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Youth Unemployment inquiry

This submission is made by Dr Golo Henseke, Professor Ingrid Schoon, Professor Francis Green, Dr Hao Phan, and at the UCL Institute of Education. They work on the project COVID-19 youth economic activity and health monitor (YEAH) with funding by the Economic and Social Research Council (ESRC) as part of UK Research and Innovation’s rapid response to COVID-19 (ES/V01577X/1). This project will address the UK’s need for robust evidence on the pandemic’s consequences for youth employment, learning and well-being.

What are the main challenges facing young people seeking employment today? How do structural factors impact youth unemployment, and how might these be addressed?

Main challenges are a shrinking labour demand, in particular in jobs most common among young people, i.e. those in retail, hospitality, arts, and leisure. According to the ONS, in a year-on-year comparison, vacancies were down by more than 70% in Arts and Entertainment and Accommodation and food services in January-March 2021.1

The resulting unemployment risk are not equally distributed. To develop a fuller understanding, we have carried out independent analyses of the Labour Force Survey (LFS) until February 2021. Our findings show that among 16-24 years-olds who completed their first cycle of education, the percentage of NEET rose fastest among the youngest (16–19-year-olds), recent education leavers and young people who identify as Black, Indian and other Asian heritage.

For some groups, such as young people of Black heritage, the worsening prospects add to pre-existing inequalities. The percentage of people in NEET jumped from a quarter before COVID-19 to about one-third on average over the period April 2020- February 2021. For other groups such as young people of Indian heritage, worsening labour market prospects emerge despite excellent labour market integration before the pandemic. By contrast, for young people of Bangladeshi heritage, the percentage in NEET fell from 24% to 13% during the pandemic. In all, the LFS data suggest that while young people as a group were hit harder by the economic consequences of the pandemic than older cohorts, within young people, there are some groups (ethnic minorities and recent education

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1 ONS. VACS02: Vacancies by industry
leavers) who have done significantly worse. The slowdown in the transition from education to work is also evident in the above-average increase in long-term unemployment for recent education leavers.

Our analyses of LFS data finds no evidence that government employment support provision has systematically stepped up to help those new in NEET. Some supplier report difficulties in reaching out to those most in need, especially among ethnic minorities.

Another critical issue is the increasing forms of precarious employment, characterised by fixed-term, temporary, or zero-hour contracts, low pay and lack of social security, particularly in the new gig economy. In particular, in the aftermath of the 2008 Great Recession, austerity measures were introduced, including labour market reforms to promote flexible employment, cuts in state support for students, leading to an increasing polarisation of youth employment. People in precarious jobs were the first to lose their work during the pandemic.

To better understand the challenges young people face in today’s labour market, we analysed how the labour market context had changed since 2011: the year when youth unemployment peaked in the aftermath of the Great Recession.

Unlike the Great Recession, the current pandemic comes after multiple years of almost stagnating productivity and wages in the UK. Both output per hour and real full-time median wages in 2019 were about 2% above their 2011 values. Young people did not escape these trends. Neither recent graduates nor non-graduates (within 5 years of leaving education) saw a significant change in mean real hourly wages since 2011, according to the LFS. At the same time, wage growth over careers flattened. While in 2011, median hourly wages rose by 50% within 9 years of leaving full-time education, wage growth over the same career span had slowed down to 30% by 2019.

The stagnating wages are consistent with a roughly unchanged proportion of 30% of young graduates (20-29 years) outside of high skills jobs over 2011-2019. Worthwhile to note, before the pandemic, the proportion of young non-graduates in high-skill jobs was edging up. The percentage rose from 21% in 2011 to 25% in 2019. In fact, youth employment grew predominantly in managerial and professional occupations between 2011-2019, despite overall stagnating hourly wages.

However, there remain important inequities in the chances to access top jobs. Evidence from UK cohort and panel data suggests that career opportunities for young people are associated with area characteristics, with young people living in deprived areas most at risk of becoming NEET or dropping out of the labour market altogether.

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3 ONS. Labour productivity: Tables 1 to 8 and R1, Employee earnings in the UK: 2020.
In brief, the pandemic hit a youth labour market that struggled with stagnating labour productivity and wages despite rising employment figures in high skills managerial and professional jobs. Building back better will require policies that stimulate skills demand and boost productivity to align skills demand with supply. We, therefore, welcome recently announced government initiatives to help improve productivity across UK businesses. However, education institutions also need to work closely with employers to understand skills needs better. This is even more relevant as we move towards a post-pandemic normal.

**What future social, economic and technological changes are likely to impact youth unemployment? What impact might these changes have, and how should this be planned for and addressed?**

In addition to increasing inequalities and economic uncertainty in the aftermath of Brexit and the Covid Pandemic, there is the need for young people to navigate a future characterised by increasing IT and robotics/automation – changing labour market opportunities and polarisation. This can create opportunities for flexible working in the gig economy alongside other activities, better matching of skills to tasks through AI, but also risks that those without the skills that complement new technologies fall behind. However, besides skills needs, many new IT/ AI-enabled work processes aim to align labour demand closer with the demand for products and services, thus shifting economic risk to workers. This is consistent with the growth in hours insecurity and income volatility.

For example, new research findings from the first round of the Youth Economic Activity and Health (YEAH) survey suggests that about 27 % of employed young people in February 2021 had experienced cuts to their weekly hours at short notice. YEAH is a representative sample of 16-25 year-olds from across the UK. The proportion experiencing working hours insecurity is substantially higher than the percentage of zero-hour contracts in the age group (about 6 %). Working hours insecurity is associated with poor job quality across multiple domains.

**Is funding for education, training and skills enough to meet the needs of young people and of the labour market? How can we ensure it continues to reach those who need it most?**

Most post-18 education funding is concentrated on higher education leading to entry to university and degree-level qualifications. This generous and flexible student funding systems might have contributed to the increasing number of university students over the pandemic. Our

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5 COVID-19 youth economic activity and health monitor (YEAH)
analysis of the LFS suggests that participation in university education rose for 18–19-year-olds and those that already held a degree on average in the months September 2020-February 2021 compared to pre-pandemic ratios. The increase in university participation confirms existing findings.\(^7\)

In other words, universities stepped in and helped to buffer worse labour market figures for some. However, the expansion of university enrolment might have mainly benefited groups with already high levels of educational attainment.

But despite universities’ funding advantage, the transition to online provision has not been an easy one. The YEAH survey suggests that university students were particularly dissatisfied with the quality of resources and teaching they received. A non-negligible proportion -- 20% -- also failed to secure a work placement or internships despite trying. Therefore, it is not surprising that university students were, on average, particularly pessimistic about the consequences of the pandemic for learning and career outlooks. About 58% of students in our sample reported worsening job skills learning due to the pandemic, and 69% thought the pandemic hurt their career prospects.

By contrast, there is a dearth of funding for further education and training, enabling young people to acquire the skills needed for an equitable recovery and renewal, enabling young people to return to education, upskill, and reskill and support lifelong learning.\(^8\)

This matters. Few seem to be aware of how much, or how little, job-related training takes place. Recent evidence up to 2018 shows that the average UK worker now spends between two and four days per year doing some form of job-related training. The amount has been declining in the last two decades. Between 1997 and 2011, the volume of training for each worker halved.\(^9\) This downward trend continued up until the pandemic hit. While young people in work receive a greater volume of training per worker than the workforce as a whole, volumes fell by about an hour per week from about 5 hours in 2011 to just above 4 hours in 2019. These trends towards less workplace training coincide with widening gaps by educational attainment and gender. The developments do not suggest that the current system of workplace training has become better at reaching those who might benefit most from further training. Nonetheless, LFS data from 2020 indicate that workplace training has held up during lockdown despite the challenges.\(^10\)


Does the national curriculum equip young people with the right knowledge and skills to find secure jobs and careers? What changes may be needed to ensure this is the case in future?

Current vocational and occupational training is guided by the assumption of a specific ‘skills set’ attached to a particular occupation. Given the massive transformation of opportunities for learning and working brought about by the digital revolution, there has to be a shift towards measures supporting life-long learning and acquiring a portfolio of more general skills, including so-called ‘soft skills’ to facilitate adaptability and adjustment to changing circumstances. Skills must be flexible and transferable across situations and different jobs. Moreover, there is a need to consider the motivational aspects of acquiring new skills guided by personal and social goals. In addition to being economically relevant, skills must become capabilities that have motivational value.

What lessons can be learned by current and previous youth labour market policy interventions and educational approaches, both in the UK and in other countries?

Countries differ regarding the institutional structures guiding the transition from school to work (SWT). Comparative research on youth transitions among European countries has focused on labour market regulation and the linkage between educational systems and the labour market. These institutional factors can influence and channel transition behaviours by offering a diverse set of opportunities and constraints, reflecting features of their different transition system. A central purpose in the specification of ‘transition systems’ is to identify features of successful systems that enable a smooth integration into the labour market, focusing on differences and similarities in structures of education and training, cultural assumptions and expectations, and the link between education systems and the labour market.

Lockdown in the UK. LLAKES Briefing Paper.
Comparing experiences of young people in the aftermath of the 2008 Great Recession or the current Covid-19 crisis suggest significant country-specific differences. The labour market integration of new entrants tends to be faster in countries with strong institutional linkages between education and the labour market and strong institutional networks which can support the SWT.\textsuperscript{17} For example, in the Great Recession, employment for young people in countries with a liberal or a universalistic transition regime (such as the UK, Canada, the US or Ireland) was less strongly affected. Yet, at the height of the recession, unemployment reached high levels. Similar patterns have emerged during the Covid-19 crisis; for example, youth unemployment in the US reached 27% in April 2020.

The relative success of employment-focused countries, such as Austria, Germany and Switzerland, in keeping young people engaged in the labour market is often explained by their vocational training programmes and well-developed links between education and the labour market. However, some have argued that the apparent success of employment-focused countries was at the price of job protection for the ‘insider’ section of the workforce, those on permanent employment contracts. At the same time, the ‘outsider’ section (those combining spells of unemployment with temporary and often part-time work), constitute a nascent precariat – large numbers of the poorly qualified, often comprising minority groups and immigrants.

Generally, over the past three decades, there has been an increasing polarisation of the labour market across many OECD countries. Labour market polarisation has led to a structural segmentation where social and employment protection levels for labour market insiders are maintained. At the same time, support for an increasing number of outsiders is reduced.\textsuperscript{18} This increasing polarisation seems likely to constitute the major challenge for youth policy and the transition systems of the future. That is to say, the generosity of the welfare state, rather than mitigating labour market problems for young people, can become under certain conditions, such as the GR, a source of its division.

The pandemic has shown governments’ power to ameliorate hardship. Looking across countries in 2020, trends in youth unemployment hardly correlated with the size of the economic downturn.\textsuperscript{19} There is a lot of wiggle room for policies to shape how the economic recovery will benefit all. For a successful recovery through skills development, there needs to be greater employer participation in training and education. Employment support services and employments schemes need to develop strategies to better identify and reach groups furthest away from the labour market.

\textsuperscript{19} \textit{Will Covid-19 vaccines be enough to get the economy back on track, curb youth unemployment, and mitigate mental health effects?}, IOE blog, 12 Jan 2021.
Finally, alongside raw employment metrics, there needs to a stronger focus on job quality and decent work. Insecure work with little prospects for career developments is a dead-end and as harmful to individual’s well-being as periods of unemployment.

7th May 2021