



Youth unemployment in Europe: lessons for the UK

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'Youth unemployment isn't just an unforgivable economic waste – it's a human tragedy too.'
Nick Clegg, Deputy Prime Minister¹

Youth unemployment was rising since well before the current economic downturn, but the fallout from the financial crisis has brought it to the top of the government's agenda and generated a plethora of publications and initiatives to tackle the problem. Traditionally, concern about youth unemployment in the UK has centred on the skills deficiencies and lack of work ethic among young people, and on the failure of the education system to produce 'job-ready' young workers.

Record high youth unemployment following the global financial crisis has shifted this debate to some extent, with increasing recognition that young people, and particularly those who do not go to university, face a tough job market and a lack of support during the transition from school to work. Headline-grabbing increases since the recession also mask deeper, structural problems that have seen young people's transitions from school to work become longer and riskier since the 1980s, partly due to an increasing reluctance on the part of employers to hire young people, as well as a change in the types of jobs available to young people. Despite this, there is little consensus on the reforms required to better support young people into work and responsible adulthood, or on how to engage more employers in developing the next generation of skilled workers.

This short discussion paper explores these issues, highlighting fresh insights and ideas from the youth unemployment debate and policy developments in other European countries. It draws on a learning trip to Brussels, where a small delegation from the Institute for Public Policy Research (IPPR), the Chartered Institute for Personnel and Development (CIPD) and the Trades Union Congress (TUC) met key European stakeholders, politicians and country experts to explore the different debates, policy approaches and ideas for tackling youth unemployment across the continent. It also draws on wider research where relevant.

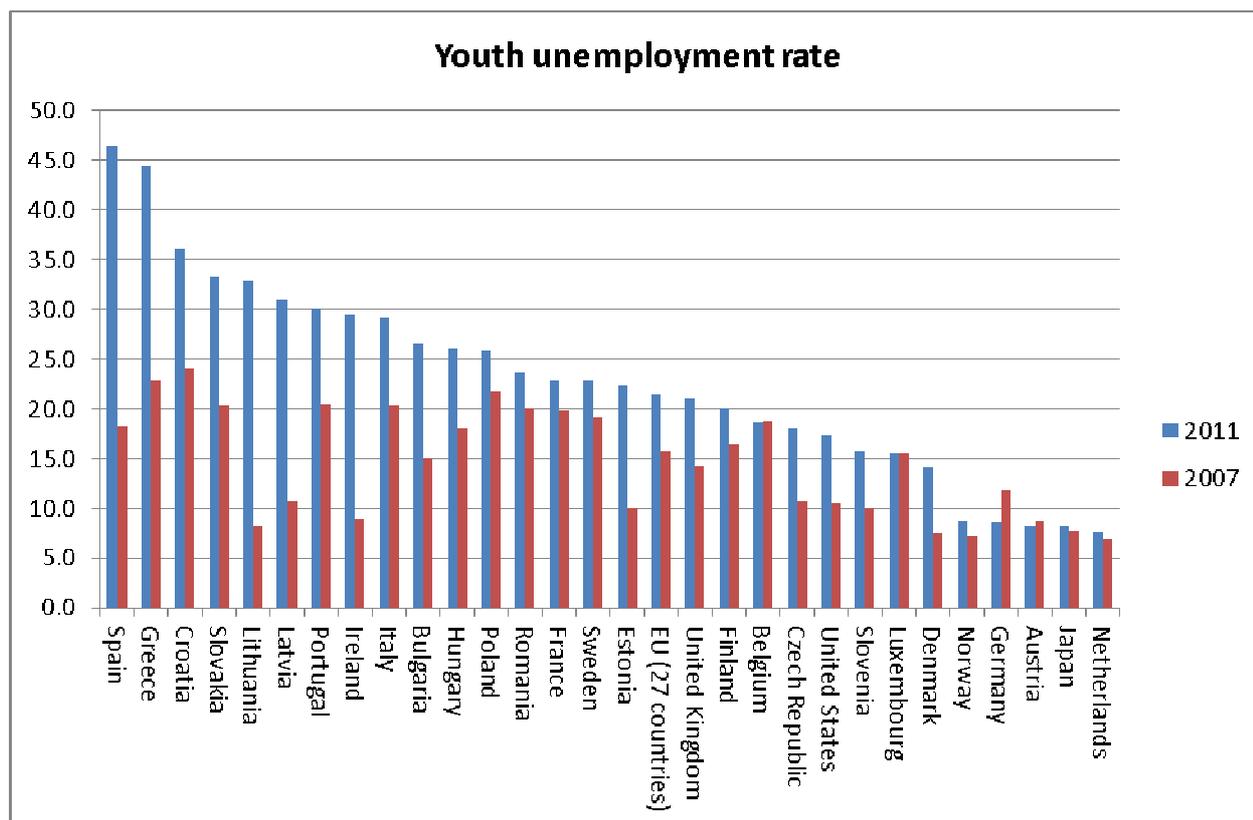
Policy operates within the context of national political, social and economic frameworks, and it is not possible to import systems wholesale from abroad. Nevertheless, we can and should learn lessons from countries that integrate young people into the world of work more effectively. We argue that northern European countries with low rates of youth unemployment have strong 'transition systems' between education and work. We suggest that encouraging more employers to recruit and train young people, as part of workforce planning strategies, is crucial. In addition, UK employers and policymakers should:

- Reduce long-term unemployment among young people, and its 'scarring' effect, by adopting measures such as a Youth Guarantee, which provides young people out of work for more than a year access to a high quality training placement or paid job.
- Create more diverse, high quality routes into work, in particular by strengthening the quality of apprenticeships and other vocational qualifications. This should include early exposure to the workplace through high quality work experience and internship placements.
- Develop a single youth policy agenda with joined up policy-making across government departments.

¹ Nick Clegg, speech at the CBI conference, 27 June 2012

How does youth unemployment in the UK compare with other European countries?

While policymakers debate the implications of levels of growth and debt across Europe, the unsung difference between how European countries have fared since the downturn is unemployment, and particularly youth unemployment. Redundancies and unwillingness among employers to recruit in the face of uncertainty are most severe in countries hit hardest by the sovereign debt crisis, with youth unemployment rates of over 30 per cent in Portugal, Italy and Ireland and around 50 per cent in Greece and Spain. The northern European economies have proven more resilient, and Austria, the Netherlands and Germany have the lowest rates of youth unemployment, at less than nine per cent.



Source: Eurostat 2012

At 22 per cent, the UK youth unemployment rate is near the European Union (EU) average. While this may not look too serious when compared to the Mediterranean states, it would be wrong to be complacent. There are different ways of measuring youth unemployment and on some measures the situation facing young people in the UK looks more worrying. For example, in the UK, 12.4 per cent of all 15-24 year olds are unemployed, only just below Greece at 13 per cent, and way above the EU average of 9.1 per cent (27 countries).² The proportion of 18 to 24 year olds not in education training or employment, which includes those not actively seeking work, at 18.4 per cent, is also higher than the EU-27 average of 16.4 per cent and began to rise long before the current economic downturn. At over a million, the UK has largest absolute number of unemployed young people of all EU member states.

² Measures of youth unemployment include all young people who describe themselves as available to work and actively looking for a job. High levels of youth unemployment may therefore include large numbers of students seeking part time work. Furthermore, those in education and not looking for work are counted as economically inactive and not included in the denominator when unemployment rates are calculated. A high unemployment rate can therefore mask the fact that in many countries the actual cohort of young people actively looking for work is relatively small. The proportion of all young people unemployed gives a sense of activity among the overall cohort of young people, although it will still be inflated by students seeking work.

The variations in the severity of youth unemployment across Europe are partly a reflection of different levels of economic resilience and overall employment rates across Europe, but they also reflect systemic differences in how 'youth friendly' the labour market is in different countries. Young people find it harder to compete with older and more experienced workers in some countries than in others. A young person in the UK is currently more than three and a half times more likely to be unemployed than an 'adult' (i.e. someone aged over 25). This is a relatively high ratio when compared to other European countries, outstripping countries hit hard by the current downturn such as Greece, Ireland, Spain and Portugal, where young people are about two and a half times more likely to be unemployed than adult workers, as well as the countries with relatively low youth unemployment rates. In Germany, a young person is only one and a half times more likely to be unemployed than an adult worker.³

Different debates, but one key insight: what makes a labour market 'youth friendly'?

In addition to differences in scale, the nature of the political debate around youth unemployment, and the issues identified as policy priorities, differ significantly across Europe. The highly polarised labour market in Spain means that many young people find it difficult to secure a permanent contract and become trapped in the informal economy. The number of young people in precarious work is also troubling politicians in the Netherlands, Germany and France, while the abuse of unpaid internships is an increasingly explosive issue in Italy, and in Greece concerns centre on the large numbers who are 'parked' in higher education, only to encounter problems when they enter the labour market later on. In Denmark and Sweden discrimination and integration appear to be key factors, as it is second generation migrants who find themselves most likely to be excluded.

In the UK, it is often suggested that young people find it harder to compete with older and more experienced workers in more highly regulated labour markets such as France and Spain, where existing and full time employees (insiders) have strong employment contracts but new entrants and disadvantaged workers (outsiders) struggle to secure permanent work, or to find work at all. The theory is that high employment protection legislation acts as a disincentive for employers to hire new workers. This disproportionately affects young people and other new entrants to the labour market, whose employment prospects depend heavily on expanding recruitment. In the UK, some parts of the business lobby have argued that lower levels of employment protection would create jobs. However the UK is one of the most lightly regulated markets in the OECD and many countries with lower rates of youth unemployment have stronger employment protection. This suggests that further deregulation, as proposed by the recent Beecroft Review⁴, is unlikely to have a significant impact on the employment prospects of young people.

It is also frequently suggested that young people in the UK are relatively low skilled when compared to their contemporaries elsewhere. The UK has lower levels of 'technical' or intermediate skills, but it performs relatively well on higher education. In fact, the supply of graduates outstrips the number of graduate jobs in the UK, and as a result many employers are able to recruit graduates for jobs that in the past would not have required a degree (in the process potentially squeezing out lower skilled young people from lower skilled jobs).⁵ Furthermore, the position of young people, and particularly young men, relative to adult workers in the UK has worsened in recent decades (see graph below), despite the fact that young people today are more highly qualified than their parents or grandparents. In the 1970s, most young people in the UK left

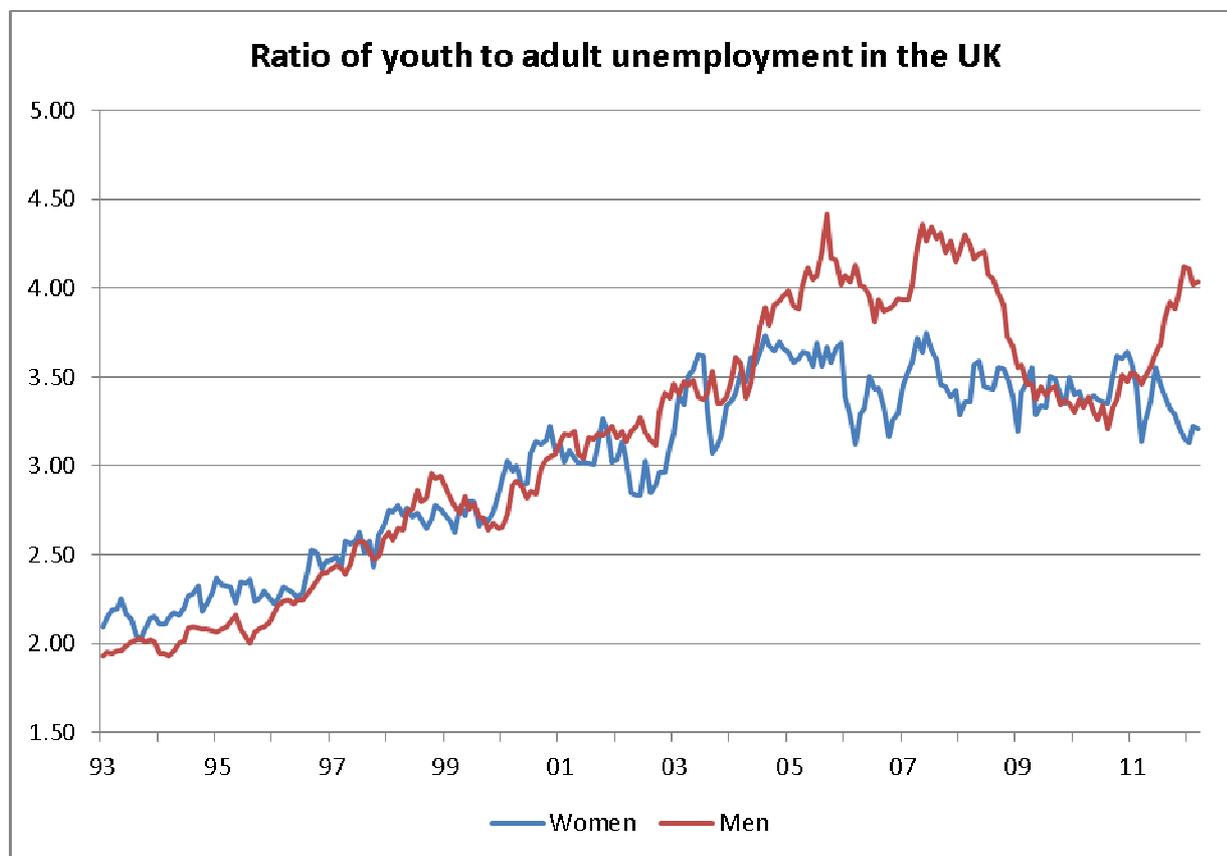
³ All the data in this section is from Eurostat 2012. See:

http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_social_policy_equality/youth_policy/dashboard_youth

⁴ The Beecroft Review reported in October 2011 and called for reforms to make it easier to dismiss staff. A proposal to bring in Compensated No Fault Dismissal was dropped, however, due to limited support from employers and concern from employee representatives. See: <http://bis.gov.uk/news/topstories/2012/May/ministerial-statement-on-beecroft-employment-law-report>

⁵ UK Commission for Employment and Skills (2012) *The Youth Employment Challenge*, London

school at 16 and moved relatively quickly into work. By the 1990s it took the average young person six years to find stable employment after leaving school, even though the average school leaving age had risen.⁶



Source: ONS 2012

This is not to say that the UK education system is without challenges, but the data suggests that the UK's narrow focus on the regulatory environment and perceived failures in the school system as the causes of high youth unemployment is too simplistic. Research by the TUC also shows that other common theories on the causes of youth unemployment such as relatively high youth wages and increased levels of immigration also do not stand up.⁷ The time young people spend in education has increased across all European countries in recent decades, due to both the 'pull' factor from the expansion of university and in some countries an additional 'push' factor as structural changes in the economy have led to a decline in the number of jobs, and in particular secure and skilled jobs, available to young people. Yet while many European countries have experienced similar seismic shifts in the nature of the economy over the same period, the impact on young people's employment prospects has been noticeably less sharp in countries with strong vocational education and training systems.

The low rates of youth unemployment in Austria, Germany and the Netherlands highlight the importance of how the education system interacts with the world of work, and the institutional support that young people receive to make the transition between the two. As a result, policymakers across Europe increasingly stress the importance of high quality vocational education that provides structured pathways into work:

⁶ Ryan P (2001) 'The School-to-Work Transition: problems and indicators', in Perrett-Clermont A.N, Pontecorvo C, Resnick R, Zittoun T and Burge B (eds) *Youth, Learning and Society*, UK: CUP

⁷ Bivand P (2012) *Generation Lost: Youth unemployment and the youth labour market*, London: TUC

‘The policy priorities in terms of tackling youth unemployment have been clear for years: it’s not an intellectual insight that when we have well-established, structured and functioning transition pathways youth unemployment is low. So the issue is not identifying the right policies, but delivering on those priorities.’

European Commission official

What systems support young people’s transitions into work?

The UK’s approach to tackling youth unemployment can be characterised as light touch labour market regulation and state investment in education. Compared to other northern European countries, however, young people in the UK are largely left to navigate the *transition* to work and responsible adulthood alone, and the support they receive varies wildly across different families, communities and employers. In contrast, the northern European countries with relatively low rates of youth unemployment are characterised by strong ‘transition systems’, in particular high quality vocational education and training. This section examines how the quality of work and training options available to young people in England compares to other northern European countries, and briefly outlines the historical reasons for these differences. We then examine some broad lessons for UK policy and practice, drawing on the debates and approaches across Europe.

High quality vocational education and training has been associated with less polarised outcomes between graduates and those who do not choose an academic route⁸, and as such are seen as a key tool in tackling youth unemployment, both among European politicians and, increasingly, in the UK. The apprenticeship systems in the German-speaking countries and the more college-based vocational education in the Netherlands and Scandinavian countries provide structured training pathways into skilled jobs for young people. In these countries, ‘youth’ is seen as a specific period of development, and the transition to work and responsible adulthood is supported by the whole community: employers provide work experience and on-the-job training and state-funded vocational colleges provide the underpinning theoretical and knowledge-based learning.

The success of vocational education and training systems is best measured by the career prospects they offer. In Switzerland, for example, apprenticeships offer routes into a wide range of professions and occupations, far beyond traditional apprenticeship sectors such as manufacturing, and more young people take up an apprenticeship than go to university. About half of all young people take up an apprenticeship in Germany, often with better wage and employment prospects than those in higher education.⁹ One stakeholder we spoke to cited the example of a large German pharmaceutical company that compared the careers of two employees, a university leaver with a doctorate and a graduate from their apprenticeship scheme. The apprentice earned more between the ages of 20 and 50 – arguably the most crucial period in a person’s life in terms of buying a home and starting a family – and the university leaver’s earnings only began to overtake the apprentice when they were in their fifties.

The career prospects associated with vocational education are very different in the UK and particularly in England, where it has been dogged by concerns about quality and status. Deindustrialisation in the 1980s led to a decline in the availability of routes into skilled work for (mostly male) school leavers, such as apprenticeships. Today many vocational courses do not lead to jobs or further education, and are often promoted as an option for low achieving students.¹⁰ Successive UK governments have attempted to use large-scale vocational training schemes to combat high youth unemployment, starting with the Youth Training Scheme and the introduction of competence-based National Vocational Qualifications (NVQs) in the 1980s. However these

⁸ See for example: O’Higgins N (2012) ‘This Time It’s Different? Youth Labour Markets During the Great Recession’, IZA, Discussion Paper No. 6434, Bonn: IZA

⁹ Steedman H (2011) ‘Challenges and Change: Apprenticeships in German-speaking Europe’, in Dolphin T and Lanning T (eds.), *Rethinking Apprenticeships*, London: IPPR

¹⁰ Wolf A (2011) *Review of Vocational Education: the Wolf Report*, London: Department for Education

programmes have been designed with minimal input from employers and as such have done little to increase the employment prospects of the young people that take them up.¹¹ In the past decade, apprenticeships have emerged as a flagship policy initiative to tackle youth unemployment and meet the skills needs of employers, but this has also been marred by concern about both the quantity and quality of many schemes. Far from being an access route to skilled work, most of the recent increase in apprenticeships has been in low paid, low skilled occupations and sectors; and most of these have been taken up by existing older workers rather than young people entering the workforce for the first time.¹²

'In some countries we've had a lot of pressure on pursuing a career through the higher education route and no possibility of moving up for those studying at vocational level. There just isn't the mobility.'
European Commission official

As the German example suggests, it is not just the initial preparation for work that matters, but the subsequent opportunities for training and progression in work. In the UK, most young people work in low skilled jobs in the service sectors where progression opportunities are often limited. Young people are also far more likely to be in temporary jobs than older workers.¹³ Many of these jobs by their nature – casual and insecure, with few opportunities for training or progression – lead to a more protracted transition into work.¹⁴ The rise of temporary and precarious work was seen by some of the European stakeholders and policymakers we spoke to as a key factor in the difficulties faced by young people entering the labour market in countries such as France and Spain, where it reinforces divisions between existing workers and new entrants. Training and progression opportunities are more limited in temporary jobs, and some wider research suggests that the incidence of temporary work has contributed negatively to the position of young people during the recession and made them more susceptible to redundancy.¹⁵ Reflecting concerns about job quality, in particular the rise of unpaid internships and casual jobs in the economic downturn, the European Trades Union Congress is calling for quality and stability to be greater considerations in addressing young people's employment prospects.

There was also a concern in some countries that many perfectly capable young people end up in low level jobs due to a lack of focus on the type and quality of work in those countries, in particular the extent of skilled work available. In other northern European countries, notably the German-speaking and Scandinavian countries, many jobs that are viewed as relatively low skilled in the UK require a deeper level of skill, reflected in higher levels of workforce training. A bricklaying apprenticeship in Germany and the Scandinavian countries, for example, offers the opportunity to become something closer to a civil engineer, while lorry drivers are trained in logistics and foreign languages.¹⁶ Waiters and shop assistants in Germany also undertake two to three years of training, learning all aspects of how the business works.

The reasons for these systemic differences are rooted in the industrial revolution, which in England was built on industries such as textiles that were reliant on cheap and low skilled labour, including child labour. The role of state investment or education was therefore limited, and the government

¹¹ Fuller A and Unwin L (2011) 'The Content of Apprenticeships', in Lanning and Dolphin (2011)

¹² The background evidence paper for the Richard Review of Apprenticeships (2012) states that 70 per cent of all apprentices in 2011 were existing employees, up from 48 per cent in 2007 and varying from 48 per cent in engineering to 90 per cent of apprentices in retail and hotel and catering. See: <http://www.bis.gov.uk/assets/biscore/further-education-skills/docs/r/12-915-richard-review-apprenticeships-background-evidence.pdf>

¹³ UKCES (2011) *Youth Enquiry Evidence Base*, Wath-Upon-Dearne

¹⁴ Keep E (2012) 'Youth Transitions, the Labour Market and Entry into Employment: Some Reflections and Questions', *SKOPE Research Paper No. 108*, Cardiff: SKOPE

¹⁵ O'Higgins (2012)

¹⁶ Brockmann M, Clarke L and Winch C (eds) (2011) *Knowledge, Skills and Competence in the European Labour Market: What's in a vocational qualification?* Oxford: Routledge

has been reluctant to intervene in firms' decisions about training ever since. The legacy is that, although the UK has some very dynamic and innovative companies, it also still has a significant proportion of low value, low productivity firms that rely on low paid, low skilled labour to produce products and services that are often relatively low quality.¹⁷ This is connected to management and leadership capability, an area where the UK is seen as having a 'long tail of poor performers'.¹⁸ This matters because management skills and ambition are important drivers of the extent to which workforce skills are utilised and developed in work. Decisions made by managers about how to compete affect how jobs are designed, how work is organised and the level and quality of training available for both younger and older workers. As such, poor leadership skills can be a barrier to the adoption of working practices that lead to better business performance and job quality.¹⁹ In recent years policymakers have attempted to encourage greater innovation, skills utilisation and a move-up the value chain, which are seen as central to competitiveness in a globalised economy, as well as making the most of government investments in workforce skills.²⁰ However, the reluctance to intervene directly in the workplace restricts the available policy levers to exhortation.

In order to compete with Britain, other northern European countries invested heavily in skilled industries. Over the 19th and 20th centuries, these nations, most notably the Netherlands and the German-speaking and Scandinavian countries, combined active industrial strategies with the development of strong vocational education and training systems to protect the supply of skilled workers to industry, which were shaped by strong state and civil society institutions.²¹ The strong links between vocational education and the labour market are rooted in the involvement of the social partners – unions, employer associations and the state – in setting legal training requirements for different occupations and in the design, quality-control and assessment procedures for vocational qualifications. Wider use of occupational licensing creates clear links between vocational qualifications and the labour market and underpins higher training and qualification rates. The involvement of key industry stakeholders, alongside the education system and policymakers, ensures the training is relevant and widely recognised.

The relative ease or difficulty of young people's transitions into work should be seen as a function of how economic, education and employment policies interact. As one European official noted, 'the strength is in the system ... It is not only about knowing what kind of training needs to be provided; the issue is how [the system] is put into place'. Understanding the deep-rooted nature of these systems explains why a 'best practice' initiative in one country may fail to have an impact in another, but it may also lead to a sense that we are stuck with the system we have. In France, for example, recent impressive increases in the quantity of apprenticeships occurred after the Sarkozy government increased a quota on all large employers to employ three per cent of their employees as apprentices to five per cent. This offers an example of a policy tool that seems less likely to work in the UK context, where the legitimacy of state intervention in the economy has been more limited, particularly since the 1980s. UK policymakers see their role as to provide the external conditions for companies to succeed, rather than intervening into how they go about doing so.

¹⁷ Demand for higher-level skills has expanded since the 1980s, but nearly half of all UK employers do not require post-secondary education, and one-third offer no training at all. See Lanning T and Lawton K (2012) *No Train No Gain: Beyond Free Market and State-led Skills Policy*, London: IPPR

¹⁸ Bloom N, Genakos C, Sadun R, Ven Reenen J (2012), 'Management Practices Across Firms and Countries', *NBER Working Paper 17850*, Cambridge: National Bureau Of Economic Research

¹⁹ Department for Business, Innovation and Skills (2012) *Leadership & Management in the UK – The Key to Sustainable Growth, A summary of the evidence for the value of investing in leadership and management development*, London

²⁰ UKCES (2010) *High Performance Working: A Policy Review*, Wath-Upon-Deerne

²¹ For more detailed explorations of different vocational education and training systems, see Brockmann et al (2011) and CEDEFOP (2004) *Towards a History of Vocational Education and Training (VET) in Europe in a Comparative Perspective, Proceedings of the First International Conference, October 2002, Florence – Volume 1: The rise of national VET systems in a comparative perspective*, Luxembourg: Office for Official Publications of the European Communities

Can the UK learn lessons from other European countries?

The historical differences between countries suggest the limitations of attempting to transpose specific policy initiatives to the UK context. However, we argue that it is possible to learn broad lessons from other countries to inform UK debate, policy and practice. In particular, we argue that smoother transitions from earning to learning are likely to be best supported by efforts to raise the quality of vocational education and training programmes such as apprenticeships and to encourage more employers to play a stronger role in preparing young people for work. Finally, we suggest that long term unemployment could be minimised for young people through the creation of good jobs and training placements for young people out of work for more than a year, modelled on initiatives such as the European Youth Guarantee.

1. Improve the quality and status of vocational education and training

'We've had a cultural shift across Europe since the 1960s, where vocational education and training has been seen in many countries as something which isn't as valuable as higher education. We need to have a shift back.'

Maxime Cerutti, Director of Social Affairs, BusinessEurope

A strong initial vocational education and training system provides an alternative route into work for young people who do not go to university and also supports mobility and progression in the labour market. In the UK, vocational education and training centres on how to prepare young people for a specific job role and as a result qualifications tend to be narrow and task-focused. Assessment for NVQs, for example, is based on the ability to conduct certain tasks associated with particular jobs. There is no requirement for NVQs to include any wider theoretical or general education, and as a result they may simply verify the skills that people already have. There is concern that the low quality of many programmes simply directs young people into low level jobs with little prospect of progression or further study, as well as damaging the status of vocational education and training more generally.

The strong mobility and career prospects associated with vocational education in other northern European countries is rooted in a much broader curriculum, including a programme of underpinning academic subjects. While firms are often preoccupied with their immediate skills needs, employees may change jobs and even careers several times and so are best served by broad, not narrow, qualifications at the start of their working lives. Higher learning requirements ensure strong mobility and progression in the labour market regardless of the job a young person starts out in. In Sweden, when the Minister for Education recently proposed measures to improve access to vocational education by reducing the learning requirements it was strongly opposed by the Swedish trades unions on the grounds that it would undermine the progression platform such qualifications provide for learners.

'All vocational courses should have some core subjects to ensure young people have a good enough qualification to get work elsewhere [if they are made unemployed], or to return to education ... The danger of cutting the entry requirements for occupations is that if a young person in that job becomes unemployed, they may not be able to get another job.'

Susanna Holzer, Economist, Swedish Confederation of Professional Employees (TCO)

The danger of this is evident in what has happened in Spain, another country that has prioritised academic education over the development of a strong initial vocational education and training system. A European official described how many young people in Spain were encouraged to leave school early during the boom years by the growth of relatively well-paid jobs with low entry requirements in the construction sector. These jobs have now gone, but the young people who took them up do not have broad enough qualifications or training to allow them to find employment in other sectors. In other words, broader qualifications mitigate some of the risk of training for a particular sector or occupation and protect against the shifting demands of the economy.

Differences in the quality of vocational qualifications are partly rooted in different conceptions of the aims and purposes of vocational training. In other northern European countries, vocational education is not just about equipping young people with the skills to work in a particular occupation, but also to support the transition to responsible adulthood and active citizenship. As a result there is a stronger focus on how the pedagogy of initial qualifications helps to socialise and develop young people, and to support innovation, creativity, team-work and self-management. A combination of work- and classroom-based learning allows young people to reflect on what they have learnt at work, and vice versa, and so helps young people to develop employability skills alongside general, technical and theoretical knowledge. In work-based apprenticeships this typically takes the form of (at least) a day a week spent in vocational colleges, while college-based training in Denmark for example is alternated with regular three-month work experience placements. This results in a 'softer landing' for young people entering the labour market, as employers don't expect them to have the employability skills required in the workplace when they first leave school.

The quality and breadth of vocational education is supported by strong legal frameworks. For example, the high status of apprenticeships in other countries is supported by legal requirements for a minimum duration and at least a day a week of off-the-job training in a college, with the content and quality of in-work and college-based training regulated by the social partners. In other northern European countries, apprenticeships are level 3 qualifications lasting an average of three years and with significant off-the-job theoretical and knowledge-based learning. In England, apprenticeships are based on NVQs and the general education components are reduced to literacy and numeracy, with information technology included only if the employer in question requires it. While there are some excellent apprenticeships in England, notably in traditional apprenticeship sectors such as manufacturing and engineering, the majority are level 2 qualifications and the average duration is just one year.²² A minimum duration of 12 months will be introduced for apprenticeships for young people from August 2012, but many apprenticeships will still fall far short of their counterparts in continental Europe.

The broader base of these qualifications may suggest ways forward for reform of vocational qualifications in the UK. Vocational qualifications should be transferable and support young people's employment prospects beyond the specific role for which they are training. Key lessons for reform include:

- The Specification of Apprenticeship Standards for England, the current legal apprenticeship framework, should be strengthened by increasing the amount of off-the-job learning and strengthening the definition of what counts as a 'guided learning hour' to raise quality.
- Key industry stakeholders, including employer associations and unions, should be involved in the design, regulation and assessment procedures for vocational qualifications including apprenticeships.²³
- Post-16 education should be redesigned as a 'transition system', with funding focused on increasing the number of high quality pathways into work. Vocational qualifications should include core academic subjects as well as job shadowing and on-the-job learning. Good vocational qualifications provide regular space for reflection on work-based experiences in the classroom – something which depends on engaging employers to provide regular work placements.

²² See Lanning T (2012) 'Why Rethink Apprenticeships?' in Lanning and Dolphin (2011) for an overview of trends in apprenticeships.

²³ A recent IPPR report – Lanning and Lawton (2012) – explored how reforms to current skills institutions along these lines might work.

2. Engage more employers to recruit, train and offer work experience to young people

The role of employers is crucial in addressing the problems facing young people in the labour market. Employers provide the work experience and training placements that are integral to smooth transitions into work, either as part of recognised vocational education programmes, or simply in terms of their willingness to recruit, train and develop young employees. The workplace is a key site of learning for all young people, who must negotiate the working environment, learn the specific requirements of their role and pick up the social and interpersonal skills to equip them throughout their working life. Furthermore, whether the skills young people gain are subsequently used, developed and rewarded in work depends on employers, and in particular on the nature of work available to young people in different countries.

In the UK, many employers see themselves as ‘customers’ of the state education system, rather than key players in the development of the next generation of skilled workers.²⁴ As such, many expect the education system to produce ‘job-ready’ workers.

‘Unfortunately, it’s a sad indictment of the UK’s education system that it is not producing the right level of work-ready young people.’
Phil Cabe, Forum of Private Business²⁵

The problem with this is that the skills employers most often ask for are the skills that young people pick up through employer contact and workplace exposure. Given that employer engagement with the education and skills system is relatively weak, it is no surprise that many young people struggle to pick up so-called ‘employability’ skills – ‘softer’ interpersonal and behavioural skills such as time-keeping, eye-contact and team-work – and lack insight into how the workplace functions or what the expectations of them are. Many employers say that a better knowledge and understanding among young people about what sectors and occupations are available would improve their employability, yet employers clearly have a key role to play in delivering these insights.²⁶ Some of the concerns voiced by employers about young people are also overstated, or misinterpreted. There is a solid body of evidence showing that those employers who do recruit young people are satisfied with their skills and attitudes and that the single most important factor that holds young people back is their lack of work experience, creating a vicious cycle of no-experience, no job.²⁷

The need to maintain and increase employer commitment to recruit and train young people is a concern in all countries, including those with relatively low youth unemployment such as Germany. However, the involvement of employers, through their representative institutions, in vocational education and training systems appears to create a different mind-set. From our conversations with policymakers from other northern European countries, for example, it was notable that the issue of young people’s employability did not appear to be a live issue in the same way it is in the UK and some other countries where the academic route has been prioritised. When asked whether Danish employers were concerned about young people’s behaviour in the workplace, for example, the Danish MEP Emilie Turunen, who was rapporteur for the European Parliament report youth access to the labour market, noted that in Denmark such problems are usually associated with university graduates who have little experience of the workplace:

‘Denmark’s vocational education and training system provides a high exposure to the workplace, which is not the case with university education. So if there are any concerns regarding youth employability it’s definitely the graduates we need to worry about as they are, by contrast, relatively removed from the realities of the workplace.’

²⁴ Keep (2012)

²⁵ Quoted in Barrow B (2012) ‘Young workers lack get up and go to beat foreigners to jobs, employment minister warns’, *The Daily Mail*, 16 April 2012

²⁶ CIPD (2012) *Labour Market Outlook: Winter 2011-12*, London

²⁷ UKCES (2012) and Rudiger K (2012) *Engaging employers in tackling youth unemployment*, London: CIPD

The crucial questions are: what drives greater employer involvement in shaping the next generation of skilled workers in these countries, and can the UK learn from their approaches? Employers in countries with established vocational education and training systems, such as Germany, Denmark and the Netherlands, appear to accept that they have a role in training and socialising young people. One stakeholder for example cited the strong tradition of family firms in Germany that have a sense of social responsibility to the communities they serve. However the main incentive for employers to engage is to meet skills shortages. In this sense, a key difference between the UK and other northern European countries is that vocational education is part of an overall economic system and strategy that favours high skilled occupations and industries. Several people we spoke to emphasised the importance of linking an active industrial strategy to boost jobs, with a particular focus on increasing demand for skilled workers, to a strategy to ensure young people have access to those jobs.

BusinessEurope, a horizontal business organisation representing 41 employer federations across the EU, argues that engaging with the vocational education and training system is crucial for businesses with unmet skills needs, including succession planning to replace an ageing workforce. Tackling youth unemployment is not just the 'right thing to do' from a social and economic perspective. It also makes business sense for employers. If employers don't grow and invest in future workforce skills, they may encounter skills gaps when their existing workforce reaches retirement. Employers also need a diverse workforce that reflects their customer base and is able to respond to the jobs of tomorrow, whatever these may be.

"In countries like Denmark and Germany, employers are at the centre of the design of vocational education and training. They see the business case for employing young people and they take responsibility as part of the system ... Qualifications are developed on the basis of trust, closely involving employers – this involvement is key. "

Maxime Cerutti, Director of Social Affairs, BusinessEurope

In other northern European countries, employer and employee representative bodies play an important role in efforts to engage employers. Not only does the involvement of employer associations and unions ensure that initial vocational qualifications are relevant and legitimate within wider sectors and industries, but in some countries they have also helped design measures to help combat youth unemployment. In France, the social partners have negotiated an agreement to channel extra funds into employment support for particular groups of young people and targets to increase the number of apprenticeships and internships. In the Netherlands they have worked with policymakers to improve 'matching' between young people and employers, including a mentoring initiative to improve young people's chances of finding stable employment before they leave education. The Netherlands have a history of industry-led attempts to tackle high youth unemployment: in the 1980s policymakers gained commitments from large employers such as Philips, which set up a scheme, still in existence, offering a year of work experience combined with training and education to unemployed school-leavers, at a rate of one per cent of the company's workforce.²⁸ Similarly at local level in the Scandinavian countries, internships are generally offered in the context of a framework between the school and employer and act as a stepping stone into work. In many of these countries the social partners have negotiated a lower training wage over the duration of an apprenticeship as a way of offsetting the costs to employers. The three year duration of most apprenticeships for example ensures employers are able to recoup the more intensive early costs of training as young workers become more productive during the second and third years, when they are still paid a training wage.²⁹

²⁸ Van der Bruggen T (2012) 'The role of Dutch employers such as Royal Philips and Nuon in combating (youth) unemployment: the learning in context method', *presentation at Hilvarenbeek*, 29 April 2012

²⁹ Steedman (2011)

The world class apprenticeships offered by companies such as Rolls Royce, Siemens and Pinewood Studios in the UK demonstrate that it is possible to set up the sorts of arrangements between employers and training providers that are commonplace elsewhere in Europe. However these employers often invest in young people in spite of the wider institutional framework rather than because of it. Funding currently flows through providers, who therefore set the aims and content of training but do not necessarily represent or understand the interests of employers or employees. The CIPD recently conducted a roundtable on apprenticeships and found that some smaller employers would like to offer apprenticeships but find that the offer from training providers is often inflexible and ill-suited to their needs. A leading retailer also said that the apprenticeship framework for retail is 'too lean' and that, while they are supplementing it with further training, they would prefer a 'meatier framework' to guide them. A further problem is that small employers may find it hard to get providers to deliver tailored courses unless they can offer a certain number of trainees, for example through group training arrangements that allow employers to pool resources.

Numerous reforms have aimed to build greater 'employability' skills into academic and vocational education, but without a fundamental shift in the way employers see their role in managing school to work transitions, their perceptions of young people are unlikely to improve. Supporting and encouraging employers to offer more high quality training and work experience should be a key policy focus. In addition to providing incentives for more employers to recruit, train and offer work experience to young people, this requires a more supportive institutional landscape that helps employers to meet their skills gaps as well as encouraging them to be more ambitious in their engagement with broader qualifications of the sort needed by young people. Policymakers should:

- Make better use of public procurement contracts and business support funds such as the Growth and Innovation Fund to secure commitments from more employers to offer high quality work experience and training placements, where possible integrated with college-based vocational courses.
- Encourage employer representative bodies to promote workforce planning strategies among their representatives that include initiatives to bring young people into the organisation and encourage a transfer of knowledge from more experienced staff to new employees. Employers should also get involved through schools careers services, giving young people insights into the world of work and to specific careers and sectors.³⁰
- Build the capacity of further education colleges to promote and deliver high quality training that meets the needs of young people for broad qualifications, and is flexible enough to meet the needs of different employers. This should include greater use of group training arrangements to enable small employers to pool resources. Unions could also play a greater role in promoting broader training and job roles in sectors where they are present.
- Ensure that employer-led vocational courses for young people, when funded by public money, include strong requirements for general and theoretical learning alongside high quality on-the-job training. One example of where this could be done is the Employer Ownership Pilot, launched by the UKCES in 2011, which bypasses training providers to channel funds directly to employers, allowing them to design their own training solutions.³¹ This could potentially increase the relevance of training and encourage greater employer involvement. Without wider requirements to guarantee employees' interests in broad qualifications, however, the money could simply fund training that would have taken place anyway.

³⁰ For instance, the CIPD has recently launched a campaign called Learning to Work that aims to achieve a shift in the level of engagement of HR professionals and employers with young people. The campaign encourages employers to help prepare young people for the world of work and to make their organisations, and thus the labour market, more youth friendly. To find out more see: <http://www.cipd.co.uk/pressoffice/press-releases/leading-employers-back-CIPD-learning-work-campaign-210512.aspx>

³¹ See UKCES (2011) *Employer ownership of Skills*, Wath-Upon-Dearne

3. Prevent the ‘scarring’ effect of long term unemployment

A certain amount of ‘frictional’ unemployment is inevitable, particularly among young people as they test their interests and try out different jobs. However, there can be long term consequences for young people who find it difficult to gain access to the labour. There is increasingly a consensus among stakeholders and policymakers across Europe the most pressing concern is young people who have been out of work for long periods of time and those who cycle between work and unemployment, due to the well-documented ‘scarring’ effects this can have on long term earning and employment prospects.³² The crisis has made this issue all the more urgent. With one in five young people unemployed across the EU and nearly a third of them unemployed for more than a year, ensuring young people have the opportunity to do something worthwhile until the economy picks up has become a priority issue in Brussels.

The issue of youth unemployment appeared first on the EU agenda in 2005 with the launch of the European Youth Pact, which aimed to encourage member states to improve the education, training, mobility, employment and social inclusion of young people, while encouraging a work-life balance. In 2009 the European Parliament, alarmed by the situation of young people across Europe in the wake of the global financial crisis, drafted an own-initiative report on youth unemployment. This kick-started a range of initiatives within the European Commission (EC), including the EU 2020 strategy, published in 2010, the ‘Youth on the Move’ initiative and the ‘Youth Opportunities Initiative’, launched in 2011. In January 2012, the Commission adopted suggestions put forward by the Parliament to create action teams to visit the eight member states with the highest rates of youth unemployment and provide advice on how to tackle it. They also agreed to reallocate unused funds, amounting to 82 billion euros, to tackle youth unemployment. This culminated in calls for a Youth Guarantee, which would guarantee a high quality work or job placement to all young people out of work for more than six months, and a quality framework on traineeships. The Council conclusions on this are due at the end of 2012 and, if adopted into law, could have implications for the UK.³³

In contrast to the concern at European level dating back to before the current economic downturn, policymakers in the UK have woken up quite late to the problem of long term youth unemployment. This is largely because until recently the UK had a relatively high employment rate, which masked the structural issues around the school to work transition. Indeed, youth unemployment was not mentioned in the Coalition agreement in 2010. It was only a year later that the government, in response to rising youth unemployment figures and growing public alarm as a new wave of young people hit the job market, outlined five priorities for action: raising attainment and ensuring that young people have the right skills, support for young people that risk falling through the net, encouraging employers to offer more work experience, internships and apprenticeships, promoting responsibility and ensuring that work pays, and creating the conditions for growth.³⁴ This was followed by a ‘participation strategy’, which set out a strategy to keep more young people in education and training as well as providing access to employment opportunities.³⁵

In April 2012, the Government launched the Youth Contract, a package of policy options to tackle high youth unemployment at a cost of almost £1 billion over three years. Measures include: offering employers wage subsidies to recruit young jobseekers and incentive payments to take on

³² Studies have found that the longer young people are out of work, the higher the risk that they will suffer a long term impact on their earnings and employment prospects. See Bivand (2012) for an overview of this evidence.

³³ See European Commission (2012) *Implementing the Youth Opportunities Initiative: first steps taken*, Brussels and European Commission (2012) ‘Towards a job-rich recovery’, *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions*, Brussels

³⁴ HM Government (2011) *Supporting youth employment: an overview of the Coalition Government’s approach*, London: Cabinet office

³⁵ HM Government (2011) *Building Engagement, Building Futures: Our Strategy to Maximise the Participation of 16-24 Year Olds in Education, Training and Work*, London: Cabinet office

apprentices, support for work experience placements and additional welfare to work support for the most disengaged 16 and 17 year olds. While this package is welcome, it falls short of some of the policy options put forward in other European countries, such as the Youth Guarantee advocated by the European Parliament. Youth guarantees or similar policy initiatives are already in place in several countries including Austria, Norway and Finland. In Austria, young people are also required to take up the offer or risk losing their benefits, effectively abolishing long term unemployment for young people.

Perhaps understandably, support tends to focus on those furthest away from the labour market. Yet there is also a need to address the increased difficulty young people more generally find in accessing the labour market in the UK and some other European countries, including institutional failings around the school-to-work transition and problems with the type and nature of work available to young people. In the UK this is hampered by the tendency for government departments to work in silos. Although the Government's participation strategy outlined what a more joined-up approach could look like, responsibilities and initiatives around young people are split across the Department for Work and Pensions (DWP), responsible for support for young jobseekers, the Department for Business, Innovation and Skills (BIS), responsible for apprenticeships (for those aged 19 and above) and the Department for Education (DfE). As a result, employers as well as young people can often struggle to navigate the policy environment and support available.

The lack of joined-up working can also lead to confusion and a lack of coherent policymaking. One recent example of this is the DfE's plans to remove the statutory requirements for schools to provide work experience for pupils at Key Stage 4, leaving it up to schools to find the resources to deliver this, if they choose to do so. Meanwhile the DWP has emphasised the importance of work experience in helping young people to integrate into the world of work, leading to a widely criticised requirement for young people to work for their benefits. Similarly, there is a consensus that in an increasingly complex labour market, young people need support to guide their decisions at school, in further education, and when they enter labour market. At the same time, however, the already weak support system in the UK has been further weakened with the abolition of the Education Maintenance Allowance and the removal of central government funding for Connexions, the careers advice and guidance service for young people in England. Funding for careers advice has now been incorporated into the Dedicated Schools Grant. With Jobcentre Plus advisors only spending an average of five to seven minutes with each jobseeker, this risks leaving young people with no tailored job-search support or careers advice.

A better and more coordinated transition system would include good information, advice and guidance to help young people navigate the choices available, with signposting that recognises that young people require routes into further education as well as job opportunities, and radical intervention to prevent long term youth unemployment. Policymakers should:

- Develop a single youth policy agenda with joined up policy-making across government departments to implement the Government's overall vision on youth employment. One Minister should 'own' this agenda to ensure accountability.
- Develop a tailored youth employment and skills service to support young people to access work and learning opportunities.
- Implement a Youth Guarantee to mitigate the impact of long term unemployment. This could build on the Government's Youth Contract to offer all young people unemployed for more than a year the guarantee of a high quality training placement or a job at the minimum wage, backed by an obligation to take up the work.

Conclusions

The UK debate has focused too heavily on the failings of young people, often with policy initiatives targeted at the most disadvantaged. Comparing the broad institutional framework in the UK with other northern European countries, including how economic, industrial, employment and education policies interact, allows us to step back and examine how the whole *system* works for young people. In the UK lots of very capable young people are failed by the system. This is due to the lack of support for the school-to-work transition and is exacerbated by the increasing tendency for employers to see themselves as customers of the state education system. Disadvantaged young people lose out the most, and abolishing long term unemployment among young people would help to mitigate the worst effects of the crisis.

We have argued that the key lesson from countries with low rates of youth unemployment is the need to develop strong transition systems, including high quality initial vocational education and training that opens up real opportunities in the labour market. Resources should be focused on increasing the number of diverse and high quality vocational education and training programmes, and on encouraging more employers to provide work experience and training, preferably as part of formal college-based vocational programmes. In the longer term, change will require joined-up policymaking across departments, including an examination of how to link economic and industrial policy to education and training, and the sort of institutions required to raise employer demand for skills, and to meet that demand through the development of a flexible and responsive vocational education and training system.

Annex 1

This paper draws on insights from a learning trip to Brussels by Tess Lanning, Research Fellow at IPPR, Richard Exell, Senior Policy Adviser at the Trades Union Congress, and Katerina Rudiger, Skills Policy Adviser at the Chartered Institute for Personnel and Development.

We met with key European stakeholders, including:

- **Juliane Bir**, Advisor, European Trades Union Congress
- **Margherita Bussi**, Marie Curie Research Fellow, European Trades Union Congress
- **Alejandro Cercas MEP**, Group of the Progressive Alliance of Socialists and Democrats in the European Parliament (Spain) and member of the Committee on Employment and Social Affairs
- **Maxime Cerutti**, Director of the Social Affairs Department at BusinessEurope
- **Susanna Holzer**, Economist, TCO, Sweden
- **Vincent Hurkens**, adviser to Marije Cornelissen MEP, Group of the Greens/European Free Alliance (The Netherlands) and member of the Committee on Employment and Social Affairs
- **Ulrike Storost**, Senior Expert, Bertelsmann Stiftung, Germany
- **Emilie Turunen MEP**, Group of the Greens/European Free Alliance (Denmark) and member of the Committee on Employment and Social Affairs
- **Thiébaut Weber**, Secrétariat Confédéral at the Confédération Française Démocratique du Travail, France
- **Christiane Westphal**, Policy Coordinator, Youth Employment, Entrepreneurship and Micro-Finances at the European Commission