

Youth Unemployment

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West Midlands
Regional
Observatory

1 Background data

The West Midlands has large numbers of young people who are disengaged from the labour market. Data from 2007, before the recession, show that the unemployment rate for 16-24 year olds was 16.1%, almost four times the rate for people aged 25 to retirement (4.2%). In addition to this almost a third of people claiming Jobseekers Allowance (JSA) across the region were aged 18 to 24. This situation is being exacerbated by current economic conditions which are increasing the numbers of young people who are out of work.

There are several useful sources of information on young people and unemployment which can be used to examine youth unemployment and the impact of the recession on young people:

Data Source		Pre-recession picture	Latest data
NEETs¹	Number of 16-18 year olds NEET	12,000 (Nov07-Jan08)	13,000 (Nov 08-Jan 09)
	% of 16-18 year olds NEET	7% (Nov07-Jan08)	7% (Nov 08-Jan 09)
Jobseekers Allowance Claimants²	Number of 18-24 year olds claiming JSA	31,000 (2007 avg.)	51,000 (May 09)
	% of JSA claimants aged 18-24	30% (2007 avg.)	29% (May 09)
	Claimant rate (18-24 yr olds)	6% (2007 avg.)	10% (May 09)
ILO unemployment³	Number of 16-24 year olds unemployed	65,000 (2007)	96,000 (Jan-Mar 09)
	Unemployment rate 16-24 year olds	16% (2007)	23% (Jan-Mar 09)
	Number of people aged 25 - retirement age unemployed	89,000 (2007)	150,000 (Jan-Mar 09)
	Unemployment rate for people aged 25 -retirement age	4% (2007)	7% (Jan-Mar 09)

¹ Not in Education, Employment or Training. Source: Connexions/DCSF

² Office for National Statistics claimant count

³ International Labour Organisation definition of unemployment. Office for National Statistics APS/LFS

Most of these data sources show that the numbers of young people out of work have increased substantially during the recession. The number of young people aged 18 to 24 claiming JSA has increased by over 60% to 51,000. This means that one in ten young people in the region are now out of work and claiming JSA. An even greater proportion, closer to one in seven, is classified as unemployed using the ILO definition of unemployment.⁴

A recent report from the EHRC, DWP and GEO⁵ found that young people have been adversely affected by the recession and together with men and those in deprived areas have so far been the worst affected. Nationally the employment rate for young people has decreased by more than three times as much as other age groups and their unemployment rate has increased by more than double that of other age groups.

Regional data also show that young people in the West Midlands have suffered more in the recession than older age groups with larger increases in their unemployment rates and claimant rates compared with those aged 25 to retirement. For example, the unemployment rate for 16-24 years olds has increased by 7 percentage points since 2007, compared to a 3 percentage point increase for those aged 25 to retirement.

The West Midlands compares poorly to other regions on youth unemployment. In 2007, the youth unemployment rate in the region was the second highest of all the regions, with only London having higher rates. The latest data show that young people (aged 16-24) in the West Midlands now have a higher rate of unemployment than in any the other region and, at 23.4%, the rate is far higher than the UK average of 17.6%.

The 51,000 young jobseekers in the region cost £2.6 million each week in JSA benefit alone (rate £50.95). The costs are much greater than this if you consider additional benefits paid to those claiming JSA (housing benefit, council tax benefit, free prescriptions etc) as well as the loss of income tax. Of the 51,000 young JSA claimants, 80% are newly unemployed and have been claiming for less than 6 months.

On top of the 51,000 young people claiming JSA, a further 15,000 young people are out of work and claiming Incapacity benefits. Although this is a smaller proportion than for other age groups, it is a worrying figure given that many people claiming Incapacity benefits remain on this benefit for many years (60% of claimants have been claiming for over five years).

⁴ International Labour Organisation definition of unemployment includes those who are actively looking for work and available to start work.

⁵ Equality and Human Rights Commission, Department for Work and Pensions and Government Equalities Office (June 2009) 'Monitoring the impact of the recession on various demographic groups'

2 Why does youth unemployment matter?

For those young people who are finding it difficult to gain employment there can be long lasting consequences. Previous research has estimated that unemployment in youth results in a 'wage scar' by age 42 of between 10 and 15% (8-10% if repeat unemployment is avoided).⁶ The same research also found that youth unemployment increases a person's chances of future unemployment up to 10 years later. Other personal costs to young people of being out of work include damage to their confidence and self esteem.⁷

The current economic conditions are making it more difficult than usual for young people who are leaving education and due to enter the labour market and it is important that they are given as much support as possible to prevent them becoming long term unemployed. This is particularly important for those young people with low level skills.

Burgess et al. (1999) looked at a cohort of young people who were entering the labour market in 1981, during the recession, when unemployment generally was high and the labour market was particularly difficult for young people. They found that for the young people with low skills (although not high or mid-skilled young people) there was a 'lasting adverse effect' of the high aggregate unemployment at the time in that they have subsequently experienced higher unemployment rates across several years. They say "the 'Class of 81' have continued to feel the impact of the deep recession that coincided with their entry into the labour market".⁸

As well as the costs of youth unemployment to the individuals there are also costs to wider society. There is a link between unemployment and crime and this is particularly evident for young people who are more likely to be unemployed when arrested than people aged over 25. Research has found that nearly two thirds of young people were unemployed at the time of their arrest.⁷ The costs of youth crime to the economy are significant - the Prince's Trust estimated the cost of youth crime in the West Midlands in 2004 was £71 million.

3 Barriers to work

Young people who are out of work can face some quite distinctive barriers to entering employment. In particular, their age means that they are likely to have little or no work experience and employers can be reluctant to take on people who may not have a good work history or references.

⁶ Gregg, P. and Tominey, E. (2004) 'The Wage Scar from Youth Unemployment' CMPO Working Paper Series No. 04/097, University of Bristol

⁷ The Prince's Trust (2007) 'The Cost of Exclusion: Counting the cost of youth disadvantage in the UK'

⁸ Burgess S, Propper C, Rees H, and Shearer A, (1999) 'The Class of 1981: the Effects of Early Career Unemployment on Subsequent Unemployment Experiences' Centre for Analysis of Social Exclusion, paper 32

A report by the British Chambers of Commerce on NEETS ⁹ says that there are a number of reasons why young people become NEET. Educational disaffection, family disadvantage and poverty, being in care, teenage motherhood, having special educational needs, being a young carer, belonging to certain BME groups, and participating in crime and risk activities all increase a young person's risk of becoming NEET and can act as additional barriers to finding work.

An analysis of over 6,000 young people who had been through the New Deal for Young People found that 80% of participants had at least one of four known markers of disadvantage - living in social rented accommodation, having no qualifications, suffering from a health problem or disability expected to last for more than a year, or having no job prior to their unemployment spell- and 40% experienced multiple disadvantage.¹⁰ The same research also found that the barriers to work mentioned most frequently by the young people were that there were no jobs nearby and a lack of personal transport.

It seems that being young can present barriers to work in itself, for example having no work experience or lacking personal transport. In addition to this young people who are NEET or unemployed are more likely to face general disadvantages, such as poverty or health problems, that add to their barriers to gaining employment.

4 Policy response

The Government has introduced several new measures to try to tackle youth unemployment and prevent currently unemployed young people from becoming unemployed in the long term. The **Future Jobs Fund** (a £1 billion fund) was introduced in the budget and aims to create 150,000 new jobs, 100,000 of these specifically aimed at young people who are coming up to a year of claiming JSA.

Also announced in the budget was the **Young Person's Guarantee**. This provides a guarantee of a job, work-focused training or meaningful activity to young people aged 18-24 before they reach the 12 month stage of their claim for JSA. The Future Jobs Fund will provide some of these jobs and the other initiatives which make up the offer are support to take an existing job in a key employment sector, a work-focused training place or a place on a Community Task Force.

Another policy initiative, less about trying to counteract the effects of the recession but similarly focused on young people, is the **14-19 reform**. This is a large programme of reform and key elements include increasing the minimum leaving age from education and training to 17 by 2013 and 18 by 2015, introducing new qualifications and reviewing current qualifications, expanding apprenticeships and moving responsibility for children up to the age of 18 to Local Authorities. The aim of these reforms is to encourage more young people to remain in education and training for longer and ultimately increase the skill levels of young people.

⁹ British Chambers of Commerce (2008) 'Lost Talent – Not in Education, Employment or Training', October 2008

¹⁰ Bryson A, Knight G, White M (2002) 'New Deal for Young People: National Survey of Participants: Stage 1' Employment Service Report Ref. ESR44

Currently young people (aged 18-24) have to take part in the New Deal for Young People (NDYP) once they have been claiming Jobseekers Allowance for 6 months. In October 2009 the **Flexible New Deal** will replace the NDYP in some areas. The Flexible New Deal will offer increasing levels of support to young jobseekers but also introduces an element of conditionality. There are four stages to the programme. The first three stages (which cover the period up to 12 months of a claim for JSA) involve job search activity through Jobcentre Plus with support from a personal adviser. After 12 months the jobseeker moves into the Flexible New Deal stage which is managed by specialist providers from the public, private and voluntary sectors and involves a greater level of personalised support. There is a focus on sustainable employment with the specialist providers being paid based on sustained (26 weeks) job outcomes.

In July, a new scheme to help graduates in the West Midlands was launched by the regional minister Ian Austin which has been drawn up by universities, business groups, Jobcentre Plus and Advantage West Midlands. The **West Midlands Graduate Internship Programme** will help graduates who are struggling to find work through the provision of training places, reduced cost post-graduate courses and work placements lasting up to six months.

5 Summary

There are large numbers of young people out of work in the region and the numbers are rising in response to the changing economic conditions. The recession, so far, has affected young people's unemployment rates more than any other age group. Youth unemployment is increasing across the country but is a particular problem in the West Midlands as the region now has the highest youth unemployment rate of all the regions.

Helping young people into work is vital if we are to avoid long lasting consequences for the young people themselves and wider negative impacts on society and the economy. Young people who experience unemployment are more likely to experience future spells of unemployment and have lower wage levels for up to two decades.

Young people can face many different barriers to entering employment, from a lack of work experience or transport to other disadvantages such as health problems or low qualifications. The recession is also introducing additional barriers as the labour market becomes tighter and the opportunities and demand for labour reduce.

The Government has introduced a number of new policies to try to make sure that the current generation of young people is not written off to long term unemployment. The most prominent of these is the Future Jobs Fund and Young Person's Guarantee which aim to provide long term unemployed young people, with a new job, training or work experience.