



The British Chambers of Commerce believes that the high number of British young people who are not in education, employment or training is storing up serious economic problems for the future, and must be addressed now.

Summary

Skills are a key driver of economic growth and are vital for the sustainability of the economy. As skilled older workers retire from the labour force, businesses require a sufficient supply of appropriately skilled young people to replace them. However, despite significant economic growth between 1997 and 2007, over one million young people aged between 16 and 24 were not in education, employment or training (NEET) throughout the entire period.

Young people are being disproportionately affected by the worst economic conditions for seventy years. With the BCC's own projection of unemployment peaking at just over three million,¹ young people are unable to find jobs at all skill levels. This will further constrain the supply of skilled employees in the future. Unless there are serious attempts to address this problem right away, there will be damaging consequences for UK businesses and future economic growth.

Problem

- Businesses require a consistent supply of appropriately skilled young people in order to replace retiring workers and to meet new skills needs. If a young person is NEET, it means that they are not acquiring the skills that the economy needs. Even short periods of worklessness can have a detrimental impact upon a young person's future utility to the economy.


- The British economy still has a disproportionately high number of young people who are NEET compared to other advanced economies. Despite significant public spending increases in compulsory education, and targeted schemes for young people who are unable to find employment, the numbers of NEETs has remained static since 2001, accounting for around 13% of the 16-24 cohort.²
- Young people are being disproportionately affected by the current economic downturn. Unemployment among 16-24 year olds in England alone has risen from 700,000 in February 2008 to 947,000 in September 2009,³ and nearly one in five are now actively seeking work.⁴ Young people are often the first to be made redundant, while it is currently much harder for them to find work after leaving full-time education.
- Despite these figures, even in the current recession British businesses have been unable to source appropriately skilled workers for positions at many levels. This means that there is a serious gap between the skills of unemployed young people and the needs of employers.
- Many employers find that young people often do not even have basic skills for employment such as functional literacy and numeracy, or other communication skills. Many also do not have qualifications. One quarter of NEETs who are 18-24 had no qualifications, compared to 5% of non NEETs.

¹ BCC Economic Forecast – September 2009

² Economic & Labour Market Review, Vol 3, No 4, April 2009.

³ ONS Labour Market Statistics – September 2009.

⁴ Guardian, Thursday 13 August, pg.4.

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- From the mid-1990s, businesses have filled skills gaps through migrant labour. The BCC Workforce Survey 2008 shows that one in four businesses have migrant workers in employment. Many employers say that they would rather give jobs requiring lower skills to non-British workers because they have better overall skills, experience, work-ethic and productivity compared to their British counterparts.⁵

Recent Government Policies

In the 2009 Budget, the Government announced a £1billion 'Future Jobs Fund' for 2009-2011, intended to create 150,000 jobs for young people who have been unemployed for over twelve months which was we believed was is too late to apply targeted help as studies show that lasting damage is done to skills and career prospects earlier than this. However, in the Pre-Budget Report 2009, the Chancellor announced that this period would be shortened to six months, having taken note of the lobbying of various groups.

The New Deal for Young People is aimed at people aged 18-24 who have been unemployed for over six months to help them find sustainable employment. From October 2009, the Flexible New Deal programme will take over, offering personalised tailored back-to-work support to jobseekers, and paying providers by results, although this scheme is likely to be beset with similar problems to its predecessor.

The Government has planned widespread reform of the 14-19 education system. They believe that changes to the system will tackle educational disaffection and provide the skills needed by employers. The flagship reform is a suite of 14-19 Diplomas which cover all the major occupational groups within the economy. Based on a mixture of academic and vocational learning, students are taught functional skills, and will undertake a project to develop their independent learning skills. While both the BCC and businesses locally are supportive of Diplomas, and the principles underlying 14-19 reform, care needs to be taken to

ensure that the qualifications are of high quality, and have the support of teachers.

The Government has also created a statutory framework for apprenticeships which they hope will become a mainstream option, expanding to 400,000 places by 2020. The BCC believes that this policy will help address the UK's skills problems in the medium term, but apprenticeships must be primarily based in the workplace rather than the classroom.

The Education and Skills Bill 2008 raised the compulsory participation age in education, or employment with training, to 17 by 2013 and to 18 by 2015. In preparation for this, the Government has created a 'September Guarantee' of a place in education or training to every 16 and 17 year old. This will only be effective if suitable provision is found for young people who have been disengaged at school. Schools and colleges must start working with employers of young people now to ensure that there is suitable training available for young people who would rather take up employment with training than stay in full time education.

In November 09, the Government published a further skills white paper called *Skills for Britain*. The paper commits the Government to reducing the complexity of the skills system, focussing funding in favour of skills within priority sectors, and measuring delivery by employment. The paper also moots the creation of a 'technical class' through a massive expansion of vocational education, and the creation of technical specialist colleges for 14-19 year olds. While the paper heads Labour's skills policy in the right direction, it is a case of 'too little, too late' and it is unlikely that we will see any of the plans reach real fruition within the life of this parliament.

⁵ BCC Workforce Survey 2008.



Education reform

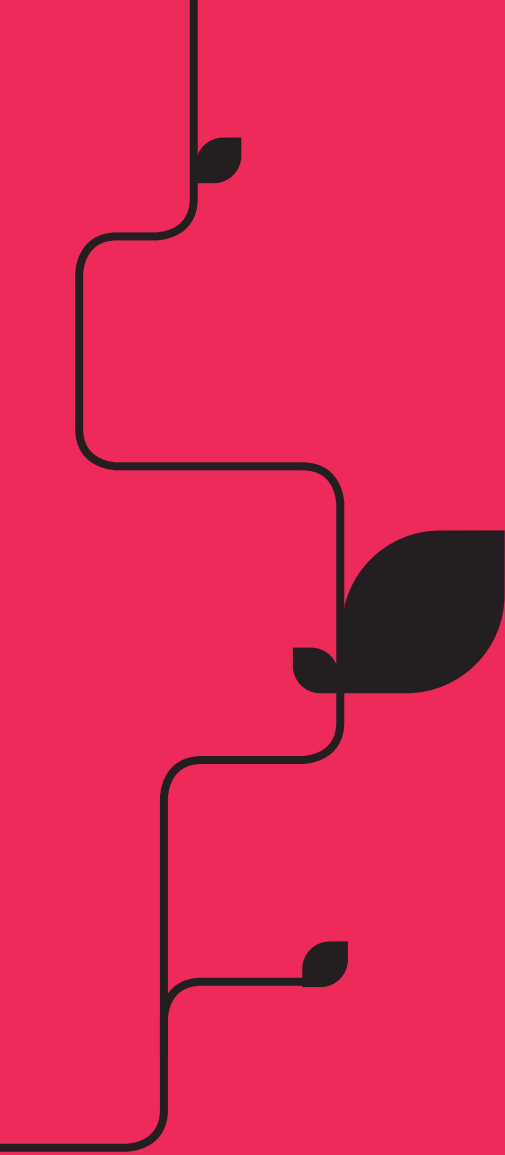
It will be impossible for apprenticeships to make inroads into the number of NEETs without educational reform of the pre-16 system. Many of the problems associated with NEETs such as disaffection and a lack of qualifications are sown early in the education cycle.

Careers advice and work experience also needs to be improved and woven into the education system more strongly. This should also start from an earlier age in order to keep young people on track, understand the goals of their education and help them make the right choices.

Education also needs to become a more effective catalyst for entrepreneurialism for young people. Through better integration of education and business, young people could become better exposed and more receptive to commercial ideas, and thus become more employable and enterprising.

Reform needs to go further than the 14-19 age range, targeting children from deprived backgrounds from the outset to make sure that they don't slip behind in key communication skills, literacy and numeracy.





APPLICABILITY

England only.

CONTACTS

For further information on the BCC's position please contact John Lucas, Policy Adviser at the BCC on: j.lucas@britishchambers.org.uk or Tel: 020 7654 5806.