



Youth Unemployment Committee

Corrected oral evidence: Youth unemployment

Tuesday 15 June 2021

10.15 am

Watch the meeting

Members present: Lord Shipley (The Chair); Lord Baker of Dorking; Lord Clarke of Nottingham; Lord Davies of Oldham; Lord Empey; Lord Hall of Birkenhead; Lord Layard; Baroness McIntosh of Hudnall; Baroness Newlove; Lord Storey; Lord Woolley of Woodford.

Evidence Session No. 14

Virtual Proceeding

Questions 141 - 156

Witnesses

I: Stephen Evans, Chief Executive, Learning and Work Institute; Tony Wilson, Institute Director, Institute for Employment Studies.

USE OF THE TRANSCRIPT

This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of Witnesses

Stephen Evans and Tony Wilson.

Q141 **The Chair:** Welcome to this evidence session of the Youth Unemployment Committee. The meeting is being broadcast live via the parliamentary website. A transcript of the meeting will be taken and published on the committee website. You will have the opportunity to make corrections to that transcript where necessary.

Could I welcome our two witnesses to this, our 14th oral evidence session, Stephen Evans, chief executive of the Learning and Work Institute, and Tony Wilson, institute director of the Institute for Employment Studies? Could I ask you both to introduce yourselves?

Stephen Evans: Good morning. I am the chief executive of the Learning and Work Institute. We are an independent organisation that does research, development and policy work into learning, skills and employment, including youth employment.

Tony Wilson: I am the institute director at IES. Similarly, we deliver research, consulting and analysis on issues related to employment, public policy and HR management.

Q142 **The Chair:** Welcome, Stephen and Tony. We will ask questions of each of you. If you want to add something, please feel free to do so. Tony, how severe do you think the current youth unemployment situation is, in historical terms? How long do you think it may be until youth employment returns to pre-crisis levels?

Tony Wilson: This has undoubtedly been a severe crisis, for young people in particular. One of the most important features of this crisis has been the lengths to which the Government have gone to prevent an unemployment catastrophe and a loss of millions of jobs, particularly with the crisis measures that have been announced, like the job retention scheme and support for businesses. We have failed to prevent a crisis for young people.

During the early part of the crisis, youth employment fell on the PAYE measure, the measure of employee jobs, which at the moment is the most accurate, by about 500,000. It has since recovered somewhat, but it remains nearly 400,000 lower than it was before the crisis. This means that there are about one in seven fewer young people in work than there were pre crisis.

Our research for the Youth Futures Foundation and the Blagrave Trust has shown in particular that many disadvantaged young people have suffered most in this crisis. We have seen, for example, larger falls for black young people, where the employment rate has fallen by about four times as much as for white young people, and for Asian young people, where the fall has been about eight times as great. In particular, it has largely affected people in lower-paid, less secure occupations.

In terms of how long it will take to recover, I suspect it will not recover to pre-crisis levels. That is in part because one of the other really important

features of this crisis has been a shift towards full-time education. While employment has fallen, many more young people are in full-time education. We have seen that in previous crises too. In particular, coming out of the crisis of the 2000s, youth employment did not recover back to where it was. I think we will have permanently lower youth employment and permanently higher participation in education. This opens up a whole host of problems for how young people prepare themselves for future work and get the experience they need, but also how employers fill the many vacancies they now have.

The Chair: For those who are not going into full-time education, a lot of young people are categorised as NEETs—not in education, employment or training. Do you think we are actually going to see a much higher long-term level of youth unemployment into the medium and long term?

Tony Wilson: Yes, I think we will. We are already seeing that, actually. The number of young people who are not in education, employment or training, has, counterintuitively, held relatively steady during the crisis, at about one in seven young people, because these two things offset each other—falls in employment and rising education participation. I do not think the youth labour market will defy gravity for ever. The question is whether the overall labour market recovers quickly enough as people in education start to then look for work.

In the meantime, long-term unemployment is driven by what happens the six months or year previously. We are now seeing that significant dislocation for young people who lost work, or happened to be unlucky enough to be looking for work a year ago, feeding through into much higher long-term youth unemployment now.

Using those who are unemployed for more than six months as a measure, that is about 50% higher for younger people than it was a year ago. There are over 200,000 young people now who are long-term unemployed on that measure. That is the highest it has been since the start of 2016. I do not think it will go as high as it did in the last recession, where that peaked at about 400,000 to 450,000, but I think it will keep rising. It will probably peak later this year or early next year. That is why we need to focus things such as Kickstart, Jobcentre Plus support and training support at that long-term unemployed group in particular.

The Chair: Stephen, was there anything you wanted to add there?

Stephen Evans: It is clear that young people have been disproportionately affected through the pandemic thus far. Youth unemployment will probably drop off a little as the economy recovers, although the extension of restrictions announced by the Prime Minister may slow some of that recovery.

We think that an extra 130,000 young people have stayed in full-time education compared to before the crisis. That is potentially a good thing. Our proportion of young people with level 3 A-level equivalent qualifications was lower than other countries, as were our staying on

rates. As long as it is high-quality education that then links on to jobs, that could be a good thing.

The rise in long-term unemployment that Tony was talking about is a real worry. We need lots of extra action and support in some of the groups who have been disproportionately affected, such as black young people and young people with no qualifications.

Q143 Baroness McIntosh of Hudnall: I have a question, but before I get to it I wanted to pick up something particularly with Tony, but I think Stephen may have views on this as well. In the latest unemployment figures that have come out today, there is an overall tiny, but not insignificant, drop. The thing that jumped out at me was that London is the hardest hit of the regional areas. Tony, I wondered whether you could give us a view about the particular nature of youth unemployment in London.

It is terribly unfashionable to think about London as a matter of concern. Everybody is much more concerned about not thinking about London. It looks as though it might be quite a significant hotspot in the months and years ahead. Could you give us a view on that?

Tony Wilson: This crisis has been almost a perfect storm for London and the London economy. All the things that have been hit hardest in this crisis are things that London has tended to have very high employment and high growth in previously. You can think about large-scale office closures and the move to working from home, as well as the impacts on hospitality, tourism and the visitor economy, arts and recreation, self-employment in particular—there are very high levels of self-employment in London—and transport and aviation, with London's airports significantly affected.

Employment in London fell by about 6% or 7% on the PAYE measure during the crisis, compared with an average fall across the country of about 3%, so it was twice as great. It has started to recover a little in the last month or two, but it is not recovering a lot. The gap is not narrowing. The reason is that London continues to be affected, particularly in hospitality, transport, tourism and office closures.

By contrast, some parts of the country that have relatively lower employment overall have been somewhat insulated, or more insulated, particularly if they have higher levels of public sector or health service employment. That has been a protective factor in this crisis. For young people, this is a particular problem in London. London has a much younger population than the country as a whole. There are many young people working in lower-paid, often quite insecure work, particularly in hospitality but also in retail, which has been hit hard, and caring roles, such as young women working in childcare.

All these things are quite significant risks for the future. They point to the real importance of trying to help people fill the jobs that are becoming available and supporting people to get the skills they need to move into better value, better-paid work in future as the economy starts to recover. This is a real challenge for London. How we can safely reopen but also

start to see the benefits of the wider jobs growth in the economy in London will be a really significant challenge in the years ahead.

Baroness McIntosh of Hudnall: Stephen, I know you may have something you want to add. Obviously the percentage issue in London—you have alluded to this—is slightly misleading, because it is a huge population. A percentage drop in London is a lot of people. Do you think those numbers accurately reflect the actual levels of unemployment? We know that the formal levels are calculated in very particular ways and do not capture everything. What do you think about that?

Tony Wilson: That is right. There are two things there. First, the figures I was giving are Pay As You Earn employee data. That is pretty granular and it is very timely. The trouble is that that excludes the self-employed, for example, many of whom are in gig economy work. Again, London is really overrepresented for self-employment and for gig employment in particular. If anything, things are probably worse than the PAYE data suggests.

The related issue then is the young people who are not in education, employment or training and how unemployment is defined. London has seen similar growth in participation in education to other areas, but undoubtedly there are many young people who are economically inactive, who are not unemployed and not in full-time education. I am happy to come back to this later in the session too, because this particular group was ignored pre-crisis, has been ignored during the response measures in the crisis and risks being ignored in the future.

A large part of what is happening there is ill health, in particular poor mental health for young people, and young parents. That is a smaller group than it was, but there are still many young parents who have young children, and need skills support and job preparation support. Those groups are not covered in the plan for jobs at all. We need to do far more on working people who are economically inactive and out of education.

Baroness McIntosh of Hudnall: You have begun to answer the question I was supposed to ask you, which is great, about the particular groups of people who are likely to be affected and might suffer from long-term scarring in the future, because of the unemployment they have experienced now. We might just segue into that. Stephen, if you have anything to add on the London issue, please do. Then perhaps you could pick up on the longer-term scarring issue.

Stephen Evans: London definitely stands out like a sore thumb in the data, for the reasons Tony has talked about. It is worth saying that a large part of the reason why young people have been so disproportionately affected is that the sectors they are most likely to work in, particularly retail and hospitality, have been affected by multiple lockdowns over the last year or so. You also see increases in unemployment in other cities, when you get below the regional-level data, and in some coastal areas. There is a geography point here, as well as one about particular groups of young people.

We know that this is really terrible, because youth unemployment has a long-term scarring effect on people's pay and job prospects. If you are out of work when young, this has a long-term effect over years and years to come on your chances of being in work and earning a decent income. Work we did with the Prince's Trust and HSBC estimated that there could be scarring effects on young people's pay and job prospects of more than £14 billion over the next seven years. This is why you really need to throw the kitchen sink at youth unemployment when you hit recessions or economic downturns.

Underneath the headline level that we were talking about you see first the geography point, so young people living in deprived areas and in city centres are more likely to be hit hard. You see the sharp rises in youth long-term unemployment that we are seeing now. That is particularly damaging and we really need to clamp down on it. The particular young people Tony was talking about—disabled young people, young parents, young people with no qualifications, black young people—are the groups that we need to make sure we get across to and get the support to.

One other group I would mention, to finish, is 16 and 17 year-olds. Most 16 and 17 year-olds are in full-time education. Of those who are not, fewer than one in three are in work. Generally, they are not eligible for universal credit and hence Jobcentre Plus support. By definition, they are not in education. I worry about how we will go out and find them, and make sure they do not miss out on the support that is there. How do we extend the support that they are currently excluded from to them as well?

Baroness McIntosh of Hudnall: Tony, I do not know whether you want to add to that. Specifically in respect of the London issue, the London economy will always be an enormously important part of the overall economic health of the country. We are already looking at the possibility of significant changes, as a result of things that have happened during the pandemic, to the way the London economy works, which may become fixed—the way people engage with office work as opposed to home work, for example, and the effect that has on hospitality and retail. What is your sense of London's overall economy, which has a huge effect on youth unemployment? Is it fragile at the moment?

Tony Wilson: It really is. This is a time of huge uncertainty and concern for anyone who cares, as we all should, about the economic prospects for London. I would not necessarily want to overegg it in that it is also an incredibly resilient economy. It remains a place where people want to live and work. In what feels like the distant future, at the point when we are able to go back to working in offices and have more choice over where we work, we will see people returning to offices because of the enormous benefits of being around teams and working together.

The really significant impact on low-paid workers has come from things such as offices being closed. There are fewer people cleaning offices, fewer people working in the lunchtime economy, fewer people in security jobs and so on. It all cascades down. There are potential risks at higher, middle and lower-value employment.

I anticipate that we will see that recover as restrictions start to ease, but there is the real potential of a lasting economic scar for London. The very timely data that we all look at, particularly on new vacancies, online vacancies, footfall and so on, suggests that the gap is not really narrowing. London is starting to see some recovery, but the gap is not really narrowing with other regions. That is a real cause for concern.

Q144 Lord Clarke of Nottingham: I would like to ask for both of your views on the apprenticeship levy scheme, how it is working, how it could be improved and whether it needs taking further. For example, how do we get more small and medium-sized companies to get seriously involved? Do you agree with the suggestion that we should lower the threshold for contribution to the levy, or are there other ways in which we could do that? Do you think we need to change the rules or the incentives, for example, to shift the emphasis back to younger people and the lower level of qualifications? A lot of the money now goes on long-standing employees, on training courses they would have been sent on anyway.

Generally, is the apprenticeship scheme steadily improving? Is the quality getting better? Are there changes to the rules or incentives we need to give to employers to encourage, I would have thought, particularly more small and medium-sized employers to get engaged? Tony, what do you think on apprenticeships?

Tony Wilson: I was going to suggest that Stephen is much better qualified than I am to answer this. I would make one observation, which is not necessarily about apprenticeships. It is about access to work-based training for employers. As the apprenticeship system has focused increasingly on higher-value qualifications, it is hard to see where employers go when they want to offer more flexible, labour market-responsive co-funded training for lower-paid, lower-qualified roles. Apprenticeships need to be part of that mix. Stephen would be better placed to answer the apprenticeship point specifically.

Stephen Evans: That is very kind, Tony. I would say yes, 1,000 times, to the last part of your question about whether we need to do much more to refocus apprenticeships on young people. The number of apprenticeships for young people was low before the reforms, including the introduction of the levy. It fell significantly after those reforms and then went off a cliff when we got into the pandemic.

This is related to incentives within the system and how we work with employers. There is something about how we better support SMEs, which you asked about there, and there are some good examples of larger employers working with small employers in their supply chains. What more can we do to encourage that? The Government have taken some positive measures there, but there is much more to do.

There are also large employers where at the moment, for understandable reasons, the Government are basically saying, "This is the employer's budget, so it's up to them. They know the best value for their business". For the last probably 100 years, employers have spent more on their already highly skilled, highly paid existing employees than they have for

younger, less qualified entry-level people. Surely, the purpose of policy should be to rebalance that, rather than simply passively reinforcing it.

Lord Clarke of Nottingham: Do you have any ideas of how you do that—changing the rules, incentives or something?

Stephen Evans: One thing you could do is to say, “Employers have to spend a proportion of their levy on young people”, for example. Another way would be to introduce a skills tax credit, a bit like the R&D tax credit, that tries to rebalance some of that investment. Another way, which we have also argued for, would be to introduce an apprentice premium, so a bit like the pupil premium in schools, and try to skew or incentivise investment in particular ways. As an employer, you would get more money if you took on a young person rather than an existing employee. Another way would be to introduce extra employer contributions for apprenticeships at particular higher levels for existing employees.

These are all things that could be done. They would be reforms to the system. The last thing we need to do is just rip everything up and start again, because we have done that in skills policy roughly every five years. Stability is a good idea, but, my goodness me, it needs some changes. There are some ideas. I have plenty more, but I should probably stop there.

Q145 **Lord Layard:** How are we going to get a concerted approach to making the local supply of apprenticeship places enough to meet the demand? There must be some kind of organisation locally, surely, that addresses this issue and tries to make sure that employers are responding. In the Bill that is coming up, there are meant to be local skills improvement plans produced by employer representative bodies. It is not clear to me who is responsible for making these bodies exist. It is not even clear to me whether they are meant to cover apprenticeship or just FE. I would really like your thoughts on how to get some sort of local organisation that addresses this problem. What would be the role of local authorities in convening such a process?

Stephen Evans: If you do not like current skills policy, the good news is that there will probably be something else along in a couple of years’ time. That is also the bad thing about skills policy. I am not really sure how the new local skills improvement plans are supposed to sit with the skills advisory panels which the Government introduced four years ago, I think, to produce local skills plans, or the local industrial strategies which the Government asked local areas to produce a couple of years ago, which would include skills plans as well.

This links into a broader point about how all these initiatives join up. One of the reasons why the extra incentive for employers to take on apprentices during the pandemic is unlikely to have a really significant impact is that it is not joined up with Kickstart. That is meant to be for a slightly different group but involves fully subsidising wages. When we speak to employers, we find that they really want to get involved, but they do not know how, or what good looks like. “Of these 79 initiatives, what do you actually want us to do?” That kind of joining up would be a really good thing to do.

I worry that inventing another set of plans, from another set of people, alongside five other sets of plans, does not necessarily get us to that place. I take a view that local government, particularly in those metro mayor areas across England, should have a key role in joining this stuff up more effectively. There is loads of good stuff going on on the ground. Too often, it happens despite policy and the rules, rather than because of it.

Comment [KS]: fine

- Q146 **Lord Baker of Dorking:** I agree entirely with what Stephen Evans has said. The whole apprenticeship levy system has to be redirected to 16 to 24 year-olds. The trouble is that there is a huge pot of money there, £3 billion, and the larger and medium-sized companies have pillaged it in order to pay for management courses at levels 6 and 7, which they would normally have paid for themselves. There has to be something very fundamental in this. The whole thing has to be redrawn. It is absurd to call people in their 40s, 50s and even 60s apprentices. The apprenticeship money should be devoted.

As you have a large amount of money, you can do some very imaginative things by paying an apprenticeship premium to employers, like they pay a pupil premium to schools. You can actually make that provision. A lot of small and medium-sized companies find it very expensive to employ an apprentice. It is a lot of their money. We need to come up with some very imaginative proposals in this. I hope we will, anyway. Stephen, do you have any comment on that? I am supporting you really strongly.

Stephen Evans: Then I definitely agree. We need to think about what the system is for. We definitely need more management training, because poor management skills hold back productivity. That is very clear. It does not necessarily have to be an apprenticeship, and it should not come at the expense of young people and those starting off in their careers. The problem is that we have tried to make everything an apprenticeship, because the apprenticeship levy is the only game in town. Actually, life is a bit broader than that.

We need a clear view about what we are trying to achieve with policy and not trying to achieve everything with one policy. It is like going out on the golf course with only a putter. You will be okay for some of the shots, but you probably will not do so well overall. We need to rebalance that system and think about what we are trying to achieve, rather than trying to achieve everything in one go.

- Q147 **Lord Clarke of Nottingham:** Several members of the committee and the witnesses all seem to be enthusiastically urging the same point, so that is all very encouraging.

I had one thing I was going to ask, if you will allow me one quick thought. NEETs and the really difficult people are always a problem, the young people who just drop out of employment, education and training. Many of them get into trouble with the law and so on. About half the population of the prisons have never really had a job. About half the population of the prisons are not really numerate or literate. It is a big problem.

I wonder if either of the witnesses knows anything about the continental experience of dealing with this. I have always thought that the Germans are good on most training and employment issues, much better than we are, particularly on technical skills. Do they have the same problems with NEETs? Do you know of any initiative that Governments in Germany, the Netherlands or Sweden undertake that minimise the problem? What do you think can be done to reduce it as a problem in our society?

Tony Wilson: The UK is firmly mid-table in comparison to the European countries on many of these issues. We do pretty badly, worse than the OECD average and far worse than northern European countries—Germany in particular stands out, but so do the Netherlands, Denmark and other Scandinavian countries too—particularly for the 16 to 19 year-olds and young people not in education, employment or training. We tend to do pretty well on youth employment overall in those aged 20 to 24, who are in employment, education or training.

Broadly, this is not a surprise. It largely reflects the UK approach and labour market. We are in a group with Australia, the US and other Anglo-Saxon, if you like, economies of having quite flexible labour markets, low barriers to entry and a very strong focus on employment. That tends to support quite high employment through thick and thin. We do far worse on some of the issues that Stephen was talking about, particularly youth transitions and having a more organised approach, not necessarily a planned economy, as to how we support young people to make transitions, join up public services with firms better and have more stability and longevity in our approach to skills policy in particular.

This builds on the points that Lord Layard and Lord Baker were both making, and that Stephen touched upon, about the real fragmentation and messiness of our system locally. We have far too many government departments that are responsible for different parts of the system. There is no one part of government that is accountable for ensuring that no young person is left behind. That multiple responsibility leads to about half a dozen bits of the public sector commissioning, about 20 or 30 agencies or forms of provision being delivered and a complete mess around how that is joined up for the individual.

That does not require a massive machinery of government change. It does not require a massive reorganisation. It requires much more autonomy for local areas, operational autonomy to work together and a much clearer framework for doing that, with much more clarity from central government about how those objectives balance and how funding and provision will line up to meet those. Those objectives are educational attainment, participation and the transition to employment as you get older.

It means really strong leadership locally, and I do not just mean in local government; I mean Jobcentre Plus, colleges and others getting behind that as well. That is the lesson I have tended to take from continental models that have been better. Having a really strong vocational path, really strong apprenticeships and a vocational brand helps, but it is also about how, at a local level, employers, government and public services

can work together much more effectively within a national framework. You see this quite clearly. Denmark is a good example of this, with municipal government working with a clear framework for national objectives and being able to align provision to support that.

Stephen Evans: I agree with Tony. We did some work looking at pre-apprenticeship provision across different European countries. The German example really stood out. We went to visit, back in the days when you could go and visit places. That was driven by employers saying, "We have these jobs. We want to take on out-of-work young people to do them. Here are the skills we need". They were giving them work placements during that. Then the jobcentre equivalent was working with the college and skills provider to deliver those. It was all much more joined up and integrated.

In part, that is the product of probably 50 or so years of policy stability and culture within the education, employment and skills systems. There were some real lessons there about a common set of objectives leading to some joined-up working, rather than all the fragmented policy and funding streams that we have at the moment.

Q148 **Lord Woolley of Woodford:** Tony, I was struck by your first remarks about black youths being hit four times as much by this unemployment crisis. It often gets washed away in the dialogue, rather than focused on. I am particularly also worried that a false dichotomy between class and race is often perpetuated. How do we explain such shockingly high numbers in this particular crisis when most of the people in this group also know that black unemployment was higher anyway—I think twice as high—beforehand? There is an impending catastrophe unless we properly intervene. How can we remove this false dichotomy of pitting poor white working-class individuals against poor black working-class individuals?

Tony Wilson: You are right. There is a false dichotomy between class, race and ethnicity in some of this. In this crisis in particular, occupational segregation has been driving a large part of the impacts for some ethnic minority groups. It has been the sorts of jobs that people do, people being more likely to work in low-paid, less secure work, particularly in retail and hospitality.

Importantly, there are a lot of young ethnic minority women working in childcare. A lot of that is really insecure and not very well-paid, but incredibly valuable, work. When it was shut down last summer, a lot of those jobs were lost. They have subsequently come back, but they were lost during the crisis and have not come back to the same extent, often because of wider economic impacts.

The first explanation is those occupational factors. Fundamentally, this is about how we can better support disadvantaged young people to get better quality and more secure work. Many of those people who are disadvantaged also have lower qualifications. They live in more disadvantaged areas. They are more likely to be black or Asian, so we need to join up and support those groups better.

It is not explained by being less well qualified in general, for example. It is not explained by being less likely to be looking for work. As you say, the unemployment figures, which can be a little harder to read because unemployment also depends on how many people are in work, suggest that a far greater proportion of those in the labour force, particularly black young people, are looking for work. The unemployment figures are up to 30% or 40% now.

We need to do a lot to try to improve job prospects and better support people to find better-paid, better-quality work and to make those transitions. There is enough good-quality research evidence that shows that discrimination is also a factor. That has been shown through studies showing blinded CVs or name-changed CVs in particular. There is a whole set of things we need to do if we are going to address this, but this is a long-running issue. This crisis has accentuated it because of the particular impacts on low-paid and less-secure work.

Stephen Evans: I agree with Tony. The pandemic overall has highlighted and in some cases worsened the existing inequalities between lots of different groups. It is really important that we tackle all those. That requires us to think about why those existing inequalities have come up. Some of them interact as well, of course. We really need to tackle all of those together.

For example, we did some work a few years ago about apprenticeships. We found that black applicants to an apprenticeship were half as likely to succeed in their application as white applicants. When you try to delve underneath that a little bit you find a whole set of factors, including most of those that Tony mentioned. We also found a similar set of factors underpinning women being less likely to succeed in going into engineering apprenticeships, for example. This is about inequalities and disparities between and within groups, and how they interact with each other. We need to tackle all of them together, rather than saying, "It has to be this one or that one".

Lord Woolley of Woodford: What sorts of policy interventions do you think are effective in preventing young people becoming unemployed in the first place? How important is it that we have a racial narrative that confronts the systemic inequalities that exist?

Stephen Evans: In terms of preventing people becoming unemployed in the first place, you have the overall state of the economy. You need the economy to be growing and creating jobs. It is clear that it is starting to happen now. It will probably slow down a bit with the extension of restrictions. The furlough scheme has worked really well in limiting rises in unemployment.

Beyond that, we need to work with particular groups. For example, we published some research a few weeks ago on disabled people. They were more likely to lose their jobs during the pandemic and more likely to drop out of work before then. How do we work with employers to get health services linked up with employment services, so that, if someone becomes ill, they are less likely to drop out of work?

That links to similar things. Tony mentioned parents and other forms of support there, such as childcare support. As you have mentioned, there are disparities between ethnic groups. It is about trying to understand the drivers for each group that are leading to people dropping out of work and preventing them finding new jobs, and then trying to tackle those together. Some of the interventions will be the same, but it is important that we analyse their effects by group as well and then really have a targeted effort when it turns out that our interventions are not doing what we expected them to.

Lord Woolley of Woodford: Tony, do you have anything else to add?

Tony Wilson: No, I am happy to pick that up in later answers.

Q149 **Lord Baker of Dorking:** Some of the questions we envisaged asking you have already been answered by both of you. Stephen, I am much impressed by the work your think tank does. Your research is very good. You do not write in the education jargon and you have radical ideas. Did you have a hand in one paper we had earlier from WorldSkills called *Disconnected*? I think you did.

Stephen Evans: Was it about digital skills in particular?

Lord Baker of Dorking: Yes.

Stephen Evans: Yes.

Lord Baker of Dorking: You did. Can I ask you something about that please? One thing that report revealed to me was a shocking statistic. Since 2015, 42% of youngsters at schools have done less studying on computing than five years ago. I thought that was a shattering figure. That is a sound figure, is it?

Stephen Evans: Yes. Thank you for your kind words about the work we do. It is very much appreciated. There are a couple of things going on there. One is that there is a general disparity in even basic digital skills between socioeconomic groups, even for younger people, who we traditionally say are digital natives and all these sorts of things. There is that kind of disparity in access to equipment, broadband and the skills that are essential for life and work.

Beyond that, you were asking about GCSE entries, I think. Some of the big drop that you mentioned is because a different GCSE was set up. There is an increase in a different type of computing GCSE, but it is not sufficient to make up that gap. That worries me not just in relation to the basic digital skills that I talked about, but in relation to the creative and digital sectors. They are real strengths of our economy and will be really important for our future prosperity. We risk stymying the pipeline into those sectors. We need to focus on how we can raise those numbers.

Lord Baker of Dorking: That is very important. The other thing you discovered was that 76% of the companies interviewed, big and small, said that the biggest thing holding them back was the lack of digital skills and data analysis; 76% of those companies said that that affected their profits and growth. Does this not need a total revolution in digital skills? Do we have to grasp the fact that schools have to start teaching

computing from the age of 11? This is a digital age. Every job in the future, even low-skilled, will have some element of data skills in it. That is absolutely inevitable. Do we not need a revolution here?

Stephen Evans: I agree. There is a rising bar for skills across lots of jobs. Most jobs will contain some element of digital skills, as you said. Then we have particular sectors, such as the gaming sector and creative sector more generally, which are real strengths for the UK but rely on those skills. Everyone needs those basic digital skills, and we also need more people to get the more advanced set of skills. I hope the report we did with WorldSkills and Enginuity shines a bit of light on this issue and, as you have suggested, provides an impetus to do better. It certainly shows the challenge that we have.

Q150 **Lord Baker of Dorking:** You have both said very clearly that no Minister is responsible for dealing with youth unemployment. Since we have sat, no Minister, from any department, has made any speech about youth unemployment, I may say. You have a bit of the DWP involved. You have the DfE involved. You have the agricultural department involved. You have environment and culture.

There is also a plethora of projects to help the unemployed: youth hubs, career hubs, Kickstart and a whole host of others. We find it very difficult to know which are the most effective. Which is the most effective in getting a young person who is unemployed into a job? Can you give us some guidance? Would you each like to give us your list of the three most effective ways of getting a young unemployed person into a job?

Tony Wilson: I wish I could keep it to three. I am conscious of the time. There are some general themes, I suppose. The things that tend to work best are the ones that focus on the individual and the labour market, and go beyond job search and skills support.

Taking those in turn, focusing on the individual first, the reality is that most of those young people are out of work and out of education. First and foremost, they want help to find decent work, a good job. Too often, we offer them help to find the product that that producer has available for them. How we can better focus on individuals, job search, job matching, maintaining confidence, dealing with setbacks, effectively planning and then understanding local labour markets and finding work is really important. That is a fundamental role of public employment services.

Of course, most young people who are out of work do not get helped through the public employment service. The only ones who are supported through Jobcentre Plus are the ones who count as being in the searching-for-work group of universal credit, who meet the conditionality requirements, et cetera. Many more are not in that group, either because they are not claiming benefit, or because they are on benefit because of ill health or other reasons.

I would also include those in full-time education. There are 2.4 million young people in full-time education who are not working. That is the highest figure it has ever been. That was 2.1 million before the crisis.

When employers say that they do not have the staff, they mean that they do not have the experienced staff or they are not offering the hours and the shifts that people can do. As I remember, and many of us would—I think I had 13 jobs when I was a student, at different times—young people in education are a fundamentally important base for filling vacancies, but also getting work experience for the future.

Lord Baker of Dorking: Could I have your first three? Which are the most effective? We need a bit of guidance here.

Tony Wilson: That is the one: extending active labour market job search, job seeking, action planning and help to find work.

Lord Baker of Dorking: Which is best at doing that?

Tony Wilson: It is that. It is one-to-one adviser support, based on the individual, supporting them to look for and find work. It is that good-quality public employment service role, but ensuring that is available to all young people.

Lord Baker of Dorking: Is that youth hubs, career hubs or Kickstart?

Tony Wilson: It is not youth hubs right now, no. There is a lot of potential in youth hubs. I am a real supporter of youth hubs, but currently that is mainly about getting Jobcentre Plus staff into more estates because of social distancing problems and, as part of that, joining services up. It is about extending that one-to-one support through jobcentres and other services to help individuals. That should include career services and the support available through local authority commissioned services.

Lord Baker of Dorking: Stephen, could you answer my question as well? Which do you think is the most effective? I understand what Tony has said, and it is very clear. What do you think?

Stephen Evans: One would be having a joined-up offer, so that you get the support you need, rather than what is on offer at that place. At the moment, we have a lengthy and lengthening list of initiatives. Youth hubs could do that. I do not think there is any evidence that they are successfully doing it yet because it is too new. For example, Wales has a gateway that tries to do that and join up support. That might be something to look at.

The second thing is making sure every young person out of work has an adviser, as Tony said, who is helping them to come up with a plan to look for work. Jobcentre Plus is actually quite good at that, but it is limited to those on benefits. It should be for those not on benefits, including 16 to 17 year-olds.

The third thing would be making sure that everything we do is driven by employers and employer need, rather than what we think employers ought to want. I cannot name one specific initiative that does that, but within each of those initiatives there are some good examples of working with employers to guarantee interviews, for example, if young people pass the course they are on or whatever it happens to be. The best apprenticeships do that sort of thing as well. You cannot say, "This

initiative works and this one doesn't", but there are good examples in each of those initiatives that deliver the sorts of things I am talking about. One of the massive things missing is that joined-up offer.

Lord Baker of Dorking: That is a very important point. The thing you have identified is the jobcentre, which is the DWP initiative, is it not?

Stephen Evans: Yes.

Lord Baker of Dorking: You seemed to give that a big tick.

Stephen Evans: Yes, a big tick, but with a lot more to do about extending its support and publishing proper data on how many people it gets into work and how they progress on, rather than just getting them off benefits. It is a tick and a sort of question mark.

Q151 **Lord Empey:** Good morning. I have a question to both of you. When looking to help young people into work, what sort of balance do you think policymakers should strike in designing initiatives that encourage employers to take on young people, equip young people with the right skills and career information, and incentivise young people into work?

Stephen Evans: In the economy we are in at the moment, vacancies are back up below pre-pandemic levels, I think, and we are seeing increases in employment, albeit that we have the legacy of the pandemic and do not necessarily know what comes next. The key point is how we get those young people into those jobs. That means that we need to make sure, as I said in answer to Lord Baker, that we have every young person engaged in support to find work.

That support is only any good if it is meeting employer needs. You cannot have employment without employers. Unless you meet employer needs, you are not going to do it. Also, there is a policy role, which is not there at the moment, about financial incentives for employers to take on long-term unemployed young people. During recessions, you may need some extra subsidy for jobs in general. We are now coming out of a recession and it is about how you make sure that young people can get those jobs.

There is good evidence to show that hiring subsidies, for example paying employers £3,000 or something if they take on a long-term unemployed person, can be effective in tackling youth unemployment. It is only effective if you do the first bit as well, which is making sure that the young people have the skills to get those jobs and are supported to look for them.

Lord Empey: If I could interrupt you there, Stephen, this is chicken and egg that we are confronted with here. Lord Clarke made the point earlier about small and medium-size enterprises. For a small business, taking on somebody is quite expensive and can be a disruptive process. How do we break down what sort of incentive level is needed? In fact, can we help employers by giving them back-up, not simply in cash terms? There are all sorts of liability issues and things that employers are confronted with. How do we break that cycle so that a small or medium-sized enterprise has skin in the game and something to gain, apart from the money? It is not only the grant; it is the management time. It is the whole big picture

that we have to look at.

Stephen Evans: That is spot on. The money matters, but actually it is all that time. It is what good looks like, in terms of helping someone into work, work placements or whatever it happens to be. Work placements, in their various guises, can be helpful on both sides here. It gives young people some experience of work, but it also gives that employer a sense of what that young person can achieve. For example, DWP's sector-based work academies lead on to the sorts of skills that the employers in the sectors they are targeted on say that they want. Work experience and the T-level industry placements are also elements. Those sorts of things can help employers, but also young people.

I started with the money. I am betraying my background as a former Treasury official, I fear. It is also about that support. What does good look like? How do we make this happen? Things such as apprenticeship training agencies can help smaller employers in particular with paperwork and management support. We need to put those things on boosters.

Tony Wilson: That is exactly right, and I would add to a few of those points. The sector-based work academies model is a well-evaluated, very effective and impactful model. That has the ingredients of the things that work: focus on the individual; provide short, focused pre-employment training that meets a specific employer and industry need; combine that with work experience, which is really effective; and all the employer has to commit to is to offer that placement and a guaranteed interview at the end. We are seeing a big expansion of that, which is welcome.

Your point about how we work with employers is really important. That is a bit of our public employment services that we have not focused enough on in recent years. Jobcentre Plus is great and I have an enormous amount of time for it, but it is a benefits agency that also delivers employment services. It needs to be an employment service that delivers benefits.

Our employment services are far wider than Jobcentre Plus. They include the Restart programme, something called JETS—job entry targeted support—the work and health programme, and help to find jobs. This means that employers have multiple points of contact with the system, so everyone is responsible for talking to employers, with nobody being accountable for making it really easy for them. Other countries do this much better.

It is about how we have consistent conversations with employers that are not just about, "Let me fill that vacancy", but, "Let me help you recruit better. Let me help you have better quality jobs. Let me help you understand what jobseekers need and want in employment". That is fundamentally important. I would like us to see—and I think in the Restart programme we will start to see this—a much more consistent effort on how we engage with employers at all levels, nationally but also locally, to better meet their needs and then help them fill jobs with disadvantaged groups.

Lord Empey: The point I am trying to get at here is about breaking

through, particularly to the SMEs. In large parts of the country, particularly in rural areas, you may not have the big employers with sophisticated HR and training departments. We are talking about small groups of people. We all know that it would be in the long-term interests of businesses to have succession planning, new skills coming in and so on. It is because it sucks so much of management's and directors' time out of the system. How can we package, or repackage, something that they can click on to and say, "It really is in my interest to do this"?

Tony Wilson: We have called for local-level partnerships. We called them good work partnerships. Essentially, they would join up how the Government talk to employers about regulation and enforcement. We talk to small employers all the time about issues related to planning, licensing and health and safety through local government, but also at a national level. We talk to them a bit less on enforcement, because we have not invested much in that, but we talk to them that way as well. Colleges talk to employers and of course local authorities also know them. We want to see that much better aligned.

There are similar points to the ones made earlier about more autonomy, clearer leadership and better alignment of funding, but in this case also doing more. In my view, Northern Ireland is leading the way on this. In Northern Ireland, we are starting to see the rollout of something called local inclusive labour market partnerships, which will be convened at local authority level but within a framework set at the Northern Ireland government level. They will start to bring the right people around the table who are thinking about individuals, communities and employers, to join that up.

That is the fundamental point. After that, you can start to get that operational autonomy and better alignment locally, delivering services that work. We know the sorts of things that work. There was a great initiative by CIPD—the Chartered Institute of Personnel and Development—called People Skills, which was about supporting small firms to improve their HR management practices. That was a really simple thing. Let us do more of that and combine it with a conversation about recruitment, vacancy filling and how we can help you with and subsidise the taking on of more staff.

This can be done; we just have not done it. This is an area that we have neglected for years, because we have had a labour market where there has been a lot more supply than demand. We are in a period now where we will probably have more demand than supply. That is a nice problem to have, but it means that we need to work much better with employers and much better locally.

Q152 **Baroness McIntosh of Hudnall:** I think this may qualify as a dumb question, but I would like to ask it anyway. Tony, you mentioned earlier that you thought that in your young life you had had 13 jobs, possibly as a student; I do not know. It has caused me to wonder, to put it very succinctly, whatever happened to the Saturday job. Both of you are underlining the importance of work experience. Right up until certainly some point within the last 20 years, it was possible for young people.

I am thinking about my own children. They are now grown up with children of their own, but when they were in their teens they were able to get work experience. They thought of it as earning some money, but it was work experience that they were able to get through being engaged, presumably because there was a greater demand at the weekends for certain kinds of services, such as in restaurants, hairdressers or whatever it was. They could get those jobs.

My impression is that that does not happen any more. First, is my impression right and, secondly, why does it not happen any more? I could make a guess, but I would rather you told me.

Tony Wilson: Your impression is exactly right. When I was a young person working, 25 years ago, two-fifths of young people—people aged 18 to 24 and people aged 16 and 17—in full-time education also had jobs. Right now, 23.5% of people aged 18 to 24 who are in full-time education have a job, so it has virtually halved, and just 12% of young people aged 16 to 17 have a job, which is one in eight.

That collapse is driven by supply and demand factors. In part, we care a lot more about our education now than we probably did 25 years ago. Certainly young people do, and many cannot, or feel under pressure not to, take up jobs while they are also studying. The demands for studying are definitely greater than they were when I was doing my A-levels or even my degree. That is part of it. Educational institutions do not encourage it, but the labour market has changed fundamentally.

This is not a point about migration particularly, and it is certainly not a point about migration having led to lower employment, because all the evidence suggests that it has not. At a time when firms have not had to think about how they offer jobs that fit around your college commitments or your education commitments, that has certainly made it harder for young people to take up that work.

I think that will change, because firms, particularly in hospitality but also those that require people to work at less social hours, will think much more about offering better hours, security and more advanced notice about shifts required in order to get more people into work. Undoubtedly, that has had a really negative effect on young people's prospects in the labour market. If you do not have that work experience, it is far harder to make those transitions later. One-third of young people in high-skilled work were in a low or a medium-skilled job the year before. People do progress.

Baroness McIntosh of Hudnall: Thank you. That is very interesting.

Stephen Evans: It is certainly true that more young people leave full-time education with less or no experience of work compared to previously. I will probably just differentiate a little between 16 and 17 year-olds and 18 to 24 year-olds; more 16 and 17 year-olds are staying in full-time education. It is definitely a good thing that they are now staying on, but this is still lower than other countries. There is a point about how you combine work with that study. There are T-level industry

placements and other forms of work experience, and I hope we can start to bridge that gap a bit.

I mentioned the 16 and 17 year-olds who are not in full-time education, and I think only a third of them are in work. It feels like nobody will be trying to find them because they are not eligible for universal credit, and by definition they are not in education. I worry about that group. For the 18 to 24 year-olds, it is a slightly different kettle of fish, but there is a similar point about how you combine study with work. The pandemic has obviously had a particular impact there as well.

Comment [KS]: fine

Baroness McIntosh of Hudnall: Would you agree with Tony? I was more interested in the 16 and 17 year-olds, as you rightly intuited. Would you agree that schools are not encouraging people to extend their range of skills by trying to find casual employment at the weekends or whatever? Is it actively discouraged? Are you encountering that?

Stephen Evans: I am not aware of the specific evidence on what is driving school decisions, to be honest. I would not be well placed to comment on that. This is about schools, colleges and other education establishments. If you think about it, there are lots of 16 and 17 year-olds who are required to either stay in full-time education or have a job with training, and apprenticeships dropping off a cliff really limits it for that group, with that lack of work experience.

I would link it back to the point I made about employers, who are asked to do a million and one things by dozens of government bodies. Therefore, "What do you actually want me to do? How do I engage with this?" There is a bamboozlement and bombardment of employers that we need to tackle.

Q153 **Lord Baker of Dorking:** Before we say goodbye to our two guests today, could I just ask them this? You mentioned right at the beginning the level of NEETs. We find it quite difficult to work out what the level of NEETs is. We work on an average of 11.5%. Is that correct? We have also been sent evidence from one think tank, which says that it stretches from 7%, in the more prosperous Warwickshire end, to 20% at the other end of Sandwell, in Birmingham.

Could you each give us a small comment on NEETs? We have to understand them a bit better. Is it right to say there is a national average of 11.5%?

Tony Wilson: Yes, that is right. The NEET data, as published by the Department for Education and the ONS, is a pretty reliable measure of this. I tend to use the data that is published each month, including this morning, for young people not in full-time education, employment or training. It is a little bit timelier and it can be more consistently compared with other labour market indicators. That is a figure of 14%.

As I say, this is explained in particular by economic inactivity. About two-thirds of that is young people who are economically inactive. They are not unemployed. I think that just over half of those are people with long-term health conditions. The unemployed fraction is actually pretty well unchanged through this crisis, which is unusual, because generally

that tends to go up and down. It is the inactive fraction that has actually increased a little bit during the crisis, and it remains elevated.

There is a lot of regional and sub-local variation on this. The data on that is pretty rubbish, unfortunately. We have done some work trying to model it in the past, but not in the very recent past. What you have heard from the West Midlands sounds right to me. You would expect, in disadvantaged areas, to have up to a fifth. In some cases, you may have more.

Stephen Evans: I agree with that overall national picture and that there are clearly huge variations, as there are with most things, across different parts of the country, but it is a bit tricky to get an accurate measure on it.

The length of time that somebody spends NEET is also important. It is not just the levels; it is how long someone spends NEET and how that varies by group. I think the Department for Education published some research a couple of years ago that looked at care leavers, who often get terrible outcomes compared to other groups of young people. A very high proportion of them had spent something like two of the last three years not in education, employment or training.

There is an overall headline figure of who is NEET now, but there is also how long people spend NEET. As well as the geography point, there are groups such as care leavers that are particularly disadvantaged.

The Chair: We will have two or three minutes on the subject of Kickstart, because Lord Layard and Lord Storey wish to ask about it.

Q154 **Lord Layard:** At the moment, it has a finite life, but is it not the job of government to ensure that young people do not experience long-term unemployment, whatever the state of the economy? Is there a case for having Kickstart as a permanent scheme, varying a lot in scale according to the state of the economy, as part of the Government's discharge of their responsibility to make sure that young people do not experience long-term unemployment?

Tony Wilson: Yes. The paper that you wrote in 2008 with Paul Gregg, setting out the need for this in the last crisis, was exactly right. I was lucky enough to be the official in DWP who was then charged with designing and implementing the Future Jobs Fund and trying to deliver the young person's guarantee at that time. We should have a jobs guarantee that guarantees that no young person need be long-term unemployed. The Youth Employment Group, which you have heard from previously in evidence and which we co-founded, has been calling for that jobs guarantee and for an extension of a form of Kickstart to do that.

Should Kickstart, in its current form, be extended? I think many people in the Treasury will say no. They will say, "It has, in effect, been a demand-side measure. It was intended to create jobs at a period of weak demand. There's now a lot of demand, so we should not be investing in that". My view is that Kickstart needs to be reformed so that it can act as a guaranteed job for the long-term unemployed, and a transitional job, an intermediate labour market, that then helps those long-term unemployed

people to move into permanent employment. That reform job will not necessarily be straightforward, but from next year we need a reformed Kickstart as part of a long-term unemployment guarantee.

Lord Baker of Dorking: Could you send us a note on that, please?

Tony Wilson: We will publish one, I think, as the Youth Employment Group, next week.

Q155 **Lord Clarke of Nottingham:** Do you have a reply to the Treasury criticism, which led to the abolition of the first attempt at this, that too many employers treated it as six months of cheap labour, as they were being subsidised, and at the end of six months a slight majority of people on it just went back to where they started? Is there any way round that? Do you accept that criticism? I think that is why the previous attempt was abandoned. I am agreeing with you; we need to have this permanently.

Tony Wilson: That was a political and public shorthand for why it was ended, and quite a convenient and understandable one. Of the people in Future Jobs Fund jobs, 40% moved into permanent employment, so 60% went back to benefit and then had to be supported again. That was the shorthand.

I was involved in those decisions as well. By that time, I was in the Treasury, leading on youth policy. In its own terms, it was probably the right decision because it looked like the economy was starting to recover. Actually, the mistake was not turning it back on again. The mistake was not reintroducing it when we had that subsequent big rise in long-term youth unemployment in late 2011 and 2012. That is when we needed the guarantee again.

The fundamental Treasury criticism is that, with transitional jobs, the point that matters is the additional impact over and above what would have happened. The Government's evaluation of the Future Jobs Fund found that the additional impact was really significant. It was a 10 percentage point increase in the likelihood of being in permanent work. The counterfactual group—those who had the same characteristics but did not get the job—were much, much less likely to be in employment six months later.

We are never going to solve everything with one intervention. It will never all lead to permanent jobs, but it gives people work experience, addresses signals that employers receive when people are out of work, gives people confidence to look for new jobs, gives them workplace skills and helps them to find a new job. This is a well-proven intervention that works, and we should be doing more of it.

The Chair: Stephen, I will give you the final word in just a moment. Lord Storey, is there anything at all on Kickstart that you would like to ask?

Q156 **Lord Storey:** I agree with most things that Tony has said, but one of the things I still do not understand is that Kickstart is meant to also support 16 year-olds, but you have to be claiming universal credit benefit to be part of it. In your reformed model, how do we get round this?

Stephen Evans: There is a clear case for extending something like Kickstart, as a response to the impact of the pandemic, because I expect youth long-term unemployment is unlikely to peak until next year, and yet the scheme is due to close to new entrants in December 2021. We also know, through the evaluations that we have talked about, that this form of job guarantee can work. I would like to see, as a permanent feature, a job guarantee scheme for those who are really long-term unemployed, perhaps 18 months-plus. You would have to decide exactly where to put the eligibility.

For that to be a success, and to convince the Treasury, it needs to be really well targeted at those who are really long-term unemployed and whom we have not been able to support into work through other support. It also includes those who are long-term unemployed but not on benefits, and that is the 16 and 17 year-olds that you are asking about. There are a few who will be claiming universal credit, but it is incredibly limited. That locks 16 and 17 year-olds out of support that might help them. It needs to be really well designed.

At the moment, I worry that, if we did an evaluation of Kickstart, it might look worse than the Future Jobs Fund, which had the positive additional impacts that Tony talked about, because we have this mix of quite a complicated wage subsidy without so many of the elements of training support that the Future Jobs Fund had. We have that combined with a drive to numbers during various lockdowns, which risks us referring young people who do not need the support quite as much as others.

We need these forms of job guarantees, but they need to be well targeted, and that means to those who are really long-term unemployed, including those not on benefits. We need to get the design right so it is really adding value.

Tony Wilson: Stephen and I, as is often the case, are in violent agreement on most or all of this. On Lord Storey's point, I have not talked much about 16 and 17 year-olds in my evidence. It is really inexcusable that there are any 16 and 17 year-olds who are unemployed and not in full-time education. According to the Labour Force Survey data, there are only 20,000 young people in the whole country who meet those two criteria. I just cannot understand why it seems to be beyond our wits and wisdom to identify those people and help them get the support they need to do the things that they want.

Lord Storey: Would one thing to do be to drop this silly notion, which you will know about, that you cannot claim universal credit if you are doing over 16 hours at a college? You lose it. That is a disincentive to go to college, hence you remain a NEET.

Tony Wilson: I would like to see a lot more discretion around that. Abolishing the rule entirely would probably just bring into the benefits system millions of young people who are currently in education and on low incomes. It would essentially be an education maintenance allowance via the back door, which I would support, but I do not think it is the job of DWP, through its settlement, to fund that. We need more discretion on that. The Government have said they will trial more discretion on that.

For 16 and 17 year-olds in particular, there needs to be parity of esteem in how we support them compared with older young people. That is fundamentally about how Jobcentre Plus in particular but also about local authorities, public services and employers can better work together for that group.

The Chair: Thank you very much indeed for being our witnesses. It has been of huge benefit to us. We are very grateful for the time you have taken to plan responses and to speak with us.