

Written evidence submitted by the Prince's Trust

About The Prince's Trust

1. Youth charity The Prince's Trust helps young people to develop the confidence and skills they need to realise their ambitions, so that they can live, learn, and earn. Founded by The Prince of Wales in 1976, the charity supports 11- to 30-year-olds who are unemployed, struggling at school and at risk of exclusion. The Trust has helped over a million young people to date, and in 2019/20 alone supported over 70,000 individuals.
2. Many of the young people helped by The Trust are in or leaving care, facing issues such as homelessness, mental health problems, or have been in trouble with the law. The programmes offered by the charity give vulnerable young people the practical and financial support needed to stabilise their lives, helping develop self-esteem and skills for work. Three in four young people supported by The Prince's Trust move into work, education, or training.

This response:

3. Based on our experience of supporting young people into employment – working in close partnership with employers across the country – this response sets out:
 - **Government measures have protected many jobs in the short term, but there is much that needs to be done to secure and strengthen the labour market over the long term**
 - **Alongside protecting jobs, the government needs to support employers to create them – ensuring long-term productivity growth and economic prosperity**
 - **As the economy recovers and we look to the future, it is important that opportunities and support are available for people across the country to develop the skills needed to succeed in the labour market**
4. We also draw on recently published research carried out in partnership with the Learning and Work Institute, supported by HSBC UK: *Facing The Future: Employment prospects for young people after coronavirus* - [available online here](#)

Government measures have protected many jobs in the short term, but there is much that needs to be done to secure and strengthen the labour market over the long term

5. Before the crisis, levels of youth unemployment were low by historic levels at 11.8%, a percentage that has now reached 14.3% - their highest since 2015¹. While government interventions such as the Coronavirus Job Retention Scheme have helped to protect many jobs, young people have been disproportionately impacted by the pandemic in terms of employment – with over half of the fall in employment among this group and the number of young people in employment now at its lowest since records began².
6. The Job Retention Scheme was a welcome intervention from government that has protected youth employment during the pandemic. In the first few months of the pandemic there was a particularly sharp decline in hiring in sectors that employ a large proportion of young people. By May 2020, vacancies had dropped by 72% in wholesale and retail and 80% in catering and hospitality since 2019, compared to a decline of just 40% across all sectors³. The Job Retention Scheme protected many roles for young people in these sectors, that would have otherwise been at risk of redundancies: in July 2020, 28% of (employed) 16- to 24-year-olds were furloughed compared to 18% of 25- to 34-year-olds and 16% of those aged 35 and above. However, we also saw unemployment spiking at times when it looked like the scheme was

¹<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/educationalstatusandlabourmarketstatusforpeopleagedfrom16to24seasonallyadjusteda06sa>

² A05 SA: Employment, unemployment and economic inactivity by age group (seasonally adjusted) - Office for National Statistics ([ons.gov.uk](https://www.ons.gov.uk))

³ [Facing the future: employment prospects for young people after coronavirus \(princes-trust.org.uk\)](#)

winding down⁴ and with hiring still low⁵, there are risks for long-term unemployment when the support is removed. Whilst it has undoubtedly been a positive measure in the short-term, the sustained disproportionate impact on young people in spite of this protection, and the number who still rely on the JRS for support, underlines the need for long-term strategy to protect jobs for young people in the future.

7. It is also important to recognise that the fall in youth employment has not been distributed equally and statistics show that it is most affecting the groups who were already disadvantaged before the pandemic. Findings show that BME young people are twice as likely to be unemployed than their white peers⁶, whilst Black young people saw a 49% fall in hours worked compared to a 16% drop experienced by white young people during the pandemic⁷. It is therefore important to consider how measures can be utilised to address the widening disadvantage gap caused by the pandemic. The pandemic has exposed and exacerbated existing inequalities, leading to a growing crisis in youth unemployment, as opposed to creating a new crisis in itself.
8. Economic modelling carried out in a report between the L&WI and The Prince's Trust⁸ shows that the cost of youth unemployment extends into the wider economy (see tables below [and access the full technical report here](#)). The economic cost of youth unemployment, in terms of lost national output, is forecast to rise to £6.9 billion in 2022. Furthermore, the fiscal costs of youth unemployment, in the form of lower tax revenue and higher benefit spending, is forecast to be £2.9 billion in 2022. Finally, the long-running scarring cost to young people entering the labour market in 2021, in terms of lost earnings and damage to employment prospects, is forecast to be £14.4 billion over the next seven years. Whilst measures to solve the youth unemployment crisis will be costly, this modelling indicates that the cost of leaving them unaddressed is far more expensive- both to young people themselves and to the economy.

Table 1: Summary of the costs of higher youth unemployment

Year	Economic Cost (£bn)	Fiscal Cost (£bn)	Long-run scarring costs (£bn)
2021	5.9	2.5	14.4
2022	6.9	2.9	
2023	4.4	1.9	10.4
2024	2.4	1.1	
2025	2.1	0.9	5.4

Source: L&W Calculations

Table 2: Actual and projected youth Unemployment (16-24) 2019-25

Year	Unemployment Level (thousands)	Unemployment Rate
2019	487	11.4%
2021	717	16.6%
2022	757	17.5%
2023	659	15.4%
2024	582	13.8%
2025	568	13.5%

Note: The figures are annual averages for the years in question. Source: L&W calculations

9. This research also suggests that youth unemployment is not set to peak until 2022 at 17.5%⁹, with challenges persisting even as our economy – and overall unemployment – begin to recover¹⁰

⁴ [Unemployment crisis deepens as furlough scheme begins to wind down \(telegraph.co.uk\)](https://www.telegraph.co.uk/business/2020/04/23/unemployment-crisis-deepens-as-furlough-scheme-begins-to-wind-down/)

⁵ [Facing the future: employment prospects for young people after coronavirus \(princes-trust.org.uk\)](https://www.princes-trust.org.uk/facing-the-future-employment-prospects-for-young-people-after-coronavirus/)

⁶ [Young workers are being hit hardest, and some more than others | TUC](https://www.tuc.org.uk/news/young-workers-are-being-hit-hardest-and-some-more-than-others)

⁷ [Facing the future: employment prospects for young people after coronavirus \(princes-trust.org.uk\)](https://www.princes-trust.org.uk/facing-the-future-employment-prospects-for-young-people-after-coronavirus/)

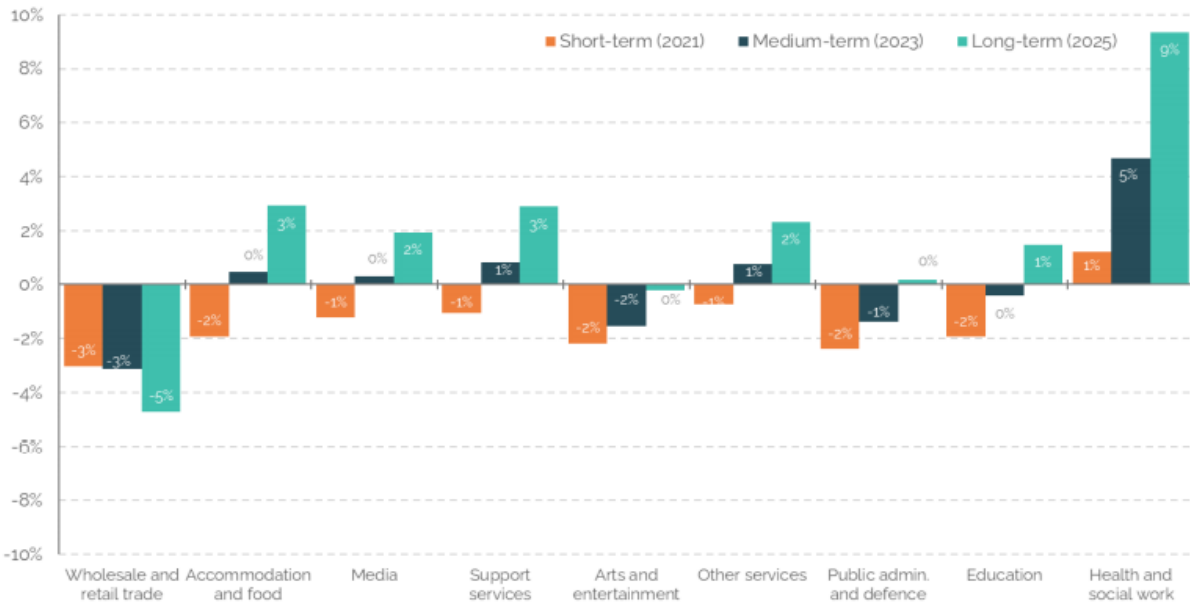
⁸ [Facing The Future Technical Report: https://learningandwork.org.uk/wp-content/uploads/2021/03/Facing-the-future-technical-report.pdf](https://learningandwork.org.uk/wp-content/uploads/2021/03/Facing-the-future-technical-report.pdf)

⁹ L&W Calculations – based on the assumption that youth unemployment will count for 37% of the total unemployment projected by OBR for 2021, 2023 and 2025 in line with recent data. Full technical report online here: <https://learningandwork.org.uk/wp-content/uploads/2021/03/Facing-the-future-technical-report.pdf>

. This reflects the experience following the 2008 financial crisis, where youth unemployment did not peak until a number of years after the start of the crisis¹¹ – and underlines the need to act immediately to ensure that young people receive the support they need.

10. While it is promising to see that the economy is set to recover even faster than initially anticipated¹², job vacancy and business turnover data suggest a limited recovery in sectors key for youth employment. Our research with the Learning and Work Institute forecasts changes in employment by sector and shows that the outlook for young people’s employment is worse compared to the outlook for workers aged 30 and over (see Figure 12). In addition to being overrepresented in the sectors hit hardest by the pandemic, young people tend to be overrepresented in the sectors that are forecast to see lower employment in the long term. In sectors where young people are substantially overrepresented, such as retail and arts and entertainment, employment is projected to remain lower in 2025 than before the pandemic. By contrast, young people tend to be underrepresented in the sectors which are likely to see the most robust employment growth such as health and social work.

Figure 12: Short, medium, and long-term change in demand (all employees) from 2019, by sector



Source: L&W analysis of Working Futures (2017), OBR forecast (2020) data and Business impact of Covid Survey

11. While youth unemployment levels before the beginning of the pandemic were approaching historically low rates, these statistics masked a number of other challenges including stubbornly high levels of long-term youth unemployment. This has since been exacerbated by the pandemic, underlining the need for action. Worryingly, long-term youth unemployment has reached a five-year high, with 44% of all unemployed young people unemployed for at least six months (compared to 33% a year earlier)¹³.

¹⁰ Facing the future: employment prospects for young people after coronavirus (princes-trust.org.uk)
¹¹ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/educationalstatusandlabourmarketstatusforpeopleagedfrom16to24seasonallyadjusteda06sa>
¹² <https://www.bbc.co.uk/news/business-57008220>
¹³ UNEM01 SA: Unemployment by age and duration (seasonally adjusted) - Office for National Statistics (ons.gov.uk)

12. With a new cohort of education leavers due to increase competition in the labour market this September, coinciding with the end of the Job Retention Scheme, there is an urgency to support those who are both already long-term unemployed and on the cusp of long-term unemployment.

As well as protecting jobs, the government needs to create them to ensure long-term productivity growth and economic prosperity...

13. The beginning of the Kickstart programme was hampered by a national lockdown, meaning that it took longer than expected for employers to be able to offer places through the scheme – resulting in a slow start. By late February, almost 4,000 young people had begun to benefit from the scheme, a number that is expected to rise dramatically as we see the economy reopen¹⁴. However, if we are to truly see the positive impact that this scheme could have, government must commit to an extension. By extending the programme for at least 6 months, this would give employers confidence to take part, ensuring that more young people can benefit from the opportunities on offer.
14. With Kickstart focused on supporting those who are more ‘work ready’, it is vital that other interventions are offering the support needed for young people who need more intensive interventions to get them ready to succeed in employment. We must avoid the risk that the focus is placed on those who are easier to get into work and more quickly ‘off the books’ of Job Centre Plus – leaving those who face additional challenges languishing out of work for even longer periods of time. The ‘Restart’ programme could play a role once fully established, but youth targeted interventions will be required for some time to come.
15. The Prince’s Trust has experience and expertise in supporting young people who face additional hurdles to moving into work, with 3 in 4 young people completing our programmes moving into a positive outcome following the course. We have continued to support young people throughout the pandemic and stand ready to help them develop the skills and confidence they need to progress to their next step.
16. Although structural changes to the labour market are expected to permanently reduce demand in sectors that typically employ young people post pandemic, there is potential for new opportunities created by the commitment to Net Zero carbon emissions. 35% of employers surveyed saying that this would create jobs in their sector – a figure which rose to 56% among those working in construction, and 51% among employers in IT and telecoms¹⁵. As a part of this drive towards Net Zero, Government should explore how Social Value Contracting can be best utilised to increase employment and training opportunities for young people – with improvements to the current system needed to make a real difference. It was promising to see social value referred to in relation to the Procurement Bill detailed in the Queen’s Speech documents¹⁶, but it will be critical to ensure that any legislation results in improved opportunity for young people.
17. Work is needed to stimulate job creation, ensuring that all young people can have access to high quality opportunities. One idea to explore here would be the waiving of Employer National Insurance Contributions (NICs) for under 25s. By reducing employment costs for young people, this would stimulate new hiring during a time where businesses and employers are being more risk averse- the targeted incentive would specifically support young people earlier on in their careers and combat the shortage of roles that are predicted for young people in the recovery.

¹⁴ <https://commonslibrary.parliament.uk/research-briefings/cbp-8965/#:~:text=The%20Kickstart%20scheme%20provides%20funding,young%20people%20had%20started%20jobs.&text=The%20jobs%20created%20must%20provide,per%20week%2C%20for%206%20months>.

¹⁵ [Facing the future: employment prospects for young people after coronavirus \(princes-trust.org.uk\)](https://www.princes-trust.org.uk/facing-the-future-employment-prospects-for-young-people-after-coronavirus)

¹⁶ <https://www.gov.uk/government/publications/queens-speech-2021-background-briefing-notes>

18. A youth job guarantee could also prevent growing long-term youth unemployment, which should create paid, at least at the minimum wage, employment opportunities for young people who have been unemployed for 12 months or who have been referred by their work coach or local partner – this could essentially act as a ‘Kickstart-plus’ for those young people who have not been able to secure a Kickstart role, having been unsuccessful through the recruitment process.
19. Whilst it is important to create jobs and opportunities for young people, it is essential that these are good quality. The quality of work has significant implications for young people’s health and wellbeing¹⁷, and it is therefore essential that this is considered when creating vacancies. With the uncertainty caused by the pandemic, young people are increasingly looking for employment that provides a work-life balance and financial security¹⁸. To ensure quality of work for young people, employers should be encouraged to use youth friendly practices and provide contracts with guaranteed hours, living-wage pay and stable employment opportunities – something that we know provides benefits to the individual but also the employer through increased engagement.

As the economy recovers and we look to the future, it is important that opportunities and support are available for people across the country to develop the skills needed to succeed in the labour market

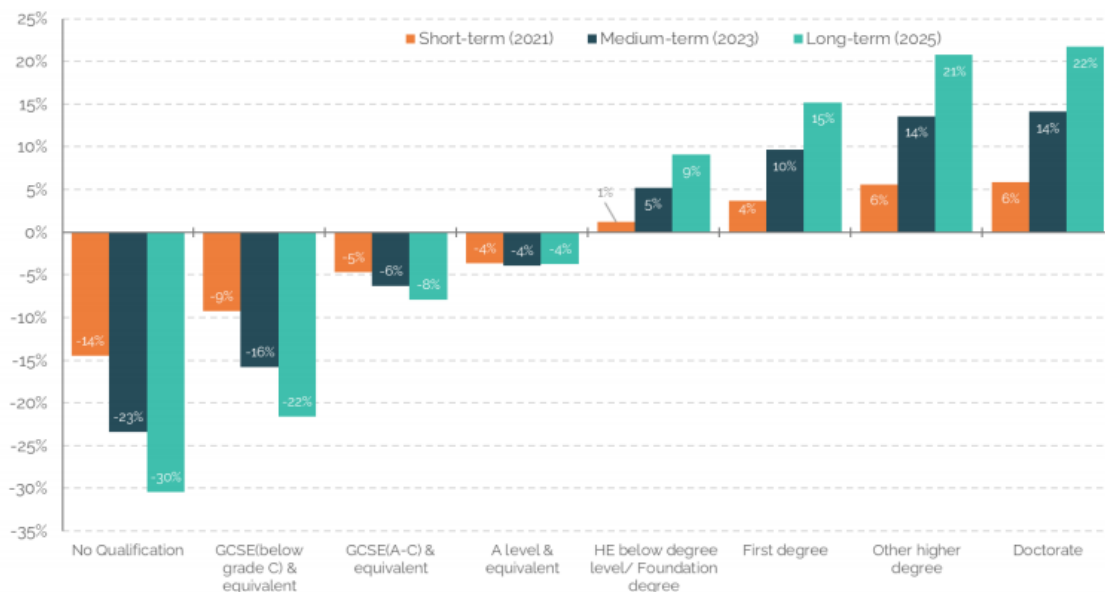
20. As set out above, our recently published research with the Learning and Work Institute looked at the changing shape of the labour market, looking to identify where opportunities for young people are likely to lie in the coming years. Alongside the shifting demand in different sectors outlined earlier in this response, the research also highlights a change in the level of skills likely to be required in the coming years.
21. Demand for employees with no or low qualifications is set to dramatically fall in the short, medium and long term – as set out in Figure 13 below. This trend is also likely to impact individuals with GCSE and A Level (and equivalent) qualifications where demand is also set to decrease – albeit at a lower level. Only skills at foundation degree level and above are expected to see increased demand – raising real concerns about the employment prospects of young people who lack these higher-level qualifications¹⁹.
22. These findings also reflect the importance of a successful implementation of policies to be introduced through the ‘Skills and Post-16 Education Bill’ that should enable individuals to develop new skills at any stage of their life. Giving individuals the opportunity to build the skills they need to thrive in the more highly-skilled labour market that we expect to see. This is a positive move, but it will be important to consider that for many people – including young adults – they will need additional support to get them ready to take on these opportunities, and government should work with the FE, skills and third sector to ensure programmes are also available that will build confidence and re-engage individuals in learning.

¹⁷ [Young People's Future Health Inquiry | Institute for Employment Studies \(IES\) \(employment-studies.co.uk\)](#)

¹⁸ [Global COVID-19 pandemic causes mass rethink of career goals amongst young people | Liberty Communication \(libertycomms.com\)](#)

¹⁹ [Facing the future: employment prospects for young people after coronavirus \(princes-trust.org.uk\)](#)

Figure 13: Short, medium, and long-term change in demand (all employees) from 2019, by qualification



¹⁶ Level 2 qualifications include GCSEs (grades A*-C or 9-4) or equivalent. Level 3 qualifications include A levels, T levels or equivalent.

23. The research findings underline the importance of coherent and high-quality education options, particularly at levels 2 and 3, which can provide pathways to gaining these higher level skills and securing employment – and apprenticeships should play a big role in this landscape. Following reforms in recent years however, the reality is that – even before the pandemic – we have seen a real drop in the number of apprenticeship starts for young people, as well as at the lower levels that we know can provide an important first step onto the employment ladder. In its current form, the system encourages employers to invest their apprenticeship levy funding into more expensive, higher level training courses that are much more likely to benefit older people and existing employees.
24. Data shows that the number of apprenticeships started by young people in 2018/19 had fallen substantially since 2014/15 – with a reduction of 25% in starts for those aged under 25 compared to 16% for those over 25²⁰. Looking at more recent years specifically, we can see that between 2017/18 and 2018/19, starts for under 25s fell by 3%, whereas we saw an increase of 16% for over 25s. Additionally, we see that in 2011/12, 63% of apprenticeship starts were at intermediate level, a figure that had fallen to 36% by 2018/19²¹ - further demonstrating the impact of changes to the system. These figures show a significant shift in who apprenticeships are serving and where they are supporting skills development.

²⁰ <https://feweek.co.uk/2019/11/28/apprenticeship-starts-for-young-people-continues-to-fall-dfe-reveal/>

²¹ <https://commonslibrary.parliament.uk/research-briefings/sn06113/#:~:text=Apprenticeship%20starts%20in%202018%2F19,starts%20and%20185%2C100%20apprenticeship%20achievements.&text=Starts%20at%20intermediate%20level%20and,an%20over%20were%20particularly%20affected.>

25. The pandemic has only served to intensify the challenges with the apprenticeship system – with the lockdown period resulting in a disproportionate negative impact on apprenticeship starts for under-19s and intermediate level apprentices²². During the first two quarters of the 2020/21 academic year there was a drop of 18% in overall apprenticeship starts compared to the same period a year before – but a 33% fall in starts among those under 19. Intermediate apprenticeship starts also fell by 36% over this same time period, while higher level apprenticeships grew by 12%²³. Urgent intervention is needed to ensure that apprenticeships remain a route into work and to support the development of skills in young people – particularly in the face of a shift to a higher skilled labour market.
26. We propose a number of recommendations that could have a positive impact on the apprenticeship system for young people including: allowing employers to spend up to 10% of their levy funding on pre-apprenticeship programmes to boost confidence in taking on young apprentices; increasing the current incentive payments to employers taking on young apprentices to £5000 for 16-18 year olds and £4000 for 19-24 year olds; and abolishing the co-investment requirement for apprentices under 25 for smaller employers operating outside of the levy system. We would be happy to provide more detail on any of these recommendations.
27. Creating pathways is vital, but for many young people they need help to access these opportunities. With increased levels of youth unemployment, the role that Job Centre Plus plays becomes increasingly important – with provision of high-quality support for individuals who need it most a vital piece in solving the youth unemployment challenge.
28. The recruitment of thousands of new work coaches is a good first step to ensure that everyone has access to the support needed to get them employment²⁴, but work is needed to ensure that they are ready and equipped to offer the tailored support that young people need. New ‘Youth Hubs’ – which The Prince’s Trust is a part of – should help to create a landscape where young people are able to access the support they need, even where they would not traditionally engage with JCP. Going forward, it will be important to ensure that these remain properly resourced, and that investment ensures these are in locations where young people will have easy access to their offering. It is also important to ensure that we focus on the training and support that work coaches receive – both those who are new to the role and existing staff – giving them the tools they need to offer young people high quality, relevant support to move them into employment. They should be encouraged to work with specialist youth sector organisations who have the experience and expertise that can really make a difference to individuals.

Summary of Recommended Actions

Throughout this response, we have made a number of recommendations and highlighted areas for further attention in line with the questions posed in this inquiry. These include:

- Extend the Kickstart programme for at least 6 months.
- Ensure Youth Hubs are properly resourced, that they are easy to access, and that staff are trained to a high quality.
- Waive Employer National Insurance Contributions (NICs) for under 25s.
- Promote quality of work in job creation
- Improve social value in procurement to secure more opportunities for young people
- A ‘Kickstart Plus’ job guarantee that creates paid, at least at the minimum wage, employment opportunities for young people who have been unemployed for 12 months or who have been referred by their work coach or local partner.

²² <https://commonslibrary.parliament.uk/research-briefings/sn06113/>

²³ <https://commonslibrary.parliament.uk/research-briefings/sn06113/>

²⁴ <https://www.gov.uk/government/news/government-delivers-13-500-work-coaches-to-boost-britain-s-jobs-army>

- Ensure interventions are in place to support young people furthest away from the labour market – working with expert organisations to deliver targeted support.
- Focus skills policy on supporting young people to develop the skills to help them succeed in the labour market, including a focus on sectors set to grow in the coming years and building pathways to higher level skills.
- Implement changes to apprenticeships policy to increase the number of young people starting apprenticeships – this includes more flexibility in the levy and targeted incentive payments.

May 2021