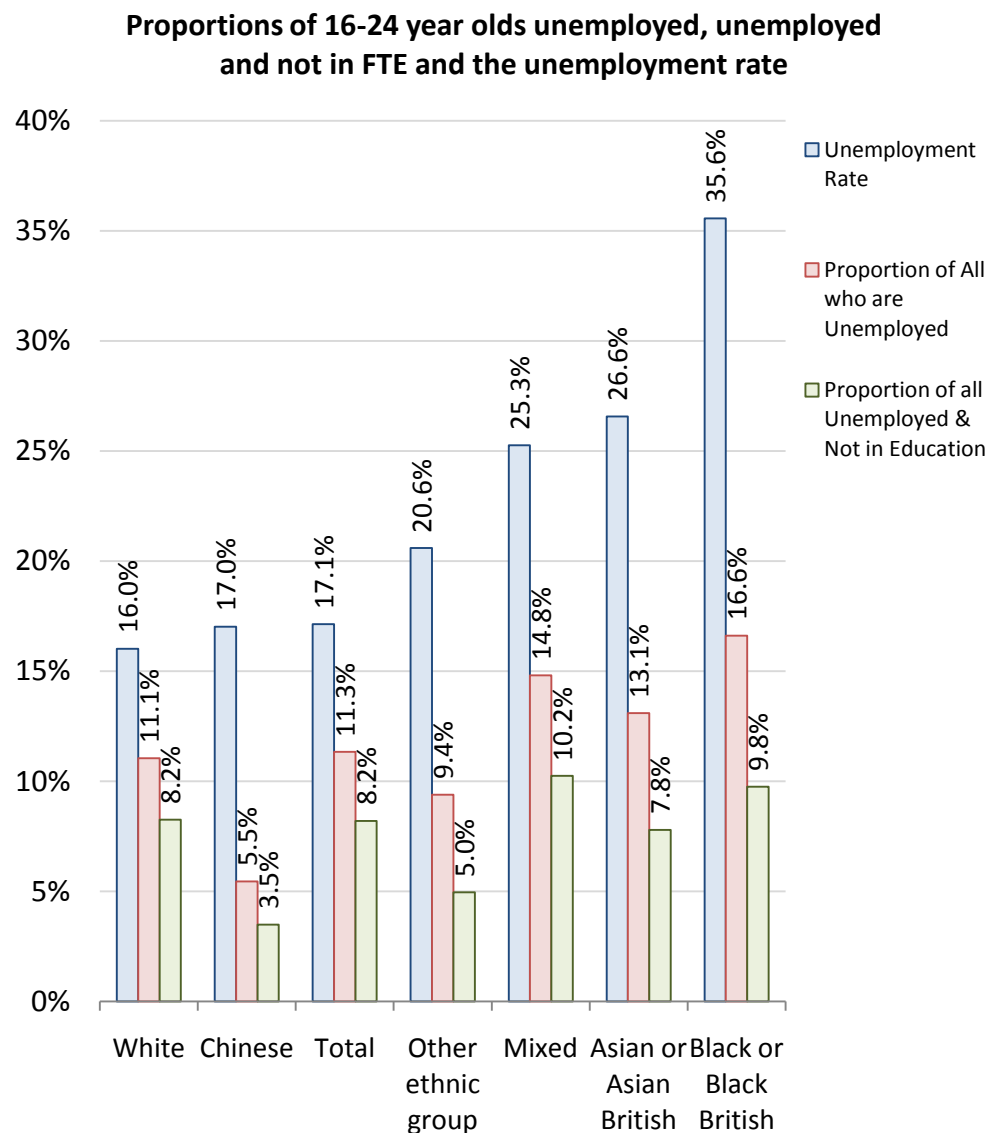


The proportion of the unemployed who are actually in full-time education also varies significantly across ethnic groups

- 28 per cent of young unemployed 16-24 year olds are actually in full-time education.
- This proportion varies significantly between ethnic groups. For the Asian or Asian British Group and Black or Black British group the proportion of the unemployed who are in full-time education is far higher than the average. For the Black/Black British group 40.5per cent of unemployed young people are in full-time education and for the Asian/Asian British group the figure is 41.3per cent .
- For the White group the proportion is lower, just over a quarter (25.4per cent) of young unemployed White people are in full-time education.



Accounting for participation in education, both while counted as unemployed and while counted as economically inactive, reduces the observed gaps in unemployment rates between different ethnic groups



- The combination of the two findings from the previous pages, firstly that some groups are far more likely to be participating in education while unemployed and that some groups are also far more likely to be inactive students has a significant effect on the overall unemployment rates. This page attempts to control for these effects

- The chart on this page shows the unemployment rates by ethnic group (the blue bars) there are large variations with the Black/Black British group recording a rate of 35.6 per cent, a figure more than double the 16 per cent for the White group. However, we know that this rate is skewed upwards by large numbers of students (which lower the economically active population). If instead we work out the unemployed as a proportion of the total 16-24 population (the red bars on the chart opposite), first of all this will clearly reduce the proportion, but more importantly the gap between groups is reduced.

- Furthermore we know that many of the unemployed themselves are actually in some form of education, if we remove these from the figures the rates will again fall and the gaps between groups diminishes further (the green bars). This leaves the rate for young black 16-24s at 1.13 times higher than that for young White 16-24s – again it is still higher but to far lesser extent than originally shown.

A young disabled person is more likely to be unemployed than a young person who is not disabled

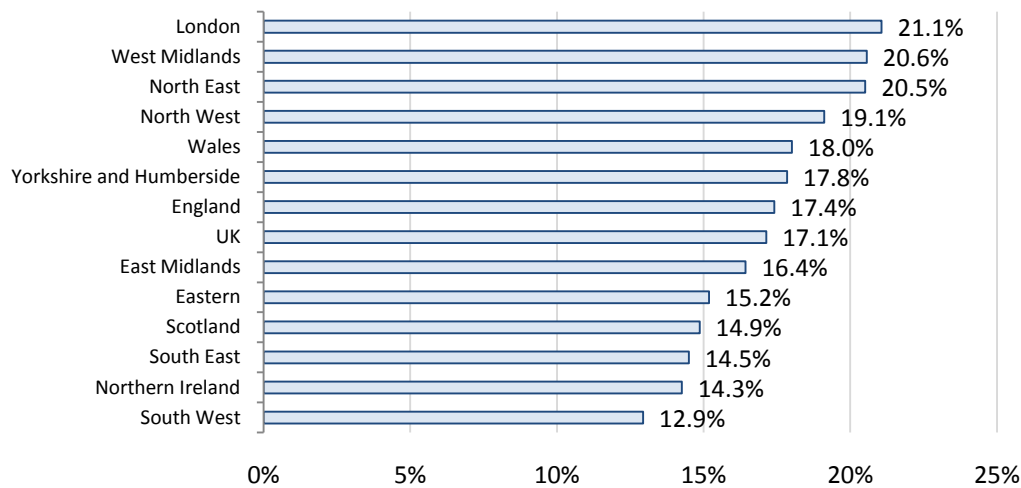
Aged 16-24 disability by economic activity



- The unemployment level of a work-limiting disabled young person (24per cent) is much higher than a DDA disabled young person (15per cent) and a young person who is not disabled (14per cent).
- Young people who are both DDA disabled and work-limiting disabled are more likely to be inactive through long-term sickness than a young person who is DDA disabled only, is work-limiting disabled only or a young person who is not disabled.

Regional and four nation differences in Youth Unemployment

16-24 ILO Unemployment Rates



The first chart shows the ILO unemployment rates for youth unemployment is varied across the nations and regions of the UK. In Scotland youth unemployment is 14.9 per cent while in England it is 17.4 per cent and Wales it is 18 per cent.

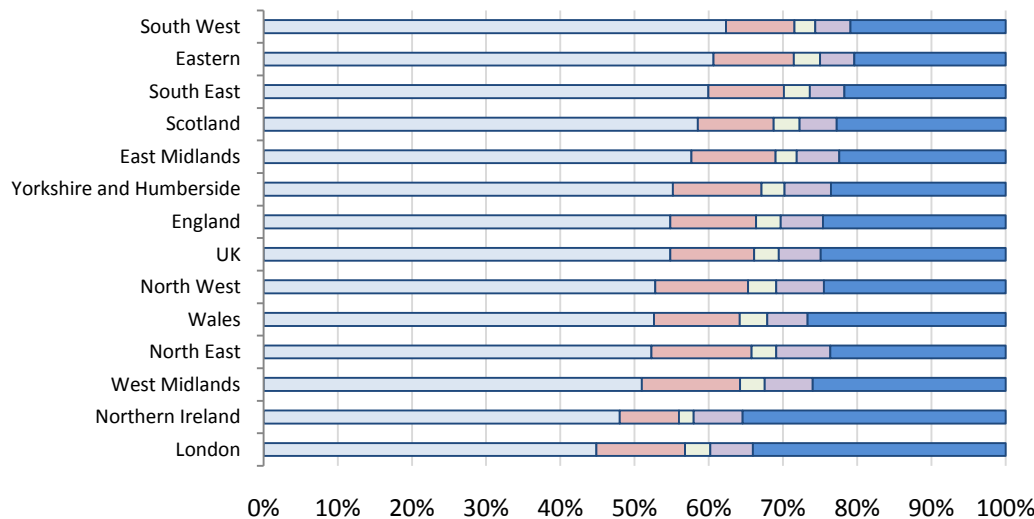
The gap between the highest and lowest regions and nations is significant. In London the rate of 16-24 unemployment is 21.1 per cent, while by contrast the South West of England has a rate of 12.9 per cent.

The second chart on this page shows the full breakdown by economic status for young people in each nation and region. Some of the effects discussed earlier around the skewing of the unemployment rate by large numbers of students occur at a geographical level as well as for certain ethnic groups. For example in London (34 per cent) and Northern Ireland (35.4 per cent) there are large proportions of inactive students. This has the effect of lowering the denominator in the unemployment rate equation and thus boosting the overall rate.

This chart also illustrates variations in employment rates by region where the South West, which has the lowest unemployment rate, also has the highest employment rate. However, the South West also relatively fewer inactive students.

Also the regions that tend to have the highest unemployment rates, such as the West Midlands and the North East, also tend to have higher levels of economic inactivity.

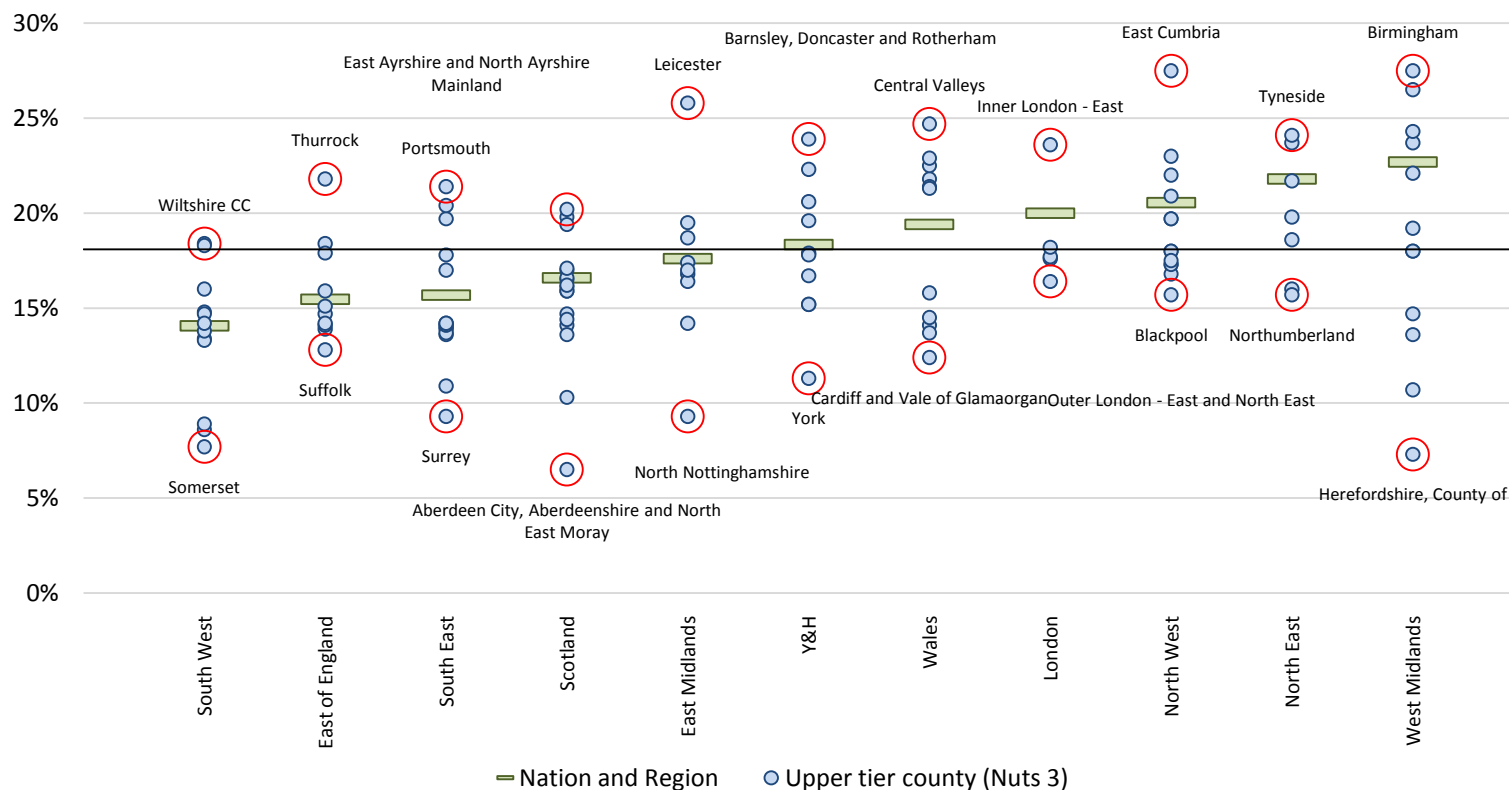
16-24 Breakdown of labour market status by nation and region



■ In employment ■ ILO Unemployed ■ Other inactive wanting work ■ Other inactive not wanting work ■ Students

Youth unemployment varies considerably across local areas

Youth unemployment rates (16 to 24) by sub-region (Nuts 3/upper tier county) - Jul 08/Jun 09



- This chart shows youth (16-24) unemployment rates across the UK Nuts 1 areas (equivalent to nations and regions) and Nuts 3 areas (equivalent to counties and/or sub-regions).
- Youth unemployment levels vary considerably across local areas. For example, Birmingham and East Cumbria have rates approaching 30 per cent whereas Hereford and Aberdeen have rates well below 10 per cent.

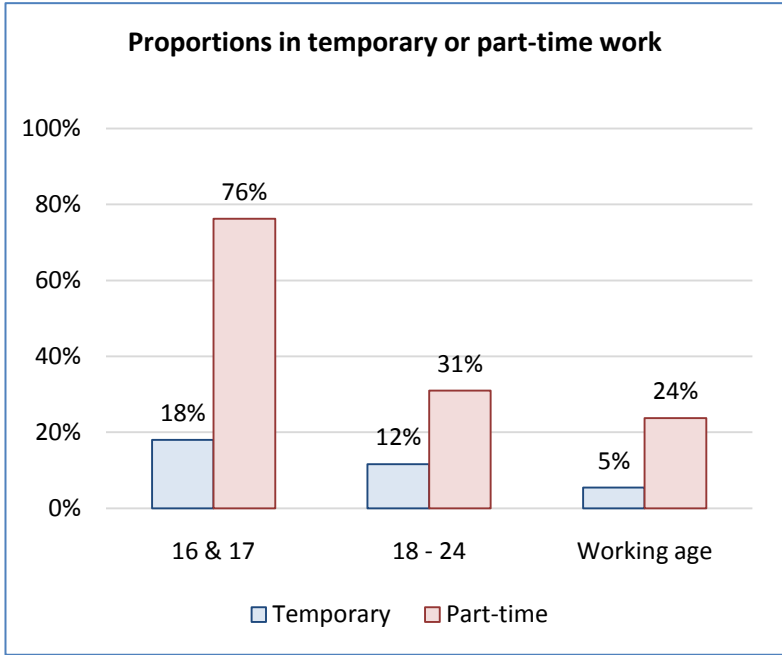
Young people in employment and the changing nature of work

Young People in Employment

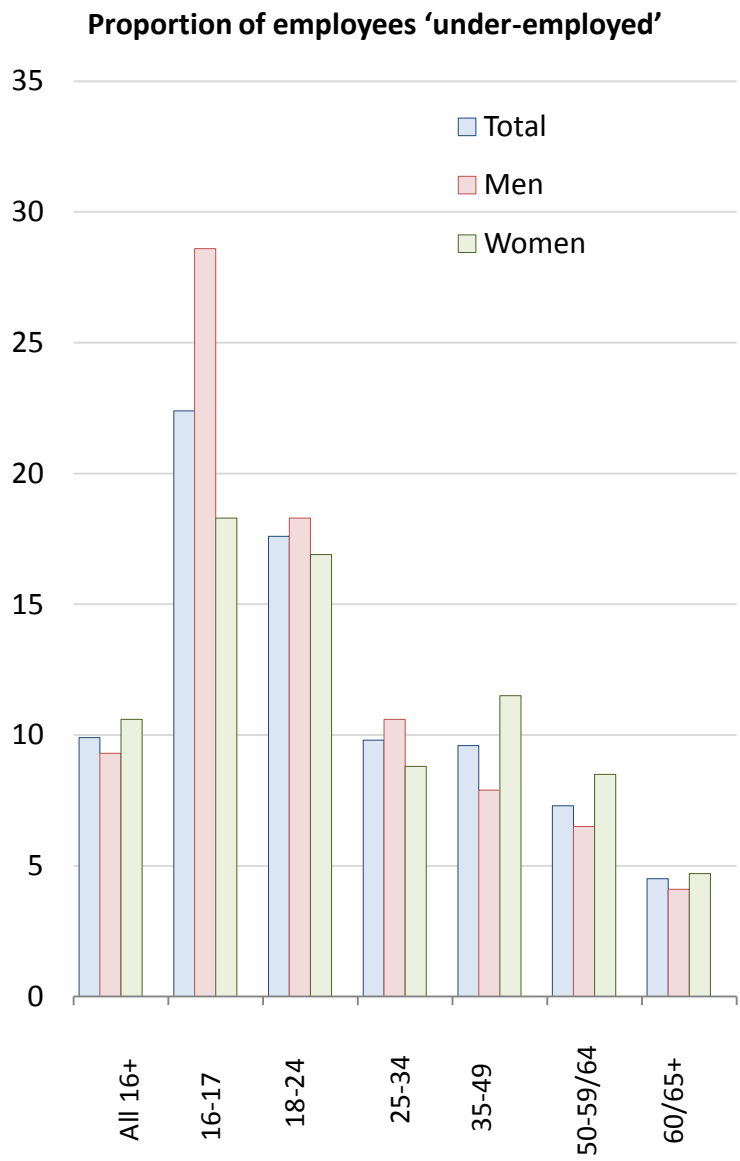
Young People’s employment is dominated by certain sectors. The chart on the right shows that the proportions of young people working in hotels and restaurants and retail are far higher than for the working age population as a whole.

While a greater proportion of the working age population work in the public sector, it is still an important employer of young people.

Young people are also far more likely to be employed part-time and/or on a temporary basis than the working age population as a whole.



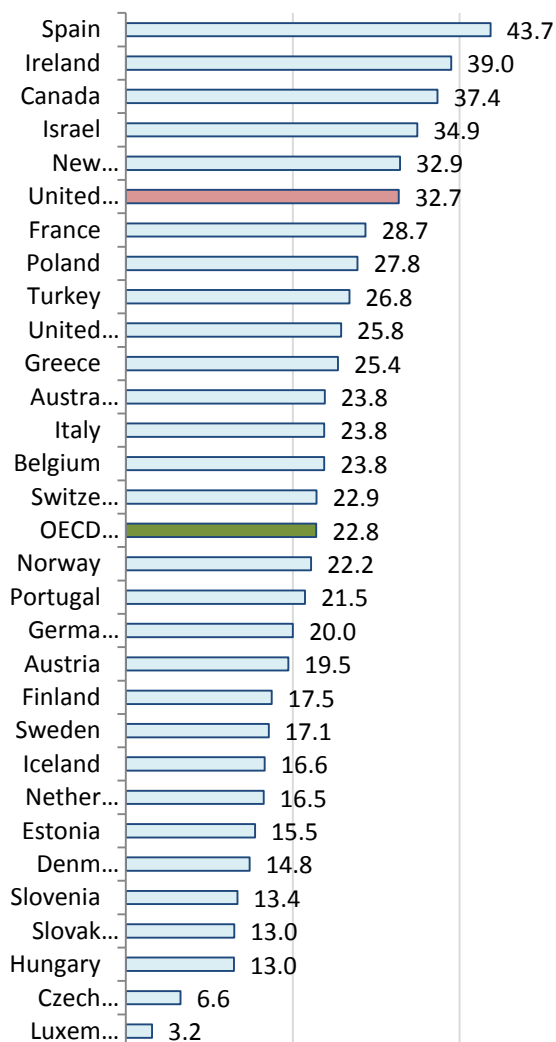
Under-employment – There are currently high proportions of workers who would prefer to work longer more hours



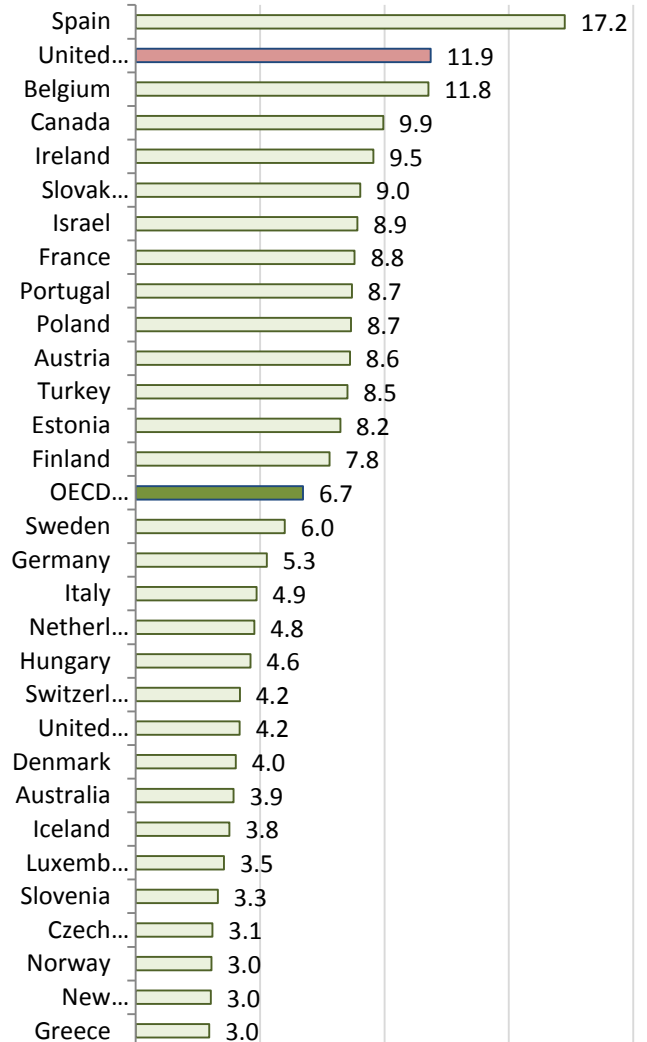
- The chart opposite shows the proportion of employed people in each age group who are 'under-employed'. This means that they are currently working fewer hours than they would wish.
- Recent research by the ONS estimates that 2.8m people of working age are under-employed. This represents 9.9 per cent of the employed population. This suggests that employers can raise output significantly by increasing hours worked of existing staff rather than increasing staff numbers.
- For younger workers the proportions 'under-employed' are even higher, particularly for men. For 18 to 24 year olds 17.6 per cent are 'under-employed' and for 16-17 year olds the proportions climb to 22.4 per cent overall and 28.6 per cent for men.
- These figures equate to 593,000 18-24 year olds under-employed and 85,000 16-17 year olds under-employed.

Under-employment – Young people in the UK face high levels of skills mismatches as they transition into their mid to late 20s

Proportion of 25-29 year old graduates in intermediate or lower level jobs

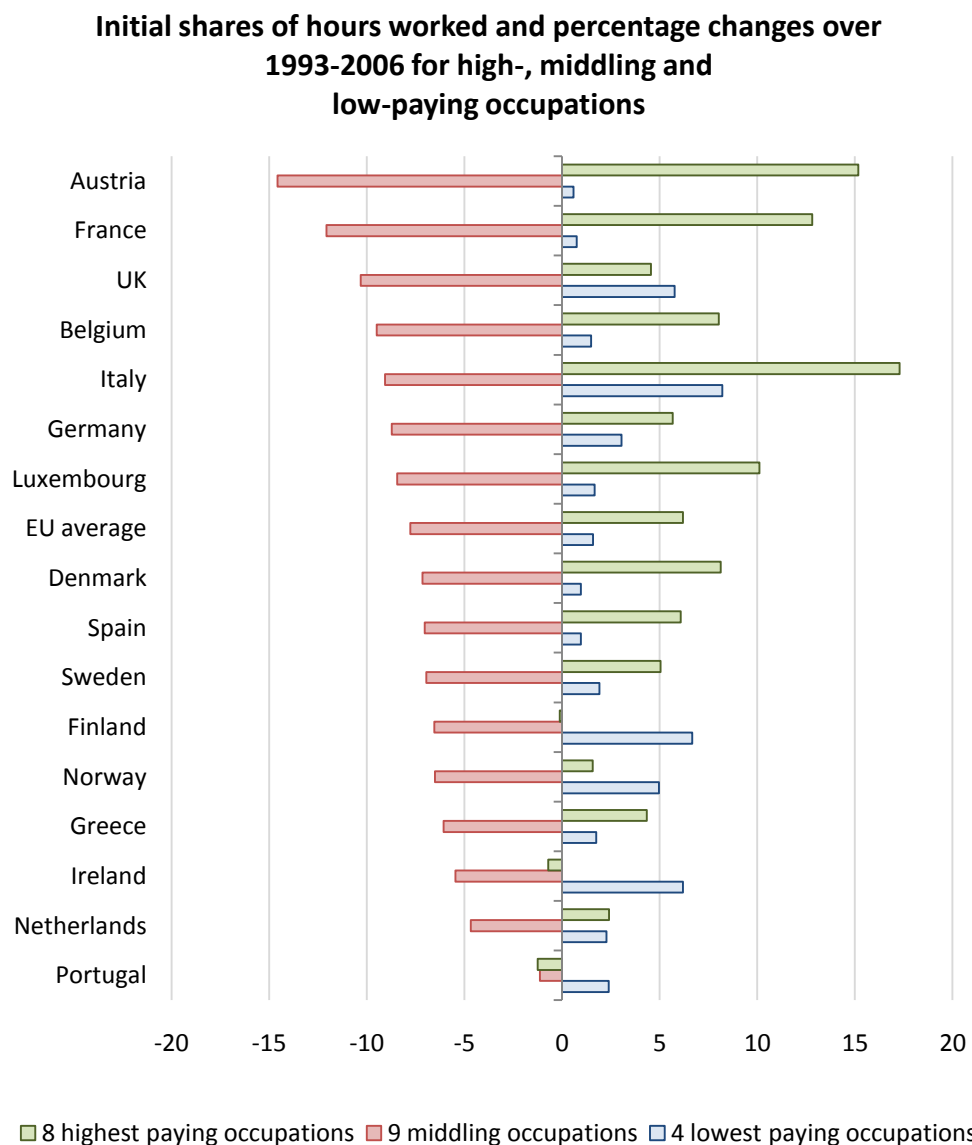


Proportions of intermediate skilled 25-29 year olds in lower level jobs



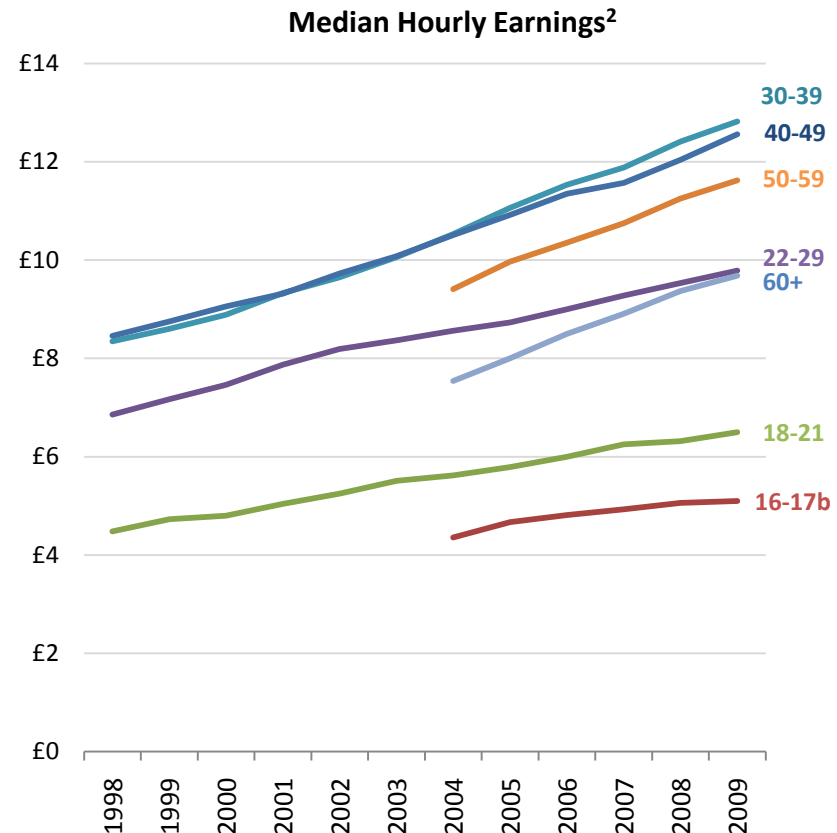
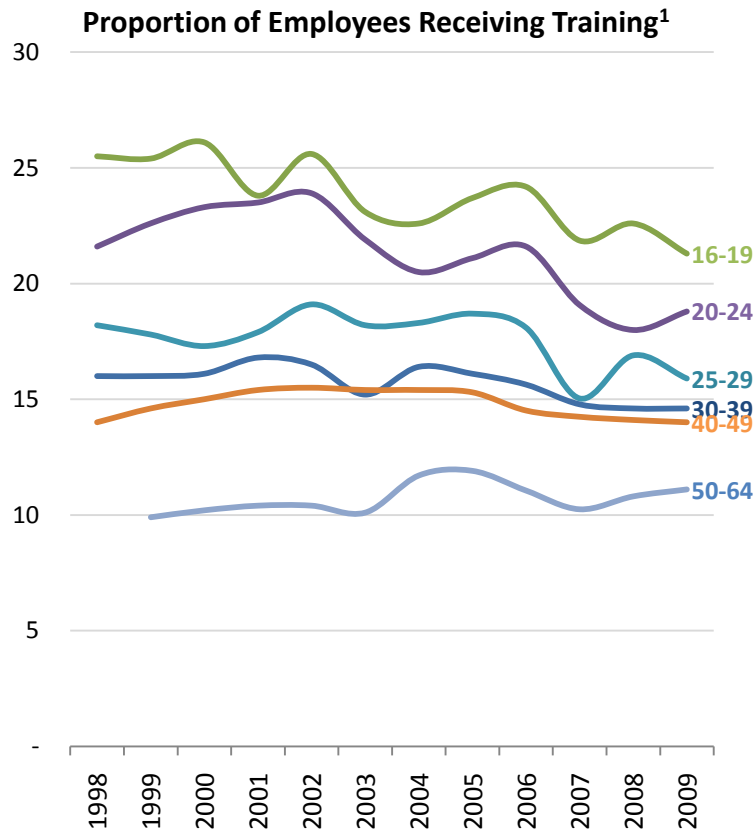
- The charts on this page show levels of skills mismatch for young people as they move into their mid to late twenties.
- The data is taken from the OECD and shows what proportions of 25 to 29 year olds (who are not in education) are working in jobs below their skill level.
- The first chart shows the situation for graduates where 26 per cent (24 for males and 28 for females) are mismatched compared to an OECD average of 23 per cent (23 for males, 22 for females).
- The extent of mismatch is far lower (12 per cent) at intermediate skill levels as people here have generally had longer to find suitable work.
- Furthermore, despite lower mismatch than at the graduate level when we look internationally the UK has the second highest rate in the OECD. Of 30 countries in the OECD only Spain has a higher level of mismatch.

The 'Shrinking Middle' – research shows a decline in 'middle' occupations while continuing growth in lower and higher skill jobs



- Recent research by Goos and Manning shows that the employment structure of 16 European countries has been polarizing in recent years with the employment shares of managers, professionals and low-paid personal services workers increasing at the expense of the employment shares of middling manufacturing and routine office workers.
- The chart opposite shows data taken from the Goos and Manning research and shows that the UK has seen one of the largest declines in middle paying occupations.
- Research by Blanchflower and Bell (Youth Unemployment: Déjà Vu - Jan 2010) notes that this change in the occupational structure hits young people in particular: *"Most young people enter the labour market in low-paying occupation/industry combinations, in which there has been a modest growth in employment. They may aspire to enhance their earnings by moving into better paying jobs. However, the route from lower-quality to better-quality jobs is becoming more difficult in the sense that employment is falling among those jobs paying around the median wage."*

The proportion of young employees has been declining over recent years while relative earnings are also declining

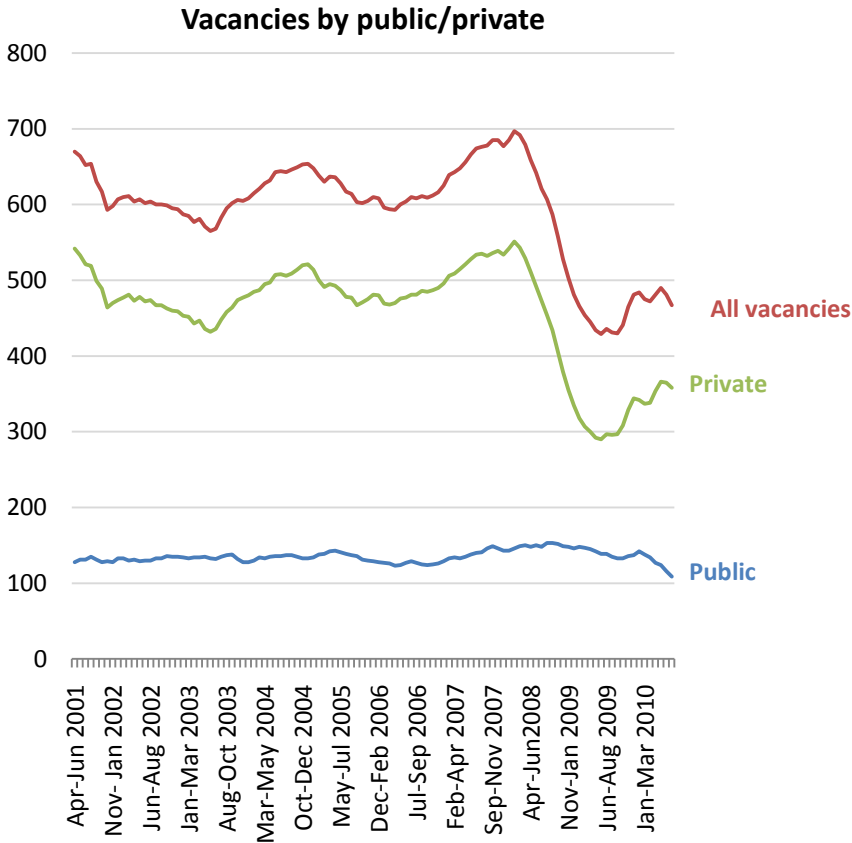
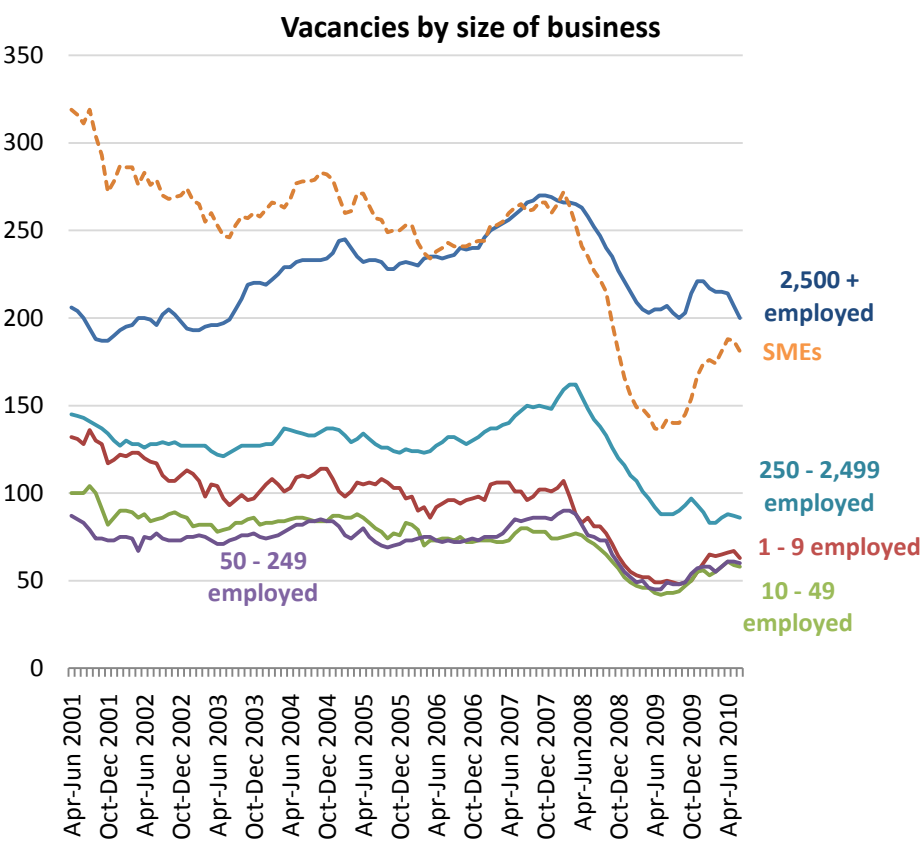


- The first chart shows the decline in employees receiving either on the job, off-the-job training or both. This is occurring for all age groups with the exception of the 50-64 group but the decline is sharpest for younger age groups.
- Furthermore the gap between earnings (median hourly earnings) for younger age groups is widening. While earnings have increased for all age groups those for 30 to 39 year olds have increased by 53 per cent since 1998 while for 18-21 year olds they have increased by 45 per cent.

¹ Source: DfE – Education and Training Statistics for the United Kingdom

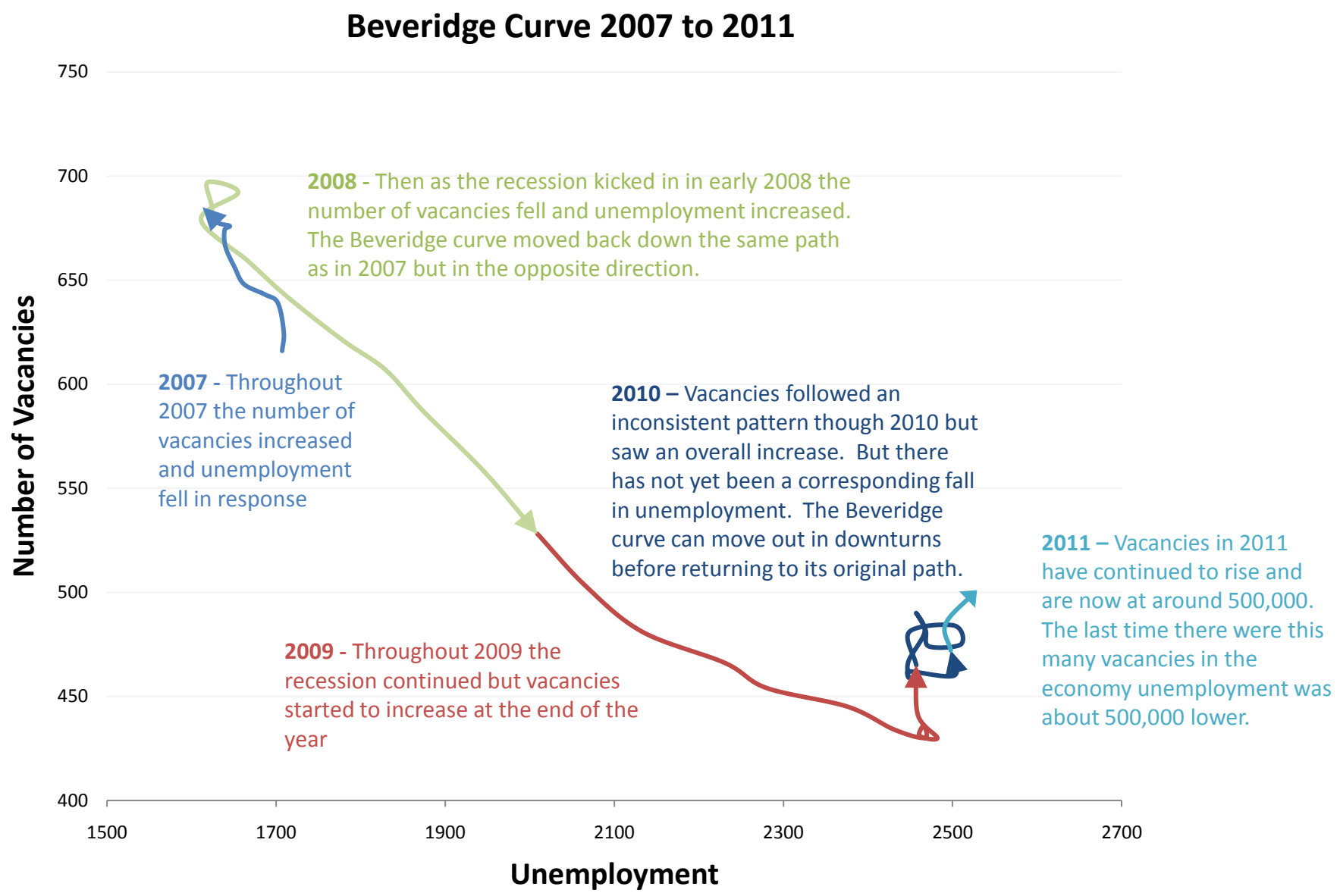
² Source: Annual Survey of Hours and Earnings (Median Hourly Pay – Gross)

Vacancies – where are the jobs going to come from?



- The charts above show the number of available vacancies in the UK economy over time. The first chart shows by size of employer and the second by public and private.
- The first chart shows that the very largest employers, those with over 2,500 employees, provide the most vacancies . However, if we combine the three smallest size bands (0-10, 11-50 and 51-250 employees) into one SME series we can see that vacancies in employers of this size are recovering more quickly than those in larger size bands.
- The second chart shows that the fall in vacancies over the recession has been driven by a fall in private sector vacancies and these are a long way from recovering to pre-recession levels. Furthermore public vacancies are starting to fall and will continue to do in light of the forthcoming cuts in public expenditure.

The 'Beveridge Curve' shows the relationship between total unemployment and vacancies in the economy



Employers' Perspectives on Recruiting Young People in England

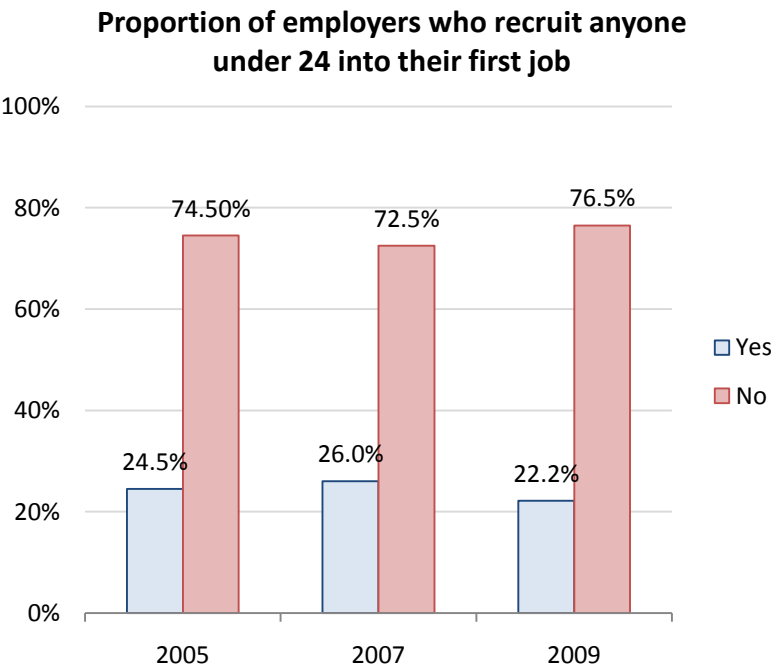
This section is based on analysis of the National Employers Skills Survey for England in 2009. The survey sample is 79,000 employers and asks various key questions regarding youth employment. Specifically it asks:

- Whether employers have recruited a young person straight from education
- How well prepared for work their new recruits are
- If young people are not well prepared what are the reasons for this
- How has recruitment of young people changed as a result of the recession

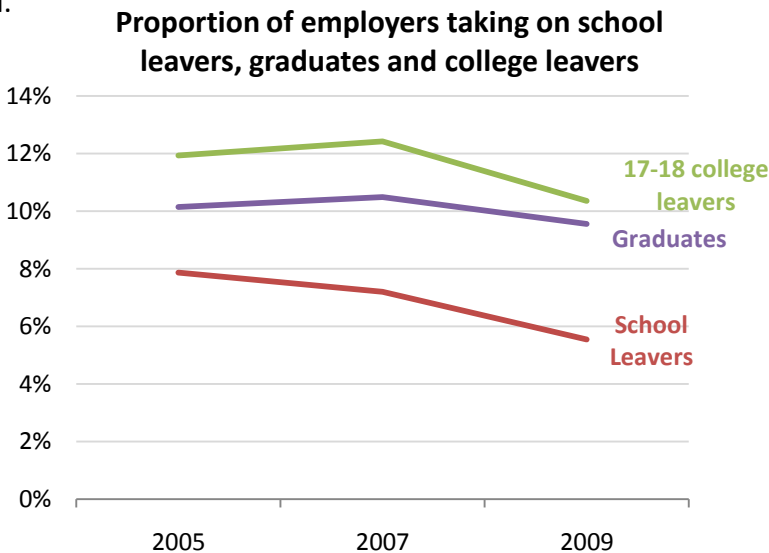
Responses to these questions have been analysed against size of employer, sector and geography (region and LEA level)

Recent trends in recruitment of young people straight from education suggest a decline, and for school leavers over and above that caused by the recession

- The questions about recruitment of young people have been in the NESS for the last three surveys (2009, 2007 and 2005). Which allows a short time series comparison.
- The trend of only around a quarter of employers taking on young people directly from education is fairly consistent over time.
- However, the slight drop in 2009 perhaps reflects the impact of the recession.



- The change in recruitment patterns over time varies slightly when looking at sub-groups of the under 24s.
- The chart below shows the proportion of employers recruiting 16 year olds school leavers, 17-18 year old college leavers and graduates. Following the pattern set out on the previous page, employers are least likely to take on recent school leavers and are most likely to take on college leavers and this is consistent over the three surveys from 2005 to 2009.
- However, while all three groups have seen a fall in their recruitment prospects it is the recent school leavers that have seen the largest reduction. Also between 2005 and 2007 the other two groups saw an increase while school leavers saw a fall.

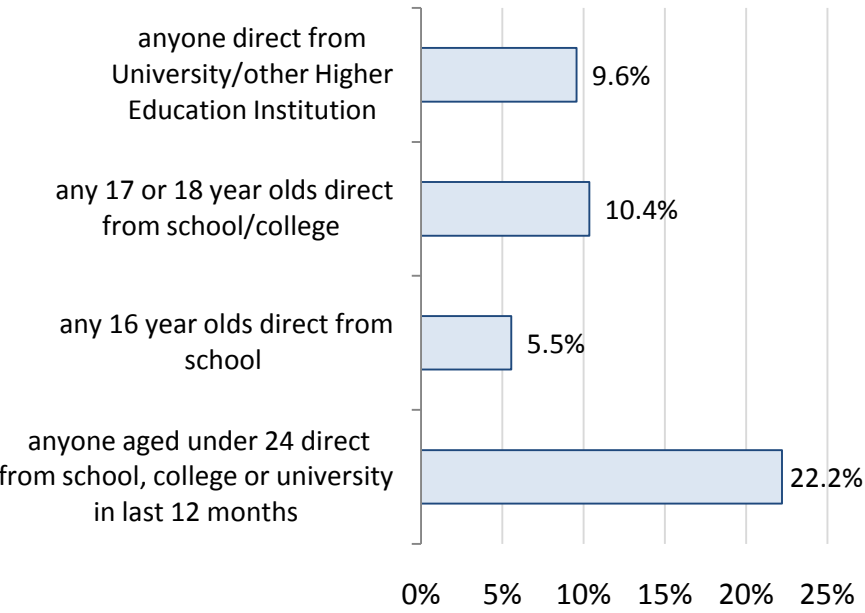


Only 22per cent of employers recruit young people straight from school, college or university, and most find them well prepared for work

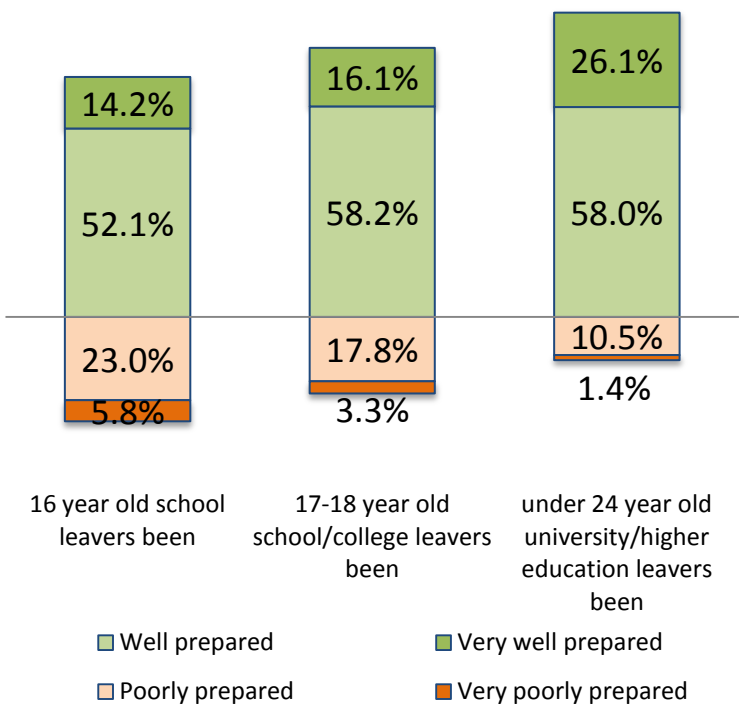
- Only a minority (22per cent) of employers actually take on young people directly from education.
- This varies between different age/education cohorts. Just over 5per cent of employers take on 16-17 year olds but around 10per cent take on 17/18 year old school or college leavers or university graduates.

- According to the NESS of those employers who do take young people on the vast majority find them either ‘well’ or ‘very well’ prepared for work.
- The relationship between age and preparedness is clear. Employers are most satisfied with graduates where 84per cent of employers describe new young recruits as ‘well’ or ‘very well’ prepared for work. This pattern does not vary significantly by sector.

Proportion of employers who recruit young people



Proportion of employers who recruit young people and their views on how well prepared they are

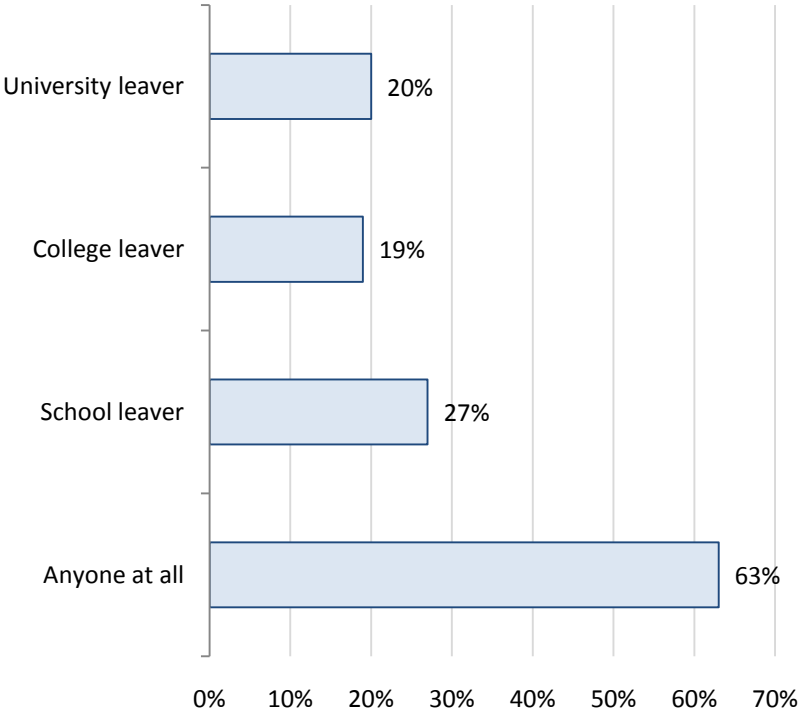


A larger proportion of employers take on individuals to their first job upon leaving education in Scotland

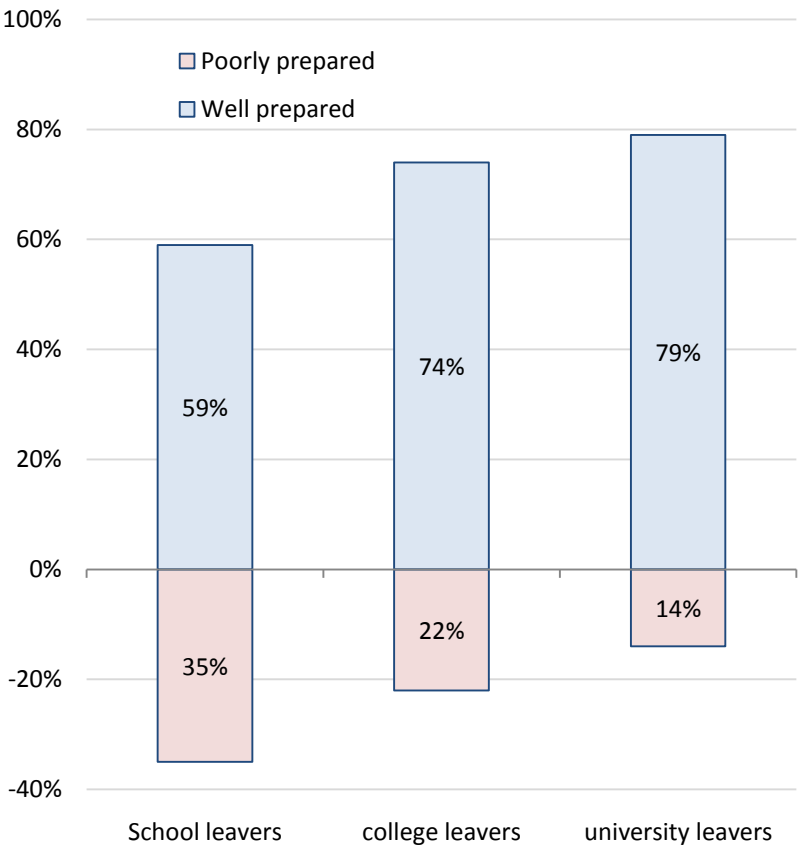
However, it should be noted that the Scottish Employer Skills Survey (SESS) is not directly comparable with NESS because SESS looks at all age groups leaving education and entering employment for the first time as well as over a longer period of time.

According to SESS, the vast majority of individuals are well prepared for work upon leaving education but individuals leaving school are not as well prepared as their English counterparts.

Proportion of Scottish employers who have recruited in the last 2 to 3 years

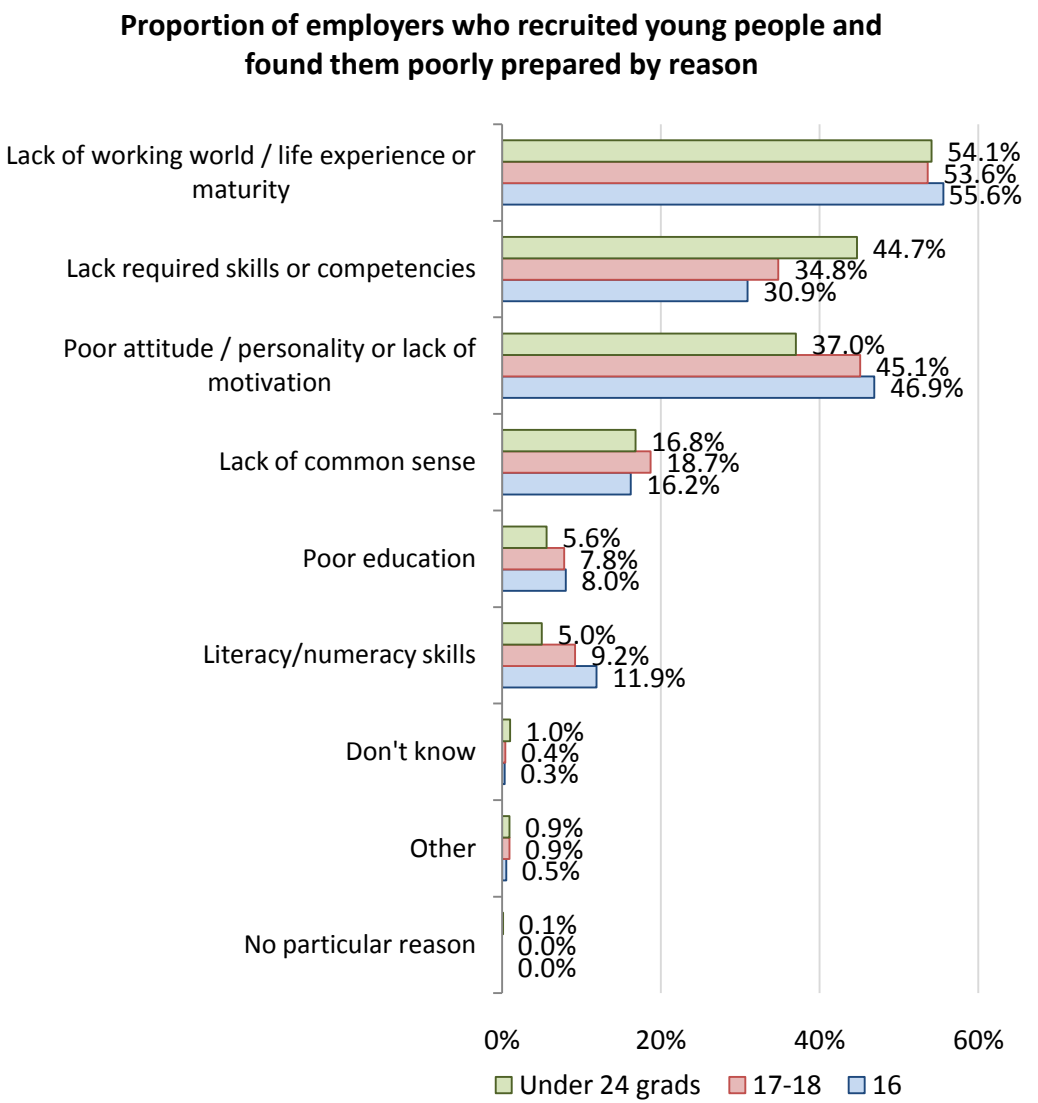


Work readiness of education leavers in Scotland



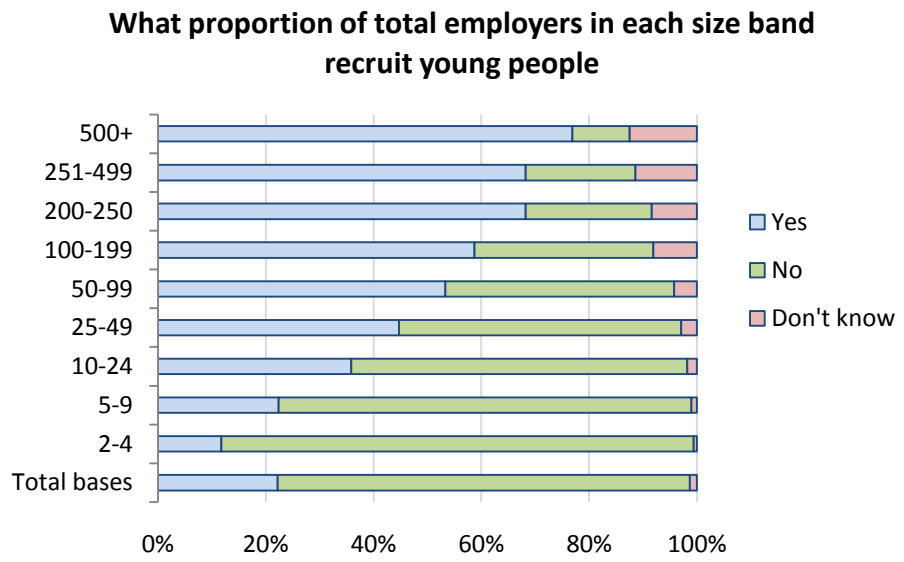
Of those employers who found young people not well prepared for work the main reason is lack of experience of the world of work

- The chart opposite shows the proportion of employers who found new young recruits to be not well prepared for work .
- Of employers who did not find young people well prepared for work the predominant reason was lack of experience of the working world or 'life experience'. This was consistent across the three groups of school leavers, college leavers and university graduates.
- Over 40per cent of employers who took on graduates and found them not well prepared found that they lacked the required skills or competencies. This applied less to school and college leavers.
- Lack of motivation or poor attitude was cited by some employers but this applied less so to graduates and more to school and college leavers.
- The least common reasons were poor education and literacy and numeracy skills. Just 6 per cent of employers who took on school leavers and found them poorly prepared noted that poor education was to blame.

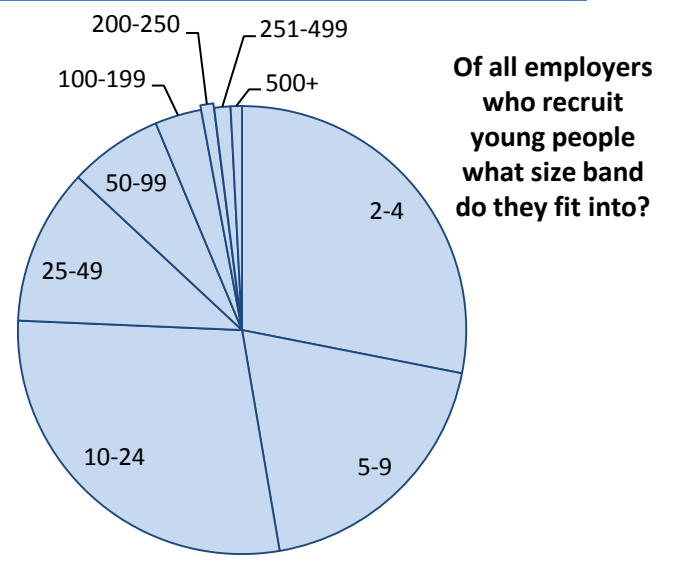


The larger the employer the more likely they are to take on young people straight from education, but smaller employers contribute significantly

- On the chart opposite, we can see that on average just over 22 per cent of employers take on young people direct from school, college or university.
- There is a strong size dimension to employers' recruitment patterns. The larger the business the more likely they are to take young people on. For businesses with over 200 employees the proportion taking young people on rises to over 60 per cent and for businesses with over 500 employees the proportion reaches almost 80 per cent.



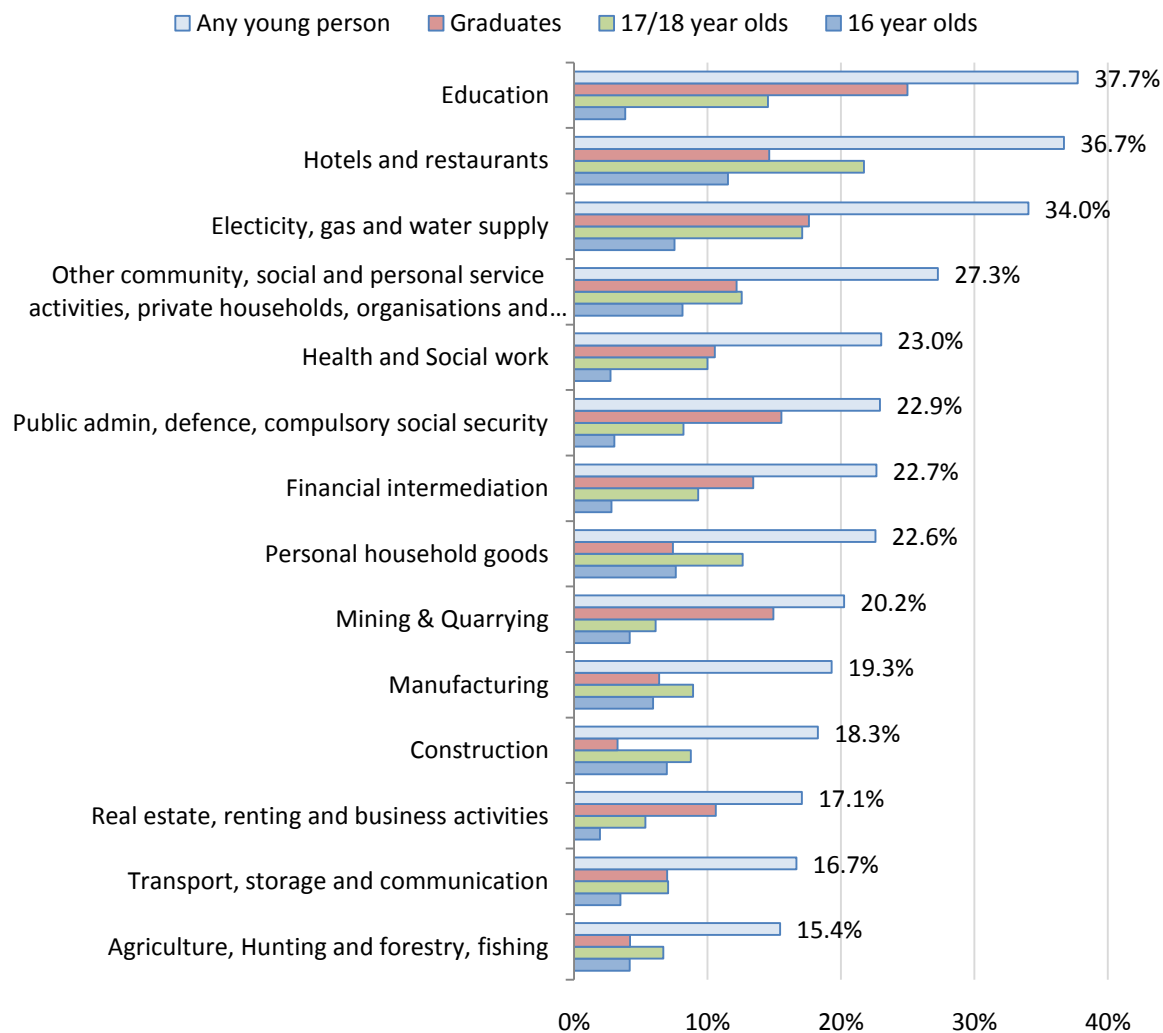
- However, there are far more smaller businesses than larger in the UK economy and so they make a far greater contribution to the employment of young people than the chart in the top right would suggest. The pie chart shows of all employers who take young people on, what proportion fall into each employer size band. Over three quarters of businesses who employ young people have less than 25 staff.



There is a strong sectoral dimension to employers' recruitment of young people, the public sector is a major employer

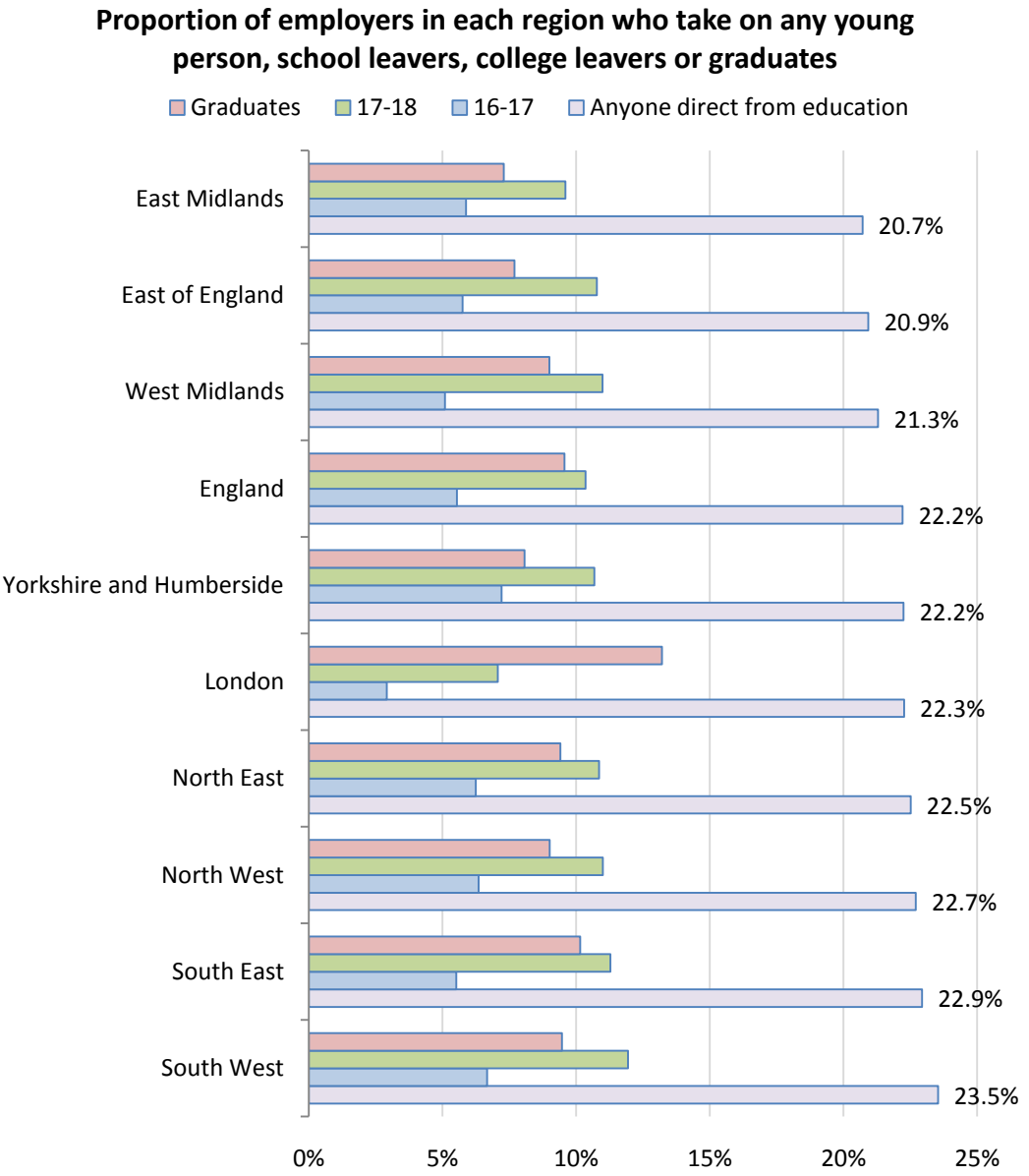
- The proportion of employers that take on any young people direct from school, college or university varies significantly by sector. Almost 40per cent take on young people in education compared to just 15per cent in agriculture.
- The sectoral dimension varies again when looking at subsets of 16 to 24 year olds. For example in the education sector 25per cent of employers take on graduates but less than 5per cent take on 16 year old school leavers.. Similar variations are found in public administration.
- These figures suggest that the public sector, education and public administration is very important to graduate recruitment. For college leavers hotels and restaurants and education are very important.

Proportion of employers in each sector who take on any young person, school leavers, college leavers or graduates

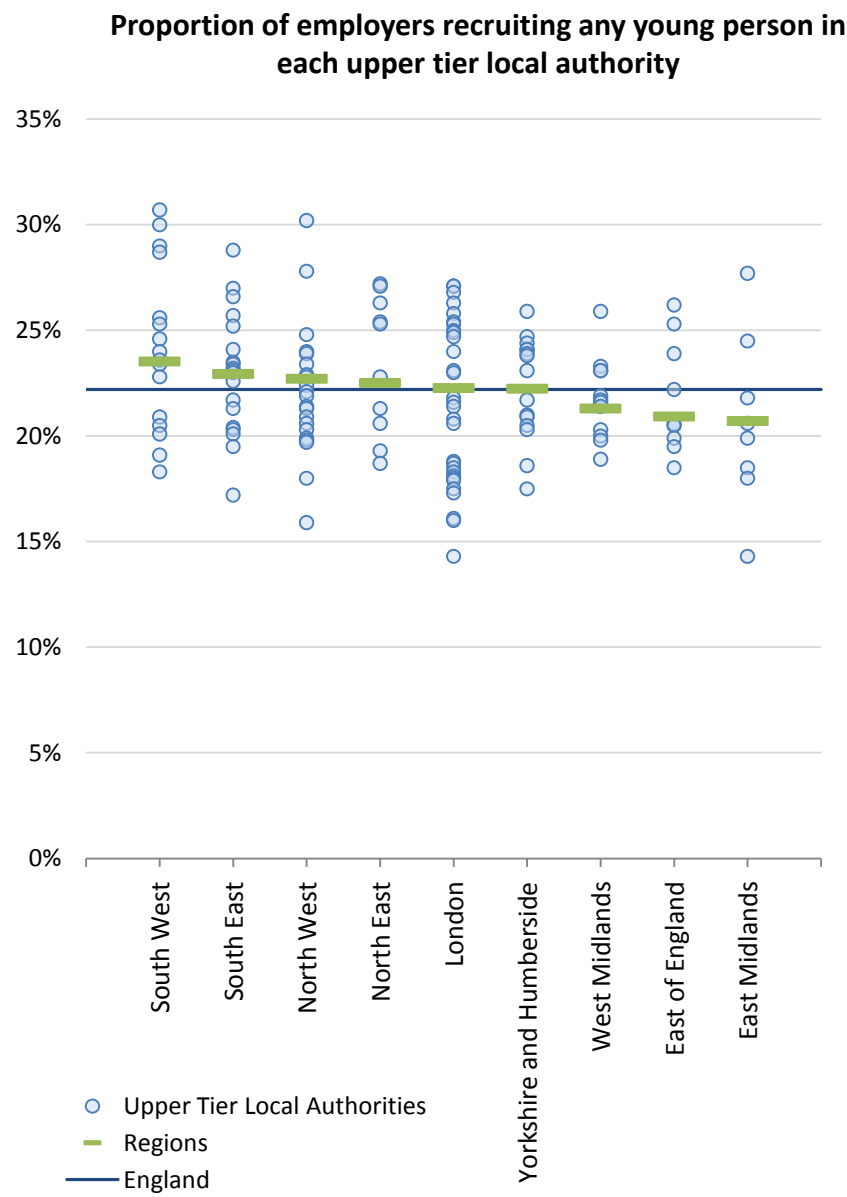


Regional differences in recruitment of young people are less varied than by sector but there are some important differences

- The proportion of employers that take on any young people direct from school, college or university varies somewhat by region. Employers in the South West are more likely to recruit young people (23.5 per cent), whereas employers in the East Midlands are least likely to (20.7 per cent).
- In looking at the sub-sets of 16-24 year olds we find that London stands out as the region least likely to recruit young people straight from education (2.9 per cent) or from college (7.1 per cent) compared to England averages of 5.5 per cent and 10.4 respectively.
- London employers are more likely to recruit graduates straight from university with 13.2 per cent of employers using this route compared to 9.6 per cent for England as a whole. By contrast the East Midlands and the East of England are the least likely to recruit graduates.



Variations in employers recruiting young people at regional level disguise far greater variation at the local level

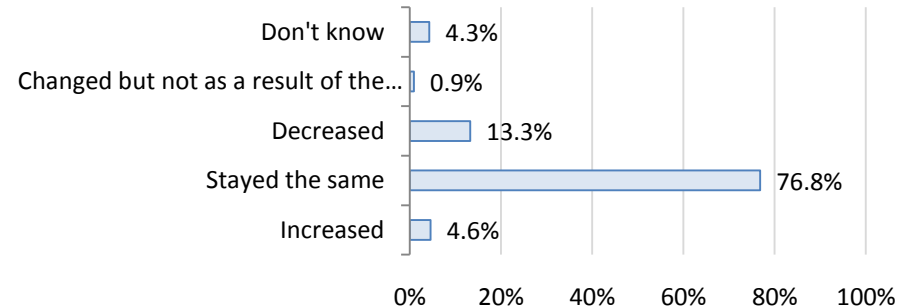


- The chart on this page shows the variation at local level for each region. Each blue circle represents a local (upper tier) authority and the proportion of employers who recruit young people straight from education.
- There is far greater variation when looking at the local authority level. Nationally we know that 22.2 per cent of employers in England recruit young people straight from education. At the regional level (the green markers on the chart opposite) this varies between 20.7 in the East Midlands and 23.5 in the South West. However, the scatter chart on this page shows that at the local area level the proportion of employers recruiting young people can vary significantly. Rutland in the East Midlands has the lowest proportion of employers taking on young people (14.3 per cent) in England and Swindon in the South West has the highest proportion at 30.7 per cent, which is more than twice as high.
- In every region there are areas that report high recruitment of young people and vice versa.
- The extent of variation within regions also varies across regions, this will be partly down to the number of local authorities in each region. Areas such as the North West have a much greater spread, from 30 per cent in Manchester to 15.9 per cent of employers in Bury. Whereas the West Midlands and Yorkshire & Humber have a much smaller spread.

The vast majority of employers left their plans to recruit young people unchanged in response to the recession but some reduced recruitment while a small proportion increased it.

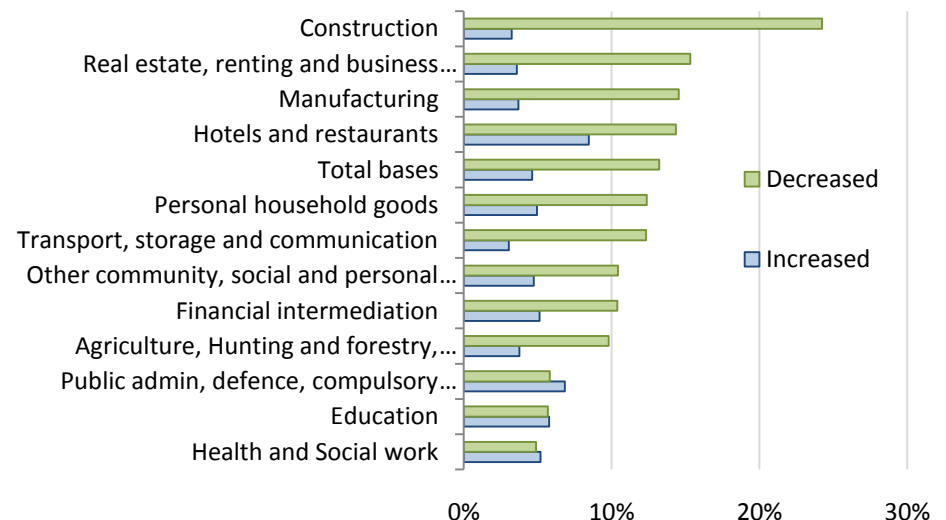
- The vast majority (77 per cent) of employers in England responded that they had kept their recruitment of young people the same in response to the recession. Of these employers around 80 per cent did not take on anyone directly from education indicating that they did not have any intention of doing so before the recession.
- Around 13 per cent of employers decreased their recruitment of young people into their first job. However, a small proportion of employers (4.6per cent) actually increased their recruitment of young people.

Of all employers how did recruitment of young people into their first job change as a result of the recession?



- There is a similar sectoral pattern to employers' responses to the recession. The chart opposite shows what proportion of employers in each sector saw an increase or decrease in recruiting young people straight from education.
- Construction, Real estate and business activities saw the biggest decreases, along with manufacturing and hotels and restaurants.
- The other end of scale again points to the importance of the public sector to the recruitment of young people. The three sectors most dominated by public sector organisations (public admin, health and education) are the only sectors where greater proportions of employers increased their recruitment of young people than decreased it.

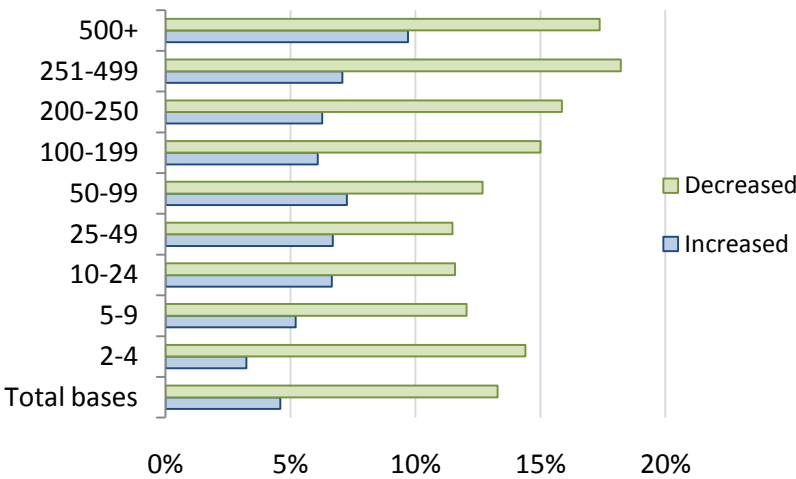
Proportion of employers in each sector who saw an increase/decrease in recruitment of young people in response to the recession



Response to the recession by size of business and region

- Looking at employers' response to the recession by size of business shows a more consistent picture. For each size band of business the proportion decreasing their recruitment of young people outweighs the proportion increasing.
- At first glance it seems that the larger the business the more likely they are to have reduced their recruitment of young people. However, it is the largest businesses, those with 500 or more employees, that are the most likely to have increased their recruitment of young people in response to the recession.

Proportion of employers in each size band who have reported an increase or decrease in recruitment of young people



- A similar pattern emerges for regions in that in every region the proportion of employers reducing their recruitment of young people into their first job outnumbers those increasing it.
- In terms of regions employers in London and Yorkshire are the most likely to report a decrease in recruitment of young people. Whereas the South West and South East are the least likely to report a decrease in recruitment of young people.
- The regions most likely to report an increase in recruitment of young people are the South East, the West Midlands and London.

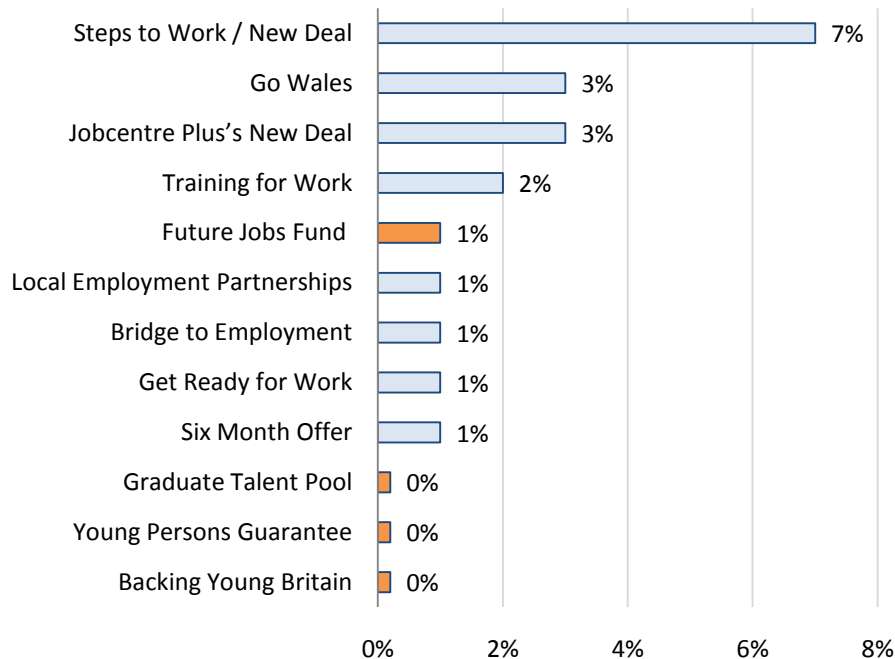
Proportion of employers in each region who have reported an increase or decrease in recruitment of young people



Employer perspectives on Government Initiatives

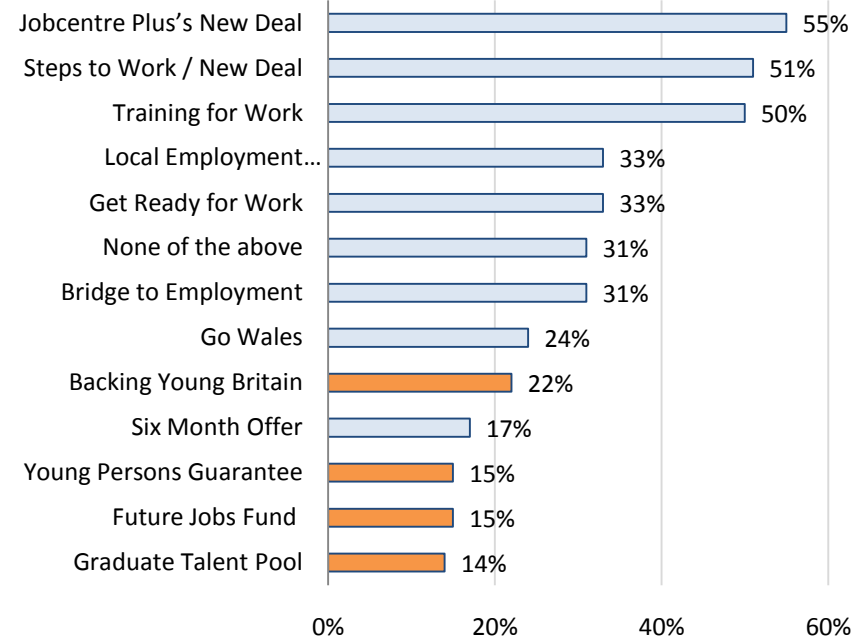
The Commission's Employer Perspectives Survey (EPS) provides some quantitative figures on the awareness, use and satisfaction with a variety of initiatives

Proportion of employers that use Initiatives



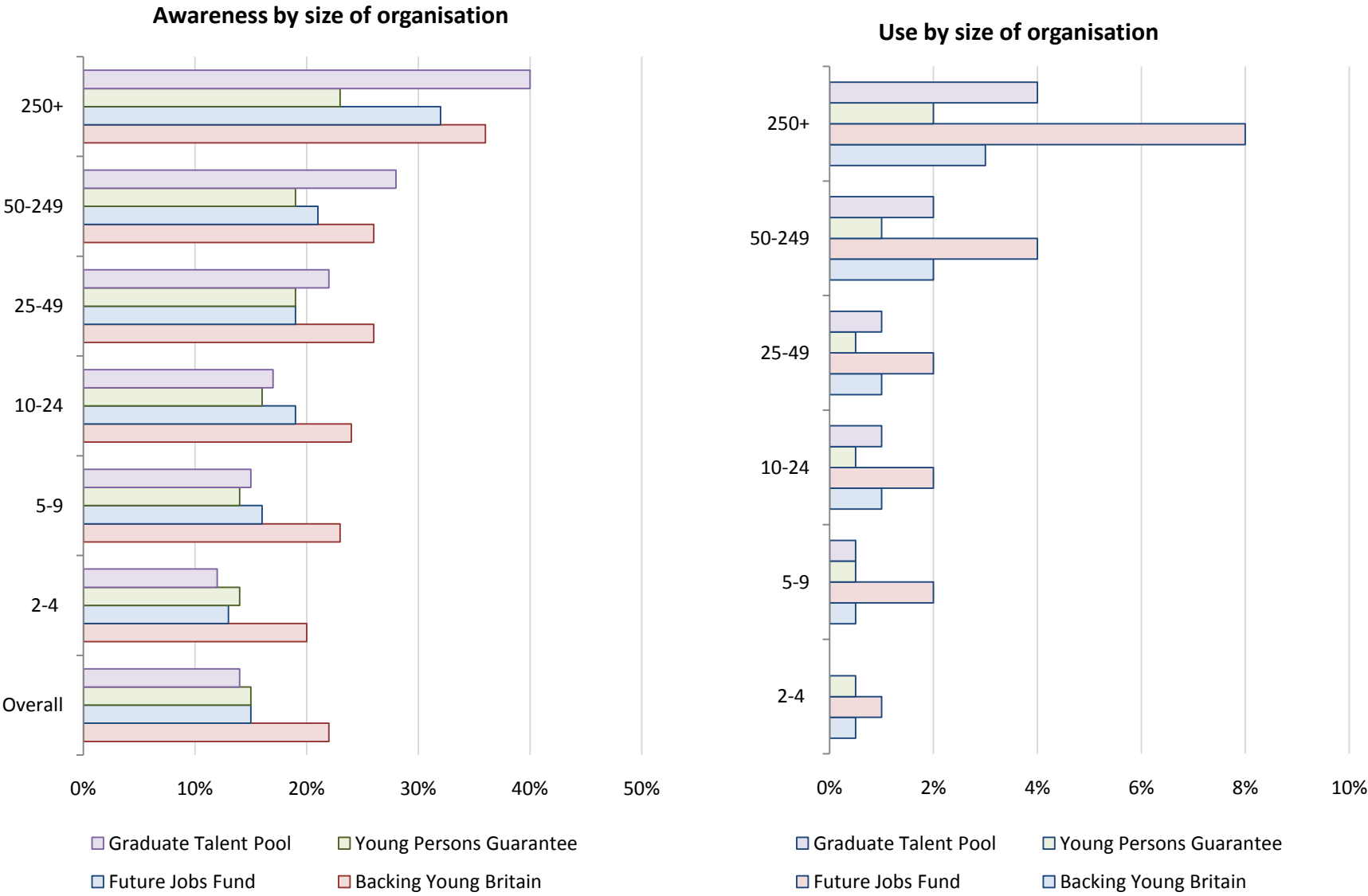
The EPS survey shows what proportion of employers are aware of a range of initiatives relevant to young people. The chart opposite shows these respective levels of awareness. Clearly the more established initiatives such as the New Deal are better known to employers than the more recent initiatives launched as part of the young person's guarantee (shown in orange).

Proportion of Employers aware of initiatives



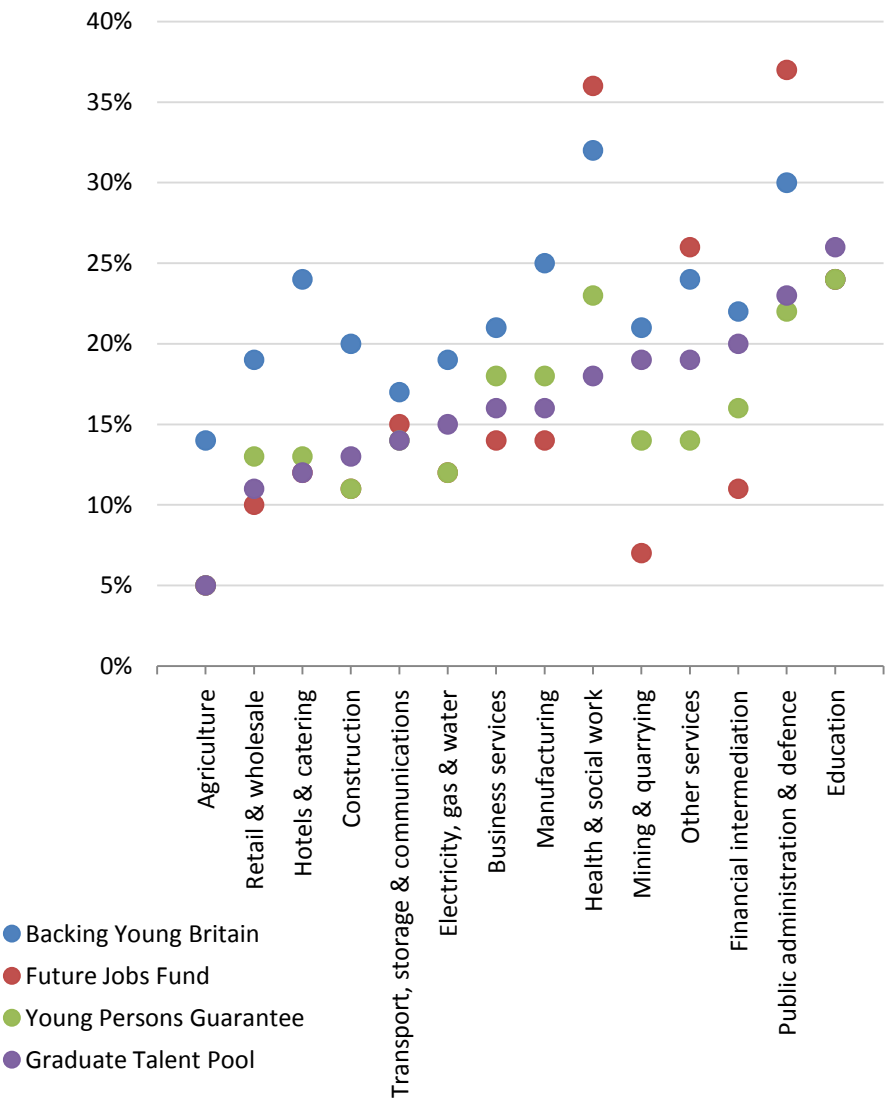
As would be expected given the low levels of awareness the levels of use are lower still. Around one per cent of employers had used the Future Jobs Fund compared to around three per cent for the New Deal. The other initiatives that were part of the Young Person's Guarantee were used by less than 1 per cent of employers.

The Commission’s Employer Perspective’s Survey provides some quantitative figures on the awareness, use and satisfaction with a variety of initiatives

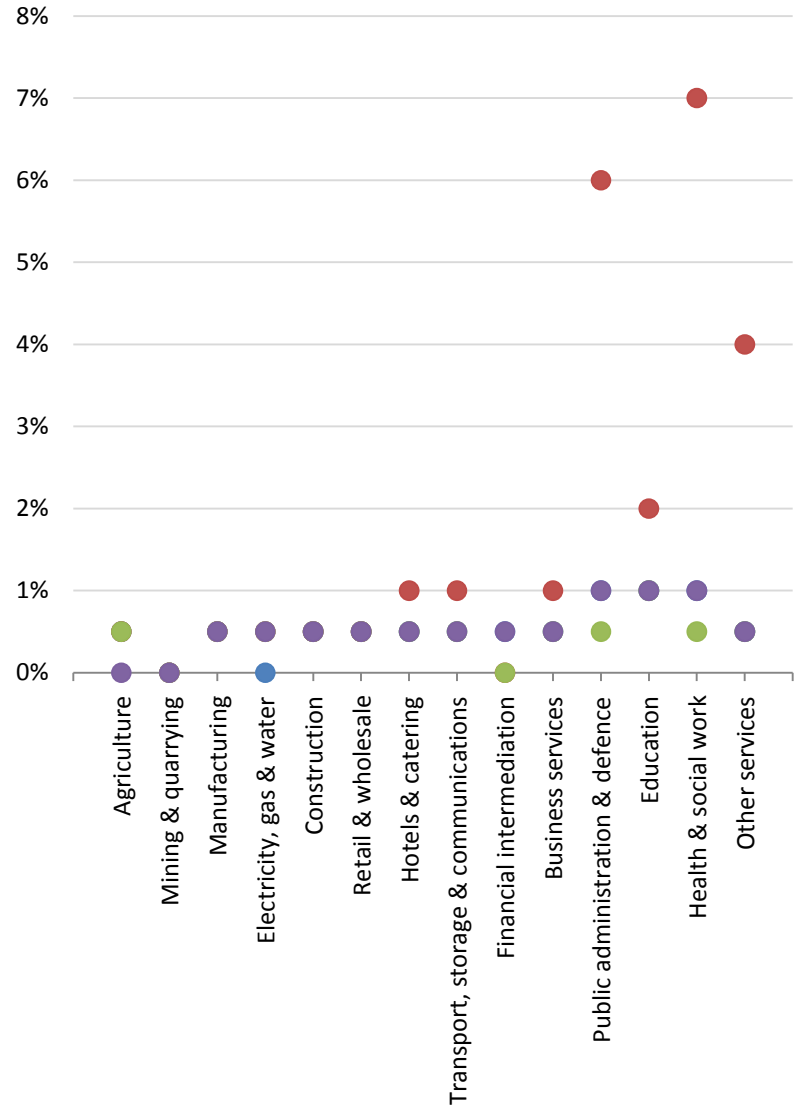


Awareness and use of initiatives aimed at young people by sector

Awareness of four initiative by sector

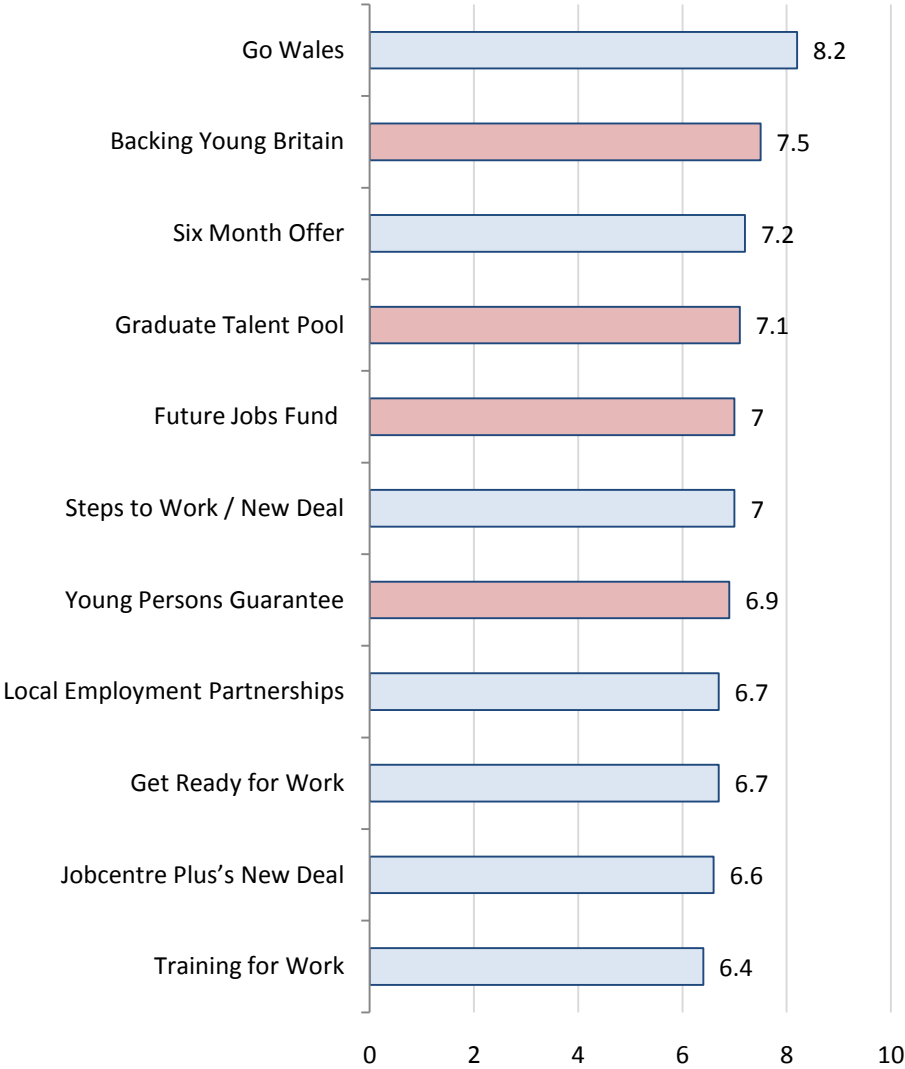


Use of four initiatives by sector



Satisfaction levels for each initiative

Average score out of 10 for Satisfaction



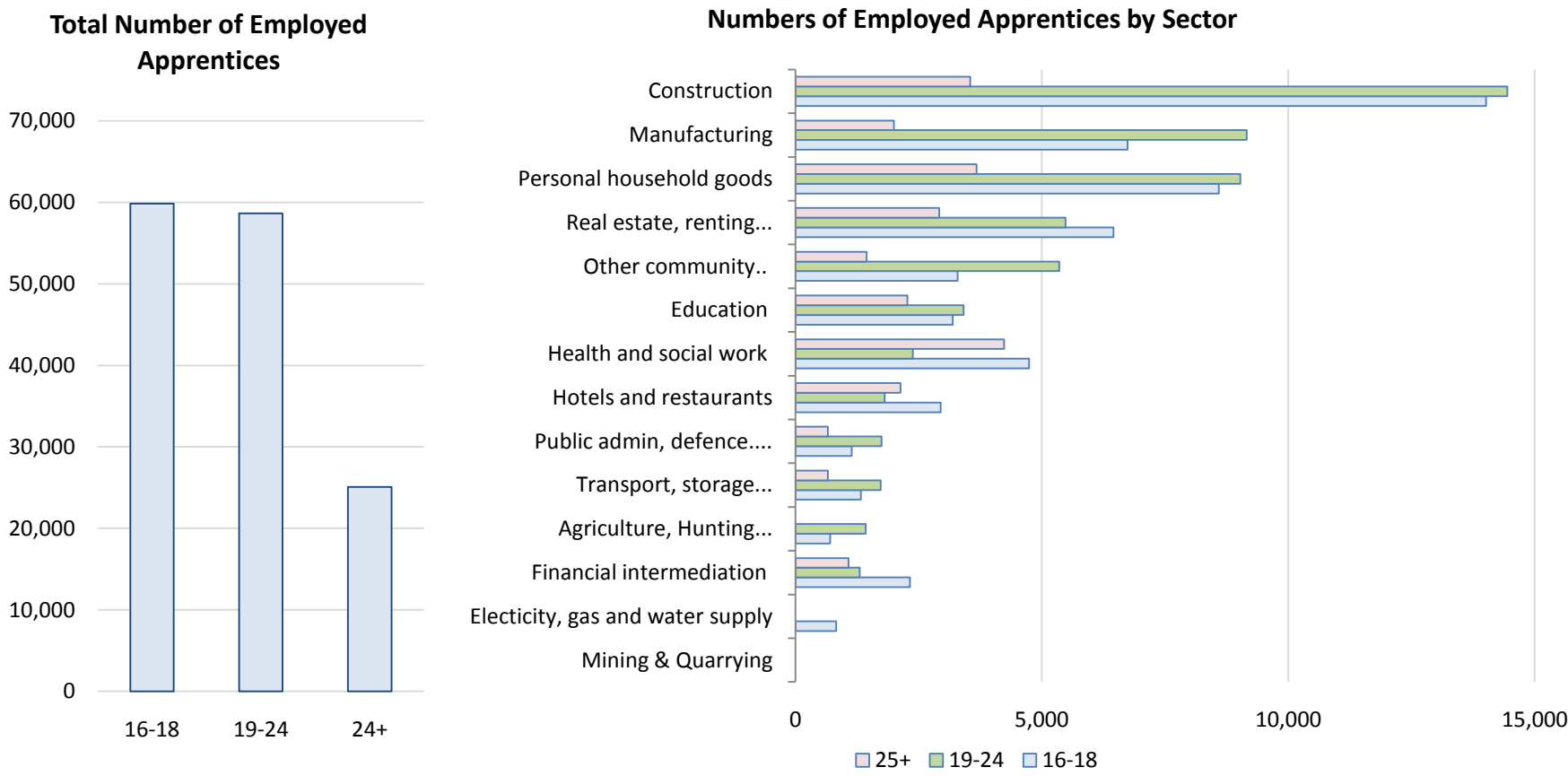
Each employer in the EPS was asked to score any initiative they had used out of 10. These scores are shown on the chart opposite. Most initiatives performed well on this basis with scores of between 6 and 8 for all of them.

Those aimed at young people fared well, with the Young Person’s Guarantee, Future Jobs Fund, Graduate Talent Pool and Backing Young Britain scoring 6.9, 7, 7.1 and 7.5 respectively. These high levels of satisfaction suggest that the initiatives worked well for those that used them.

However, there is a sample bias implicit in this analysis. Those employers who find the initiatives to be too complex, too bureaucratic or just not appropriate won’t use them and therefore won’t be asked how satisfied they are .

Apprenticeships

There is a strong sectoral dimension to employment of Apprenticeships



- In terms of Apprenticeships for those under 25 construction supplies the majority (25per cent) of places, manufacturing and personal household goods both then supply 15per cent of places each.
- Despite being significant employers of young people overall the public sector only provides a moderate number of places

Smaller employers are the major source of apprenticeship places

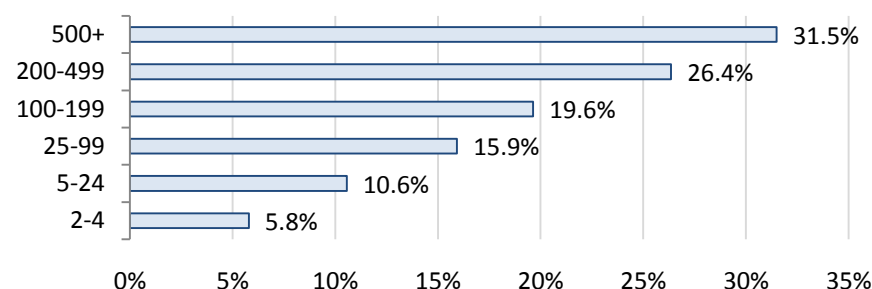
- There is a strong size dimension to employment of apprentices. While a far larger proportion of large employers offer Apprenticeships (first chart) it is smaller employers that provide far more total places (second chart) The 5-24 size band provides almost 50,000 apprenticeship places (all ages) which compares favourably to the 14,000 or so provided by employers with over 500 employees.

- However, this may be because there are many more small businesses than large businesses. But when we look at the number of employed apprentices per 1,000 employees the pattern remains that smaller employers provide proportionately more apprenticeship places than larger employers. There are 8.9 apprentices for every 1,000 employees for employers with 5 to 24 employees, this is significantly higher than the 3.8 found for employers with over 500 employees.

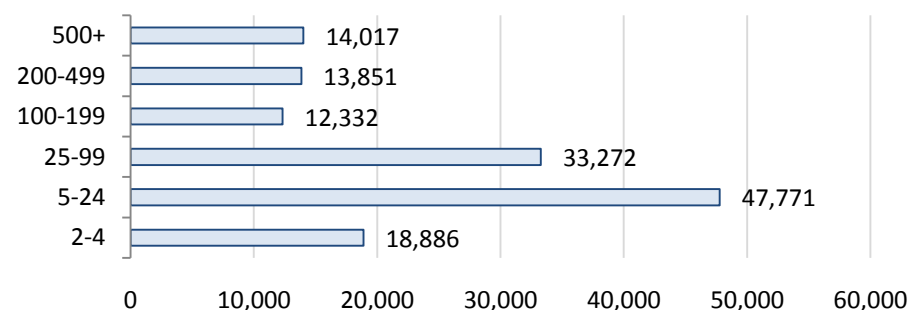
- Employers with between 5 and 24 staff have recruited almost thirty five per cent of all Apprentices aged 16-24 despite accounting for less than one quarter of employment as a whole. Similarly establishments with fewer than five staff recruited fifteen per cent of all young Apprentices but account for only nine per cent of employment.

- One reason for this finding may relate to the sectoral nature. Public sector organisations tend to be large but only provide moderate levels of Apprenticeships, this may skew the larger size band figure downwards.

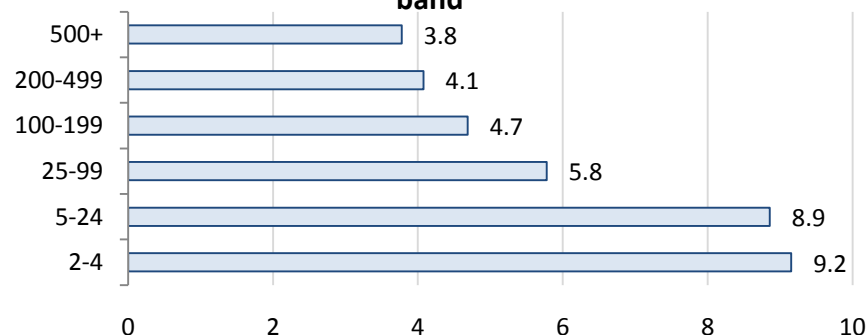
Proportion of employers who offer Apprenticeships



No. Employed apprentices by employer size band



Employed Apprentices per 1,000 employees by size band



Employers give numerous reasons for not offering Apprenticeships but lack of funding and bureaucracy are not the major reasons

- The previous NESS (2007) asked employers who didn't use Apprenticeships why not.
- The most common reasons for not offering Apprenticeships relate, in broad terms, to their not being perceived as relevant, lack of demand for that level of skill or that Apprenticeships are seen as not providing what is required by the employers' staff more generally.
- A number of other reasons were mentioned by employers but funding was not a major issue. Although 3 per cent of employers mentioned financial constraints as amongst their reasons, just 1 per cent said a lack of government funding was part of the reason they did not offer Apprenticeships.
- Furthermore the extent of paperwork and/or bureaucracy was the least cited reason, just 0.3per cent cited this reason.
- The proportion of employers reporting no involvement with Apprenticeships who said this was because they considered their establishment to be too small was as high as 15 per cent.

