

REPORT



REMEMBER THE YOUNG ONES

IMPROVING CAREER OPPORTUNITIES
FOR BRITAIN'S YOUNG PEOPLE

Tony Dolphin

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SUMMARY

A long period without work at a young age can have a long-lasting effect on a person's life chances, leading to a higher future likelihood of unemployment and lower future earnings. For this reason, UK policymakers should be particularly worried about the present level of youth unemployment. There are currently 868,000 young people aged 16–24 unemployed in the UK (580,000 if those in full-time education are excluded) and 247,000 of them have been looking for work for over a year.¹ A study in 2013 found that around 700,000 young people are workless and have never had a job, and almost 1 million are classified as not in education, employment or training ('NEET').

While the last six or seven years have been particularly tough for the latest generation of young people, even before the financial crisis many of those entering the labour market for the first time were struggling to compete with older workers for jobs. In 2007, even if full-time students were excluded, someone aged 16–24 was more than three and a half times more likely to be unemployed than a person aged 25 and over – a ratio that was little changed at the beginning of 2014. It is unlikely, therefore, that even a full-blown economic recovery will solve the problem of youth unemployment in the UK.

The last Labour government and the Coalition have introduced a number of measures to tackle the youth unemployment problem, but too often these measures have not focused on the underlying causes of a tougher transition from education to employment. Perhaps they have failed to grasp the extent of the problem, or they have not had the imagination to come up with better solutions. More likely, though, the problem is one of cost. Despite declaring a reduction in youth unemployment to be a priority, neither Labour nor the Coalition has been prepared to make available significant additional resources to tackle it.

Analysis of the experience of young people across Europe shows how a strong workplace-based vocational education and training system, with high employer involvement, contributes more to a smoother transition from education to work and a lower rate of youth unemployment than anything else. In this respect, the UK system is some way from being the best in Europe. Improving this system, and increasing young people's engagement with it, should be priorities.

Other lessons from Europe are as follows.

- Changes in the structure of the economy have reduced young people's ability to compete in the labour market because the skills system has not adapted fast enough to the pace of change.
- Youth unemployment is lower in countries where the vocational route into employment through formal education and training is as clear as the academic route.
- The quality of vocational education and training is crucial because it can raise the status of the vocational route in the eyes of employers and young people alike.
- A high degree of employer involvement in the vocational education and training system results in lower youth unemployment.

¹ All these figures refer to Q1 2014.

- Youth transitions are improved by information about the employment outcomes of various options and courses, as part of a good programme of careers education and guidance.
- Work experience, combined either formally or informally with education, reduces a young person's chances of being unemployed.
- Second-chance schools and courses are an effective but expensive way of improving the employment chances of young people who leave compulsory education with few or no qualifications.
- Employment regulation and minimum wages have little or no impact on youth unemployment.
- Wage subsidies can be effective in lowering youth unemployment, but have high deadweight costs and can lead to substitution at the expense of other workers.
- Work-first approaches in the benefit system are appropriate for some unemployed young people, but for most a combination of work experience and education will be more effective in securing lasting employment.

Recommendations

Employers are dissatisfied with the school-leavers who are applying to them for jobs, but fail to recognise that this is in no small part the result of insufficient links between firms and the education system. A large part of the problem arises because employers are not prepared to be sufficiently involved in young people's training to ensure that they develop meaningful, useful skills. The best way to increase employers' engagement is to have them take a financial stake in the success of the system. The government should do the following.

- Encourage more coordinated employer involvement in the vocational education and training system through the development of strong employer-led bodies.
- Introduce a youth apprenticeship levy to be paid at a national rate by all firms above a certain size.
- Put in place mechanisms to allocate the funds raised by the levy regionally.
- Empower employers, through combined authorities working with local enterprise partnerships, to use the proceeds of the levy to fund vocational education and training for young apprentices.
- Ensure that a proportion of the funds are allocated to small firms.

Vocational education in England needs to be reformed so that it is held in higher esteem by employers and young people alike. This requires a greater focus on employability. As a pathway into work, higher-level vocational education should be seen as a valid alternative to a university education. This will require a great deal of change over several years, including the following.

- Funding 'knowledge centres', along the lines of similar Dutch bodies, to recruit employers to participate more in vocational education and training.
- Extending professional registration schemes to more sectors, led by employer organisations or by the government where public services are concerned.
- Establishing a programme to attract skilled English and mathematics teachers to colleges.
- Stopping the ringfencing of schools spending at the expense of 16–18-year-old education.

Policy on apprenticeships in recent years has been dominated by a preoccupation with quantity, putting quality at risk. Although the Coalition government has played this game, trumpeting increases in the numbers of apprentices in the last few years, it has also taken some steps to improve their quality. These actions, however, are

insufficient. Apprenticeships should be seen by students and employers as a high-quality vocational route into work for young people. If this is to be the case, a number of actions need to be taken.

- No one aged 23 or over should be allowed to start an apprenticeship (except in exceptional circumstances), and few apprentices should be aged 25 or over.
- All apprenticeships should be at level 3 and above and should last for a minimum of one year; traineeships should be developed into pre-apprenticeships.
- Apprentices should spend at least 30 per cent of their time doing off-the-job training. Spot checks should be carried out, and employers found not to be adhering to this rule should have to pay back any government funding they have received for the individuals affected.
- After two years, the government should review its plan to fund apprenticeships through employers to ensure it has not led to a reduction in the number of firms offering them. If it has then the government should revert, at least partially, to a system of central or preferably local funding.

In those European countries that have low rates of youth unemployment, careers education and guidance play a crucial role in ensuring a smooth transition from education to work, but it has been badly neglected in England. To rectify the situation, additional funds should be found to enable a number of steps to be taken.

- Careers education should be embedded in the curriculum from primary school onwards, and for pupils in years 7, 8 and 9 should involve a greater degree of contact with local employers.
- The National Careers Service should be expanded to allow it to offer more support to schools.
- Careers guidance – and some careers education – should be provided by specialist advisers rather than teachers.
- Every secondary school should be required to appoint a full-time careers officer responsible for careers education and guidance, and for liaison with local employers.
- All students should have a face-to-face careers interview with a specialist adviser in year 9 and again in year 11, to help them make the crucial choices they face in those years.
- Careers advisers should be made responsible for getting local employers more involved in schools, and for providing students with up-to-date information on education and training options and on opportunities in the local labour market.

A distinct work, training and benefits system should be established for young people. Its main features could be as follows.

- A youth allowance, which would replace all existing benefit payments and would be available to all young people aged 18–21 years old in further education and training or who are actively looking for a job.
- A youth job guarantee, which would provide paid work experience to any young person aged 18–21 years old who has been out of work and looking for a job for six months.
- A personal adviser, who would help young people to find work or identify the most appropriate further education and training opportunities.
- Decentralisation of responsibility for many elements of the school-to-work transition to London and the core cities, together with greater accountability.

INTRODUCTION

Policymakers across the political spectrum agree that the financial crisis, recession and subsequent stop-start recovery have hit young people in the UK hard. This is particularly true of those who have struggled to make the transition from education to employment and have had to endure a substantial period of unemployment.

Although there has been a welcome fall in the number of unemployed young people² in the UK since the middle of 2012, they still total 868,000 and account for two of every five unemployed persons. Furthermore, youth unemployment is not a new problem. There was a marked increase in youth unemployment in 2008, as a result of the recession, but young people had been finding it increasingly difficult to secure work for at least a decade before then. It is unlikely that even a sustained economic recovery will bring about a fall in UK youth unemployment to the level where it is comparable with the lowest in other European countries.

This report argues that for many young people who do not go through university the transition from education to employment in the UK is ill-defined, poor quality and ineffective. New policies are required to secure a lasting reduction in youth unemployment and in the number of young people who are not in education, employment or training (NEET). This will involve substantial changes to the labour market, and the education and benefits system. Delivering these changes should have a high priority in the call on scarce public resources.

Chapter 1 sets out recent trends in youth unemployment in the UK and puts them in a longer-term context. The second chapter looks critically at some of the policy measures implemented by the Coalition government, and by the Labour government before it, in this area. Chapter 3 asks what lessons can be learned from the rest of Europe, in particular about vocational education. The fourth chapter briefly highlights some of the weaknesses in the UK's vocational education set-up. Finally, chapter 5 sets out a number of recommendations.

2 Except where stated otherwise, 'young people' refers to the 16–24-year-old age-group.

1. RECENT TRENDS AND THE LONGER-TERM CONTEXT

There were 868,000 unemployed 16–24-year-olds in the UK in the first quarter of 2014 (ONS 2014a). This represented a fall of 90,000 compared to a year earlier, suggesting that the revival in economic activity and big improvement in the labour market that occurred during 2013 and the early part of 2014 has benefitted young unemployed people to some extent. However, despite this fall, official figures show the unemployment rate for 16–24-year-olds was still 19.0 per cent at the beginning of 2014. Moreover, almost one-third – 223,000 out of a total of 691,000 – of unemployed 18–24-year-olds³ have been out of work for more than a year.

These figures are calculated following international guidelines: they count all young people who have been looking for work within the last four weeks and are available to start work within the next two weeks, including those in full-time education. Clearly, full-time students looking for part-time work are in a very different position from young people who are not in education and are looking for full-time work. Government policies to tackle youth unemployment rightly focus on the latter group. Excluding those in full-time education, there were 580,000 unemployed young people in the first quarter of 2014, down 57,000 from the previous quarter and 38,000 from a year earlier. The youth unemployment rate, calculated as a percentage of the economically active population⁴ not in full-time education, was 16.7 per cent. Table 1.1 sets out a complete picture of the status of the 7.2 million 16–24-year-olds in the UK at the beginning of 2014.

Table 1.1
Employment statuses of young people aged 16–24, January to March 2014

	All young people		All active people		Active, not in FTE*	
	Number	% of total	Number	% of total	Number	% of total
Employed, not in FTE	2,900,000	40.3	2,900,000	63.3	2,900,000	83.3
Employed in FTE	813,000	11.3	813,000	17.7	-	-
Unemployed, not in FTE	580,000	8.1	580,000	12.7	580,000	16.7
Unemployed in FTE	289,000	4.0	289,000	6.3	-	-
Inactive, not in FTE	658,000	9.1	-	-	-	-
Inactive, in FTE	1,957,000	27.2	-	-	-	-
Total	7,197,000	100.0	4,581,000	100.0	3,506,000	100.0

Source: Office for National Statistics – Labour Force Survey
*Full-time education

By the age of 24 a person’s chances of a person being unemployed are inversely related to the qualifications gained during their education. The chance of someone whose highest qualification is at GCSE level or equivalent not being in work and looking for a job is roughly 50 per cent greater than it is for someone with a degree. There is also a gap between those with degrees and those with A-levels or their equivalent.

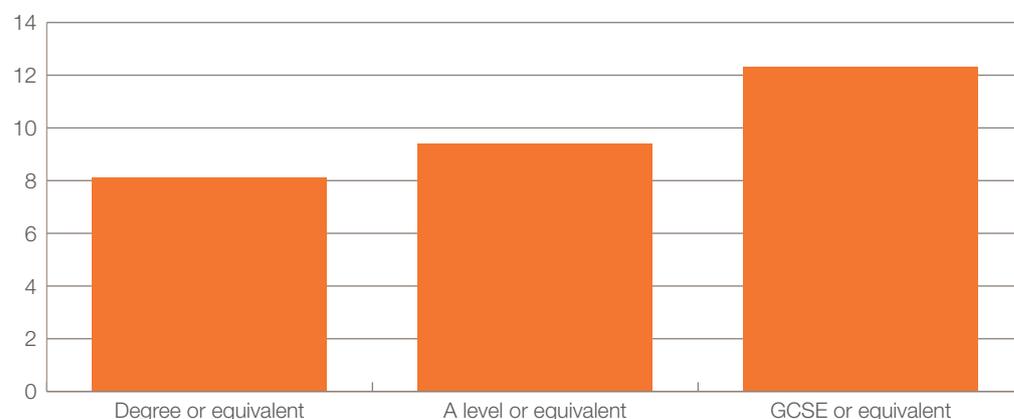
3 It is unusual for anyone aged 16 or 17 to have been unemployed for a year.

4 Those in work or actively looking for work.

Table 1.1 shows that two in every five young people are in work and not in full-time education. This group is more likely to be employed in low-skilled jobs than older workers. Proportionately more young people work in elementary occupations: sales and customer service, and caring, leisure and other services. They are much less likely to be working in managerial, professional and associate professional and technical roles. In some of the elementary occupations they work in, young people will be particularly vulnerable to the forces of globalisation and technological change that are destroying routine jobs in developed economies. It is likely that this is a significant factor in the high level of youth unemployment in the UK. However, many of the jobs that young people work in are, while low-skilled in nature, not vulnerable to these pressures: waiters and waitresses, care assistants and shop workers are, for now at least, still needed.⁵

Figure 1.1

Unemployment (%) by highest qualification (excluding those in FTE) among 24-year-olds, 2013



Source: Office for National Statistics – Labour Force Survey (see ONS 2014c)

Many of these young people in work are, however, ‘underemployed’, either because they are working fewer hours than they want or because they are working in a job that does not fully utilise their skills. In 2012, 22 per cent of young people who were in work wanted to work longer hours, compared to 10 per cent of those aged 25–49 and 8 per cent of those aged 50–64 (ONS 2012). In part, this reflects the fact that young people are more likely to be found in low-skilled occupations and working part-time or on temporary contracts. All of these factors increase the likelihood of underemployment.

Little had changed by 2013. Calculations by the Centre for Economic and Social Inclusion for the Local Government Association suggest that, in England and Wales, over the period October 2012 to September 2013 there were 760,000 young people in work who would have liked more hours. They also found that there were 425,000 young people who were not working to their potential, such as graduates working in non-graduate jobs (Gardiner 2014). As a result, headline youth unemployment figures, as bad as they are, do not show the full extent of the problems young people face in the labour market.

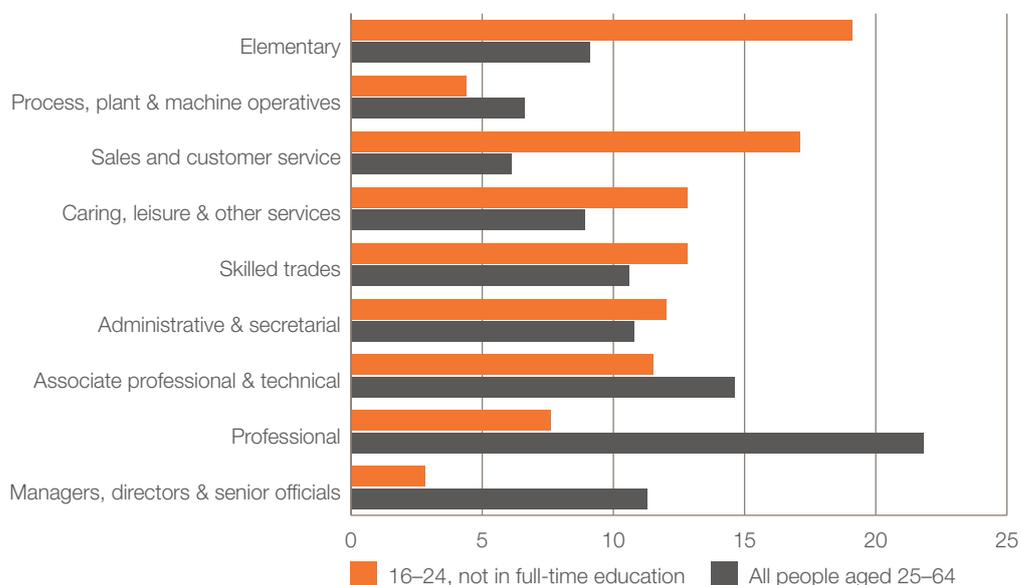
Almost one in 10 young people – 658,000 – were inactive and not in full-time education at the beginning of 2014. The most common reason for not being active in the labour force was ‘looking after the home and family’ (38 per cent

⁵ Of course, the mix of jobs taken by young people, say, 20 years ago would probably have been different, with more jobs in manufacturing and fewer in the service sector.

of this group), followed by being a part-time student (21 per cent) and being sick or disabled (15 per cent) (ONS 2014c: 4).

Figure 1.2

Employment by occupation (% of workforce), young people versus 25+, 2013



Source: Office for National Statistics – Labour Force Survey (see ONS 2014c)

Reports published by the Office for National Statistics (ONS) based on the Labour Force Survey distinguish between those who are in full-time education and those who are not, but published statistics do *not* identify those who are in part-time education or some form of training. An alternative way of measuring young people’s disengagement from the labour market and skills system is to count those who are not in employment, education or training (NEET). In the first quarter of 2014 there were 975,000 people aged 16–24 who were classified as NEET (ONS 2014b). This reveals a fall of 61,000 from the previous quarter and of 118,000 from the previous year, and represents 13.5 per cent of all young people in the UK. Of this total, 507,000 (52 per cent) were looking for work and available to start work, and so would be classified as unemployed; the remainder were either not looking for work or unable to start work, and so would be classified as economically inactive.

Long-term youth unemployment is particularly prevalent among young people aged 16–24 who have left school with no or very few qualifications, those who consistently truant, and those who are excluded from school (BIS 2013a). The Longitudinal Study of Young People in England⁶ shows that over 40 per cent of those leaving school with no reported qualifications, and just under 40 per cent of those leaving with only one to four D to G grades at GCSE level, spend more than a year NEET by the age of 18.

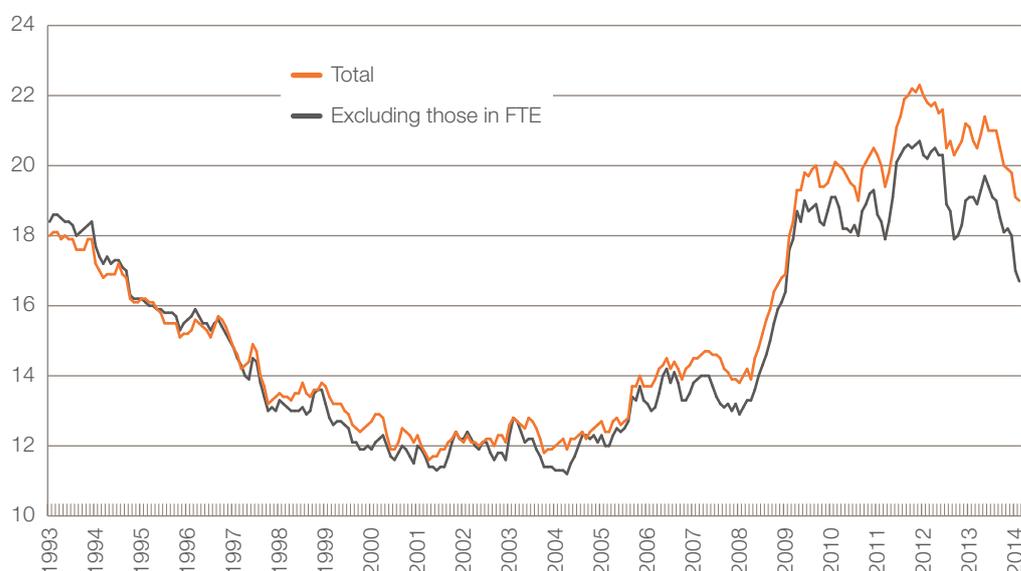
NEET figures are available only from the end of 2001, while unemployment data, on a comparable basis, is available back to 1992, so the latter provides a longer perspective on developments pertaining to young people in the labour market. In 2007, prior to the financial crisis and subsequent recession, youth unemployment was around 13 to 14 per cent of the active population (excluding those in full-time

6 <http://discover.ukdataservice.ac.uk/series/?sn=2000030>

education). Over the next two years it increased to around 19 per cent, and held steady within the range of 18–21 per cent before falling sharply at the start of 2014.

Figure 1.3

UK unemployment rates (%), 16–24-year-olds



Source: Office for National Statistics – Labour Force Survey

However, youth unemployment (unlike total unemployment) was already increasing when the financial crisis began. Having fallen from around 18 per cent to below 12 per cent between 1993 and 2000, and then hovered around this rate for the next four years, it increased from 11 per cent in 2004 to 14 per cent in 2006. So, while the level of youth unemployment is to some extent the result of the recession and subsequent stop-start recovery, there appears to be a structural element to it as well.

Long-term youth unemployment has followed a similar path. The proportion of active 18–24-year-olds who have been out of work for more than a year fell steadily between 1993 and 2001, from around 6 per cent to around 1.5 per cent. However, it began to increase in 2004 and had already reached 2.5 per cent before leaping sharply when the economy went into recession in 2008. It is now back at 5.5 per cent, equivalent to early-1990s levels. Again, there appears to be a structural element to youth unemployment.

The same conclusion can be drawn from a comparison of unemployment rates for young people and older people (those aged 25 and over). An economically active young person is over three and a half times more likely to be unemployed than someone aged 25 and over. The relative position in the labour market of young people has fluctuated in the last six years but is roughly back to where it was in 2007. Far from being a recent phenomenon, the major deterioration in their position occurred between the mid-1990s and the mid-2000s.

Figure 1.4

UK long-term unemployment rate (%), 18–24-year-olds



Source: Office for National Statistics – Labour Force Survey

Figure 1.5

Ratio of youth to adult unemployment rates



Source: Office for National Statistics – Labour Force Survey

The final piece of evidence that the transition from education to employment has become more difficult for some young people is provided by analysis of the Labour Force Survey conducted by the Department for Business, Innovation and Skills (BIS). This shows that the number of young people (excluding those in full-time education) who are workless and who have never had a job remained fairly constant at around 400,000 between 1994 and 2001. Thereafter, however, it increased steadily, reaching about 650,000 before the recent recession. In 2013 it stood at over 700,000 (BIS 2013a: 18). Although there has been an increase in the size of the cohort of young people over this period, the increase in those who have never had a job has been much greater proportionately, indicating a growing structural problem for some young people seeking to move from education into work.

At various times in the last decade or so, a number of theories have been put forward to explain the deterioration of young people's position in the labour market. These include increased migration to the UK, changes in labour market regulations, the national minimum wage, and the size of the cohort of young people. However, none is capable of explaining a shift that occurred over a period of 10 years and which has been sustained for another 10 years since. Furthermore, this is not a phenomenon confined to the UK. Youth unemployment has risen relative to adult unemployment in many European countries (Thompson 2013). Explanations that focus solely on developments in the UK are, therefore, unlikely to be the correct ones.

There are cyclical and structural elements to the current youth unemployment problem in the UK. While youth unemployment will fall further if the economic recovery is sustained, getting macroeconomic policy right is not sufficient to tackle it completely. Structural solutions to the youth unemployment problem are also needed. These are likely to require substantial changes to the labour market, and to the education and benefits systems.

2. REVIEWING THE IMPACT OF GOVERNMENT INITIATIVES

Government initiatives to tackle youth unemployment are nothing new. In the 1950s and '60s, unemployment levels generally were very low in the UK and youth unemployment was not a particular problem. Since then, however, there have been periodic concerns about it. As a result, over the last 40 years a range of policies have been implemented with the aim of reducing youth unemployment. Generally, these have focused on making it easier or cheaper for employers to employ young people and on increasing training opportunities.

In the mid-1970s, the then Labour government established a job-creation programme, offering firms a subsidy for recruiting unemployed school-leavers (later extended to any young person under 20), and set up the youth opportunities programme which paid an allowance to 16–18-year-olds. In the 1980s, the Conservative government also offered employers subsidies if they employed young unemployed people (under 18). It also established a youth training scheme aimed at those who were unemployed in their first year after leaving school (later expanded to include other young people). This emphasis on training was carried into the 1990s with the Learning for Work scheme, which offered vocational studies for those who had been out of work for six months or more.

One of the first major initiatives of the Labour government elected in 1997 was the New Deal, which offered a subsidised job, work in the voluntary sector or full-time education and training to any 16–24-year-old who had been out of work for more than six months. The Labour government also brought in major reforms to post-16 education, education maintenance allowances and, in 2009, the Future Jobs Fund.

The Future Jobs Fund (FJF) supported the creation of subsidised jobs for young people aged 18–24, with the aim of giving them the work experience and skills needed to get an unsubsidised job. Jobs created under the scheme had to last for at least six months and to offer at least 25 hours' work a week; they had to be genuinely additional jobs that would not have existed without FJF backing; and they had to provide support for the young people involved to help them move into long-term employment. Most of the jobs created by the scheme were in the public and third sectors.

In 2010, the FJF became part of the Young Person's Guarantee (YPG), which offered a job through the FJF, training, help with self-employment or a place on a community taskforce. The YPG was initially offered on a voluntary basis to those who had been claiming jobseeker's allowance (JSA) for more than six months, but it became compulsory for those who had been claiming for more than 10 months to take up one of its options. In the March 2010 budget, the FJF was extended to March 2012, with a total budget of £1.3 billion and a target of providing 200,000 jobs. It was, however, terminated early by the Coalition government in March 2011, at which point 105,000 FJF jobs had started.

Subsequent analysis by the Department for Work and Pensions (DWP) showed that the scheme reduced the likelihood of former jobseekers being in receipt of benefits and increased the likelihood that they would be in unsubsidised work. The net gain for society (after deducting the cost to the exchequer from the gain to participants and employers) was estimated to have been £7,750 per participant (DWP 2012).

Changes in the current parliament

Despite axing the FJF, the Coalition government has identified youth unemployment as a major problem and introduced a number of measures across a range of policy areas to tackle it and to improve the transition from education into employment for young people. In particular, the policy and institutional landscape for 14–19-year-old education has changed greatly. The government has scrapped diplomas, introduced new technical qualifications, introduced programmes of study for the 16–18 age-group, changed the way schools and colleges are commissioned, removed requirements for careers advice and guidance, and rapidly expanded the number of institutions that cater specifically for 14–19-year-olds.

Education starts in schools. This report is not the place for a critical review of the government's schools policies, but it would claim that increasing the number of academies and introducing free schools are both measures designed to increase the quality of education and so to improve young people's chances in the labour market. More specifically, the pupil premium, which gives schools additional funding to raise the attainment of disadvantaged pupils, aims to reduce the number of young people leaving school with few or no qualifications, and who would therefore be at a high risk of becoming NEET.

Further education

The Coalition has also implemented significant changes to further education (FE). Since September 2013, FE institutions have been required to offer all students aged 16–19 a 'study programme', which should be based on their individual learning needs, taking into account their previous attainment and aspirations for the future. These study programmes now form the basis for funding (on a student basis, rather than on a qualification basis as in the past). They outline the courses and types of learning that students will undertake, which could include level 2 mathematics and English (if the student does not have a GCSE at grade C or above); academic or vocational qualifications; a traineeship or work-based learning; or activities that do not lead to a qualification but could improve employability, such as work experience.

Among the qualifications that students can study are 'tech levels' and the 'TechBacc'. Tech levels are level 3 qualifications for students who wish to specialise in a particular technical occupation or occupational group. They should lead to employment in recognised occupations, and should be accepted by a relevant trade or professional body, or by at least five employers registered at Companies House that are representative of the industry sector or occupation to which the qualification relates.⁷ Tech levels can count towards the achievement of a new technical baccalaureate (TechBacc). To receive a TechBacc, students have to obtain an approved level 3 tech level qualification, an approved level 3 mathematics qualification and an extended project qualification.

The government is also backing the establishment of 'careers colleges'. These will take advantage of the decision to allow FE colleges to recruit children at the age of 14. They will provide teaching in the core curriculum subjects – including English, mathematics and science – but in the context of a chosen vocational specialism. They will also provide vocational learning, including hands-on projects. They aim to provide 'clear progression routes into higher education, apprenticeships, further education and above all, work'.⁸ This will be facilitated by getting local employers involved in the design and delivery of the curriculum. Careers colleges are expected to complement university technical colleges (UTCs). These institutions, which are already being established, provide vocational training in science, technology, engineering and mathematics (the 'STEM' subjects), together with teaching in core

7 For full details of tech levels at the time of writing, see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/301800/2016_L3_16-19_Tech_Level_list_April_update.pdf

8 See <http://careercolleges.org.uk/>

academic subjects. Careers colleges will be similar, but their focus will be on non-STEM subjects.

The expansion of university technical colleges and the creation of careers colleges are two of a number of changes in recent years that enable young people to switch their education pathway at the age of 14. Others include the decision to allow all FE colleges to recruit students at 14 and the establishment of studio schools and free schools for pupils aged 14–19. This challenges the traditional assumption that young people make the major transition in their secondary education at the age of 16. However, developments in other areas – particularly careers education and guidance – are failing to keep pace.

Careers advice and guidance

Following a review led by the cabinet secretary, Sir Jeremy Heywood, the deputy prime minister, Nick Clegg, in a speech in February 2014 announced the Coalition government's latest response to the youth unemployment problem. A key proposal was the setting up of a UCAS-style 'one-stop online shop' website that will provide details of training, apprenticeships, work experience and job opportunities for 16-year-olds (Clegg 2014). This will be maintained by local authorities and is designed to increase young people's knowledge of the options available to them when they leave compulsory education, and to make it easier for them to apply for these opportunities. To complement this website, schools are being told to improve the careers advice they give to their pupils and to develop stronger links with local employers. However, there were no new announcements pertaining to 14-year-olds.

Crucially, the government has been reduced to *urging* schools to act on careers advice because the Education Act of 2011 removed the statutory requirement on schools to provide careers education and on local authorities to provide a universal careers service for young people. In place of these requirements, the government set up the National Careers Service, a website and free telephone service for young people. It also requires schools to give pupils access to careers advice. However, Ofsted has found that careers guidance in many schools is poor, often including a failure to alert pupils to the National Careers Service (Ofsted 2013a). It also found very low levels of employer engagement in schools, so that pupils were left unaware of the employment opportunities in their local area. It suggested that many schools concentrated on A-levels and failed to promote alternative routes into work, such as apprenticeships and other forms of vocational training. In their own defence, schools argue that the problem is one of resourcing, and that they have insufficient funds to devote more resources to career guidance. When they became responsible for careers advice, they were not given additional funding to meet their new responsibilities.

Ofsted's findings were echoed by young people in Birmingham that IPPR talked to as part of its Condition of Britain programme of work.⁹ These young people, aged 16 and 17, reported that they had received very little help from teachers or their parents when deciding what courses to take at 14 or when thinking about particular careers at 15 and 16. They also bemoaned a lack of opportunities for work experience, and said that vocational education and apprenticeships were commonly regarded as second-class options (Lawton 2013).

Traineeships

In an attempt to tackle the problems of 16- and 17-year-olds in particular, the government is increasing the 'participation age'. From 2013/14 they are required to continue in education or training (which could be part-time) until the end of the academic year in which they turn 17, and, from 2015, until their 18th birthday.

9 See <http://www.ippr.org/major-programmes/condition-of-britain>

At the same time, traineeships for 16–23-year-olds in England were introduced, from August 2013.¹⁰ These are targeted at young people who are not in work and have little work experience; who are either aged 16–18 and qualified below level 3, or aged 19–23 and qualified below level 2; and who are judged by employers and training organisations to have a reasonable chance of being ready for work within six months of taking part in the programme. Traineeships can last from six weeks to six months and have three core elements: work placement, work preparation training and support in English and mathematics.

It is too soon to evaluate the success of traineeships, although there have been some reports that take-up of places has been disappointing (see for example Exley 2013). Ultimately, the scheme will be judged by its success in getting people into work or an apprenticeship. One worry is that young people on benefits might not be able or willing to join a traineeship because of the cost. To help assuage this concern, the chancellor announced in the 2013 autumn statement that the 16-hour rule, which limits the amount of time JSA claimants can train every week, will no longer apply for traineeships (although this change has yet to be implemented). Another concern is that, because traineeships will not equip young people with a recognised qualification, if they do not lead immediately to a job or an apprenticeship then they will be of little use to those who undertake them.

Apprenticeships

Like the last Labour government, the Coalition has placed great store in increases in the number of apprenticeships as a means of better equipping people for work and improving the skills of the workforce for employers. Official figures show the number of apprenticeships in England almost doubled between 2008/09 and 2012/13.¹¹ However, much of the increase has been accounted for by people aged 25 and over; the number of apprentices aged 24 and under has increased by only 30 per cent over the same period. As a result, whereas young people accounted for four of every five apprenticeships in 2008/09, they now account for less than three in five.

Table 2.1
Apprenticeship participation, by age

	Under 19	19–24	25+	Total	% under 25
2008/09	173,900	191,800	79,100	444,800	82
2009/10	186,400	210,900	93,900	491,300	81
2010/11	203,100	251,900	210,900	665,900	68
2011/12	189,600	272,100	344,800	806,500	57
2012/13	181,300	294,500	392,800	868,700	55

Source: ONS 2013

The government is also taking steps to improve the quality of apprenticeships in England, implementing some of the key recommendations of the Richard review (Richard 2012). In particular, it plans to give employers a much bigger say in the construction of apprenticeships; to require higher standards in English and mathematics; to insist that all apprenticeships last for a minimum of 12 months; and to introduce a rigorous independent assessment at the end of training, with grading (probably in terms of ‘pass’, ‘merit’ and ‘distinction’). In future, starting with eight sectors but extending to all apprenticeships by

10 See the government’s guidance on traineeships: <https://www.gov.uk/government/publications/traineeships-operational-information/traineeships-supporting-information>

11 Figures for 2011/12 and 2012/13 are not strictly comparable with those for earlier years due to changes in the data collection system. The ONS estimates that these changes reduced the total number of apprenticeships counted by around 5 per cent.

2017/18, the government will set a small number of criteria that must apply to all apprenticeships, but will leave the detailed setting of required standards to employers, who – the government argues – are better placed to define the needs of their sector.

The Youth Contract and other direct interventions

In addition to its efforts to improve training opportunities, the Coalition has also tried direct methods to reduce youth unemployment. The Youth Contract was launched in April 2012. It is a package of measures, with a budget of almost £1 billion over three years, that is designed to help tackle youth unemployment by preparing young people for work and finding them sustainable positions.

The main measures in the Youth Contract¹² are:

- Wage incentives worth up to £2,275, paid to employers who recruit an eligible 18–24-year-old from Jobcentre Plus or the Work Programme.
- An extra 250,000 work experience places, to ensure that there is a place for every 18–24-year-old who wants one.
- Extra places in sector-based work academies, to ensure that there is a place for every 18–24-year-old who wants one.
- Wage incentives for small employers who have not previously done so to take on an apprentice.
- £126 million of spending in England to support young people aged 16 and 17 who are NEET to help them get back into education, a job with training or an apprenticeship.

The DWP recently published evidence on customers' experience of the Youth Contract (DWP 2014). Critics have pointed out that it falls some way short of selling the policy as a resounding success. As the Centre for Economic and Social Inclusion has pointed out, wage subsidies have been paid out at an annual rate of 10,000 jobs a year, compared to a target of 40,000; half of the people who moved into a job after a work placement did not say the placement helped them; and only 30 per cent of participants in sector-based work academies had a work experience placement and only 21 per cent a guaranteed interview, which suggests these academies are offering nothing very different from ordinary pre-employment training (CESI 2014).

The Youth Contract was due to expire in 2015, but the DWP announced that no claims for placements would be accepted after 6 August 2014, indicating an earlier end. The chancellor, George Osborne, announced in the 2013 autumn statement that from April 2015 employers will not have to pay national insurance contributions on earnings up to the upper earnings limit for employees under the age of 21. This will replace in a permanent way the recruitment subsidies currently provided under the Youth Contract, and is designed to make young people cheaper to employ and therefore relatively more attractive to employers.

The government also plans to trial, in limited, areas three proposals, that centre on young people who are out of work. There are two schemes for 18–21-year-olds who have been out of work for six months. In the first, they will lose their JSA eligibility if they have not achieved level 2 qualifications in mathematics and English and refuse to undertake training. In the second, they will be offered six months of work experience. In a third trial, 16 and 17-year-olds will be able for the first time to visit Jobcentre Plus for help and advice in seeking employment.

12 For more details, see <http://www.dwp.gov.uk/youth-contract/key-initiatives/>

The Work Programme

The government's main scheme for getting the long-term unemployed back into work is the Work Programme. Young people are referred to the Work Programme sooner than older people – after nine months of claiming JSA, rather than 12 months, and 18-year-olds who have been NEET for six months or more before making an initial claim for JSA are referred after three months on JSA. However, in other respects, young people who are not in work enter the same benefit and employment service system as older people.

The approach of the Work Programme is very similar to that of the last Labour government's New Deal for Young People, and shares many of its faults (Lawton 2013). The New Deal was one of the reasons why youth unemployment fell to 12 per cent in the early 2000s. However, it did not have a lasting impact because it dealt with the symptoms of the problem – young people who had been out of work for a long period of time – rather than the causes – the underlying flaws in the youth transition system. It was not accompanied by necessary reforms to the youth training or vocational education system, or to the benefits system; it did not reach those on inactive benefits; and it was not responsive to changes happening in the labour market that were making it harder for young people to find sustainable jobs.

These same criticisms can be made of the bulk of the initiatives in youth unemployment that have been tried at various times over the last four decades. Too often they have focused on high youth unemployment – the symptom of a tougher transition from education to employment – rather than on the underlying causes. Either successive governments have failed to recognise the substantial changes to the labour market and to the benefits and education system that are needed to smooth youth transitions, and so bring about a permanent lowering of youth unemployment and the number of NEETs, or, despite declaring youth unemployment to be a priority, they have not been prepared to invest the resources that would be required.

3.

WHAT CAN WE LEARN FROM THE WIDER EUROPEAN EXPERIENCE?

The transition from education to employment is managed in a variety of ways in different European countries, often reflecting the general nature of their economic models.¹³ Thus, Germany's much-admired dual apprenticeship scheme, which has big inputs from employers, unions and the state, must be viewed in the context of the country's coordinated market economy model. Attempts simply to copy this apprenticeship system across into another country with a very different economic model, like the UK, would be very likely to fail. Furthermore, while it eases the school-to-work transition for those who follow the apprenticeship route, there is evidence that young people in Germany who do not secure a place on the scheme (and do not go to university) have worse outcomes than their counterparts in other countries. No one country, even Germany, gets every aspect of youth transitions policy right. Even so, there are important lessons for the UK to learn from the experience of other European countries.

There are currently around 5.5 million young people (aged 16–24) unemployed in the European Union. In part, this is the result of the cyclical downturn that followed the financial crisis and was extended by the subsequent sovereign debt crisis in a number of countries. But Europe also has a more longstanding structural youth unemployment problem. Even before the recession, young people in many European countries were finding it increasingly difficult to compete with older workers for jobs. The main exceptions were Germany, Austria, Switzerland and Norway. What the first three of these four countries have in common is a system of vocational education and training that is held in high esteem.

In other countries, the transition from education to employment has become tougher for young people who do not follow the university route. Employers appear to value older, experienced workers relative to younger ones, more than they did in the past. The causes of this development are complex and their importance will vary from country to country. But there are likely to be some common factors, particularly the effects of globalisation and rapid technological progress in changing the structure of the workforce.

Broadly speaking, youth unemployment rates across Europe have tended to follow similar trends: falling throughout the second half of the 1980s, increasing in the early 1990s (when much of Europe experienced a recession), falling steadily from this peak until levelling off at some point in the 2000s, before finally increasing sharply in the recent recession. However, there have been some distinct divergences in recent years. In particular, some countries have avoided any increase in youth unemployment over the last decade, while others have seen enormous rises. The result is that there is now a huge disparity in unemployment rates across Europe.

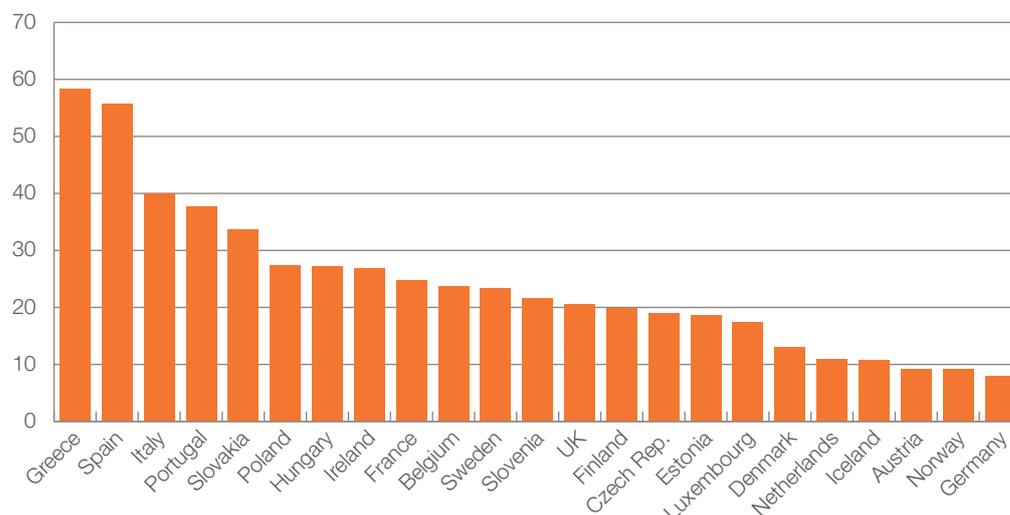
Generally speaking, countries that have experienced the biggest economic problems over the last six or seven years – in particular those in southern Europe – have seen the biggest increases in youth unemployment and now have the highest rates. Falls in output have led firms to cut back heavily on recruitment programmes, which has had a disproportionate effect on young people seeking their first jobs.

¹³ This chapter draws on analysis previously published in Dolphin 2014 and Thompson 2013.

The fact that there were more older, experienced workers competing with them for fewer vacancies exacerbated the problems facing young people.

Figure 3.1

Youth unemployment rates (%) across Europe, 2013



Source: Eurostat 2014

Unemployment rates are highest in southern Europe and the periphery and lowest in central and northern Europe (the same is true of overall unemployment rates). This is largely a reflection of the varying effects of the financial crisis and the subsequent sovereign debt crisis on different parts of Europe, and shows that getting a country's macroeconomic policies right is an important determinant of unemployment outcomes for young people. But the correlation between real GDP and employment is not straightforward; from one country to the next, similar falls in GDP during the recession led to very different changes in youth unemployment rates. It is also the case that in some countries, such as Germany, Austria and the Netherlands, youth unemployment rates have tended to be relatively low throughout the last two decades, while in other countries, including the UK and France, they have been higher. This suggests that there are long-run structural factors at work, not just swings in the economic cycle.

One common development in many European countries was a rise in youth unemployment relative to adult unemployment in the period up to 2007 – that is, before the financial crisis commenced (Thompson 2013). Despite reasonable economic growth in most countries throughout this period and relatively stable overall unemployment rates, young people began to find it harder to compete in the labour market.

The UK's youth unemployment rate in 2013, at 20.5 per cent, was a little below the average for EU countries, which stood at 23.4 per cent. However, the UK's youth unemployment *proportion* (that is, unemployed young people as a proportion of the whole population) is, at 12 per cent, a little above the EU average of 10 per cent (ONS 2014c). This apparent contradiction occurs because the UK has proportionately fewer young people who are inactive and a relatively high youth employment rate. Some other countries, such as Germany and Austria, also have a high youth employment rate because of the prevalence of apprenticeships, which count as employment. But in the UK's case, this is because young people tend to leave education at an earlier age than in most of the rest of Europe. Higher employment is, therefore, a reflection of higher economic activity.

Young people who leave education find their first job quicker in the UK, on average, than those in any other European economy except Iceland: the average length of time it takes British young people to move into work is less than four months. However, the average duration of first jobs is also shorter, which suggests suggesting that jobs for young people in the UK are particularly insecure or that the pressures on young people in the UK to find a job quickly can result in a bad choice. In other countries, the system appears to allow young people to make a more leisurely, but more successful choice about their first step into employment.

In 2006, the OECD set out its recommendations for dealing with high and persistent unemployment in its member countries. Although these were not specifically targeted at reducing the number of young people without work, clearly if they were successful one of the outcomes would be lower youth unemployment. The OECD recognised that there was no single successful approach that could be adopted by all countries, but it set out four 'pillars' that should form the basis of any strategy (OECD 2006).

1. **Set appropriate macroeconomic policies:** strong and sustainable growth will result in lower unemployment.
2. **Remove impediments to labour market participation as well as job-search:** benefit and tax systems should be work-oriented and not discourage work, while employment services should offer support in job-search through active labour market programmes.
3. **Tackle labour- and product-market obstacles to labour demand:** ensure that labour markets are not over-regulated, while offering flexible working options and security to workers.
4. **Facilitate the development of labour force skills and competencies:** improve the quality of education and training and ensure that it is relevant to the requirements of employers.

Applying these 'pillars' to the problem of young people's transition from education into work suggests there are four broad categories of influence: macroeconomic policies, the labour market, the education system, and government policy on benefits and employment services. Macroeconomic policy is not considered further in this paper, but there are lessons for the UK to learn from the approaches of other European countries in each of the other three areas.

Labour markets

Analysis of developments in Europe shows that changes in the structure of the economy and the labour market have been important factors for young people facing an increasingly difficult transition from education into work (Thompson 2013). It has been argued that an increase in the employment rate of older workers, particularly women, has created more competition for young people, who – because they lack experience – tend to lose out in the fight for jobs (Mourshed et al 2014). In the long run, this will not be the case. It assumes that there are a fixed number of jobs in the economy which either go to older or younger workers. But, by being in work, older workers will have more spending power, which boosts economic output and creates more jobs which young people can fill. The number of jobs in the economy is not fixed.

In the short run, however, change in the labour market can work against some groups. To the extent that young people tended in the past to work in industries and occupations that are in decline, the latest cohort will find it increasingly hard to get a first foothold in the jobs market. This is particularly true if the education and training system is not adapting to give them the skills that are needed in the sectors and occupations that are emerging to replace those that are being lost.

Globalisation and rapid technological change have had profound effects on labour markets across Europe over the last two decades. They have accelerated a shift in jobs from manufacturing to the service sector. This has been a particularly important factor in the UK, where the decline in manufacturing's share in the economy has been faster than the average across developed economies. As a result, the proportion of young people working in manufacturing halved between 1995 and 2007, while the share of those working in low-skilled jobs in the service sector rose to almost 50 per cent. However, although the service sector employs a greater proportion of young people now, it has not been able or willing to employ enough to keep youth unemployment at acceptable levels. Developments in Europe suggest that large firms in manufacturing and construction used to employ many young people but are less likely to do so now, and that small firms in the service sector, which have seen their share of overall employment increase, are less willing to take on young people (Thompson 2013).

Globalisation and rapid technological change have also caused a shift in jobs from the middle of the skill distribution towards both higher and lower skilled occupations, in a phenomenon commonly referred to as polarisation (Dolphin et al 2014). The share of clerical and administrative jobs, craft and trade workers, and machine operators and assemblers in the workforce has been declining since at least the mid-1990s. Many young people would previously have entered the workforce through one of these mid-skilled jobs and developed additional skills while in work to allow them to move into higher-skilled roles. This option is increasingly unavailable. Consequently, many young people find themselves working in low-skilled jobs for which they are overqualified – pushing those who might otherwise have taken these jobs into unemployment.

There have been changes to other aspects of youth employment too, including an increase in the proportion of young people working part-time. This is partly related to increased participation in education and young people trying to fit work around their studies. However, in some countries, such as Sweden, France and Spain, around half of young people who are working part-time would rather be in a full-time post (Thompson 2013). While in Spain this is largely the result of the recession, in Sweden and France it is a more longstanding feature of the youth labour market, suggesting that there is a substantial shortage of full-time opportunities for the young.

Labour market policies and the extent of labour market regulation vary widely across European countries, but there is no simple relationship between these elements and levels of youth unemployment (Thompson 2013). In theory, a country that imposes a high administrative burden on employers might expect to have a high youth unemployment rate, because young people are more likely to fill low-productivity, low-paid jobs, and these will be the ones employers are most reluctant to take the trouble to create. However, this is not always the case in practice. In countries like Spain, employment legislation appears to hinder young people's chances in the labour market by protecting those with jobs and so diminishing opportunities for those looking for work; but countries with high levels of labour market protection for workers, such as Germany, can have relatively low levels of youth unemployment (much lower than in the UK, for example, where there is relatively little labour market regulation).

The interaction of labour market policies with other factors that influence young people's transition into work is crucial. Germany's high level of labour market regulation does not have a material detrimental effect on most young people's prospects because the dual apprenticeship system is highly effective in channelling young people into work. Young people in Spain do not have this advantage. However, in Germany, for those who do not qualify for the apprenticeship route (or opt for university), youth unemployment rates are high, which may – in part – be due to employment protection legislation.

There is also no evidence that a minimum wage for young people, which is prevalent across Europe, results in high youth unemployment, either in absolute terms or relative to adult unemployment. Minimum wages appear to have a positive effect in terms of encouraging young people to seek work and this outweighs any negative effect in terms of making them less attractive to employers – providing that the minimum wage for young people is lower than that for adults.

Because the UK has a low degree of labour market regulation, temporary jobs are less prevalent here than in many other European countries, including among young people. There is less incentive for employers to use temporary contracts when there are fewer regulations for permanent workers, particularly around hiring and firing. Consequently, the trend in many countries towards a greater use of temporary contracts for young people has not been replicated in the UK. There is a risk, however, that any attempt to improve the position of young people in the labour market through regulation could lead employers to increase their use of temporary contracts.

Education

Education is an important determinant of a young person's chances in the labour market. Education systems vary widely across European countries and also change over time, but, consistently across Europe, the higher the level of qualification that a young person has the lower their chances are of being unemployed (OECD 2013a).

For this reason, a number of European countries offer additional opportunities for young people who leave school with no qualifications to acquire a basic level of skills: for example, 'second-chance' schools in France and the 'vocational initial programme' in Spain. Their aim is to get young people up to a minimum level of qualifications, while at the same time giving them some experience in the workplace. In both countries, the schemes are judged to be successful in terms of improving employment outcomes, although they are expensive because they require low student-to-teacher ratios (Dolphin et al 2014).

However, the rise in youth unemployment relative to adult unemployment over the last two decades cannot be explained by an increase in the proportion of young people leaving education with few or no qualifications. In fact, the reverse is generally the case: in most countries, there has been a small fall in this proportion – although at 10 to 15 per cent in many countries (and 25 per cent in Spain) it remains too high.

However, employers often complain that young people lack the employability skills needed in the workplace, including spoken communication skills and a strong work ethic (Mourshed et al 2014). If weaknesses in education systems have contributed to the increased problems young people face in trying to find work, it is not that they are producing people with fewer qualifications, but rather that the qualifications do not give young people the skills that employers value. The content of what young people are learning in education and training has become divorced from the needs of employers. Only in countries like Germany, Austria and Switzerland, which have a strong dual system involving substantial input from employers into education and training, including in the design of curricula, is this not the case. And it is no coincidence that these countries have experienced the least severe problems with youth unemployment.

For those young people who do not go to university, one factor that has an important bearing on their success in the labour market is the extent to which they follow a vocational rather than a general education route. For those not planning to follow a path through university into the workforce, a strong vocational education system can provide a clear alternative. In France, for example, vocational education is not held in as high esteem as it is in, say, Germany. This makes it less attractive to young people, and it makes young people who follow a vocational route less attractive to employers. The consequence is a tougher transition from education into work and higher youth unemployment.

A second important distinction lies in the nature of the vocational education system: whether it provides young people with skills that are tied to a particular industry or occupation (as, for example, an apprenticeship does) or more general and transferable skills. The lesson from other European countries, such as France, that offer both routes is that providing industry or occupation-specific skills makes for an easier transition into work for young people. This approach inevitably involves a greater amount of work experience, which is valued by employers, who can also have greater certainty about the precise skills that young people will have. There is, however, some evidence that this can constrain choice in later years, when more general skills might be more useful and make retraining easier (Korpi et al 2003).

Work experience is an important element of vocational education and training. In the larger European countries, those young people who worked during their education are less likely to be unemployed than those who did not. Although the gap between the unemployment rates of the two groups varies widely from country to country, the general conclusion holds true across them all (Thompson 2013: 30). In the UK, there has been a steady decline in the proportion of young people working while they study, from around 45 per cent in 2002 to little more than 30 per cent in 2011, and the inference is that this will have contributed to the increase in youth unemployment over this period.

Apprenticeships have the potential to give employers everything they want from the education and training system. The content of their education component can be regulated to ensure it complements the training received in the workplace. Standards can be controlled so that employers can have faith in the quality of qualified apprentices, and the large element of on-the-job training ensures that young people get the work experience that most employers regard as crucial. As has been pointed out in the context of the Austrian system, the great advantage of apprenticeships is that they are never out of date, unlike general education systems, where the curriculum is always at risk of falling behind the curve: 'if the economy changes, or if production methods or the provision of services change, trainees immediately learn to meet new demands' (Kopf 2014).

However, this is only the case for high-quality apprenticeships, as are found in Germany, Austria and Switzerland. In other countries, including the UK, apprenticeships tend to be shorter in length, to contain more college-based general education and less on-the-job training, and to result in a final qualification at a lower level – typically level 2 rather than level 3 (Steedman 2010). Consequently, employers in these countries hold apprenticeships in relatively low esteem compared to university education – and regard vocational routes that are not apprenticeships even lower.

However, while the German system of apprenticeships is held up as the gold standard and is widely credited as the reason that Germany has consistently had among the lowest youth unemployment and NEET rates in Europe, its importance to youth transitions is shrinking. Changes in the structure of the economy have led to a decline in the number of employers offering apprenticeship places. Therefore, quite apart from the institutional difficulties of importing another country's education and training system to the UK, consideration also needs to be given to the scale of an apprenticeship system that is appropriate to the British economy as it is now structured and will be in the future.

Where strong apprenticeships schemes exist, they are encouraged by a belief that secondary education is not just about the acquisition of qualifications but about achieving a successful transition from education to work. This perspective also encourages an emphasis on strong careers advice and guidance services. But it is not just pro-apprenticeship countries like Germany, Austria and Switzerland that the UK can learn from when it comes to careers advice.

In Spain, careers education is built into the curriculum from a very early age, with compulsory elements in primary and secondary schools, building up to a vocational training and guidance module of 65 hours' class time a year. The presumption is that careers education will be more effective because it starts early. However, it is not just the amount of education given but also the nature of it that matters, and the Spanish system's weakness is its generic nature. Pupils find out about the nature of work, but not about where jobs are likely to be found in the local economy and which courses and qualifications lead to the best employment outcomes. There is also little face-to-face advice for individual pupils. The advantage of this approach is that it encourages young people to be flexible about their work options, rather than narrowing them down prematurely. But the cost of this flexibility is increased difficulty in competing with older workers for jobs.

The underlying weakness of the Spanish system – and of the French system too – is that the quality of career guidance is undermined by a lack of understanding and information about local labour markets. Counsellors lack the skills and experience needed to effectively advise students. As a result, young people hold the careers guidance system in low esteem and fail to engage with it (Boulhol 2013). In careers systems that do appear to make a difference, such as those in Germany, the Netherlands and Denmark, teachers are given specific training to enable them to be more involved with guidance for their students (Enlart 2012).

There is a particular need for careers guidance and advice (as opposed to general careers education) to be given to students prior to the educational 'milestones' at which they make crucial choices. The age at which these choices are made varies from country to country: in the UK, 14 and 16 are the key milestones.

In Germany, for example, the crucial choice is made before the age of 12, when children go to a lower, intermediate or higher secondary school (so it is more likely to be taken by parents rather than pupils). Attending a higher secondary school is likely to result in a university education, while an intermediate or lower school is likely to lead to vocational education and training in the dual system or the 'transition system'. Technically, it is possible for students to move between the academic and vocational routes, but in practice this is rare.

The system in the Netherlands is similar. Children (or their parents) choose an education pathway at the age of 12, but here there is a relatively large degree of mobility between routes, at least in the following two years. This is facilitated by a common curriculum across all types of institution. However, at the age of 14, those on a vocational pathway have to choose between four broad areas of study (and then at 16 they set out on different levels of qualifications) and from this point switching is much more difficult.

Young people in France face a similar choice, but not until they reach the age of 14. Then they must decide whether to pursue a general (that is, largely academic), technological or vocational pathway. The first two pathways are both likely to lead to higher education but, while the academic route involves a broad curriculum, the technological pathway combines some general education with studies in a narrow technical field. The vocational pathway, meanwhile, can be general or specialised.

Benefits and employment services

The natural tendency is to see youth unemployment as a labour market problem – a mismatch between the number of young people seeking work and the number of employers willing to hire them – and so to look for 'work-first' solutions in the labour market. This has been the typical response of governments across Europe to developments in the last six years – as seen, for example, in attempts to shift the balance back in favour of young people through job subsidies. Often these measures have been accompanied by attempts to make work more attractive for young people, in comparison to remaining on benefits. There is no correlation

across Europe between the generosity of out-of-work benefits for young people and levels of youth unemployment. In part, though, this may be because countries with the most generous schemes tend to be the ones with the strongest vocational education systems that lead to industry, or occupation-specific qualifications.

The evidence from European countries is that incentives work best when accompanied by the threat of sanctions. Job guarantees and training options that are accompanied by requirements to take up offers or to suffer loss of benefit are most effective. When such interventions are made very early, they can help to prevent young people becoming long-term NEET. For example, Denmark has a comparatively low level of youth unemployment. In part, this is because those who find themselves unemployed are given targeted support to move into employment or training. Every person under the age of 30 is provided with an offer of a job or training within 13 weeks of registering as unemployed, while those under the age of 20 are placed in education, work or training within four weeks of becoming unemployed. Those who refuse to participate face sanctions, including loss of benefits.

Austria has a similar system that combines labour market flexibility – allowing firms to lay off workers relatively easily – with strong support for those who do not have a job. This involves a broad suite of active labour market policies, including wage subsidies and support with training, designed to get people back into work or to prepare them for work, which are implemented by the Austrian Public Employment Service. The result is that Austria has one of the lowest youth unemployment rates in the EU (and the lowest overall unemployment rate). This does not come for free, though: the employment service has the fourth-highest budget (relative to GDP and unemployment) in the EU (Kopf 2014).

Internationally comparable data on spending on labour market intervention programmes specifically for the young is not available, not least because in some countries there is no distinct youth programme. But data for such spending across all age-groups shows there is considerable divergence between spending on labour market services (such as job centres), training, employment incentives, direct job creation and start-up incentives. Among large European countries, the UK spends relatively little overall (as a share of GDP) and is unique in spending 90 per cent of its total spend on labour market services, whereas for the vast majority of countries the ratio is well below 50 per cent (Eurostat 2013). However, there is no clear relationship between the level or nature of spending and youth unemployment.

Conclusions

A wide range of interrelated factors determine how easy the transition from education to full-time employment is for young people across Europe. Analysis of the experience of young people across Europe over the last two decades shows that in many countries this transition has become harder for those who do not follow a path through university. The ability of education systems and labour markets to successfully match young people to jobs has deteriorated. Ultimately, therefore, the solution to the UK's persistent youth unemployment problem lies in improving vocational education and training and the links between the education system and employers.

In particular, the wider European experience demonstrates a number of points.

- Changes in the structure of the economy have reduced young people's ability to compete in the labour market because the skills system has not adapted fast enough to the pace of change.
- Youth unemployment is lower in countries where the vocational route into employment through formal education and training is as clear as the academic route.

- The quality of vocational education and training is crucial because it can raise the status of the vocational route in the eyes of employers and young people alike.
- A high degree of employer involvement in the vocational education and training system results in lower youth unemployment.
- Youth transitions are improved by information about the employment outcomes of various options and courses, as part of a good programme of careers education and guidance.
- Work experience, combined either formally or informally with education, reduces a young person's chances of being unemployed.
- Second-chance schools and courses are an effective but expensive way of improving the employment chances of young people who leave compulsory education with few or no qualifications.
- Employment regulation and minimum wages have little or no impact on youth unemployment.
- Wage subsidies can be effective in lowering youth unemployment, but have high deadweight costs and can lead to substitution at the expense of other workers.
- Work-first approaches in the benefit system are appropriate for some unemployed young people, but for most a combination of work experience and education will be more effective in securing lasting employment opportunities.

In short, a strong workplace-based vocational education and training system with high employer involvement contributes more to a smoother transition from education to work and a low rate of youth unemployment than anything else. In this respect the UK is some way from being the best in Europe, and developing the system and increasing young people's engagement with it should be priorities.

4.

PROBLEMS WITH VOCATIONAL EDUCATION IN THE UK

Much vocational education and training in the UK is high quality. In the academic year 2012/13, Ofsted found that 14 per cent of further education and skills providers were 'outstanding' and 57 per cent were 'good'. These figures were up from 11 per cent and 49 per cent respectively in 2009/10, although the number of providers rated 'inadequate' also increased over the same period (Ofsted 2013b). It noted that the quality of teaching had improved and that providers were setting higher expectations for students. However, it also said that too much provision was not responsive to the needs of local employers, and was therefore inappropriate for young people regardless of its quality. This is the overarching problem with vocational education and training in the UK: it is geared towards delivering qualifications rather than employability.

Around 45 per cent of 18- and 19-year-olds in the UK go to university to study for a degree. From the age of 14, this group have a clear pathway marked out for them, through GCSEs and A-levels to UCAS and into university. Those not going through university do not have such a clear pathway. There is no clear route for them to follow once they have finished school at age 16 or 18. Instead, they are faced with a bewildering array of choices between different vocational qualifications, colleges and apprenticeships and there is little information about the likely outcome, in terms of employability, of following any of them.

As a result, some students find themselves going down the A-level route when it is not appropriate for them. The latest data on 'success rates' shows that 84 per cent of level 3 academic qualifications (mostly A-levels) were completed successfully (DfE 2013a). However, surveys put this figure much lower in some areas. For example, in the North West of England, dropout rates at A-level were found to be as high as 30 per cent (Hodgson and Spours 2012). The A-level system clearly is not working for these students but they feel there is no high-quality vocational alternative. There is a danger that the current focus on the English baccalaureate and academic subjects will exacerbate this problem.

Meanwhile, almost four of every 10 16-year-olds (39 per cent) leave school without a grade C or above in English and mathematics at GCSE (DfE 2014). This makes it difficult for them to get a decent job or to move on to study for a higher-level qualification. The priority for these young people should be to master the basics in English and mathematics, but our education system is not designed to help them. Of those 16-year-olds who finish school without a good GCSE in English and mathematics, only half go on to achieve it by the age of 18 (Wolf 2011). Many study low-level and poor-quality vocational courses that bring them little benefit in terms of employability, while others give up on education and training completely and become NEET.

Many of the vocational courses young people study lead to a dead-end. This is a particular problem for those who take level 2 vocational qualifications instead of GCSEs and then find that they are not qualified to start a level 3 course at college. Consequently, they have to take further qualifications at the same level as ones they already hold, rather than progressing up the ladder. Owen Corrigan (2013) estimates that only 30 per cent of young people entering further education at

level 2 emerge qualified to level 3. A similar problem can arise for those who have a level 3 vocational qualification but find that it is not enough to secure them a place at university (for example, level 3 NVQs are generally not accepted by universities, whereas BTECs are).

Some vocational qualifications, particularly at level 2, also do not provide any benefit in the labour market, in terms of getting a job or earning more money. This is a particular problem in areas such as hospitality and retailing, where having a level 2 NVQ qualification can result in *lower* earnings than if the learner just had five good (A*–C) GCSEs (Conlon and Patrignani 2010). Part of the problem is with the design and content of the qualifications on offer, which do not add any new skills or training. As a result, employers tend to perceive young people with these qualifications as low achievers (Roberts 2012).

Although the evidence from other countries suggests courses that are too general are not valued by employers because they do not deliver skills needed in specific jobs, it is possible to go too far in the opposite direction. Some occupational qualifications in the UK have been criticised for being too narrow. They are tied very closely to the needs of particular employers or occupations, and as a result fail to give a good grounding in basic skills and academic study. This is a problem because the needs of the labour market will change, and young people need general skills to help them adapt as jobs come and go. In northern Europe, even courses that sound very specific such as 'bricklaying' contain a large element of general academic study (Brockmann et al 2011).

Some vocational courses do not provide sufficient work experience. It can be hard for a young person to find a job if they do not have any experience of work. Employers consistently complain that young people lack soft 'employability skills' such as punctuality, customer service and teamwork, but these cannot be taught in the classroom. Some vocational courses do not expose young people to the workplace, while others include poor-quality work placements. In one example, students studying towards an IT qualification were reduced to helping on their own college IT helpdesk because of a lack of placements with external employers (Davey and Fuller 2013). Often this is not the fault of colleges; it can often be difficult to find employers who are willing to offer work placements to young people.

Too often there is a mismatch between the courses that young people take and the needs of local employers. In 2011/12, according to the Local Government Association, 94,000 people received training in hair and beauty for just 18,000 new jobs, while only 123,000 people were trained for 275,000 advertised construction and engineering jobs (Gardiner 2014). There is a particular shortage of people being trained for skilled technical jobs that do not require a degree, in industries such as car manufacturing and pharmaceuticals. This problem is set to increase in coming years if the economy grows most rapidly in areas such as low-carbon industries, advanced manufacturing, the digital economy and professional services, all of which have high demand for technicians. It is predicted that by 2020, the UK will face a shortage of 3.4 million workers qualified at level 3 (Humphries 2010). If young people had access to quality vocational courses in these areas, it would open up access to good jobs with options to climb a career ladder. However, these courses are relatively expensive to run and colleges might not offer them because they are not properly equipped to do so. It could also be that they are responding to a lack of demand: these courses appear not to be popular with students. It appears young people are not receiving a clear signal about which subjects are most valued in the labour market.

As Ofsted has made clear, the fault is not with colleges or the quality of teaching, which is for the most part good or exceptional (seven in 10 sessions observed by Ofsted are rated good or outstanding); rather, it is with the structure of vocational

education and training. Colleges are required to teach young people to pass certain qualifications, and that is what they do. As part of a broader reform of the transition system for young people, they need to be required to think more about making young people employable.

Finally, in some areas of the country, there is a danger that changes to the way 14–19 education is commissioned are leading to fragmentation in the system. There are a growing number of institutions (including university technical colleges, career colleges, studio schools and FE colleges) that are able to recruit students at age 14. This is combined with a growth in the number of schools using their academy freedoms to open sixth forms. In this context, it is difficult to plan a coherent approach to 14–19 education with the right mix of pathways available for young people. It can also be difficult for employers to coordinate their involvement across this diverse mix of institutions. As Graham Stuart, chair of the education select committee has warned:

'Every academy assumes as a badge of honour that it must have a sixth form ... but there is a danger we will have small sixth forms, which struggle to survive, focused determinedly on bums on seats to keep it open, who offer a limited range of subjects and who offer far worse outcomes than sixth form colleges in their area which offer greater breadth.'

Quoted in Hurst 2013

In order to address this problem, local education institutions and employers need to work together to ensure the right mix of provision is available for young people in a local areas.

5. RECOMMENDATIONS

The education system in the UK supports one group of young people from compulsory education to the workforce very well: those who take the academic route via A-levels and university. It is considerably less good at supporting those taking other routes. Although for many young people vocational education helps to build sustainable employer engagement and skills that are essential for the economy, a large minority enter the labour market with poor standards of basic literacy and numeracy, lacking in employability skills and without a qualification that makes them attractive to potential employers. Some of those who go through the further education system are taught courses and earn qualifications that are poor quality and of limited relevance in the workforce. And, because careers guidance is poor and the links between the education system and employers are weak, young people are given little guidance about what path they should take.

Further deregulation of the labour market is not the answer. The UK already has one of the most flexible labour markets in the developed world.¹⁴ As chapter 3 showed, the lesson for the UK to learn from other countries is that those with the lowest youth unemployment and NEET rates have high-quality vocational education and training systems and governments that take an active role in helping those who are struggling to make the transition from education to work to find jobs or training. Policies in the UK should similarly focus on equipping young people with the skills that employers value in the modern workplace and removing potential barriers to their employment (OECD 2013c).

As economic growth increased in 2013, youth unemployment in the UK began to fall, and it dropped sharply in the first quarter of 2014. Securing a strong and sustainable economic recovery will bring youth unemployment down further. However, the analysis in chapter 1 strongly suggests this will not solve all the problems facing young people as they seek to make the transition from education to work, particularly those who do not follow the university route. Chapter 2 argued that past and current interventions to help young people who are unemployed have left the fundamentals of the transition system from education to work largely unreformed. The current government's approach, which is reliant on the Work Programme and schemes like the Youth Contract, falls into the same trap. Deeper change is needed, with action on involving employers more in the transition process, vocational education and training, apprenticeships, careers guidance and the benefits system.

Governments have shied away from fundamental reform of the youth transition system in the past, but should do so no longer. Meaningful reform cannot be achieved without additional expenditure. There are 580,000 people aged 16–24 in the UK who are not in full-time education and are looking for work. Before they can find a sustainable job, many of them will need additional education or training, tailored support and work experience. This is problematic at a time of swingeing cuts in public spending. However, policymakers have said that reducing youth unemployment is a priority for them (indeed, both David Cameron and Ed Miliband both said so in speeches to their 2013 party conferences). If these statements are to have any meaning, they should find the resources necessary to tackle it.

¹⁴ See, for example, chapter 2 of OECD 2013b.

Involving employers

Employers are dissatisfied with the school-leavers who are applying to them for jobs, but fail to recognise that this is in no small part the result of insufficient links between firms and the education system. A large part of the problem arises because employers are not prepared to be sufficiently involved in young people's training to ensure that they develop meaningful, useful skills. The best way to increase employers' engagement is to have them take a financial stake in the success of the system. The government should take the following actions.

- Encourage more coordinated employer involvement in the vocational education and training system through the development of strong employer-led bodies.
- Introduce a youth apprenticeship levy to be paid at a national rate by all firms above a certain size.
- Put in place mechanisms to allocate the funds raised by the levy regionally.
- Empower employers, through combined authorities working with local enterprise partnerships (LEPs), to use the proceeds of the levy to fund vocational education and training for young apprentices.
- Ensure that a proportion of the funds are allocated to small firms.

Achieving culture change

The comparison of youth transitions in Europe presented in chapter 3 makes it clear that the UK needs closer links between education and labour market policies, with employers becoming more fully engaged in youth transitions. This will be harder to achieve in the UK, where comprehensive schools predominate, than in Germany or the Netherlands, for example, where there are vocational schools with strong links to employers (and academic schools with less strong links). But all schools should seek to involve employers – and young workers – more. The world of work should be seen more in schools, such as through visiting speakers, and students should have more opportunities to experience the workplace.

The UK cannot aspire to match the strength of the social partnerships that determine the nature of vocational education and training in countries like Germany. But the state can and should take a more active role in increasing employer coordination and interaction with education in the UK. Such coordination is necessary if employers are to have a greater say in areas such as the setting of national standards, and to allow the development of group training arrangements that will make it easier for smaller firms to offer apprenticeships.

The government should back strong employer-led bodies to take the lead in different sectors of the economy. These bodies should be responsible for developing a sector skills strategy, not just to meet the current needs of employers but also to encourage employers to increase their demand for skills and to ensure that any increase in demand is met. These bodies might evolve out of existing sector skills councils (SSCs) or – in some areas such as science, medicine, ICT and engineering – professional institutions (Sainsbury 2013: 211). In other areas, where no strong body already exists, new structures will need to be developed.

Employers have an obvious interest in the quality of young people entering the workforce and, in recent years, have expressed considerable dissatisfaction with their employability (see for example CBI 2012). The policies of successive governments have allowed too many employers to develop a belief that it is the state's role to deliver to them young people who are fully ready for work, with little or no effort on their part. This culture needs to change.

Employers must become much more involved in the transition of young people from work into employment. They should, for example, have a bigger role in ensuring that the content of further education and vocational training has a high degree of labour market relevance. More particularly, employers should be expected to fulfil the role that only they can: giving young people a chance to

gain work experience, whether through apprenticeships, traineeships or as an element in a course of further education.

The more contact young people have with employers before they enter the labour market to first look for a job, the easier their transition into work will be. Anthony Mann (2012) has found a statistically significant negative relationship between the number of contacts a young person (aged 14–19) has with employers and the likelihood of them being NEET.¹⁵

Engaging with education and training can be difficult for small firms, which lack the capacity to deal with the inevitable administration requirements. But medium-sized and large firms should be encouraged to provide more training for school-leavers, particularly in industries where there are skill shortages.

A national levy

We propose that firms above a certain size should be required to pay a ‘youth apprenticeship levy’ towards the costs of training and preparing the future workforce. Engagement with vocational education should also be a condition for government support from programmes such as the Regional Growth Fund and the Enterprise Finance Guarantee. In return, firms would receive support and funding to provide some sort of vocational training for young apprentices aged 24 and under. Levy contributions would raise some of the resources needed to finance an expansion in vocational education and training and to improve the quality of provision. Moreover, a levy would encourage employer involvement in training: levy-paying employers have a vested interest in ensuring levy funds are spent efficiently, and are also incentivised to provide training themselves.

Initially, the levy would cover only apprenticeships, but it could be extended later to traineeships (or pre-apprenticeships) and eventually to vocational education more generally. This could include training young employees, providing work placements for college students or work experience for school pupils, or hiring apprentices. Employer training levies of this kind are common in other European countries, but rare in the UK. However, the Construction Industry Training Board (CITB) and the Engineering Construction Industry Training Board (ECITB) both collect levies and dispense grants in the construction industry, including in support of apprenticeships.

Industry training boards

Voluntary training levies only function if they have support from the majority of employers within their scope. There are lessons to be learned from the three training levies that currently function in the UK about what conditions make sectors more likely to support a levy system. The three British levies – the CITB, the ECITB and the voluntary film industry Skills Investment Fund (SIF) – all function within sectors where there are obvious skills shortages and where individual firms are little-incentivised to undertake entry-level training. This is for several reasons:

- fear of other firms poaching their employees after they have been trained
- a lack of capacity to recruit apprentices or provide and manage training
- uncertainty about future capacity to recruit apprentices or provide and manage training due to size of firm or significant fluctuations in work in the sectors
- a large freelance and self-employed workforce
- a lack of information on the benefits of training
- an inability to obtain credit in order to invest in training, as banks are also not informed about the benefits of training.

15 He also finds a similar, though positive, relationship between employer contacts and future earnings.

A well-designed levy system can address these market failures. It can spread the cost of training, thereby reducing fear of poaching and increasing training for freelance and self-employed workers. It transfers the organisation of the recruitment and management of apprentices to a levy operator, thus taking this administrative burden off firms (the CITB recruits and manages apprentices and liaises with colleges; the ECITB also recruits apprentices, supports training and contracts external training providers). It supports small and medium-sized enterprises (SMEs) offering apprenticeships and provides assurance to individual apprentices that their training will be handled at an industry level, unaffected by individual company fortunes or work fluctuations. And it can operate a fund that gives loans or grants to employers and individuals, thereby easing reliance on banks and other external credit agencies to fund training.

Different levy forms

Training levies can either be operated nationally or by sector. They usually operate under a 'levy grant' or 'levy exemption' system. Under the former, employers within scope pay into a central fund and can then claim compensation for training. This system is sometimes called 'train and claim'. Under a levy exemption system, employers pay into a central fund unless they have undertaken training ('train or pay'). The current UK levies are all sectoral, levy-grant systems.

How much employers pay

The CITB and ECITB (the UK's two current industrial training boards, with statutory levies and being accountable to BIS) both calculate employers' levy contributions based on their total wage payroll. In-house and contract workers' wages are weighted differently, but are both captured in calculations. There is an exemption for smaller firms, who can nonetheless still claim support from the levy fund for training.

Levy operator

The administrator that collects and redistributes the levy funds can also fulfil multiple functions. This is the case with the CITB and ECITB, who have administrators coordinating training, including recruiting and supporting apprentices.

Assessing the potential

The evidence base for both the introduction and termination of training levies in the UK is limited (Gospel and Casey 2012). The two statutory levies in existence in the UK are industrial training boards (in construction and engineering), which exist as non-departmental public bodies accountable to parliament. The legal framework governing ITBs dates from amendments to the 1964 Industrial Training Act made in 1982. These amendments stipulate that, every three years, ITBs must show evidence of employer support. The original Industrial Training Act in 1964 had brought in widespread training levy systems (with cross-party support), but only the CITB and ECITB remain from this period. There has been a broad move away from training levies towards a more 'bottom-up' approach, with decisions about employee training left in the hands of individual employers.

Both levies have the support of the employers within their scope. For most of the last eight years, over two-thirds of employers surveyed have wanted the CITB to continue and employer satisfaction has stayed above 74 per cent. Employer satisfaction with the ECITB has increased over the last four years, from 62 per cent in 2008 to 82 per cent in 2012.

Although ITBs are intended to support training of all kinds, a high proportion of their budgets are invested in apprenticeships and training of new entrants. There is evidence that the CITB has provided training of a good quality. In 2006, the Adult Learning Inspectorate found that its provision was good and awarded a grade 2 (ALI 2006). In 2009, the National Audit Office described CITB as a 'well run SSC' (NAO 2009), and a 'light-touch' Ofsted inspection of apprenticeship

training noted good practice in assessment methods and highly effective support provided by CITB staff (Ofsted 2009).

Asked whether the CITB is value for money, eight out of 10 CITB employers were positive and said that in the absence of the levy grant they would do less training. According to one, 'It inspires you to claim and train, because if you do not you pay twice'. Other employers explained that they had a 'gut feeling that it is good' and said the system worked because 'we need to go out and get our money's worth' (Gospel and Casey 2012: 26). The general view is that if the CITB did not exist there would be private intermediaries organising training for profit – and therefore at a higher cost to the industry.

Similarly, eight out of 10 ECITB employers were positive about the value for money that their levy offers. The majority thought that they would do less training in the absence of the levy grant (although one employer described apprenticeship numbers as 'abysmal'). One employer commented that without a levy, 'training would be of a lower quality and less consistent... it would fall away' (ibid: 36). Employers' satisfaction with and support for both the CITB and ECITB suggest that the levies increase the quality and quantity of training that is happening at industry level.

We suggest that the government could seek to build on the success of the CITB and ECITB by offering financial support for training levies in other industries. Employer associations could be supported, via government seed funds for example, to establish levies at a sector level. The voluntary film industry training levy, the SIF, demonstrates employer appetite, in one sector at least, for a statutory levy. A levy seed fund, provided by government, might allow sectors where firms are willing to communicate the value of a levy and consolidate the sectoral institutions and networks necessary for such a levy to operate effectively.

However, the construction and film industries are probably special cases. Evidence suggests that financial incentives alone will not be enough to increase the quality and quantity of training provided by employers (ibid). A more successful approach is likely to centre around a national youth apprenticeship levy on all firms above a certain size. It would be set at a national rate – based on payrolls – but spent according to local needs. The funds raised would be controlled by employers, not the government, possibly through combined authorities working in conjunction with LEPs, and would be used to fund vocational training and apprenticeships, including in small firms that have not contributed.

A national levy is likely to meet a good deal of resistance from employers, who would present it as a 'training tax' and a return to a 'top-down' approach coercing firms into engaging in training. It would certainly be a culture shock: in recent years employers have been financially supported for undertaking training (via subsidies) rather than asked to fund youth training centrally. As a case study, Ireland was able to introduce a National Training Fund based on a compulsory levy with little opposition by ensuring there was no net increase in taxes and levies combined (Marsden and Dickinson 2013). However, there are potential pitfalls to this approach. First, it amounts to little more than hypothecating certain revenues for spending on training, and over the medium term this link could be frayed to breaking point (Ireland avoids this by keeping the training fund separate from the main government accounts). Second, it does not lead to more money being available for training. And third, the evidence from Ireland is that awareness of the levy and its role in boosting training is limited.

A compulsory levy is necessary because firms in the UK – in aggregate – have backed away from training, instead relying on the government to provide them with the trained workers that they need. This approach has not worked. It is only because employers are not prepared to sufficiently contribute voluntarily to the development of the trained workers that they employ that a levy has become necessary.

Reforming vocational education and training

Vocational education in England needs to be reformed so that it is held in higher esteem by employers and young people alike. This requires a greater focus on employability. As a pathway into work, higher-level vocational education should be seen as a valid alternative to a university education. This will require a number of changes over several years, including the following.

- Funding ‘knowledge centres’, along the lines of similar Dutch bodies, to recruit employers to participate more in vocational education and training.
- Extending professional registration schemes to more sectors, led by employer organisations or by the government where public services are concerned.
- Establishing a programme to attract skilled English and mathematics teachers to colleges.
- Stopping the ringfencing of schools spending at the expense of 16–18-year-old education.

Engaging employers

The UK’s system of vocational education and training (VET) is not well regarded. It needs to demonstrate that it is relevant to young people and their parents, and it can only do this by focusing on the delivery of employability rather than qualifications. However, many courses lack the work experience component that young people need to prepare for employment, and that employers value. This helps to create negative perceptions of the vocational training route into work, creating a feedback loop of low expectations and low achievement.

The government has recently introduced a requirement that all ‘programmes of study’ for 16–18-year-olds should include some work experience. However, they have given very little support to colleges to implement this proposal. A recent survey by the Association of Colleges revealed that its members are struggling to turn this requirement into reality – 41 out of 73 colleges reported having difficulty offering work experience in some curriculum areas, and concluded that ‘by far the biggest issue reported is the lack of employers and capacity issues’ (AoC 2013). Simply exhorting colleges and employers to provide more work experience will not be sufficient. An infrastructure needs to be in place to facilitate this.

While England has struggled to engage employers in the VET system, countries in northern Europe (and others, such as Australia) have been more successful at encouraging employers to offer work experience. The key to their success appears to be the creation of ‘intermediary institutions’ which provide a way for firms to get involved in the VET system (Thelen 2014). These institutions help to coordinate the input of different employers and make it easier to offer placements by reducing the administrative burden. They also put pressure on employers to live up to their responsibilities to engage in education and training.

The Netherlands, for instance, has developed a network of ‘knowledge centres’ to help coordinate employer engagement in VET (Casey 2013). There are 17 centres, primarily funded by the government and covering most sectors of the economy, that are mandated by law to perform a number of functions, including recruiting employers to offer work placements and apprenticeships, and ensuring that provision is high-quality. Because the supply of placements is coordinated across different sectors and local areas, both education providers and employers find it easier to engage.

Intermediary institutions and regulations can help to engage employers in the VET system, but where they exist in England they are not always very effective. They tend to be dominated by big employers, so the needs of SMEs are given insufficient weight, and are stronger in some sectors than others (Lanning and Lawton 2012). If England is to develop deeper employer engagement in its VET system then it will need to create stronger institutions that help to link colleges and employers by

recruiting employers to offer work placements and apprenticeships and to monitor the quality of provision.

Strengthening qualifications

Another weakness of the vocational education and training structure in England is its highly differentiated nature, with many qualifications and routes. This is confusing for both young people and employers. It is not clear which qualifications will be valued in the jobs market, and as a result many young people take qualifications that end up closing off opportunities later in life. At the same time, employer engagement in the design of qualifications can be pitched at a level that is too high, removed from realities on the ground. Large employers feed in to the design of qualifications through examination boards, but this does not necessarily translate into individual employers understanding and valuing qualifications when they hire young people.

Countries such as Australia have tried to resolve this problem by grouping qualifications together under particular occupational groupings, known as training packages. In Australia there are around 80 training packages, and qualifications have to fit within a particular package. By grouping qualifications under a particular 'occupation', any potential changes to the system require the involvement of employers. It effectively binds employers into decisions about qualifications reform and creates a more stable system. It also ensures that vocational qualifications are more easily understood by stakeholders in industry and higher education, because they can clearly see how qualifications fit together and lead to a particular occupation. In England, the government is currently involved in an extensive overhaul of the examination system. It is necessary to see the impact of these changes before making any concrete recommendations in this area, but a simple way forward could be to group existing qualifications under occupational headings, as a training package does. This has the advantage of avoiding further overhaul of the qualifications themselves (which can be destabilising and expensive), but would help to increase clarity around which qualifications are valued on different pathways into work.

A more radical approach to ensure that employers understand qualifications and engage in their design is to encourage greater use of occupational licensing. If employers agree that particular qualifications are a precondition to gaining a 'licence to practice' then it sends a clear signal to young people about which qualifications are valued in the jobs market. It also makes it easier for employers to screen applicants, as those with a licence to practice are deemed to have met the minimum requirements for that occupation. Importantly, such licences must be tied not to particular jobs or employers but to a wider occupation. This ensures that young people are trained for a wider 'community of practice', relevant throughout their career, rather than to meet the needs of any particular employer. It also ensures young people take qualifications that are valued in the jobs market, rather than those which might do little more than help to boost a college's league-table position. There is scope, for example, for the government to integrate such licences into public service areas, such as child care and social care.

Similarly, the Gatsby Foundation has worked with professional bodies to create a system of registration for those working in skilled technical jobs (Gatsby 2013). Professional bodies such as the Royal Academy of Engineering agree both a set of standards that are expected to be met by people entering their profession, and which qualifications will count towards meeting these standards. Individuals can then register with the professional body if they prove they are competent to meet these standards and commit to maintain their competence in the future. Individuals that meet the criteria are awarded 'registered technician' status through their professional body – EngTech in engineering, for example, or RSciTech in science. This removes the need for individual employers to understand the complex

qualifications system – instead, they are able to employ registered technicians with confidence that they have the necessary skills. Registration also sends clear signals to examination boards about what knowledge and skills employers expect young people to have, helping boards to develop qualifications that are aligned with these goals. These professional registration schemes are not mandatory like a ‘licence to practice’, but they operate with a similar logic and – crucially – help to engage employers in the VET system. In order to create a more stable system of vocational qualifications, we believe professional registration schemes should be expanded into other sectors.

Improving basic skills

In the UK, one in six young people aged 16–18 are studying vocational courses that lead to low-level qualifications, usually because they left school without good GCSEs (DfE 2013b).

Evidence from other European countries suggests that young people with only low-level qualifications benefit more from training programmes that focus on developing specific skills rather than providing a general education (Wilson 2013). This evidence is even stronger if the training leads to a recognised and respected qualification and is combined with periods of work experience and assistance with job search.

Young people in this situation are likely to be hard to motivate in a traditional classroom setting. Indeed, their failure to acquire better qualifications may, in part, reflect antagonism towards formal learning. The design of college courses targeted at this group needs to be undertaken with the aim of maximising their engagement, which is best done by linking them to specific opportunities in the labour market.

This is particularly true of the teaching of English and mathematics. The government has introduced the requirement for all 16–18-year-olds to study English and mathematics if they have not already got good GCSEs in these subjects. But for many young people it is unlikely that repeating the same course with the same methods will lead to much improvement in results. Instead, they need to be taught in different ways and with a much greater emphasis on functional skills, rather than on those aspects of the subjects that young people might regard as being of little use in adult life. Colleges have not been given much extra resource to meet the new requirements. Therefore, the government should establish a programme to attract highly trained and skilled English and mathematics teachers into colleges.

Funding 16–18 education

Finally, it is necessary to address funding for education. The next few years will clearly be extremely tough for the nation’s finances. All the main political parties have committed to a programme of deficit reduction in the next parliament. Until now, the government has decided to protect spending on schools. However, this means that non-schools spending, including on 16–18 education, has borne the brunt of the cuts. The Association of Colleges estimates that spending on 16–18 education fell from £7.7 billion in 2010/11 to £7 billion in 2014/15. The average funding for 16- and 17-year-olds is estimated to be around £4,500, compared to over £6,000 for pre-16 students (AoC 2014). While there is a case for targeting resources on the earlier years of a pupil’s education, a system of continued cuts for 16–18-year-olds is ultimately unsustainable. The vast majority of young people now stay in education until the age of 18, and so the ‘cliff edge’ in education funding once pupils reach 16 is getting more severe. This is affecting the quality of education on offer and the support available for young people just at the time when they face a very difficult transition into work or further study. To counter this, the next government should not ringfence schools spending at the expense of 16–18 education.

Apprenticeships

Policy on apprenticeships in recent years has been dominated by a preoccupation with quantity, putting quality at risk. Although the Coalition government has played this game, trumpeting increases in the numbers of apprentices in the last few years, it has also taken some steps to improve their quality. These actions, however, are insufficient. Apprenticeships should be seen by students and employers as a high-quality vocational route into work for young people. If this is to be the case, a number of actions need to be taken.

- No one aged 23 or over should be allowed to start an apprenticeship (except in exceptional circumstances), and few apprentices should be aged 25 or over.
- All apprenticeships should be at level 3 and above and should last for a minimum of one year; traineeships should be developed into pre-apprenticeships.
- Apprentices should spend at least 30 per cent of their time doing off-the-job training. Spot checks should be carried out, and employers found not to be adhering to this rule should have to pay back any government funding they have received for affected individuals.
- After two years, the government should review its plan to fund apprenticeships through employers to ensure it has not led to a reduction in the number of firms offering them. If it has then the government should revert, at least partially, to a system of central or preferably local funding.

Good apprenticeships

There has been a massive increase in apprenticeships in England in recent years; chapter 2 showed how numbers almost doubled between 2008/09 and 2012/13. One result has been a shift in the age distribution of apprentices, as most of this growth has been concentrated among those aged 25 and over. Another has been a drop in quality. These trends are exemplified by the behaviour of one company in particular. It was revealed in 2012 that one in 10 apprenticeships in England – some 52,000 in total – were created at Morrisons supermarkets, representing 40 per cent of the chain's total workforce. Most of the apprentices were existing staff, and the average scheme took just six months to complete (BBC 2012).

This is not what apprenticeships are supposed to look like – and it is not what they are like in countries like Germany and Austria, where the system of apprenticeships is widely regarded as an important factor in keeping youth unemployment low. Apprenticeships in the UK are held in low esteem by young people, rather than as a key route into the workforce. A survey conducted in 2013 of pupils in years 8, 9 and 10 at four schools found that only 8 per cent of male pupils and just 1 per cent of female pupils wanted to become an apprentice (Davies and Cox 2014).

Apprenticeships should offer young people the chance to complete their education, an opportunity to gain occupational skills and a route into work. An apprenticeship should involve an individual taking up a new role that 'requires them to learn a substantial amount before they can do that job effectively' (Richard 2012: 4). It should incorporate both on- and off-the-job learning in a particular trade or skill (Lanning 2011).

Reserving apprenticeships for younger people

The logic of the Richard review (Richard 2012) is that apprenticeships should be reserved for those aged 24 and under, as a key part of their transition into the workforce. The growth in apprenticeships for older workers – most of whom are already in employment – is devaluing the apprenticeship 'brand', both with young people and with employers. Apprenticeships should be for individuals taking up a new role in which they have a lot to learn; they should gain job-specific skills but also complete their general education and pick up the softer 'employability' skills that employers say they value.

In 2012, however, seven of every 10 apprentices in England (71 per cent) had worked for their current employer before they became an apprentice, with two in three (66 per cent) of these having done so for more than a year. For apprentices aged 25 or more, these percentages increase to 92 per cent and 80 per cent respectively (BIS 2013b). Of course, people may still need to learn job-specific skills after the age of 25, but they should otherwise be ready for work – they might require on-the-job training, but they should not be apprentices. No one aged 23 and over should be allowed to start an apprenticeship, unless they have had substantial caring responsibilities between the ages of 17 and 22 or there is some other reason why their entry to the workforce has been significantly delayed.

Employers and apprenticeships

Following the Richard review and a consultation exercise, the government is implementing a number of changes to the way that apprenticeships work in England. In particular, it wants to get employers more involved in the design of apprenticeships and to direct funding for the training element of apprenticeships through employers. It has also said that apprenticeships should last for at least 12 months. These are welcome steps but they do not go far enough.

One of the main themes of the Richard review – and of the government’s reform of apprenticeships – is the need for greater employer involvement. As chapter 3 showed, compared to those countries with the lowest youth unemployment rates and the strongest apprenticeship schemes, a small proportion of employers in the UK take on apprentices, and those that do are less involved in their design. The current system, under which the government buys training from providers, excludes employers from the process of commissioning the external component of apprenticeships. This could make them less inclined to offer apprenticeships.

However, the government’s desire to get employers more involved in apprenticeships by giving them control of their funding may fail if it is not accompanied by other fundamental reforms. Small firms in particular might be more rather than less reluctant to take on apprentices. They are worried about the implications for cashflow of having to pay for apprentices’ training and then claim the money back, and they do not want the additional burden of seeking out training organisations, checking that they are suitable and negotiating with them over price. The Electrical Contractors’ Association, for instance, found that 94 per cent of its members who replied to a question about the government’s proposals would either reduce the number of apprentices they took on or stop taking them on altogether (Tovey 2014).

A further worry is that, although they might become more involved, employers will focus on their own immediate needs rather than those of the sector as a whole, and will not give enough weight to the future demands of their industry. Furthermore, they may not use apprenticeships to drive a better-skilled, more productive national economy.

Alongside giving employers more control over apprenticeships, the government should focus on ways to increase demand in the economy for more highly trained workers, thereby indirectly boosting demand from employers for apprentices. In other European countries, regulation has been used across a wide range of different occupations to ensure that workers reach a certain level of qualification, and that a certain proportion has higher qualifications. The idea is that a better-skilled workforce will deliver products and services of a higher quality, reducing the need for standard-setting and inspection. Occupational licensing would be one route forward (as proposed in the previous section), by requiring an apprenticeship as a condition of entry for a certain proportion of staff in industries where the quality of service is important for people’s wellbeing, such as social care (Dolphin and Lanning 2011).

Raising standards

The government also plans to follow the Richard review's recommendation that apprenticeships should involve some form of 'test' at their conclusion, leading to the formal recognition that the apprentice has 'graduated'. Graduating apprentices will be awarded one of three grades: pass, merit or distinction.

Sufficient effort and investment to ensure that standards are maintained at a high level and are comparable across sectors could help to improve the esteem in which apprenticeships generally are held. However, the effectiveness of such measures is likely to be limited when the majority of apprenticeships are merely held at the 'standard' level (level 2, equivalent to five GCSEs).

The Labour government was wrong to expand the range of qualifications that could be classified as an apprenticeship to include those at level 2 (which often include modules at level 1). The UK should revert to what is common practice in most other European countries and require that all apprenticeships should be at the 'advanced' level (level 3, equivalent to two A-levels) or above. Apprenticeships should also last for a minimum of one year. This will be a substantial change, because the majority currently are at standard level (level 2). In 2012/13, 57 per cent of all apprenticeship starts, and 64 per cent of those for people aged under 25, were at the standard level (ONS 2013a).

Those who wish to pursue an apprenticeship but are not ready to do so should have the option of undertaking a pre-apprenticeship. The traineeship programme (introduced in chapter 2) should be adapted so that it can function as preparation for apprenticeships for young people. Funds currently used for apprenticeships for those aged 25 and over, which offer a poor social return, should be diverted for this purpose. Pre-apprenticeship training should be undertaken in FE colleges (and in career colleges and university technical colleges as they develop) as part of a programme designed to ensure that all young people leave education with at least the level of qualifications needed to enter an apprenticeship (even if they choose not to do so).

Off-the-job training

As part of its reform of apprenticeships, the government has stipulated that off-the-job training should represent at least 20 per cent of their content. This falls short of the requirement in many other European countries: it should be increased to 30 per cent, and be better policed. Many current apprenticeships – particularly those that are in the service sector, are short in duration and are at level 2 – fall well short of even this limited target. Less than half (47 per cent) of apprentices in England reported that they received *any* off-the-job training in 2012, and almost one in five (19 per cent) said that they received no training at all (BIS 2013b).

Requiring apprentices to spend more time in off-the-job training will allow for a deepening of the general education component of apprenticeships. This should include the basic requirements of most jobs: English, mathematics, technology and general work skills. As far as possible, these should be taught as 'functional skills', based on the situations that apprentices are likely to face in the world of work, rather than the more academic curriculum used for GCSEs and A-levels.

Apprenticeships and the service sector

More thought needs to be given to how apprenticeships can be adapted to the service sector, which now accounts for around five in every six jobs in the UK. It is noteworthy that the eight 'trailblazer' sectors chosen by the government to develop new standards and approaches to assessment for apprenticeships are mainly from manufacturing,¹⁶ although a second group does include more

16 These trailblazers are producing standards for apprenticeships in aerospace, automotive, digital industries, electro-technical, energy and utilities, financial services, food and drink manufacturing, and life sciences and industrial sciences. For more information, see <https://www.gov.uk/government/publications/future-of-apprenticeships-in-england-guidance-for-trailblazers>

service sectors, including adult social care, hair and beauty, and hospitality and tourism. The Work Foundation has demonstrated that clear standards could be developed for adult social care (Jones 2013). The ability of other service sectors of the economy to develop standards for high-quality apprenticeships will be a crucial test of the government's policy of transferring responsibility for standards to employers.

One problem is that productivity levels in large parts of the UK service sector are well below those in similar countries, including Germany and France. Moreover, companies seem content with this outcome. As a result, their demand for skilled workers – and so for apprentices – is less than it otherwise might be. Developing a strong apprenticeship system that is spread throughout the service sector has to be part of a wider set of policies designed to increase the demand for and utilisation of skills in these sectors.

Careers education and guidance

In those European countries that have low rates of youth unemployment, careers education and guidance play a crucial role in ensuring a smooth transition from education to work, but it has been badly neglected in England. To rectify the situation, additional funds should be found to enable a number of steps to be taken.

- Careers education should be embedded in the curriculum from primary school onwards, and for pupils in years 7, 8 and 9 should involve a greater degree of contact with local employers.
- The National Careers Service should be expanded to allow it to offer more support to schools.
- Careers guidance – and some careers education – should be provided by specialist advisers rather than teachers.
- Every secondary school should be required to appoint a full-time careers officer responsible for careers education and guidance and for liaison with local employers.
- All students should have a face-to-face careers interview with a specialist adviser in year 9 and again in year 11, to help them make the crucial choices they face in those years.
- Careers advisers should be responsible for getting local employers more involved in schools and for providing students with up-to-date information on education and training options and on opportunities in the local labour market.

Recent changes

This report argues that, when it comes to youth unemployment, prevention is better than cure, and the best way to prevent youth unemployment is to create smoother transitions from education to work for young people. In European countries with low rates of youth unemployment and fewer young people who are NEET, careers education and careers guidance play a crucial role in achieving this ambition. Careers education can help young people to understand the nature of work, provide information on the types of jobs that might be available to them, and identify the skills that they require – and the pathway they would have to follow – to pursue a particular career. Careers guidance, which is more geared to the individual, can help young people to make the right choices about education and training so that they can embark on a career that suits their interests and aptitudes, subject to conditions in the labour market.

The Coalition government, through the Education Act 2011, transformed the provision of careers education and guidance in England. Local authorities are no longer required to provide a universal careers service, although they do have to make provision for vulnerable young people. Instead, the prime duty to provide guidance for students in years 9–11 has been passed to schools – but no additional resources have been

provided to meet this duty. More recently, in April 2014, the Department for Education issued statutory guidance and advice for schools on careers education (DfE 2014a). This new approach has been criticised by the education select committee (HoC 2013) and in a damning report on the quantity and quality of careers guidance in schools (Ofsted 2013a). However, there have been similar concerns about careers guidance in England for the last three decades.

Providing a clear view of the labour market

Good careers education and guidance can fulfil a number of important roles in smoothing transitions from education to work. It can raise the aspirations of students and encourage them to achieve the academic results that they need to enter a particular career. It can broaden their outlook by introducing them to the wide range of opportunities that exist in the modern labour market. It can give students a realistic picture of the labour market and the job opportunities that are likely to be on offer to them. It can make students more aware of how the labour market works and the challenges they will face when seeking work. And it can explain the alternative pathways that can be taken into the labour market, and which might be best for any particular occupation.

If these are done well, as they are in countries like Germany and the Netherlands, the result is a better match between the aspirations of young people entering the labour market and the expectations of employers. This makes it easier for young people to make the transition into work and results in fewer being NEET. It also makes it more likely that employers will be able to fill vacancies with suitable young people.

It is important, however, that careers guidance is not reserved solely for those who are at risk of being NEET. Although better careers guidance is an essential element in any plan to prevent youth unemployment and to reduce the number of young people who are NEET, it is not the case that all the resources devoted to careers guidance should be mobilised in pursuit of these objectives narrowly. Young people who have better prospects still need help in determining their futures and planning an appropriate pathway (Balaram and Crowley 2012, Evans and Rallings 2013).

Careers guidance in England is a long way from ideal (as it was before the government's reforms). There is not enough of it, what there is tends to be poor quality, and it does not coincide with the milestones at which students have to make crucial choices about their future. Signals from the labour market do not reach young people. Their career aspirations change and become more realistic as they get older, but remain poorly aligned with actual demand from employers. Anthony Mann and colleagues have found that even by the age of 17 and 18 almost half of young people express a preference to work in just three of 25 broad occupational areas: culture, media and sports occupations; health professionals; and business, media and public service professionals (Mann et al 2013). They concluded that 'the career aspirations of teenagers at all ages can be said to have nothing in common with the projected demand for labour in the UK between 2010 and 2020' (ibid: 8). The transition of young people from education into work is unlikely to be smooth if their aspirations are so far from the reality of the labour market. In particular, there is an enhanced risk that the crucial choices that they make at the ages of 14 and 16 about what and where to study will be the wrong ones. Young people will enter the labour market with qualifications and skills that are not matched to the jobs that are actually available.

It is important, therefore, that careers education begins at an early age. It should be part of the curriculum from primary school and throughout secondary education. Its central focus should be on giving pupils a realistic picture of the labour market, both nationally and locally. Young people are always likely to aspire to 'glamorous' careers, but by the age of 14 – when they start to make crucial choices that will affect their future career options – they should have a realistic picture of the jobs market and the wide range of possibilities it presents. Careers education should also

tackle stereotypes, particularly around the gendered nature of some occupations and sectors. There is, for example, a huge gender imbalance that contributes to the shortage of STEM skills in the UK: one specific aim of careers education should be to increase the number of young people, particularly women, studying science, technology, engineering and maths.

Embedding careers education in the curriculum

Teachers can play a vital role in careers education, in particular by highlighting the career opportunities that follow from the subjects they teach, and by relating these opportunities to specific lessons. However, their input should be coordinated and complemented by further careers education provided by specialist advisers. Every secondary school should have a full-time careers officer, who should be responsible for coordinating all careers education and guidance activities and for maintaining links with local businesses. The work of the careers officer should be published annually in schools' reports.

The European evidence shows that strong links between education and business are essential to improved youth transitions. Careers officers, located in schools, should be aware of opportunities for young people in the local jobs market. This requires continuing interaction with local employers. As such, careers officers can and should play a broader role in involving local employers in schools, through visits from employers to schools, visits from schools to workplaces, and work experience opportunities.

Research has shown that pupils are beginning to think seriously about their careers from the age of 12 (Davies and Cox 2014). Careers education, therefore, needs to be embedded in the curriculum throughout secondary schools. Steps that could be taken include the following.

- Making space in the curriculum for every subject devoted to informing pupils about the careers that that subject could lead to. Information would also be provided on the level of qualifications needed for these careers and possible routes into them.
- Organising visits in year 8 from local employers who can link local job opportunities to the curriculum and advise on subject choices necessary to follow careers in their industry.
- Coordinating offsite visits to major local employers for pupils in year 9, ensuring that these are relevant to a range of curriculum subjects (ibid).

Delivering careers guidance at milestone moments

In addition to general careers education, students should be offered tailored careers guidance at those milestones when they have to make the crucial choices that will affect their futures; for most, this will be in year 9 and year 11. The range of options that young people can choose from at these points has increased significantly over the last 20 or so years, making the need for careers guidance greater. But provision has shrunk over this period, a trend that must be reversed if youth unemployment is to be reduced.

Young people in year 9, for example, once had the relatively simple task of picking which subjects to pursue at GCSE. For those who have decided they definitely want to pursue a route through university, this is still the main choice they have to make. They will still need guidance to ensure that their GCSE choices do not close off any future career options they might be interested in. However, this challenge is simple compared to the choices facing those not planning to go to university – or for whom university is a possibility rather than a probability. The situation is much more complex for this group, who represent the majority of students, confronting a multitude of options. Not only could they study alternative qualifications to GCSEs, but they can also choose to do so in school, at an FE college, at a university technical college, or in a careers college.

The right response to the greater complexity of youth transitions – and the increase in the options available to young people – is to offer them more careers guidance, not less. Some of this could be in the form of general advice – directing them, for example, to useful websites and library resources. But every student in year 9 should have at least one face-to-face careers interview with an independent adviser. Consider that chancellor George Osborne has promised every person who retires after April 2015 free face-to-face advice to help them decide what to do with their pension savings, so that they can make the most of their retirement. The same offer of advice should be available to young people so that they can make the most of their working lives. The nature of this interview will vary according to the aspirations of the young person and the school's assessment of their likely achievements, but its broad aim should be to ensure that students are aware of the options open to them and that they make the best choices suited to whatever it is they want to do with their lives.

Further crucial choices have to be made two years later: every young person should have a second face-to-face careers interview in year 11. Again, the nature of this interview will vary from person to person. For those expecting to progress through sixth form to university, it could focus on choices about A-levels and degree courses, and the careers that different degrees might lead to. For those not expecting to go to university, the focus should be more on the opportunities available in the local labour market and the best route to finding employment, whether through an apprenticeship, some form of further education, or other training opportunities.

Special careers advisers

Careers guidance (as opposed to careers education) should be provided by properly qualified staff, not by teachers with a full teaching workload. Teachers unions were outraged recently when business secretary Vince Cable said that teachers were poorly placed to give careers advice (see Mason 2014) – but he was right. Most teachers join their profession straight from university. They are well-equipped to guide those students who also want to go to university, but they are less well-equipped to help those who don't. There is no reason why teachers should know about the latest terms and conditions that apply to apprenticeships, or the relative merits of university technical colleges, or the types of work that are available in the local economy. Careers guidance should be delivered by staff who have been given the time to build up this knowledge, so that they can give young people up-to-date advice about the further education and training options confronting them and the jobs that are likely to be available. Furthermore, research suggests that external advisers are more trusted by students than teachers (Hibbert 2010).

The government's approach to careers advice relies on getting more employers – rather than careers advisers – into schools to enthuse young people about job opportunities. Increased contact between employers and young people is an aspiration to be supported. For the young as much as for older people, social networks are an important factor in finding a job. Many young people find work through informal channels rather than state employment services or job agencies. An approach that creates interactions between young people about to leave school and local employers can help to develop potential recruitment channels (Hensvik and Skans 2013).

The error of the government's approach, however, is to regard the two things – careers advice and employer involvement – as alternatives. In fact, they are complementary. Employers should have a greater role to play in careers guidance in schools – not least because pupils are more likely to listen to them than advisers – but their involvement and expertise will necessarily be limited to the particular jobs their firm can offer. No school can hope to find time for enough employers to visit to give pupils a fair representation of the breadth of the local economy.

Independent careers advisers should be the conduit through which employers become more involved in schools. They should be required to develop strong relationships with local employers and to encourage them to offer information, guidance and advice to young people in schools. As school pupils approach the end of their compulsory education, the most effective careers advice for those who are looking to move straight into work – or into a mix of work and training – will focus increasingly on local labour market opportunities. Good labour market information is vital to successful careers guidance. Careers advisers should develop their own relationships with local employers to enable them to give the best advice to young people about likely local job opportunities, and they should also work more closely with JobCentre Plus to develop their understanding of the local labour market.

Although some careers education and all careers guidance should be provided by independent careers advisers, rather than teachers, it probably makes sense – given the increasing autonomy of schools – for the primary responsibility for provision to remain with the school. When choosing secondary schools in particular, the quantity and quality of careers education and guidance should be a prime consideration for parents and students. If this is to be the case, all schools should be required to set out clearly, on their websites and in their prospectuses, their plans in this area. Ideally, these plans should be provided alongside data showing the destinations, after a number of years, of students leaving the school. The same requirement should be placed on FE colleges that take in students at 14, and on university technical colleges and careers colleges.

Additional supports

To support schools, the role of the National Careers Service should be expanded to allow it to adopt a capacity-building and brokerage role (HoC 2013). As well as helping schools to develop their ‘careers plans’, it should become the key source of labour market information at a national and local level; work with employer organisations, such as the Confederation of British Industry and the Federation of Small Businesses, to encourage more engagement between their members and schools; and identify and publicise good practice. It should also be more independent ‘with its own board and strong employer, school and college representation’ (Gatsby 2014: 50).

Improving careers education and guidance along the lines set out here will cost money. PricewaterhouseCoopers (PwC) has estimated that a set of recommended changes similar in scope, though different in detail, to those presented here, would cost £207 million in the first year and £173 million in subsequent years (if implemented in England) (ibid). PwC also shows that the benefits from improving careers education and guidance – in terms of fewer people who are NEET and higher average earnings – are likely to far outweigh the costs.

Reforming benefits and employment services

A distinct work, training and benefits system should be established for young people.¹⁷ Its main features should be as follows.

- **A youth allowance**, which would replace all existing benefit payments, and would be available to all young people aged 18–21 years old in further education and training or who are actively looking for a job.
- **A youth job guarantee**, which would provide paid work experience to any young person aged 18–21 years old who has been out of work and looking for a job for six months.
- **A personal adviser**, who would help young people to find work or identify the most appropriate further education and training opportunities.
- **Decentralisation of responsibility** for many elements of the school-to-work transition to London and the core cities, together with greater accountability.

17 This proposal is set out in more detail in Cooke 2013 and Lawton et al 2014.

Weaknesses in the status quo

There are almost 1 million young people aged 16–24 in the UK who are not in employment, education or training – that is, who are NEET. Almost half of this group do not have GCSE-level qualifications and nearly a quarter have never worked (Cooke 2013). For them, the transition from education to employment is clearly not working. Moreover, it is likely that their experience will have a long-lasting effect on their employment and earnings prospects throughout their lives. Evidence shows that people who spend long periods unemployed when they are young are less likely to be in work later in life and more likely to be earning poor wages (CYU 2012).

There will always be some young people who are NEET – because there will always be people who are moving between jobs – but a sign of a much-improved transition system would be a large reduction in numbers from the present level. Other European countries achieve much lower NEET rates and the UK should aspire to match their performance.

One feature of a number of countries that have achieved low NEET rates, including the Netherlands and Denmark, is that young people have a distinct work, training and benefit system, separate from adults. Instead of a ‘work-first’ approach, young people in these countries are often first directed back into education or into some combination of education and work experience to get the skills and qualifications that employers value. Financial support is available, although it comes with conditions attached and there are sanctions for those who do not engage with the system.

The contrast with the present position in the UK is stark. Over two-fifths of NEETs do not claim out-of-work benefits and as a result have no connection with the welfare system or support services that might help them find work or further education and training. For those who are claiming benefits, there is no limit on how long they can do so. Young people claiming jobseeker’s allowance (JSA) are encouraged to find a job as quickly as possible and are given little opportunity to continue their education or training. This is despite the fact that employers’ most frequent complaint about young people is that they lack the skills needed for work. Meanwhile, those claiming employment and support allowance (ESA) and income support have few job search or training requirements placed on them. And if young people do opt for more education or training, there is no system of financial support available (unlike for those going through university). The result is that many young people are caught in a trap, unable to find work because they lack the training or the experience of work that employers demand.

A separate work and welfare track for young people

To improve school-to-work transitions for young people currently at risk of becoming NEET, UK policymakers should create a distinct learning and earning track for this vital age-group. Responsibilities for youth transitions are widely spread around the DfE, BIS and the DWP, and past experience suggests that attempts to make their thinking more joined up will not work. There is no statutory framework, government department, executive agency or lead provider responsible for keeping young people in touch with learning or work and preventing them from becoming NEET. Schools, colleges, local councils, youth services and Jobcentre Plus all play a role, but responsibility and accountability are fragmented and opaque.

Rather, the government should aggregate responsibility for all elements of the (post-compulsory education) youth transition, including job-search, benefits, and funding for vocational education and training. They should keep young people separate from the adult welfare system and give equal weight to the ‘learning’ and ‘earning’ options, rather than presuming a work-first approach. And they should commit to reducing the number of young people who are NEET and holding the NEET rate close to the lowest levels in Europe. Four major innovations should be central to achieving this aim.

Youth allowance

First, a youth allowance should replace all existing out-of-work benefits for young people aged 18–21. The aim would be to create a regime that encourages young people to continue their education and supports them when they are seeking work, but also requires a degree of personal responsibility. This allowance would be paid at a standard rate in the first instance, perhaps at the same rate as JSA for under-25s, currently £57.35 a week. Receipt of the allowance would be conditional on participation in an approved training scheme or evidence of intensive job-search. It would, therefore, be available to young people in further education and training, even if they were not actively looking for work.

Around 480,000 young people who currently receive nothing from the state would be entitled to the youth allowance, in addition to the 340,000 young people currently receiving some form of benefit, who would be transferred onto it. Bringing it in would therefore involve a significant cost – around £375 million, if a parental means-test was applied (Lawton et al 2014: 117).

Youth guarantee

Second, a youth guarantee for 18–21-year-olds should be introduced. Young people would be offered access to further education or vocational training and intensive support to find work. If after six months they were neither learning nor earning, they would be provided with paid work experience for up to six months or a place as a trainee. These opportunities would be based on interventions under the last government's Future Jobs Fund, which evaluations show substantially increased participants' prospects of getting a job (DWP 2012), and on the current government's traineeship programme. Continued receipt of the youth allowance would depend on accepting this offer – but the offer would also be available to those not receiving the youth allowance. Any young person who did not find a job or continue in education or training after their paid work experience or traineeship would be required to intensify their efforts to find work or suitable training, or to risk forfeiting their entitlement to the youth allowance.

This would represent a substantial expansion of support for young people, costing around £600 million (Lawton et al 2014: 123). Some of these costs would be met by redirecting expenditure on 18–24-year-olds in the Work Programme. Stopping payments of child benefit and child tax allowances to parents with children who receive the youth allowance would also produce savings. However, to introduce the guarantee in a cost-neutral way would require taking funds from elsewhere, possibly the budget for apprenticeships for those aged 25 and over.

Personal advisers

Third, young people should be treated as individuals and have a personal adviser who would be responsible for working with them to identify their life aspirations and specific goals. This process would underpin receipt of the youth allowance. Young people identified as at risk of becoming NEET when they leave formal education – for example, because they have few or no qualifications – would be expected to engage with the system as soon as they leave school or college.

While support would be provided on an individual basis, it should be guided by a clear set of principles. Only for those who are NEET and hold a level 3 qualification would the presumption be that the preferred path is directly into full-time employment. For those young people without a level 2 qualification, the priority should be attaining one, because the work opportunities for this group are extremely limited.¹⁸ Preferably, this should be through an education or training course that includes work experience. But for those whose highest qualification is at level 2, there is also a strong case for continued

¹⁸ In Denmark, for instance, young people who complete their compulsory education without achieving minimum levels of literacy and numeracy are required to enrol at a school or college to complete their learning.

study to achieve a level 3 qualification. This should be linked to clearly identified opportunities in the local labour market or directly to further, higher learning goals.

Decentralised responsibilities

Fourth, following the Dutch system, responsibility for the youth allowance and the youth guarantee in England should be decentralised, starting with London and the eight 'core cities'.¹⁹ In other parts of the country, the youth guarantee should be commissioned nationally and delivered through existing agencies and providers, with local input wherever possible. European countries with low NEET rates, including Germany and the Netherlands, have handed responsibility for many aspects of the school-to-work transition to regional authorities, together with control of the relevant budgets. There is evidence that this leads to greater innovation, more involvement of employers and better outcomes for young people.

Greater responsibility for London and the core cities in delivering the youth guarantee would have to be accompanied by greater accountability. Data on key indicators would be published annually, covering, for example, the share of young people with different levels of qualifications; the share of young people in employment, in education or training, or who are NEET; and the share that have been unemployed and/or NEET for more than six months.

The youth allowance would be a national scheme, with rates and eligibility rules applying across the whole country. But organising and delivering the youth guarantee would be done locally. This would build on initiatives already being put in place in some areas, which have seen the establishment of apprenticeship agencies, youth unemployment commissions and intermediate youth labour programmes to support young people. Local areas are much better placed to ensure the involvement of a wide range of interested parties in tackling youth unemployment, including local authorities, employers, colleges, welfare-to-work providers, trade unions and young people.

¹⁹ England's eight core cities are Birmingham, Bristol, Liverpool, Leeds, Manchester, Newcastle, Nottingham and Sheffield.

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