

*Jobs for Youth/Des emplois pour les jeunes*  
**United Kingdom**

*Summary in English*



**The labour market performance of young people**

In the United Kingdom, measures of youth labour market performance and indicators describing the transition from education to work over the past 15 years paint a mixed picture. On the one hand, there is evidence that youth labour market integration and career progression have improved considerably since the mid-1990s thanks to a combination of specific youth labour market measures, sound reforms of the welfare system and favourable economic conditions. In 2007, the incidence of long-term unemployment among youth was just 16% – 7 percentage points lower than in 1997 and 4 percentage points below the OECD average. Upward wage mobility for youth holding low-paid jobs also increased significantly between the early 1990s and the early 2000s.

However, other indicators paint a less rosy picture. First, employment and unemployment rates have deteriorated recently. In 2007, 56% of 16-24-year-old youth were employed, 5 percentage points fewer than in 1997 although 12 percentage points above the OECD average. More importantly, the significant improvement in the youth unemployment rate achieved between the mid-1990s and the early 2000s has partly been undone since 2004. In 2007, the youth unemployment rate was 14%, slightly above the OECD average, compared with just 11% in 2004. These figures hide significant differences between teenagers (16-19-year olds) and young adults (20-24-year olds). The decline in the youth employment rate between 1997 and 2007 was entirely driven by the worsening employment prospects of teenagers while the position of young adults improved up until 2004. However, both age groups were affected by the recent deterioration in labour market performance and this trend could well continue in the short term as projected GDP growth for 2008 and 2009 is revised downwards in the wake of the current uncertain economic climate.

Second, 13% of 16-24-year olds were neither in employment nor in education or training (NEET) in 2005 (the latest year for which comparable data are available), and

many youth in this group are at high risk of poor labour market outcomes and social exclusion. This rate is just above the OECD average of 12% and has increased slightly over the past decade. Low-skilled youth are more than twice as likely to be NEET as their more educated counterparts and there is evidence that some become trapped in this status.

Third, while the main activation programme for young people in the United Kingdom – the New Deal for Young People – has helped many youth return to work, sustainable employment outcomes have proved difficult to achieve and there are signs that the programme is no longer as effective as in the early days. In 2007, one in five young people who found work through the programme held a job lasting less than 13 weeks. As a result, the most difficult clients alternate short employment spells with benefit dependency.

The government is well aware of the challenges described above and is taking specific actions to address them. The English education system and the UK activation framework are currently undergoing considerable change and a number of ambitious reforms will be implemented over the coming years<sup>1</sup>. The purpose of this report is: *i*) to analyse the barriers to further progress in youth employment, particularly among the least skilled; *ii*) to suggest improvements and fine-tuning to the current reform plans; and *iii*) to put forward policy options to tackle issues that the current reforms do not address.

## Recent reforms

Over the past five years, efforts have been stepped up to encourage more young people to stay on in education and training after completing compulsory education, particularly in England. A number of measures have been introduced to this effect, including financial support – through the Education Maintenance Allowance rolled out nationally in 2004 – and the guarantee of a place in an educational institution after age 16 – the September Guarantee launched in 2007. Evaluations have shown that the Allowance has improved beneficiaries' attendance, retention and achievement in post-16 education and training. The Guarantee has only just been introduced, but it is likely to help keep youth in learning longer by ensuring that every 16-year-old receives an offer to stay in education or training. The Guarantee is currently being extended to cover 17-year olds in 2008.

In 2003, new services for advice and support to 13-19-year olds – Connexions services – were rolled out in England. Connexions were given the double mandate of providing advice and guidance to all 13-19-year olds and of helping youth at high risk of marginalisation in this age group. Notably, they play a key role for 16-17-year olds who are NEET and are not entitled to the financial support or re-employment services that their older counterparts receive from Jobcentre Plus – the public employment service. In 2006, the role played by Connexions for at-risk 16-17-year olds was strengthened by the launch of Activity Agreement pilots in eight areas. This new scheme mimics the mutual obligations approach applied to older unemployed youth and, if successful, could inform the future activation strategy for this specific age group.

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<sup>1</sup> Note that most of the *education system* discussion here and in Chapter 2, unless otherwise specified, relates solely to England given the different education systems in parts of the United Kingdom.

In 2005, the English administration also launched an ambitious programme – the 14-19 Strategy – aimed at broadening learning options to ensure that every young person finds a learning pathway that suits him/her beyond compulsory schooling. The strategy comprises various initiatives, including an apprenticeship entitlement for suitably qualified 16-19-year olds wanting to engage in work-based learning and the introduction of 17 new Diplomas – composite qualifications combining theoretical and practical learning and designed to bridge the gap between academic and vocational programmes of learning.

In addition to financial support, the September Guarantee and the provision of more learning options, England is in the process of approving legislation – the Education and Skills Bill – requiring young people to participate in education and training until they are 18 or until a qualification is obtained (A-levels or equivalent), whichever is earlier. The changes will come into force gradually, requiring youth to participate until they turn 17 from 2013 and until they turn 18 from 2015. Despite its compulsory nature, the reform is designed to allow more *flexible* participation than just keeping young people in full-time education until they are 18: *i*) available learning options will be broadened through the 14-19 Strategy; *ii*) participation will be either at school, in a college, with a private training provider, in work-based learning or in accredited training provided by an employer; and *iii*) young people working more than 20 hours per week will be allowed to participate in training on a part-time basis.

In terms of the activation framework, starting in October 2009, long-term unemployed youth will be referred to a new, more flexible, New Deal programme. With the new programme, the government hopes to improve the sustainability of employment outcomes and to increase cost-effectiveness. Changes will be informed by experience with existing New Deal programmes and by two pilots launched in the early 2000s – Employment Zones running since 2000 and the Employment Retention and Advancement scheme since 2003. The pilots have involved testing partnerships with private sector providers, increasing competition among providers to drive better value services, and rewarding both providers and clients for sustainable outcomes.

Finally, for employees in jobs without training who lack basic qualifications – including youth – the Train-to-Gain programme was rolled-out in England in April 2006. The scheme helps businesses get the training their employees need through impartial advice, referrals to suitable training providers and guidance on funding. In addition, for 16-17-year olds in jobs without accredited training, pilots for Learning Agreements were launched in 2006 in eight areas. The pilots are testing the combination of individually tailored learning agreements and financial incentives to encourage both 16-17-year olds in jobs with no accredited training and their employers to engage in training.

### **Suggested recommendations in response to the remaining challenges**

The recent efforts to raise the share of youth who participate in post-compulsory education and training and to improve activation services go in the right direction. However, some of the reforms may need fine-tuning to ensure that their objectives are met. In addition, particular attention needs to be paid in order to ensure that the new initiatives will improve significantly labour market outcomes for the NEET group.

Some additional measures are needed to draw up a more effective and coherent strategy. These measures would ideally help achieve three main objectives: improving retention rates in post-compulsory education and training; ensuring the effectiveness of the 14-19 Strategy; and improving the design and coherence of the new activation strategy for disadvantaged youth.

### *Improving retention rates in post-compulsory education and training*

In terms of the education system, the priority is to reduce early leaving from education and training. In 2005, the latest year for which comparable data are available, 16% of youth left education without an upper secondary qualification or with just a basic school-leaving certificate.<sup>2</sup> This compares with an average of 14% for the OECD area. The labour market performance of these low-skilled youth is rather poor. In 2005, one in five was NEET and the ratio of low-skilled to high-skilled youth unemployment rates stood at five, the second highest in the OECD after Finland. Overall, the labour market performance of this group in the United Kingdom is below the OECD average, while better qualified youth tend to outperform their OECD counterparts.

Provision of free early childhood education, which helps reduce early leaving from education and training particularly when interventions are sustained beyond the pre-school period, is lower in England than in many OECD countries. For children aged 3-4, the current entitlement to 12.5 hours per week of free childcare is due to increase to 20 hours per week by 2010. While this is a significant step in the right direction, it still falls short of current international good practice of full-time, year-round, publicly funded pre-school services. For 0-3-year olds, there is no entitlement to early childhood education and care at all, and in 2004 only 25% of children in this age group used licensed childcare facilities. To extend participation in early childhood education and care of children aged 0-3, Sure Start Children's Centres are due to open in each local community in England by 2010; the initiative began with the 30% most disadvantaged areas in 2006. In disadvantaged communities, the Centres provide child-care services while they focus on guidance for families in the most affluent ones. Recent evidence has found significant beneficial effects for all children and families living in the Centres' areas, including the most disadvantaged. It has also suggested that stronger effects of the Centres on disadvantaged children than were found in the first evaluations may be due to more pro-active targeting of families in need.

Raising the age of compulsory participation in education and training to 18 by 2015 has the potential to ensure that youth enter the labour market better prepared for work. However, *the part-time learning participation* option may bring in its wake some *enforcement* problems when job separation occurs. Under the current reform proposal, young people participating part-time who are fired by their employers or who quit voluntarily would not necessarily be required to participate in education or training full-time. Connexions services would support them with meeting the requirement to participate in learning – be it full-time or part-time alongside employment. As a result, there is a risk that unemployed youth allowed to continue to combine part-time learning participation and job search will spend much of their time looking for work. This raises

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<sup>2</sup>. For a definition of “upper secondary education” and a “basic school-leaving certificate” and how these concepts are measured for the United Kingdom and other OECD countries, see Chapter 2.

important enforcement issues such as: *i*) how long these young people should be allowed to search for a job before they are required to participate in education and training full-time; and *ii*) what mechanisms can be used to ensure active job search. On the other hand, for youth who become subject to a full-time attendance requirement, it may be difficult to find quality education and training provision starting soon after they stop working, although it has to be acknowledged that learning provision has become more flexible recently.

To improve retention rates in secondary education and ensure that youth have the basic skills needed to enter and progress on the labour market, the following measures could be envisaged:

- *Increase regular participation in quality early childhood education and care and ensure sustained intervention. The planned entitlement to 20 hours of publicly funded pre-school education for 3-4-year olds could be extended further, particularly for disadvantaged families, to align practice in England to that of many OECD countries. Special attention should also be paid to the transition into primary education. Children and their parents should be supported during this phase to ensure that the benefits of pre-school interventions are sustained. In addition, childcare services provided by Sure Start Children's Centres to 0-3-year olds should be targeted to disadvantaged families.*
- *Consider full-time participation in education or training for unemployed youth who have not found a job within three months of active searching and ensure that there is quality learning provision available starting at least once per quarter. This would moderate the enforcement issues arising from the possible combination of unemployment and part-time participation in training by clarifying that 16-17-year-old youth will not be allowed to remain unemployed or inactive for long if a job separation occurs, and there is adequate supply of quality full-time learning options available to them without much delay.*

### ***Ensuring the effectiveness of the 14-19 Strategy***

To increase retention in post-compulsory education and training, England has undertaken to broaden the learning options available to youth through the 14-19 Strategy. This broader offer of education pathways will also be instrumental to the introduction of the longer compulsory education and training requirement. Along with existing A-levels and GCSEs, the 14-19 Strategy includes the 14-19 Diplomas and Apprenticeships. Besides, this 14-19 learning offer will be underpinned by the Foundation and Learning Tier, available from 2010, which will rationalise and simplify the mix of qualifications available at entry and Level 1, and provide clear progression pathways to Level 2 qualifications.

Seventeen 14-19 Diplomas will be rolled out between 2008 and 2013 and will be available as an entitlement from 2013 on. The Diplomas will be available at three levels from foundation to advanced. Extended Diplomas have also been announced recently and will offer young people opportunities to broaden their studies at each level, with particular attention paid to additional English, maths and science learning. Diplomas will combine academic and vocational learning and will include work experience for a minimum of ten days as a key feature. In the longer term, the government envisages that

Diplomas will simplify the qualifications framework by building on the best of existing vocational qualifications. In addition, the government is planning to review A-levels in light of the outcomes achieved by the new Diplomas in 2013.

From 2013, all suitably qualified 16-19-year olds who wish to enter an apprenticeship will be entitled to a placement. In early 2008, the government also launched a two-month consultation phase on new legislation to expand the use of apprenticeships in the United Kingdom. Proposals include: *i*) the creation of a national apprenticeship service to lead the expansion; *ii*) targets for increasing apprenticeships in the public sector; and *iii*) a pilot wage subsidy programme to make it more attractive for small businesses to offer apprenticeships.

As apprenticeships will take on a more prominent role in the transition process, it is important that current problems with the framework are solved before the entitlement takes effect. First, gender segregation is a problem with current apprenticeships and, despite recent improvements, ethnic minorities continue to be under-represented. Second, apprenticeship places are currently insufficient to match demand and the situation is likely to worsen when compulsory participation in education and training is extended to the age of 18. Third, considerable variation exists across industries in terms of apprenticeship quality. Apprenticeships in the traditional trades – particularly in the manufacturing sector – provide more and better training, enjoy higher completion rates and guarantee higher post-completion returns. Manufacturing apprenticeships also record the largest share of apprentices hired externally – as opposed to existing employees starting an apprenticeship – which tends to favour new labour market entrants. Many service sector apprenticeships, on the other hand, are problematic under all these aspects.

Overall, active participation of employers in the delivery of the 14-19 Strategy, particularly through the offer of sufficient work placements for apprenticeships, will be essential to the success of all the initiatives. The cost of taking a trainee may be an issue for apprenticeship schemes in some industries, as well as for small and medium-sized enterprises. On the other hand, the 10% of employers currently offering apprenticeship places often pay well above the minimum recommended, suggesting that too-high apprenticeship wages may not be the only cause of insufficient placements. Some studies have suggested that other aspects of apprenticeships may involve high opportunity costs for employers. For instance, because returns from apprenticeships for employers tend to accrue closer to completion while costs are borne upfront, high drop-out rates turn out to be very expensive. Besides, small employers may find it difficult to provide training internally or to identify suitable training providers in remote communities, keeping them from offering placements.

To ensure that the provision planned within the 14-19 Strategy is met and is of high quality, the following measures should be considered:

- *Consider using Diplomas to simplify the academic and vocational qualifications framework. The new Diplomas should be seen as a first step towards the full implementation, in the longer term, of the proposals put forward in the Tomlinson report. The report recommended the creation of a unified framework of Diplomas under which young people would learn literacy, numeracy and other core subjects and would be able to choose a number of options including vocational courses. This recommendation will be*



particularly relevant when the administration reviews A-levels vis-à-vis the new Diplomas in 2013.

- *Fight gender segregation in apprenticeship training and improve participation of youth from ethnic minorities.* Recruitment of new apprenticeships should focus on improving gender and ethnic balance in all apprenticeship schemes, through the use of case studies and the provision of information to school pupils on the pay rates and working conditions in different industries. Current government proposals for so-called “critical-mass” pilots informed by positive discrimination rules in targeted areas may also have the intended effect of providing strong case studies and changing expectations among underrepresented groups.
- *Set guidelines on the minimum number of hours of training to be provided on an apprenticeship.* The existence of a substantial training component – whether on-the-job or off-the-job – is essential to apprenticeship training and should be ensured. Unfortunately, at present total hours of training per week – both on-the-job and off-the-job – vary considerably across industries, ranging from 5 in customer service apprenticeships to 29 in electrotechnical apprenticeships.
- *Promote employer-provided off-the-job training and the involvement of Group Training Associations in apprenticeship schemes.* There is evidence that the best quality training is provided by employers themselves. Training provided in-house also tends to promote the development of a training culture within firms with little experience of training. However, this option is often only available to large employers. For smaller employers in remote local communities, Group Training Associations – bodies bringing together a number of small employers for the purpose of training provision – have proved to be an effective way to offer apprenticeship places that provide high-quality training and should be promoted. Dedicated help to set up Group Training Associations should be among the tasks of the envisaged national apprenticeship service.
- *Set apprentice recruitment targets that favour jobless candidates.* At present, on average only 55% of apprentices are new to their employer, ranging from 70% in manufacturing industries to just 21% in hospitality. The remainder were already employees of the firm before training started. This is partly because providers in charge of recruiting apprentices tend to concentrate on those who already have a job to fulfil their targets, making little effort to attract and place new applicants. Remuneration schemes could seek to offset this hiring bias by including targets for the placement of new applicants, particularly in industries where they are under-represented.
- *Take action to raise apprenticeship completion rates.* Several actions may help increase completion rates: i) better selection of apprentices; ii) better quality of off-the-job training; iii) more monitoring and follow-up during the apprenticeship to identify trainees at risk; and iv) greater efforts to re-direct drop-outs to another, more suitable apprenticeship, as is done in Denmark and Germany where completion rates are higher. The introduction of a trial period may also help eliminate, within a short timeframe, those who have made the wrong choices. Finally, mentoring of apprentices, alongside

*supervision, could help raise completion rate and this is an area where Union Learning Representatives could help.*

- *Ensure more involvement of unions in the design of new qualifications with a work-based component. In countries with a long tradition of apprenticeship training, unions are a key player alongside employers and the institutional actors. In Germany, unions have been instrumental in securing action from employers when apprenticeship places proved to be insufficient to meet demand. In England, unions should be involved in the design of apprenticeships and other work-based learning initiatives alongside Sector Skills Councils – industry-specific bodies actively involved with government to develop the skills that business needs. While some Sector Skills Councils include trade union representatives, this is not a requirement and serious consideration should be given to making it one.*

### ***Improving the design and coherence of the new activation strategy for disadvantaged youth***

The United Kingdom moved from passive to active management of unemployment benefits a decade ago and the mutual obligations approach has informed public employment services for the unemployed ever since.

In terms of action for unemployed youth, the New Deal for Young People (NDYP) was introduced in 1998 with the objective of improving the employability of long-term unemployed youth and helping them find a job. Early evaluations of the NDYP were rather positive although they already pointed to limited sustainability of outcomes – *i.e.* some young people fell back into unemployment soon after exiting the scheme. However, the performance of the NDYP has worsened over time. The share of young people leaving it for employment was very high immediately after the programme was introduced – in 1998, it stood at 64% – but fell rapidly thereafter, from 55% in 1999 to 47% in 2006. This deterioration is partly explained by the fact that significantly fewer youth are able to participate in the subsidised employment option – which evaluations have shown to be the most effective one – than when the programme was launched because of a shortage of placements. Sustainability of outcomes still remains a major issue, with one in five youth who leave the programme entering jobs lasting less than 13 weeks.

In light of these developments, the government is in the process of reforming the various New Deal schemes – including the NDYP – to create a single new programme. The new scheme will have a more flexible and personalised approach for more disadvantaged customers. For young people, two features will be key. First, youth will be able to count time spent in NEET before they turn 18 towards the six months required for entry into the new programme. Second, the new system will allow fast-tracking of individuals facing particularly severe barriers to work. Hence, young people who lack the skills required to find a job will get faster access to the right training provision.

The flexible New Deal will make increased use of partnerships with private, public and voluntary sector providers and will place fewer restrictions governing their activities. The government will also introduce a Star Rating system that will inform performance management and contribute to decisions on awarding future contracts to providers. In this way, the government is hoping to improve performance, increase competition and



obtain better cost-effectiveness. The experience with the Employment Zones pilots shows that more freedom to design tailored interventions and payment schemes aimed at incentivising early entry to jobs and sustainable outcomes yield significantly better employment outcomes than the current New Deal programmes. Unfortunately, the Employment Zones pilots were not tendered for on a competitive basis so it is difficult to draw conclusions on the procurement strategy that the government is planning for the flexible New Deal. However, since 2007, Employment Zones have allowed jobseekers to choose their provider, a mechanism that could improve cost-effectiveness if jobseekers are informed about providers' performances and exercise their choice on the basis of such performance.

With few exceptions, the programmes mentioned above are available from age 18, leaving behind a hard-core group at high risk of labour market and social exclusion. This group includes many youth who disengage from education after completing the compulsory schooling requirement and spend several months in NEET before becoming entitled to unemployment benefits and re-employment support. For them, intervening earlier is crucial. At present, in the United Kingdom, this group of difficult 16-17-year olds is directed to Connexions which has a double mandate of providing advice and guidance on learning and career options to all youth aged 13-19 and of providing more intensive and personalised support to at-risk youth in this age group. While users have expressed overall satisfaction with Connexions services, stakeholders have identified gaps in services, particularly in terms of helping youth at high risk of marginalisation and pointed to the need for more resources in terms of funding and staff time. The Activity Agreement pilot could make it easier for Connexions to reach and assist at-risk youth. The scheme includes a small allowance paid to such youth in exchange for compliance with an agreement on a series of actions they should take to move into education, training or employment with training. Indeed, the absence of benefit/services against which engagement from youth can be demanded makes it difficult for Connexions to provide continued support.

In 2008, responsibility and funding for Connexions will be devolved to local authorities that will acquire a considerable degree of flexibility in the way they configure youth support services. This is an opportunity for better tailoring of services to local needs and for strengthening support for youth at-risk. The Education and Skills Bill, currently passing through Parliament, includes proposals that local authorities be directed to continue to deliver a number of operational processes and standards that are seen as key to a successful Connexions service. These include access to personal advisers with a minimum level of qualifications, retention of the Connexions brand and the maintenance of vital information flows to inform client tracking.

To help the hard-core of very disadvantaged youth, the United Kingdom might also wish to consider the introduction of a *residential* programme for them, with a strong focus on remedial learning and employment assistance. The long-standing Job Corps in the United States could provide a good model for such a programme. However, such an initiative would be costly: Job Corps slots cost well over USD 22 000 each. But the social benefits can be significant: some, but not all, rigorous evaluations of this scheme have shown positive benefit-cost ratios for very disadvantaged youth.

The following actions are recommended:

- *Increase incentives for employers to take on long-term unemployed youth on work placements.* In the flexible New Deal, long-term jobseekers who do not move into employment while with a provider will be required to undertake at least four weeks of full-time work-focused activity. To ensure sufficient placements with regular employers, it is important that employers' incentives are increased through: i) the introduction of a New Deal employer-centred adviser to ensure that employers' needs are met; ii) greater consistency in ensuring clients' employability before they are sent on a placement; and iii) more adequate training subsidies and placement durations to meet the requirement that training on the placement must lead to a nationally recognised qualification.
- *Lengthen the definition of a sustainable employment outcome.* A change in the definition of a sustainable job from one lasting at least 13 weeks in the NDYP to one of at least 26 weeks in the flexible New Deal – as currently proposed by the UK government – is in line with OECD recommendations in this area and would help reduce churning between short jobs and benefits. However, the government should go further and tie part of providers' remuneration to achieving sustainable employment outcomes of up to two years or more, in line with OECD recommendations in this area.
- *Ensure greater competition between providers in the flexible New Deal.* This could be ensured by shifting providers' market shares in response to provider performance – as measured by the Star Rating system. Allowing jobseekers to choose their provider could also be considered if Employment Zones' evaluations show that this enhances cost-effectiveness.
- *Ensure that adequate provision of key Connexions services continues as responsibility and funding move to local authorities.* The move will provide an opportunity to tailor services to local needs. At the same time, it is important that current efforts to improve services for youth at-risk are intensified, that numbers of suitably qualified personal advisors are increased in the Connexions partnerships where staff shortages have been identified as a constraint to service provision, and that vital information flows to inform client tracking are maintained.
- *Consider the introduction of a residential-type programme to provide intensive support for the hardest-to-place young people.* This hard-core group is likely to include youth with complex needs who are very difficult to mobilise and cumulate a number of problems ranging from behavioural difficulties to alcohol and drug abuse. For this group, a residential programme with a strong focus on remedial education, work experience and adult mentoring may well represent a new start in a proactive environment.

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