

Centre for Local  
Economic Strategies

# briefing

## Localised approaches to tackling youth unemployment

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The latest set of unemployment data suggests that over 1 million young people aged between 16-24 are currently unemployed. In an economy restricted by recession and sluggish business growth, this is a significant challenge. It is a challenge for young people in terms of their confidence, skills and employment future; and it is a challenge for local economies in terms of output, productivity, and ability to attract investment. The current Government's approach to tackling youth unemployment has been one of demand side intervention, focusing particularly upon the payment by results framed Youth Contract. In this CLES Briefing, we explore the emerging policy context around youth unemployment and offer our thoughts upon a more localised approach to tackling the issue.

### Introduction and context

The Coalition Government has set out its stall to tackle the UK's economic deficit through a mixture of cuts to public finances, and incentives for growth and job creation. The bulk of government policy has had these dual themes at their heart. The welfare reform agenda seeks to reduce the costs associated with welfare and move people from welfare into work. The cities agenda, as highlighted in the City Deals, seeks to enable growth, competitiveness and job creation through decentralising powers to city governments; and the economic incentivisation agenda, as provided through Local Enterprise Partnerships, Enterprise Zones, and the Regional Growth Fund, seeks to pave the way for growth through tax breaks and other incentives for the private sector.

### Approaches to regeneration and economic development

The approach of the Coalition to regeneration and economic development differs markedly from that of the previous Labour administration. Where the previous focus of policy was upon place and areas of disadvantage and deprivation, the emerging focus is one of people and growth. The emphasis of regeneration, a term which in itself has lost significant credence, has shifted from an area based focus and special funding to narrow gaps in economic and social inequality, to one where the emphasis is upon providing incentives and flexibilities to maintain and stimulate growth.

Politicians and policymakers would argue that both approaches have their negativities. The area based approach did not have that much success in attracting jobs and growth opportunity to the most deprived localities; it certainly did not reduce gaps in economic output between different parts of the UK. The growth and people based approach may simply exacerbate inequality, as those localities with the ability to mobilise their communities and with existing growth, are the ones most likely to take advantage of incentives for private sector development.

This emerging emphasis upon growth has come at a time when the UK economy has remained bedraggled by recession; with a stabilisation of growth and output as opposed to an increase. The rhetoric of the Government's growth agenda is focused upon rebalancing the economy to enable areas of growth beyond London and the South East, and to reduce the reliance upon the public sector by incentivising the private sector to create employment and become more competitive.

### **The consequences of policy approaches for unemployment**

A key consequence of recession and the emphasis placed upon rebalancing, whether intended or unintended, has been the significant growth in unemployment particularly amongst young people aged 16-24. As the deficit has bitten, the private sector has ultimately not been able to grow enough to supply the jobs required by the growing demand. Intervention to tackle unemployment has come in the form of incentivising predominantly the private sector to secure job outcomes. Operating on a payment by results basis, the flagship Work Programme pays prime contractors to move people from largely Jobseekers Allowance (JSA) into work; this has been followed by the Youth Contract, another means of incentivising the private sector to create jobs, this time for young people.

The growth agenda and the Work Programme in particular, strikes CLES as being an overly stimulus driven approach to economic development. In many ways, it goes against the grain of the localism agenda by offering centrally driven approaches to tackling unemployment, initiatives which are not necessarily reflective of local need and individual circumstances, and a heavy emphasis upon the private sector as the driver of growth.

### **A localised approach**

To address the challenge of youth unemployment in particular, there is a need for a much more effective balance between centralised growth focused policy; and localised intervention which is reflective of the local economic base and the skills and knowledge of those in local government and other public authorities. The provisions of the Localism Act around powers for cities to promote economic growth, such as City Deals, and the introduction of Local Enterprise Partnerships with a remit to create employment opportunity, are positive incarnations of this thinking. However, there is a need for a much more effective join up of these localised approaches, with demand focused programmes such as the Work Programme.

Our question would be: how can a more localised approach to tackling youth unemployment in particular be enabled? This briefing paper discusses this question in more detail by:

- examining the scale of youth unemployment in the UK;
- identifying the policy approach of the Government to tackling youth unemployment;
- exploring the merits of localised approaches to tackling youth unemployment.

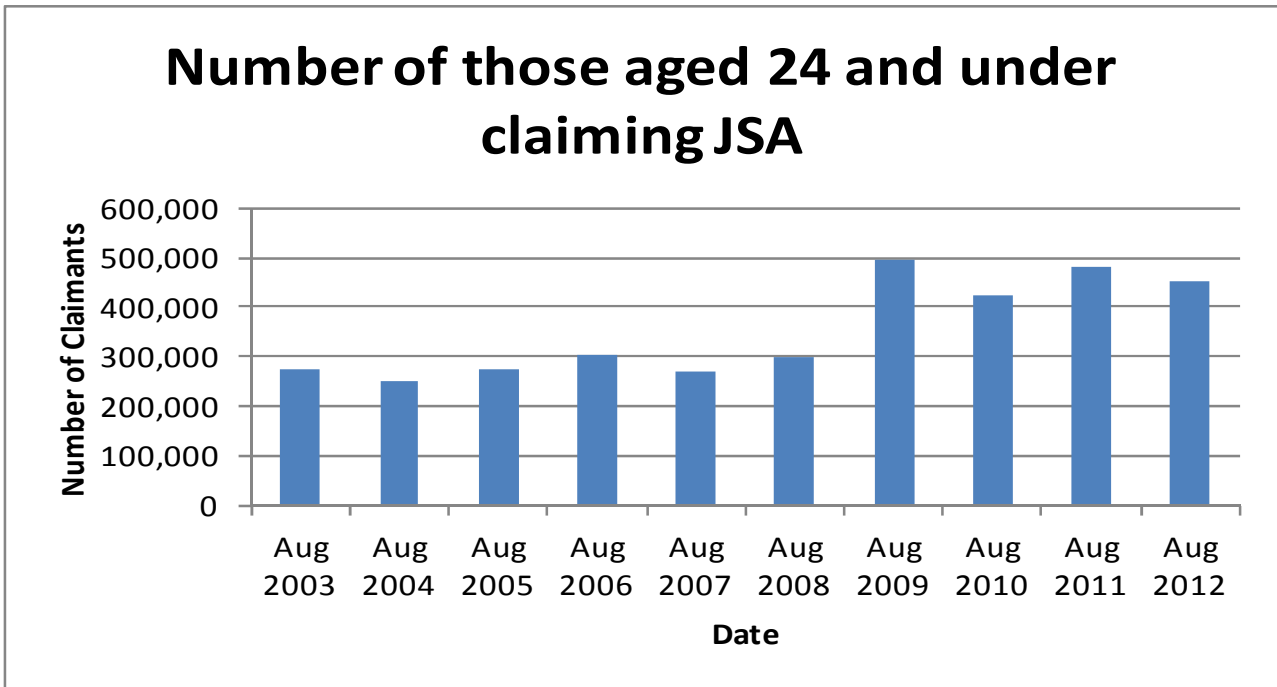
This briefing paper has been informed by wider research undertaken by CLES and Alex Rowe, a postgraduate student at the University of Manchester. The research sought to identify 'what works well in tackling youth unemployment' from the perspective of local government.

### **The scale of the youth unemployment challenge**

Growing levels of youth unemployment is one of the key challenges facing the UK economy. The number of young people claiming JSA and other out of work benefits has increased and stagnated since the onset of recession in 2008; with the longevity of claims of JSA increasing with larger numbers of young people claiming for longer than twelve months.

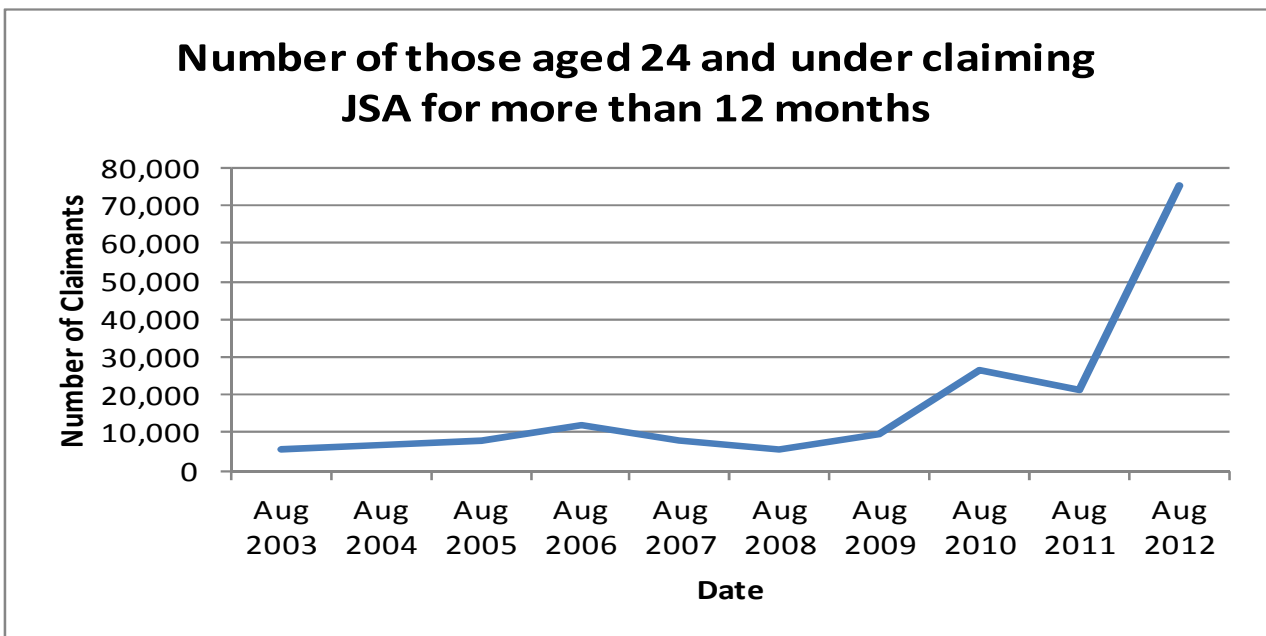
Taking claimant count as a starting point, Figure 1 highlights the number of those aged 24 and under claiming JSA in August of each of the last ten years. It is clear that the number of claimants of JSA peaked at just under 500,000 at the height of the recession in 2009, with currently 453,520 people aged 24 and under claiming JSA (August 2012).

**Figure 1: Number of those aged 24 and under claiming JSA**



Perhaps more telling of the challenge of youth unemployment and the need for intervention, is the significant growth in the number of people aged 24 and under claiming JSA for a period of more than twelve months. Figure 2 highlights that 75,220 people aged 24 and under have been claiming JSA for twelve months or more (August 2012); this is a significant increase on the 21,200 which had been claiming for twelve months or more in August 2011. Indeed, it represents a 255% increase.

**Figure 2: Number of those aged 24 and under claiming JSA for more than twelve months**



Assessing claims of JSA is just one measure of understanding youth unemployment. Many young people, particularly those aged between 16-18, struggle to claim JSA. This means that the Intermediate Labour Market Organisation definition of unemployment provides a far more telling picture of youth unemployment. Gathered through the labour force survey, and encompassing everyone who is not working but looking for and available for work, this measure (as of March 2012) points to a youth unemployment rate of 21.2% (over 1 million young people), significantly higher than the rate for those aged 25 and upwards, which as of March 2012 was 5.8%.

## **Historic policy responses**

Tackling youth unemployment is not a new policy issue. In 1997, the election of the New Labour Government sparked a new impetus towards reconnecting young people with the labour market, making youth unemployment a national priority. This is evidenced in the myriad of largely supply policy intervention discussed below.

### **New Deal for Young People**

This culminated in the launch of the New Deal for Young People (NDYP) in April 1998 which pledged to 'get 250,000 young unemployed off benefits and into work'. The NDYP was based upon a mix of support and sanction:

- firstly, there was the carrot, which was the NDYP's focus on clients' individual needs and circumstances through providing assistance in job searches and training;
- secondly, there was the stick, which included incentives for young people to improve their employability by threatening to withdraw JSA support if they did not actively participate in the programme.

### **Working Neighbourhoods Fund**

In response to the onset of the recession, the Labour Government created the Working Neighbourhoods Fund (WNF), which aimed to streamline funding to the most deprived parts of the country. The WNF approach increased the scope for local authorities to deliver youth employment services, by implementing strategic targets in a more joined up manner. Through Area Based Grants, local authorities and partners were given the flexibility to allocate funding resources to whichever scheme it prioritised. Nonetheless, one criticism of the WNF's approach was that youth unemployment had to compete with other priorities, which often meant that youth unemployment was not always the top priority.

### **Future Jobs Fund**

In 2009, the Labour Government launched The Future Jobs Fund (FJF), as part of the Young Person's Guarantee. The FJF aimed to provide around 150,000 six month work experience contracts for young people with predominantly local authorities and voluntary and community sector organisations. The FJF represented a shift in emphasis towards a demand side approach by targeting those between the ages of 18-24 who had been on JSA for at least six months. On the whole, out of the 105,222 participants on the FJF programme (between 2009 and 2011), 43% of participants obtained a job outcome after FJF, with the majority of cases with the same employer.

## **Contemporary youth unemployment policy**

Tackling unemployment has also been a key policy theme for the Coalition Government. The Coalition Agreement in May 2010 set out the Government's priority to streamline the existing myriad of employment initiatives into a single Work Programme. The Work Programme is largely delivered by private sector contractors, with people referred once they have been claiming JSA for a certain period of time (for young people aged 18-24, this was initially after six months), and who are then provided with a series of support to be brokered into employment.

The Work Programme forms part of a wider package of measures to address unemployment which sit under the 'Get Britain Working' banner. The measures, which are largely delivered by Jobcentre Plus and include work clubs and sector based work academies, are designed to move people towards employment before they have to be referred to Work Programme contractors. The challenge with the 'Get Britain Working' measures, specifically the Work Programme, has been that they have often not been engaging for young people, hence the introduction of the Youth Contract.

The core objective of the Youth Contract, introduced in the 2011 Pre Budget Report, is to make young people more appealing to employers and to create sustainable employment in the private sector; hence a core linkage to the shift in approach from place to growth, as described earlier. The Youth Contract provides a series of demand side stimulus packages designed to incentivise the recruitment of young people aged 18-24 by predominantly commercial sector business; this also includes apprenticeships. There are also some supply side interventions designed to provide advice and develop the skills of young people. Accessibility to supply side intervention will largely come first; with the demand side interventions coming to the fore once an individual is referred to the Work Programme.

## **Supply side interventions**

### ***Jobcentre Plus adviser support***

The Youth Contract seeks to provide more flexible Jobcentre Plus adviser support for all 18-24 year olds. Access to advisers will become more frequent, being weekly as opposed to fortnightly; and young people will continue to have access to the full breadth of Jobcentre Plus support, including work clubs. This is available in England, Scotland and Wales. The enhanced support will also include access to a National Careers Service guidance session within three months of registering for JSA (England only).

### ***Work experience and work academy***

The Youth Contract places greater emphasis on Jobcentre Plus' work experience scheme, with 250,000 further places announced for the scheme and work academies. It seeks to help young unemployed people gain the experience needed to secure a job before they are referred to the Work Programme. Work experience is available for 16-17 year olds from the first day of their claim, and for 18-24 year olds from week 13 of their JSA claim. Placements last between two and eight weeks at a diversity of employers. This is available in England, Scotland and Wales.

Sector based work academies offer a mix of training and work experience to JSA claimants over the age of 18 who have been claiming for over three months. Claimants remain on benefit for the duration of the training and experience which can last for up to six weeks, with a guaranteed job interview at the end of it. Additional work academy placements are available in England and Scotland only.

## **Demand side interventions**

### ***Wage incentives***

The Youth Contract's core demand side initiative is wage incentives for employers of up to £2,275 each for those who recruit an unemployed 18-24 year old from the Work Programme. Following closely the principles of the previous Government's Future Jobs Fund, the wage incentives are paid for six months for full time placements of young people at largely private sector employers. The placements will be largely offered to claimants who have been on JSA for over nine months and who have already been referred to a Work Programme contractor. This is available in England, Scotland and Wales.

### ***NEETs***

The Youth Contract also includes a specific payment by results initiative for 16-17 year olds not in employment, education and training (NEET) with no GCSEs. Like the Work Programme, a series of private and voluntary and community sector organisations are providing the support, with payment made once the young person has been in education, work or training for six months. Contracted by the Education Funding Agency (EFA), the initiative aims to provide intensive support to enable 16-17 year olds to move into education, training or employment opportunities. This applies to England only.

### ***Apprenticeships***

The Youth Contract also commits to providing 20,000 apprenticeship grants for employers. The apprenticeship grants are targeted at small to medium sized employers who take on their first apprentice aged 16-18. In order to qualify for the grant, employers must:

- confirm that they would not have taken on the apprentice in absence of the incentive payment;
- commit to employ the apprentice for a minimum of twelve months;
- agree to pay the minimum apprenticeship wage of £2.60 per hour.

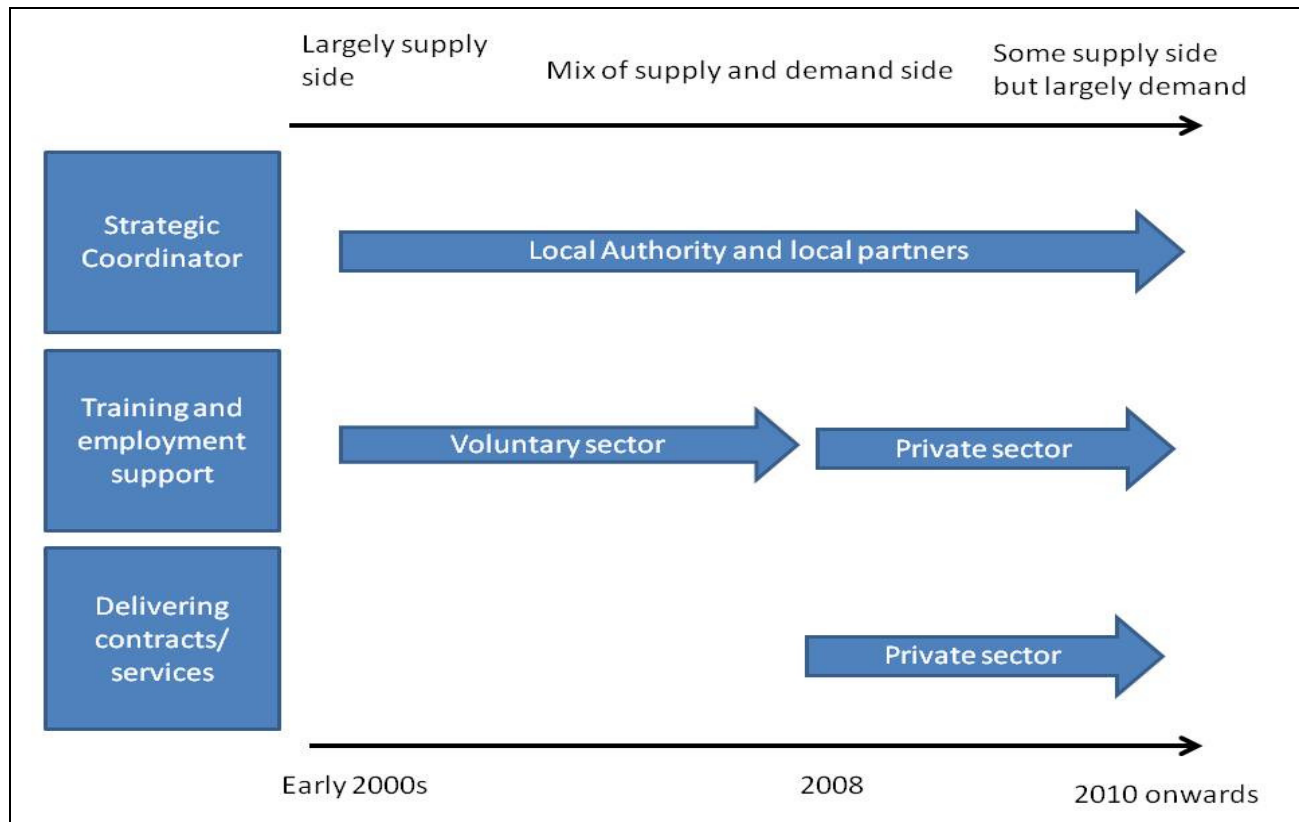
This applies to England only.

## **Localised approaches to tackling youth unemployment**

The above discussion around both historical and contemporary youth unemployment policy has highlighted an interesting dynamic. Under both Labour and Coalition Governments, there has been an emphasis placed upon top down and centrally driven intervention, with a degree of local authority involvement as facilitators of grants, and voluntary and community sector involvement as providers of specific support to claimants. The driver of policy has often been the Department for Work and Pensions in conjunction with Jobcentre Plus; with increased involvement of private sector employment brokers as policy has moved towards more of a payment by results basis and a demand side basis.

This shift is nicely reflected in Figure 3. It highlights that the gradual shift in the youth unemployment policy landscape, from supply side towards demand side intervention, has had a significant effect upon the role of key policy actors. Overall, the role of the local authority has remained static, whereas the private sector has taken over the voluntary and community sector's role in providing targeting and training. Furthermore, the direction of the arrows indicates a change in their relationship, emphasising a shift from a 'supply side' towards a 'demand side' approach. This is underpinned by a change in the macro-economic policy being adopted by Labour and Coalition Governments, which is exercised through their degree of faith in the markets to lead the economy out of recession.

**Figure 3: The changing nature of youth unemployment intervention**



CLES believes that any employment support intervention must have localised involvement through local government and the voluntary and community sector. This enables need to be identified and, importantly, tailored solutions to be developed. To understand what this localised role should constitute, as part of the research utilised to develop this briefing paper, we spoke to a number of local authority officers about their existing role in strategising and delivering youth unemployment policy and intervention.

A recurring insight that the vast majority of local authorities experienced was that their ability to influence the youth unemployment agenda was limited, as they remained peripheral insiders within a private sector dominated model of youth unemployment service delivery. Nonetheless, there remained some measures local authorities were adopting and 'lessons that needed to be learnt' in regards to 'what authorities can do', which are illustrated by the following themes.

**Supply side interventions**

***Through partnership working***

Local authorities are generally working in partnership with private and voluntary and community sector prime contractors and sub-contractors, to ensure that employment support delivery is framed within local priorities and strategy. They are also providing strategic advice and signposting upon the types of tailored support specific client groups require through Work Programme delivery. This is particularly important in ensuring that young unemployed people receive the right level of support and services.

### ***Through integrated services***

Local authorities are seeking to tackle youth unemployment through providing informal youth employment support services, such as job searches and CV clinics, through existing provision (e.g. they are bolting employment support onto the activities of 'one stop shops', sitting alongside wider advice around revenues, and providing signposting to wider support such as training).

A major barrier towards tackling youth unemployment is long term intergenerational worklessness. In response, local authorities are tackling this problem by working with parents as part of community budgeting and other integrated service initiatives. By involving parents in the journey young people take towards finding employment, young people are able to receive internal support from family networks, which reinforces the formal advice provided by youth unemployment services, support and training.

### ***Raising aspiration and the value of work***

It is important that the minimum wage for apprenticeships provides a greater incentive than the existing level of support provided by JSA. To resolve this inconsistency, one response by local government has been to educate young people about the future financial rewards that apprenticeships and entering the labour market in the long term has to offer.

## **Demand side interventions**

### ***Employer engagement***

Employer engagement is an essential aspect of demand side policy responses to youth unemployment, since the private sector is a direct source of jobs and can also provide training. Local authorities have therefore had a role in developing strategy around employer engagement and supporting the link between claimants and Work Programme providers.

### ***Apprenticeship subsidies***

An additional demand side response from local government has been to directly subsidise apprenticeships for young people. This approach often involves the local authority paying half the wages of an apprentice, with the private sector providing the other half. In some localities, through procurement frameworks, the subsidy has often been met in full by suppliers seeking to create apprenticeships to maximise the local economic benefit of construction schemes.

### ***Linking young people to growth***

Local authorities are seeking to address youth unemployment by capitalising upon potential employment growth opportunities provided through Enterprise Zones. As part of employer engagement strategies, local authorities have a role as a conduit between growing business, apprentices and young people.

## **Supply/demand interventions**

### ***Through regeneration initiatives***

Involving young unemployed people in major regeneration projects has worked well in some local authority areas; this has largely come through the implementation of training and recruitment agreements negotiated with developers in the same style as a 106 Agreement. A similar mechanism involves adapting procurement law to exercise community benefit clauses which creates future opportunities, subject to conditions of awarding public contracts.

## **Conclusion**

This briefing paper has sought to explore emerging policy around youth unemployment and assess the correlation and inter-linkages between growth focused and locality focused approaches to addressing the issue. Whilst the policy of government is very much around utilising private sector growth to stimulate job creation and private sector organisations to enable brokerage into employment opportunity, CLES would suggest that there is a key role for local government and other local partners in enabling change at the locality level around youth unemployment.

The following steps are for local authorities and partners towards enabling a more localised approach to youth unemployment:

- develop local youth unemployment partnerships which encompass local authorities, other public sector partners, the voluntary and community sector, and Work Programme providers;
- strategically combine and link the activities and priorities of the Local Enterprise Partnership, growth stimulation initiatives (e.g. Enterprise Zones), the local authority, and Work Programme providers to focus in part upon youth unemployment;
- embed the issue of youth unemployment into the procurement process, raising awareness of the voracity of the issue with suppliers, and seeking to influence change in their behaviour;
- link agendas around work, skills and health in commissioning activities in order to adopt a whole place approach to economic and social regeneration. Enable behaviour change through family intervention programmes;
- provide labour market intelligence for Work Programme providers, enabling more effective targeting of young people;
- act as a conduit between providers, employers and claimants through employer engagement activity and strategy.

In addition to the above, there must also be a role for local government in creating jobs. Any support activities for the move towards and into employment has to be matched with job creation, whether that be directly through levers such as procurement, or wider investment and economic development strategy and relationships.

Briefing is one of a series of regular policy reports produced by the Centre for Local Economic Strategies (CLES). CLES is a not-for-profit think/doing organisation, consultancy and network of subscribing organisations specialising in regeneration, economic development and local governance. CLES also publishes Local Work, Bulletin and Rapid Research on a range of issues. All publications are available as part of CLES membership services. To find out more about membership visit the CLES website or contact CLES to request a membership leaflet.

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